

Annex 1
to the Minutes of the Annual General
Shareholders' Meeting
of PJSC IDGC of the North-West
No. ___ of _____

APPROVED
by the Annual General Shareholders'
Meeting
of PJSC IDGC of the North-West
of _____ (Minutes No. __)

Chairperson of the meeting

_____ /

Provisionally adopted by:
the Board of Directors
of PJSC IDGC of the North-West
of 28.04.2020 (Minutes No. 362/39)

Annual Report 2019

PJSC IDGC of the North-West

General Director
of PJSC IDGC of the North-West

_____ A.Yu.Pidnik

INTEGRATED ANNUAL REPORT 2019 of PJSC IDGC of the North-West

Overview of the Report

The present 2019 Annual Report of PJSC IDGC of the North-West (hereinafter – the Annual Report, the Report) was compiled on the basis of the information available to the Company as of the moment of its preparation.

The Report reflects the performance of PJSC IDGC of the North-West, its branches, subsidiaries and affiliates.

Within this Report, PJSC IDGC of the North-West is also referred to by the terms “Rosseti North-West” (due to the transition to the unified brand architecture from June 2019), “we”, “the Company” and “the Issuer”.

The Report discloses production and financial performance results and contains an overview of corporate and social responsibility activities in 2019. Unless otherwise stated, the financial indicators in the Annual Report are provided and calculated on the basis of the IFRS consolidated financial statements. The performance data shown in this document represent consolidated data of the IDGC of the North-West Group.

The Report was prepared in line with international and Russian standards and regulatory requirements, as well as PJSC Rosseti requirements to the reporting of its subsidiaries.



Moreover, the Report also tackles activities aimed at reaching the UN sustainable development goals.

Details of the Report, the process of its development and materiality definition, as well as responsibility for the information disclosed in the Report, see the section “About the Report”.

Key focus

The key focus of the Report is “Responsible Development”. We aim to present Rosseti North-West as a socially responsible advanced company with convenient services, reliable power supply, meeting highest possible standards of sustainable development, implementing innovative projects, including those of “Digital Transformation 2030”.

Some definitions and forward-looking statements

Some of the statements herein may include assumptions or forecasts regarding future events in the IDGC of the North-West Group. Such statements are marked by the expressions “plans”, “will be”, “is expected”, “will occur”, “estimates”, “will total”, “will happen” etc., as well as expressions including negation and other similar phrases. These are merely forward-looking statements; the real developments or results may significantly differ from those specified. Numerous factors may cause considerable deviations of the actual performance of the IDGC of the North-West Group from the assumptions or forecasts. The Company is not in any way liable for the damages of individuals or legal entities which they may suffer from their own actions based on the forward-looking statements. Except in cases stipulated by the law, the Company does not take on any commitment to review or verify the expectations and estimates, nor to publish updates or modifications of the forward-looking statements contained herein subject to further events or new information received.

The information about the Company’s management is provided according to Federal Law No. 152-FZ “On personal data” dated 27.07.2006.

Some values in the tables, graphs and diagrams herein may differ from the sum of their components due to rounding.

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STRATEGIC REPORT

Address by the Chairperson of the Board of Directors of PJSC IDGC of the North-West

Dear shareholders, partners and colleagues!

Reviewing the past 2019 reporting year I wish to point out that despite the external and internal adversities, the Company finished the year with a positive financial result: its net profit under IFRS comprises RUB 1,080.7 million.

For the first time in the Company's history, interim dividends were paid for nine months of the reporting year in the amount of RUB 191.6 mln. This decision was based on the Company's acquired stable financial situation.

Bringing the Company's debt position in line with the target limits as of 31.12.2018 by order of the Board of Directors, including the Company in the solvency group 'A', and compliance with the requirements of the credit policy regulations in 2019 led Analytical Credit Rating Agency (JSC ACRA) to confirm the credit rating 'AA+ (RU)' according to the national rating scale, with the outlook "Stable".

Following the path of dynamic development, the Board of Directors ensured the fulfilment of its key functions: approving plans of activities and monitoring their implementation, defining the risk management principles and principles of the internal control and audit, motivating and assessing the performance of the executive bodies, ensuring implementation and protection of the shareholders' rights.

In order to increase operational efficiency and to conduct spending cuts the Company approved a plan of actions of PJSC IDGC of the North-West aimed at ensure break-even power transmission services rendering operations, as well as compliance of the operating expenses with the level stipulated in the tariff and balance decisions, by each branch of the Company, starting 2019. The activity plan developed by order of the Board of Directors provides a number of measures in various areas of the Company's activities for the period up to 2023.

PJSC IDGC of the North-West is a part of the Rosseti Group operating in seven constituent entities of the Russian Federation's North-Western Federal District. A unified federal brand – Rosseti – is a guarantee of high quality and sustainability for all interest groups, while the reputation capital gained gives managerial and economic preferences, and contributes to creation of added value.

To ensure visual unity with the parent company, promotion of the brand Rosseti in the regions of the Russian Federation, interrelation of the consumers, representatives of the regional authorities, potential investors and other stakeholders, the Board of Directors made a decision to join the unified corporate brand of PJSC Rosseti approved by the Board of Directors of PJSC 'Rosseti'.

The Company keeps working on improving its corporate governance. According to the assessment of an independent consultant, the performance of the Board of Directors is consistent with the strategic principles of the Company and key recommendations of the Corporate Governance Code. The Company's corporate governance system also complies with the current legislation of the Russian Federation, PJSC Moscow Exchange listing rules and generally corresponds to the best practices of corporate management of the leading Russian companies. For further assessment (self-assessment), a methodology for assessment of the Board of Directors and Committees of the Board of PJSC IDGC of the North-West was approved.

The Company continues the practice of face-to-face meetings of the Board of Directors Committees, and engagement of independent directors in the work of the Board. Thus, three independent directors have worked in the present membership of the Board of Directors.

The priority of the Company for the upcoming period is to implement the programme of digital transformation of PJSC IDGC of the North-West approved by the Board of Directors for the period up to 2030.

Digital transformation, as an engine for development of all sectors, including the energy industry, will ensure growth of the Company's efficiency, improvement of power supply reliability for consumers, increase in accessibility of grid infrastructure, and high-quality fulfilment of the Company's social functions.

I am confident that the efforts of the Board of Directors aimed at improvement of the Company's work quality will ensure further development of the Company and attainment of its objectives.

**Sincerely,
Chairperson of the Board of Directors
of PJSC IDGC of the North-West**

O.A. Sergeeva

Address by the General Director

[GRI 102-14]

Dear shareholders!

Rosseti North-West is a key element in the infrastructure of Northwest Russia. The Company's activities underpin reliable and uninterrupted power supply to consumers, daily life of the operations area, economic and social stability.

Reliable power supply, production results

In terms of climate, the year 2019 was really challenging for the power industry employees. At once several cyclones bringing about abnormal weather conditions hit the territory of Rosseti North-West branches. The Company's professionals worked day and night in extreme conditions mitigating the consequences of the disasters. I'd like to note that, despite the difficulties, the Company performed its objectives of ensuring reliable power supply to consumers.

In 2019, owing to implementation of operational programmes, the Company reduced the fault rate in 35+ kV grids by 3% against 2018. Overhaul was completed at over 10.5 thousand km of power lines, 15.8 thousand hectares of overhead power lines routes were cleared.

Investment projects

In 2019, the Company implemented several large investment projects. In the Murmansk Region, power grid infrastructure was completed for power supply to the centre for construction of large-capacity marine facilities. Rosseti North-West built two 150 kV OL with the length of 56.45 km for this major Russian gas infrastructure facility. A large project was implemented on construction of a digital substation – 110/35/10 kV SS Yuzhnaya with the total capacity of 80 MVA and access lines of 10, 35 and 110 kV OL with the total length of 11.55 km in Cherepovets. The commissioning provided the capacity for new residential areas, enterprises and social facilities. Renovation was completed at SS No.283 of 110/10 kV Zavelichye – a crucial power source of Pskov. It ensures power supply to 50 thousand residents of the regional centre and over 20 adjacent communities.

The upgrade of the current facilities and new capacity commissioning are essential for the development of the regions and the growth in the country's economy as a whole. It is important to be proactive in this respect. This should be taken into account in the development of a balanced long-term tariff policy to protect the interests of all stakeholders and align our plans with the regional development programmes.

Financial performance

The development of the power grid facilities and arrangement of reliable and seamless power supply to consumers and industrial capacities is impossible without financial stability. The Company Rosseti North-West made net profit in 2019 again. This indicator under IFRS amounted to RUB 1.08 bln. The total 2019 revenue comprised RUB 49.1 bln. The EBITDA was RUB 7.1 bln.

Innovations

The Company kept implementing projects on digitalisation of the power grid facilities and the country's economy in general. In 2019, at the Russian Investment Forum and the St.Petersburg International Economic Forum, we signed eight agreements with the regions of operations on strategic partnership within the framework of the concept "Digital Transformation 2030". Thus we laid the foundations for an entirely new level of reliability, efficiency, accessibility, manageability and client focus.

Plans, objectives, projections for the next year

The Company's performance in 2019 demonstrates that we had mapped out the right way for the development strategy. In the future, we are going to face more demanding, but also more exciting tasks requiring the best possible mobilisation of our internal resources and improvement of our own efficiency. Rosseti North-West management aims to retain and enhance the economic stability of the Company, as well as the status of a socially responsible business for the benefit of the shareholders and consumers.

**Sincerely,
General Director
PJSC IDGC of the North-West**

A.Yu.Pidnik

Company overview



About the Company

**Modern reliable energy
supplier**



Primary activities

The Company Rosseti North-West is the main operator rendering services of power supply and connection to power grids in the Arkhangelsk, Vologda, Murmansk, Novgorod, and Pskov regions, the Republic of Karelia and the Republic of Komi.

Fixed assets [€U4]

The total length of the power transmission lines –	The number of 35+ kV voltage substations –	The capacity of main substations –
177.1 thousand km.	1,180	19.52 thousand MVA

History of the Company

The Company was founded in 2004 within the reform of the Russian power industry. PJSC IDGC of the North-West became one of the 14 interregional grid companies. A feature of the Company's operations is strong consumer demand in the regions of its footprint. The major shareholder is PJSC Rosseti (55.38%). More detailed information on the Company's history can be found on the official website: <http://www.mrsksevzap.ru/en/abouthistory>

Geographical scope of the activities

Rosseti North-West provides services in seven constituent entities of the Russian Federation with a total area of 1,409,726 sq. km. (8.23% of the whole territory of Russia), with the population of nearly 5.7 million people (4% of the whole population).

Natural monopoly

The Company is a natural monopoly regulated and controlled by the government. The Federal Antimonopoly Service and regional energy commissions separately set tariffs and quality standards of the services in the constituent states of the Federation, protecting consumer interests.

About the Company

Factors of investment appeal



Key factors

Competitive advantage

- High level of power supply reliability
- Low level of power losses
- Increase in capacity connected
- Productivity improvement
- Stable financial growth

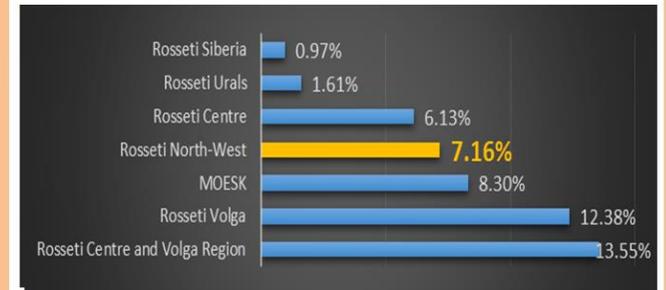
Market share
Market share in power supply services in the operations area is **74%**

Free-float is 30.19%

Capitalisation as of 31/12/2019

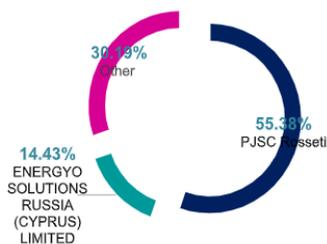
5,115 million rubles

Dividend yield*



* <https://www.moex.com/ru/listing/dividend-yield.aspx>

Equity structure



9 579 million rubles
CHARTER CAPITAL

Securities market review



ACRA credit rating is AA+ (RU), outlook "stable" AKPA
On 08 August, 2019 Analytical Credit Rating Agency (ACRA) confirmed the Company's credit rating as AA+ (RU), with the outlook "stable".

Key performance indicators

Key performance indicators

Key indicators of the year

In 2019, Rosseti of the North-West again proved its financial stability, net profit of the Company according to international financial reporting standards was RUB 1.08 bln. While successfully overcoming various challenges, including abnormal weather conditions, the Company managed to fulfil all the entrusted obligations regarding power supply to its consumers. During the reporting period Rosseti of the North-West implemented a number of large investment projects and continued to carry out projects in the field of digitalisation, and thereby increased its level of reliability and effectiveness.

Operational indicators

[EU12] Power supply and losses



Technological connection



Indicators of reliability

Rates of accidents at sites, pcs.



SAIFI and SAIDI



Financial indicators

[GRI 102-7] Revenue, net profit



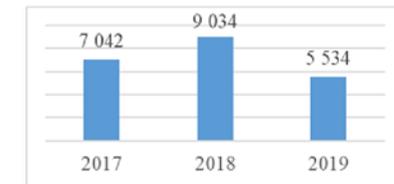
EBITDA, profitability of EBITDA



Dividends



Capital investment, RUB mln incl. VAT



Indicators of sustainable development

Expenditures and investments in environmental protection, RUB mln



Labour productivity, conventional units per person.



Expenditures on labour protection, RUB mln



Greenhouse gas emissions, tonnes



Taxes and insurance contributions to the budget, RUB mln



SO₂, emissions, tonnes



Key performance indicators

Energy of the modern comfort

Rosseti North-West offers its consumers a wide range of opportunities for convenient interaction with the Company. A priority area of relationships with consumers is development of remote services which allow to provide services as quickly as possible.



Evaluation of customer loyalty and satisfaction:

4.8 out of 5 regarding the quality of information provided in the offices
4.8 out of 5 regarding professionalism
4.8 out of 5 regarding friendliness of staff

Plans for 2020

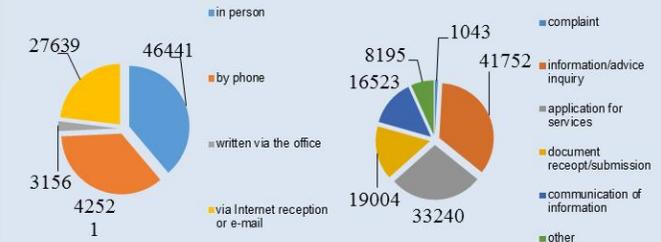
- Introduction and promotion of the Portal ТП.РФ. (technological connection) mobile application.
- Organisation of a unified application channel through a Personal account in the Portal ТП.РФ.
- Transition of the telephone services to a common number of Rosseti companies group 8-800-220-0-220.
- Development of the system for providing additional services.

Consumer interaction

The official website of Rosseti North-West (www.mrsksevzap.ru) is an efficient remote service for consumers that offers the following interactive tools:

- **A personal account** of a consumer (allows a customer to follow the stages of application processing on technical connection of their power receiving devices from the moment of the application submission till the actual connection and signing of the act on technical connection);
- **Internet-reception** (allows to send applications and letters of intent on technical connection, to apply for additional services, to send appeals, to fill out consumer questionnaires; and has answers to the frequently asked questions).

DISTRIBUTION OF APPLICATIONS BY TYPE **DISTRIBUTION OF APPLICATIONS BY CATEGORIES**
 In 2019 the Company received 119,757 consumer applications



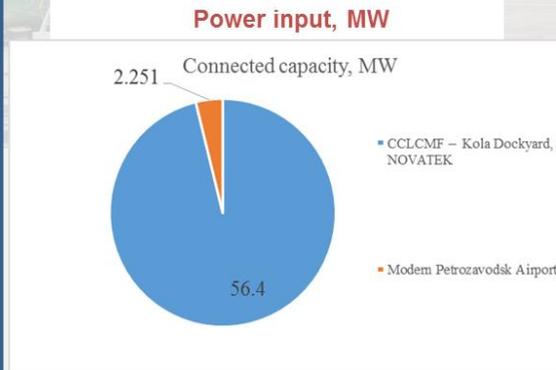
Out of the total number of requests received by the Company in 2019



Key performance indicators

Energy of the modern business

Major business chooses Rosseti North-West for the implementation of its projects.
 “Energy is the engine of economy, and the need to upgrade regional energy systems by using digital technologies responds to contemporary challenges. This is particularly important when forming a deliberate long-term tariff policy in order to respect the interests of all the parties.”
 Artem Pidnik, General Director of PJSC IDGC of the North-West



* <http://www.mrsksevzap.ru/news/feed=1384336981117&news=1384351954439>

Large advanced projects of 2019



Energy for development

Construction of OL of 150 kV from L-160 and from L-129 to the electrical substation of 150 kV Belokamenka for the technological connection of LLC Kola Yard



The object was put into operation in the 4th quarter of 2019 to provide with electric power a large project of Novatek Company to build a centre for construction of large-capacity marine facilities (CCLCMF – Kola Dockyard) in Belokamenka village on the western coast of the Kola Bay.
 The cost of the project is RUB 772 mln net of VAT.

Energy for flight

Construction of two PL of 10 kV with the length of 18.01 km with the installation of dual-transformer TS (transformer substations) of 10/6 kV 5 MVA and two CL (cable lines) of 6 kV with the length of 8.7 km in Petrozavodsk city and Prionezhsk region for technical connection of the state institution of the Karelia republic Petrozavodsk Airport.



The facility was put into operation in the 3rd quarter of 2019 for the development of air service of the Karelia Republic in response to the requests of the Government of the Russian Federation of 20/07/2018.

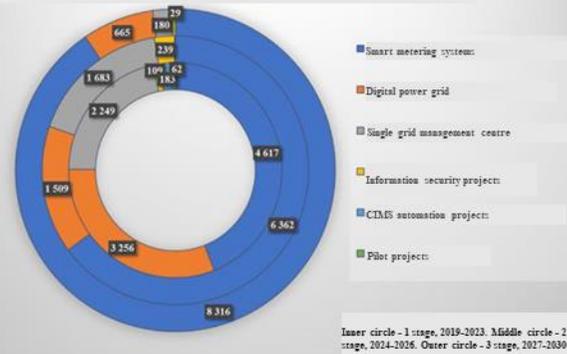


Key performance indicators

Digital transformation 2030 and advanced development projects

Rosseti North-West within the Concept 'Digital transformation 2030' implements the 'Programme on Digital Transformation of PJSC IDGC of the North-West 2020-2030'. The objective of the digital transformation is a change in the logic of the processes and transition of the Company towards risk-oriented management on the basis of digital technologies implementation and big data analysis.

Digital transformation programme areas, RUB mln incl. VAT



Effects and costs of the Programme 'Digital Transformation of PJSC IDGC of the North-West 2020-2030'



- Projected total investment costs till 2030 comprise RUB 29,471.34 mln.
- Expenditures on infrastructure and pilot projects within the Programme 'Digital Transformation of PJSC IDGC of the North-West 2020-2030' comprise RUB 8,033.33 mln
- Payback period is 16 years

Digital transformation of Rosseti North-West

Implementation of digital transformation in 2019

In 2019 implementation of the first stage projected for 2019-2020, and implementation of the second stage projected for 2019-2021, within a pilot project on digital transformation 'Digital overhead power transmission line 110 kV' has started. The following systems of remote monitoring and fault location of overhead lines have been installed and introduced:

- monitoring of wire tension and lightning protection cables ;
- determination of the existence of icy conditions and sticking of sleet;
- temperature measurement of the wire and ambient air;
- smart indicators of short circuit.



Key performance indicators

Modern standards of environmental protection

The main activity of the Company (transmission and distribution of electric power through power grids) affects our environment insignificantly. Nevertheless we aim to organise our work in a way to minimise any adverse environmental impacts.

Certification ISO 14001:2015

The Company achieved certification of the ecological management ISO 14001:2015.

In 2019

560.267 tonnes is the amount of total air pollutant emissions

In 2019

20.21 mln rubles is the amount of environmental protection costs and investments

1,298 items of bird protection devices (in total the Company has installed **4,862** items since 2015)



Practices in the area of environmental protection

- Decommissioning of the equipment containing polychlorinated biphenyls;
- Substitution of oil circuit breakers by vacuum and sulfur hexafluoride circuit breakers, which has allowed to decrease environmental pollution by transformer oil;
- Restoration of oil receivers, oil lines, and devices for backup oil collectors;
- Equipped waste storages;
- Transmission of waste of I-IV danger classes to specialised organisations;
- Analytical control of pollutant air emissions from stationary sources, conduction of instrumental measurements;
- Equipment of overhead lines of 35 kV and higher with bird protection devices;
- Construction and reconstruction of OPL 0.4-10 kV with the substitution of bare wire by self-supporting insulated wire.

The pattern of payments for negative impact on the environment, thousand rubles



Key performance indicators

Modern standards of sustainable development

Rosseti North-West is aware of the impact that its activities can have in the regions of the Company's operation, and therefore states that the Company's major priority is well-being of its employees and residents of the regions. Besides, the Company aims at organisation of its activities in a way to minimise any kinds of injuries among its employees, contractor personnel, and residents of these regions.

Key outcomes

ISO certification

In 2019 the Company successfully passed an inspection of the current quality management system of the Company conducted by certifying authorities for compliance with the requirements of ISO 9001:2015 (GOST ISO 9001-2015). Following the inspection it was concluded that QMS of the Company is being preserved and developed in accordance with the principle of continuous improvement.

The Company has planned transition to international standards of the development of health protection and staff security management systems ISO 45001. The top management of the Company completed trainings on the good practices regarding safety management on the basis of this standard.

Collective agreement

According to experts the Collective agreement of Rosseti North-West allows to maintain stability in the Company, and guaranties social security of the employees.

"The document signed today proves our status of a socially responsible company. I am confident that this agreement will become an efficient tool for supporting employees."

Artem Pidnik, General Director of PJSC IDGC of the North-West

Gender distribution of staff (men and women as a percentage)

**73% (8) / 27% (3) The Board of Directors
63% (5) / 38% (3) the Management
78.5% (11,447) / 21.5% (3,132) Staff**

**100% is percentage of the personnel covered by the agreement [GRI 102-41]
5.13% is active turnover of the company**

Commitment to the UN sustainable development goals

The company operates according to the UN sustainable development goals (SDGs). Reliable power supply makes a significant contribution for the achievement of the following SDGs:



* <http://www.mrsksevzap.ru/news?feed=1384336981117&news=1384353643156>

Key performance indicators

Highlights of the year



Investment projects

Commercial investment projects

- Rosseti North-West connected to its power grids LLC Kola Yard and Petrozavodsk International Airport in the Republic of Karelia

Large socially significant projects

- Rosseti North-West completed the last (fourth) stage of the implementation of its investment project on the construction of the substation 110/35/10 kV Yujnaya with OPG 110/35/10 kV in Zashkensk region in the city of Cherepovets in order to ensure development of the city while increasing reliability of the power supply of the current socially significant objects, and of those to be built within the general plan of the city development.

Agreements with regions [GRI 413-1]

In 2019 within major business forums Rosseti North-West signed eight agreements with the regions on strategic partnership within the Concept 'Digital transformation 2030':

- At the Russian investment forum an agreement on partnership with the Administration of Pskov region was signed;
- At the St. Petersburg international economic forum seven agreements with the heads of the regions of the Company's operation were signed.

Unified brand architecture

[GRI 102-2] In June 2019 the Company started to use for all internal and external communications, and also for all corporate identity carriers the Rosseti umbrella trademark with a regional reference Rosseti North-West.

Corporate management



Analytical Credit Rating Agency (ACRA) confirmed the Company's credit rating at AA+ GQ. The highest level of management quality.

Dividends of 2018

Based on the results of 2018 the Company decided to pay dividends in the amount of 381.7 RUB mln (AGM Protocol of 14/06/2019 № 14).

Dividends of 9M 2019

Based on the results of 9 months of 2019 the Company decided to pay dividends in the amount of 191.6 RUB mln (AGM Protocol of 31/12/2019 № 15).

Annual reports contests for 2018

The annual report of PJSC IDGC of North-West for 2018 was awarded by the Moscow Stock Exchange, Galaxy Awards, MarCom Awards, and LACP.

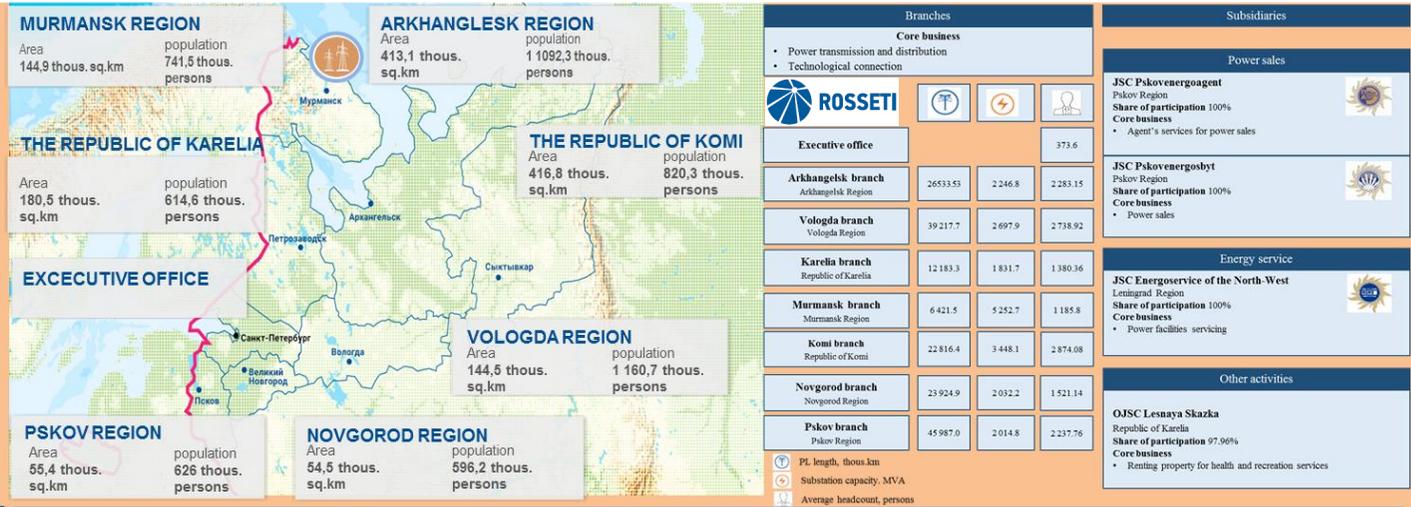


The Company's geographical footprint

Geographical footprint

[GRI 102-4; GRI 102-6; GRI 102-7]

Structure and geographical footprint



The Company Rosseti North-West operates throughout seven federate entities in the north-west region: the Republic of Karelia, the Republic of Komi, Arkhangelsk, Vologda, Murmansk, Novgorod, and Pskov regions.



In 2019 the construction of an overhead power grid 150 kV with the length of 58.4 km was completed in Murmansk region within the agreement on technical connection of LLC NOVATEK-MURMANSK aimed at power supply of the production facilities of the Centre for construction of large-capacity marine facilities (CCLCMF) of LLC NOVATEK-MURMANSK (with a maximum power consumption of 56.4 MW). Governor of Murmansk region Andrei Chibis, Chairperson of the board of PJSC NOVATEK Leonid Mikhelson, General Director of PJSC IDGC of the North-West Artem Pidnik participated in the grand opening ceremony. Construction of energy grid facilities in the region of the western coast of Kola bay contributes to the development of arctic region and energy industry in the arctic zone of Russia.

* More detailed information on involvement of PJSC IDGC of the North-West in the subsidiary business enterprises and other organisations can be found in the Annex 1 of the Annual report. ** Information on the main productive assets can be found in the Annex 2 of the Annual report.

Business model

Business model

How we create value for our stakeholders

OUR RESOURCES

	2017	2018	2019
Productive capital			
Length of the PL, thousand km.	176.1	176.4	177.1
Transformer capacity, MVa	26,741.2	26,509	26,823.4
Substations (>35 kV), pieces	1,172	1,176	1,180
Intellectual capital			
Intangible assets, RUB mln	28.3	31.6	17.4
Investments to R&D, RUB mln excluding VAT	39.34	12.47	9.61
Financial capital			
Equity capital, RUB mln	18,237	19,345	19,811
Borrowed capital, RUB mln	14,334	15,544	15,295
Human capital			
Average number of employees, persons	14,661	15,627	14,595
Including those with professional education	85.6%	86.5%	87.6%
Natural Capital			
Water use, thousand m ³	149.29	147.19	142.34
Social and reputational capital			
Credit rating of ACRA	-	AA+(RU), outcome stable	AA+(RU), outcome stable
Customer satisfaction level (on a five-point scale)	4.8	4.8	4.8

OUR VALUES

- Reliability
- Human resources
- Efficiency
- Safety
- Social responsibility

SHAREHOLDERS' INTERESTS

- Reduction of budget deficit of operational costs
- Development of non-tariff services and increase of the revenue form their implementation
- Productivity growth

INCREASE OF COMPETITIVENESS

- Streamlining of the logistics system LS and centralization of procurement
- Reduction of energy loss

DEVELOPMENT INTERESTS

- Achievement of the required tariff level, ensuring the Company's development
- Digital transformation of the activities
- Standardisation of business processes and improvement of the organisational and functional structure
- Efficiency gain of the investment activities

SUSTAINABLE DEVELOPMENT

- Ensuring of reliable, qualitative and safe power supply of the consumers
- Prevention of growth of injured in the accidents

STRATEGIC PRIORITIES

We ensure power supply through interregional lines and provide services on technological connection to energy grids*. Our major consumers are population, industrial companies, government and social facilities.



TECHNOLOGICAL CONNECTIONS 1,298 RUB mln
Proceeds from the technical connections are hard to anticipate due to changes in the consumers' plans..

POWER SUPPLY 42,931 RUB mln
The greatest part of the power supply is financed by the energy suppliers.

HOW WE MANAGE OUR ACTIVITIES

Labour protection

Reduction of the level of staff injuries at the each stage of production process is the Company's priority. See details on p.119

Environmental protection
We undertake all possible measures to minimise negative impact on the environment. See details on p. 123.

Staff development

We promote the staff's professional development in order to increase operational efficiency and motivation. See details on p. 108

Corporate management
We aim to stick to high standards of corporate management and follow best international practice.
Corporate values
Our corporate values motivate the employees to achieve 98% best results without prejudice to safety, ecology, and without violation of ethical principles. See details on p. 131

Risk management

We continually monitor the risks connected to our activities. See details on p. 194

Interaction with stakeholders
For compliance with mutual interests there is a continual interaction with the stakeholders. See details on p.

VALUE ENSUREMENT FOR THE STAKEHOLDERS

SHAREHOLDERS

1,081 RUB mln net gain on IFRS
6.23% level of power loss
80.4 c.u. per person.
Labour productivity (▲ 8.3%)

CONSUMERS

1,316 thousand km. of PL put into service (▲ 13%)
32,437.3 million kWh is the amount of productive power supply form the grid
20.4 thousand pieces of implemented treaties with 450 MW connection capacity (▲ 3.5%)

FINANCIAL ORGANISATIONS

1,177 RUB mln payments of interest on the borrowed capital

SUPPLIERS AND CONTRACTORS

1,449 is the amount of procurement
17,711.1 RUB mln is the total amount of procurement**

EMPLOYEES

9,881.33 RUB mln costs of salaries
218.6 RUB mln costs on the social field

STATE BODIES AND LOCAL COMMUNITIES

7,659 RUB mln is the amount of taxes and insurance premiums transferred to the budget;
164 RUB mln of investments to the social infrastructure;
1.9 RUB mln of costs on the ecological projects

CONTRIBUTION TO THE UN GOALS OF SUSTAINABLE DEVELOPMENT



* Beside major activities the Company also provides other services on power supply.

** Excluding purchases, services regulated by the legislation of the RF (on prices (tariffs), energy supply (transit), energy acquisition to compensate the loss in the grids) and other inevitable purchase form the only supplier (lease of land, heatwater/gas-supply, emergency work.)

Supply chain



We work with experienced, qualified product suppliers, contractors, work and service providers that have positive business reputation, and we are ready to work with any eligible supplier with positive business reputation who offers shipment of the required products on the best terms.

Suppliers

Indicator	Unit of measurement	2019
Procurement volume: New construction and expansion of power grid facilities	unit	251
	thous. rubles	2814362.01
	% from procurement costs	15.89
Procurement volume: Reconstruction and technical re-equipment of power grid objects	unit	323
	thous. rubles	2327750.99
	% from procurement costs	13.14
Procurement volume: Power repair (repair) production, maintenance	unit	423
	thous. rubles	2039001.51
	% from procurement costs	11.51
Procurement volume: IT procurement	unit	129
	thous. rubles	750467.12
	% from procurement costs	4.24
Procurement volume: R&D	unit	1
	thous. rubles	17046.59
	% from procurement costs	0.10
Procurement volume: Other procurement (including consulting services)	unit	322
	thous. rubles	9762500.14
	% from procurement costs	55.12

Suppliers



In 2019 the Company conducted 1.449 procurement processes for a total amount of 17.7 bln rubles.*
[GRI 204-1]

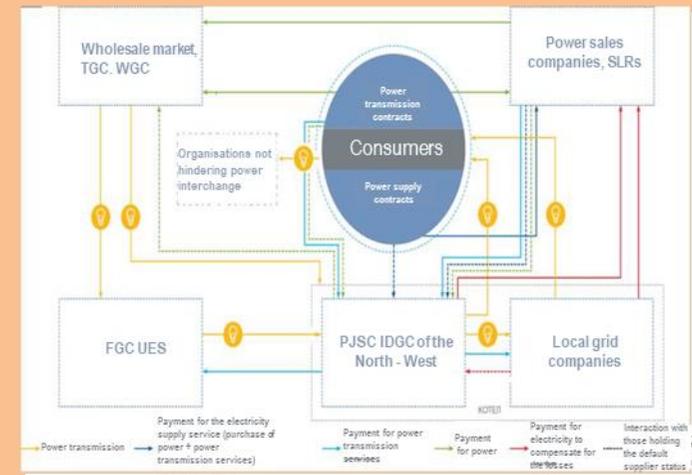
Procurement budget share used for purchase from local suppliers** in the regions of the Company's operation*** comprises 2.15 bln rubles including VAT (or 12.16% of the actual level (41.75% on the quantity)

- * Excluding purchases, services regulated by the legislation of the RF (on prices (tariffs), energy supply (transit), energy acquisition to compensate the loss in the grids) and other inevitable purchase form the only supplier (lease of land, heat/water/gas-supply, emergency work.)
- ** Local suppliers in the region of the Company's operation
- *** Actual cost of the completed purchases from local suppliers in the region of the Company's operation for 2019.

PLANS FOR 2020

According to the Procurements plan for 2020 it is expected to use 5,937,769.18 thousand rubles including VAT on procurement (according to UIS on 06/03/2020).

→ Activities of the Company and consumers



Modern single brand architecture

[GRI 102-2]



Rosseti consolidates 70% of distribution and 90% of transmission power grids, implementing a unified approach to the management and development of the country's power grid infrastructure, constantly improves the quality of its services, and expands their range. Working under a common brand strengthens the ties among the enterprises of the Rosseti Group, makes the brand more recognizable in the country and in the industry. It becomes easier and clearer for a consumer to interact with us. Transition to a uniform name is part of a systemic process of a large-scale transformation of all businesses in the holding."

Pavel Livinsky, General Director of PJSC Rosseti

Transition of the Rosseti Group to a uniform brand architecture

In June 2019, the St. Petersburg International Economic Forum first saw the uniform branding standard of PJSC Rosseti and the enterprises within its group. This single corporate identity was approved by the Board of Directors of PJSC Rosseti on 29 April, 2019. Since then all the subsidiaries and affiliates of the transmission and distribution power grid facilities have switched to the single brand architecture in corporate and marketing communications, and have started using new names. These new titles contain the trade mark Rosseti and a regional or a functional reference.



The activities related to transition to the single brand architecture were divided into two major stages:

Stage I

After the Board of Directors of PJSC Rosseti approves the unified brand standard, all the subsidiaries and affiliates of the transmission and distribution power grid facilities implemented relevant corporate procedures. Further replacement of brand elements will be conducted at the end of the depreciation periods without any increase in the existing budget and within the scope of the company's approved business plans.

Stage II

Replacement of the legal names of the subsidiaries and affiliates.

From the late December 2019, subsidiaries and affiliates of the distribution grids included in the Rosseti Group launched the change of their legal names in accordance with the new brand architecture.

Opportunities of the new brand

In early 2019, the Russian power grids did not have a unified identification name that would be easily recognizable and clear for the general public. The trust towards Rosseti was scattered among the entities of direct subordination; each of them gained reputation in their own sector among consumers, shareholders and contractors. However, the simultaneous existence of 15 brands led to confusion and low awareness amongst people who are not directly connected to the power grid industry. At the beginning of 2019, the brand Rosseti was considerably undervalued. In fact, this directly affected the quotations of the company at the public capital markets, and did not contribute to the increase in the shareholder income. Highlighting the company identity opened up new opportunities for the future growth of the holding's investment appeal.

Implementation of the new ideological platform for all the subsidiaries and affiliates and the resulting increase in the recognition of the Rosseti Group will serve to focus the attention of the stakeholders and the general public all over the world on the activities of the energy holding under the umbrella of a single authoritative brand. Large-scale rebranding will facilitate new opportunities for the growth of the Company's investment appeal in general, its capitalisation and loyalty. Outcomes of the transformations will bring the company closer to the shareholders, and a common brand will symbolise unified standards of performance quality at the Rosseti Group throughout Russia.

Renaming subsidiaries and affiliates will not lead to any changes in the company's structure and personnel. Moreover, meaningful communication building under the unified brand, along with Rosseti's initiatives aimed at promotion of the energy industry, will allow to enhance the reputation of the power sector professions and to attract talent. Upon transition to uniform brand architecture, each employee of the Company, regardless of their location, will be able to feel part of a big 220-thousand team, and will be engaged in solving tasks common to the whole energy holding. A unified team of power industry employees joined together by a common goal will be able to achieve even better results.

Strategic development guidelines

“Our industry is one of the main strategically important integral parts of the country's economy. Sustainable operation of industrial enterprises, social facilities, and growth of the regions' investment appeal depend on the work of energy workers.

Today we are working in the times of digitalisation of the economy on the whole, including the electric power industry. Not only does this pose new challenges to us, but also opens up great opportunities. I am convinced that the great traditions of the industry, the expertise gained and the human capital will help us overcome the greatest challenges.”

General Director of PJSC IDGC of the North-West A.Yu.Pidnik

Market overview

Macroeconomic performance in 2019 and projections up to 2024

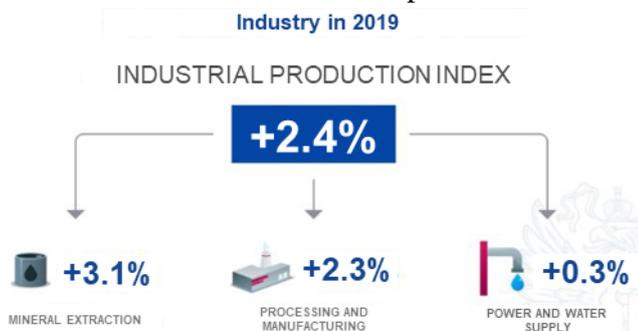
In 2019, the GDP growth rate amounted to 1.3%, which was slightly lower than the level of 2018 (2.5% in 2018)

In the industry breakdown, the most significant year-on-year decrease in the positive dynamics was shown by non-core industries. The contribution of manufacturing industries remained on the level of the previous year against the background of stable growth rates. Moreover, high crop yields and stability in livestock farming ensured the input of agriculture into

the GDP growth rates at the levels of approximately 0.1 p.p. (after the near-zero contribution last year).

The contribution of sales turnover in the economic growth reduced in 2019 to 0.2 p.p. after 0.3 p.p. in 2018. The slowdown in the growth rates covered both retail (up to 1.6% after 2.8% year on year), and wholesale trade.

The GDP growth rate is projected to remain on the level of 1.7% in 2020. In 2021-2024, increase in the GDP growth rate is forecasted to the level of approximately 3% year on year, based on faster growth of investment in fixed assets, higher competitiveness of the Russian economy and development of the external economic potential.



Industrial output grew in 2019 by 2.4% (after 2.9% in 2018). The extraction and processing industries made a comparatively equal contribution to the industrial production dynamics (1.1 p.p. and 1.2 p.p., respectively). In December 2019, the industrial output growth rates rebounded to the level of 2.1% year on year after 0.3% year on year in November. The growth acceleration was mainly due to the processing industries, while the indicators of the extraction sectors remained comparatively low by to fulfilment of Russia's obligations within the framework of OPEC+ agreement.

In the period of 2020-2024, the baseline scenario of the Russian economy development suggests annual industrial output growth rates of 2.8% on average. Positive growth rates are expected in virtually all processing industries.



In 2019, inflation was on the level of 3.0%, which is below the target set by the Bank of Russia as 4%. A major driver of inflation last year was the increase in the VAT base rate from 01 January 2019. Its contribution is assessed as 0.8 p.p. Thus, net of the effect of the VAT base rate increase, the inflation amounted to 2.2% in 2019.

In 2020, against the backdrop of consumer demand decline brought about by normalisation in the growth rates of consumer loan portfolio, the disinflationary trend is to develop. According to the projections of the Ministry of Economic Development of Russia, in the first half of 2020, inflation will fall below 3.0%, amounting to 3.0% at the year end. Further reaction to the implemented monetary policy and credit portfolio rebalancing from consumer loans to mortgage and corporate credit is to return the inflation to the target level of 4% in 2021-2024.

Baseline scenario of the Russian Federation social and economic development forecast up to 2024

Year on year	2020	2021	2022	2023	2024
Consumer price index as of the year end, % to December	3.0	4.0	4.0	4.0	4.0
Industry, %	2.4	2.6	2.9	3.0	3.1
Gross domestic product, %	1.7	3.1	3.2	3.3	3.3

Source: The Russian Federation social and economic development forecast up to 2024 (the RF Ministry of Economic Development)

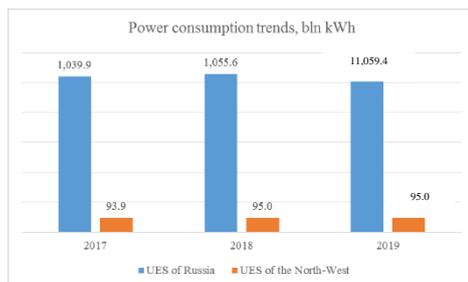
Risks of the social and economic development forecast

The key risk of the social and economic development forecast for the period up to 2024 is the global economic recession (reduction in the global GDP growth rates below the level of 2%). The current framework of the macroeconomic policy serves to avoid reduction in Russia’s GDP in real terms in case the global economic growth slows down to 2%, and the oil prices fall to approximately USD 40 per barrel.

At the same time, a more dramatic deterioration of the external economic conditions caused by recession of the key global economies (the USA and the EU countries) can lead to stagnation in the Russian economy in the year of the above “shock”. However, given that the global economic situation does not decline further, the accumulated reserves, as well as strengthening the economic ties with burgeoning economies (primarily, China and India) will enable the Russian economy to rebound quite fast.

Electric power consumption in the industry and forecasted demand for power

Power consumption volume within the Unified Energy System of Russia amounted to 1,059.4 bln kWh in 2019, which is 0.36% higher than in 2018. The integrated energy system of the North-West showed a slight power consumption reduction in 2019, by 0.1% (95 bln kWh) against 2018.



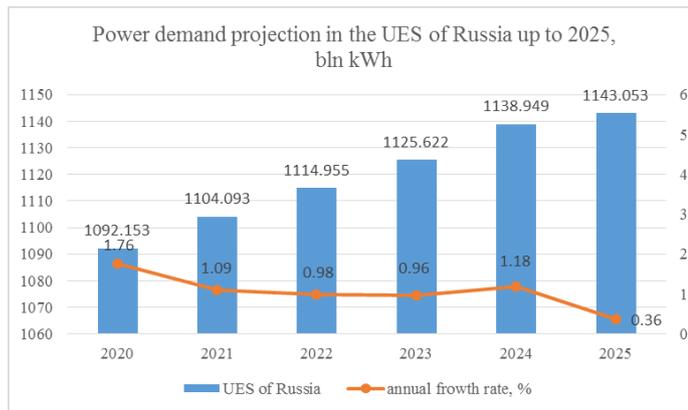
Source: JSC System Operator

In 2019 the reduction in the annual consumption of power in the Unified Energy System of Russia due to the temperature factors amounts to 6.8 bln kWh (-0.6%), with the average annual temperature in the energy system increasing by 0.9°C.

The positive dynamics of power consumption in the Unified Energy System of Russia was driven by connection of new systems from January 2019. These are the previously isolated systems of Western and Central energy districts of the Sakha Republic (Yakutia) with the annual power consumption volumes of 3,450.9 and 1,753.1 mln kWh, respectively.

Along with the temperature factors, the positive power consumption trends in the Unified Energy System of Russia in 2019 were influenced by an increase in power consumption by aluminium plants, chemical and oil refining entities, as well as oil and gas transport.

The demand for electric power in the Unified Energy System of Russia by 2024 is estimated as 1,138.949 bln kWh, which is more than the power consumption volume of 2018 by 87.495 bln kWh.



Source: Development scheme and programme of the Unified Energy System of Russia for 2019-2025 (approved by Order of the RF Ministry of Energy of 28.02.2019 No. 174)

The forecast projects comparatively higher growth rates in demand for power in the Unified Energy System of Russia in 2020. A considerable driver of power consumption growth in 2020-2024 is a boost in the power consumption volume in the integrated energy system of East due to connection of the Western and Central energy districts of the Sakha Republic (Yakutia).

The projected power demand in the Unified Energy System of Russia without consideration of the connected Western and Central energy districts of the Sakha Republic (Yakutia) to the East integrated energy system, is 1,126.252 bln kWh by the end of 2024, given the average annual growth rates of 1.15%.

Tariff indexation up to 2024

The annual increase in regulated tariffs of grid companies for consumers other than individuals will amount to no more than 3.0% on average in the country in 2020-2024, which is consistent with the previous assumptions. To reduce the amount of cross-subsidisation in the power grid system, tariffs of grid companies for individuals are to be annually indexed, on average, at 5% in Russia. The regulated power tariffs for individuals will grow at the same rates.

Power tariff indexation of the power grid companies

Indicator	2020	2021	2022	2023	2024
Grid companies tariff indexation for all consumers other than individuals	July 3.0%				
Tariff indexation for individuals	July 5.0%				

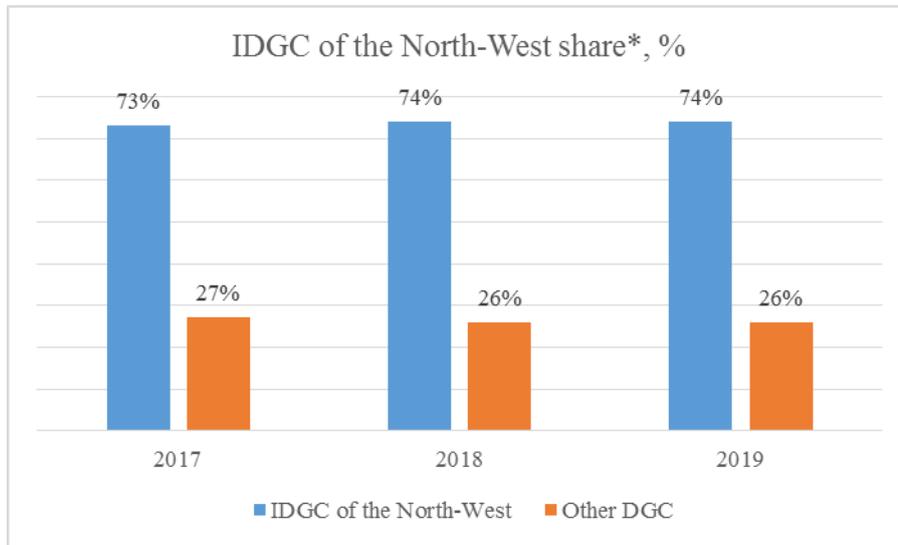
Source: The Russian Federation social and economic development forecast up to 2024 (the RF Ministry of Economic Development)

Market position of the Company

PJSC IDGC of the North-West operates in seven regions of the North-Western Russian Federation, being the largest power grid company in the operations area.

The Company's core business is electric power transmission. In accordance with the FTS of Russia decision (Order of 03.06.2008 No.191-E), PJSC IDGC of the North-West was included under No.47.1.116 in the register of natural power transmission monopolies.

The Company's share in the power transmission market within its footprint totals approximately 74%, including the power partially transferred through the grids of the local grid operators (LGOs – payees).



* The market share was calculated on the basis of the tariff-and-balance decisions on setting common pot tariffs for a given constituent entity of the Russian Federation.

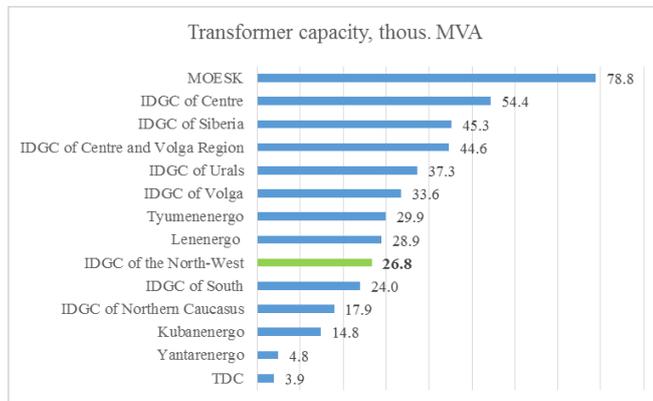
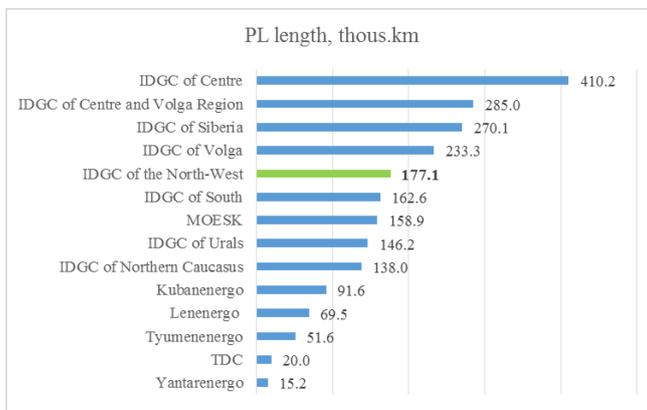
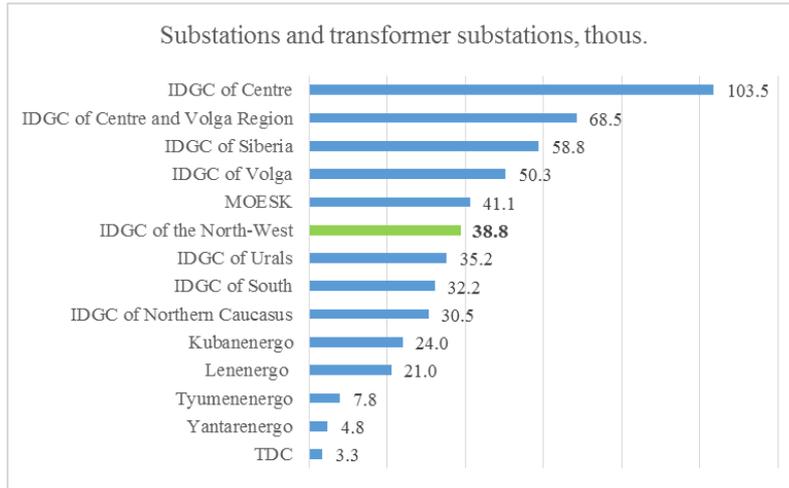
Competitive environment

To estimate the investment attractiveness of the PJSC IDGC of the North-West shares at the stock market, the Company is usually compared to other IDGCs, though those companies are essentially not competitors, moreover, they are all subsidiaries to PJSC Rosseti.

In terms of its assets and volume of services provided, PJSC IDGC of the North-West has average values among the subsidiaries of PJSC Rosseti, which makes it a sectoral “benchmark” among other IDGCs regarding the positive and negative effects of the given regulatory system. At the same time, the Company is among the best IDGCs in the industry by the amount of power losses, which is due to upgrade of the electric power metering system, introduction of a single customer base, provision of data communication devices to electricians and a number of other measures. Moreover, the Company shows consistent reduction in the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI).

Comparison with the Russian power grid companies in the reporting year

Operational performance



Source: the Company

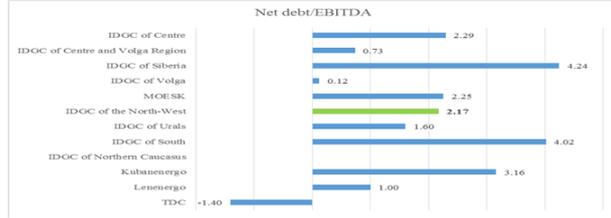
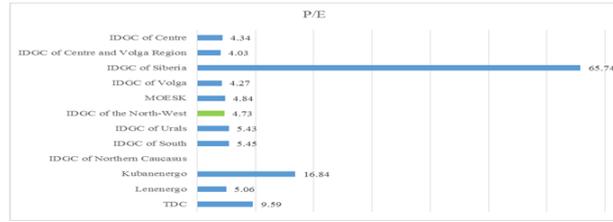
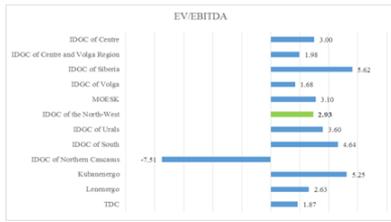
Financial and investment indicators¹

¹¹ EV / EBITDA is the coefficient comparing the value of the company with its earnings before interest, tax, depreciation and amortisation.

P / E is the coefficient showing how undervalued or overvalued the company's shares are for an investor.

EBITDA margin is the indicator of the company's profitability as percentage of its gross revenue.

Net debt / EBITDA is the coefficient showing how much of the company's yearly earnings before interest, tax, depreciation and amortisation is required to cover the net debt.



Source: Bloomberg

Strategic priorities and development prospects

The mission of PJSC IDGC of the North-West is to ensure reliable and uninterrupted power supply to consumers, stable income for shareholders through efficient management of the distribution grid system on the basis of unified strategic approaches to business.

New development strategy of the Rosseti Group for the period up to 2030

In December 2019, a new strategy of the Rosseti Group was approved. It identifies the aims and development areas up to 2030.

The essential change in the operations of the Rosseti Group is the transition to the business model of the modern innovative infrastructure. The key strategic priorities are: to ensure further efficiency improvement in day-to-day operations aimed at the industry development, to ensure reliability, quality and access to infrastructure in the new digital environment. Particular attention is paid to maintaining the balance of interest of all the parties, including the government, consumers, shareholders, investors, as well as development of new business areas.

These aims are to be achieved by implementing the key strategy areas: technological and innovative development, digital transformation, business diversification, improvement of operational and investment efficiency, endorsement of legislative proposals, development of international communications and talent, as well as others.

Strategic priorities

[GRI 103-2]

In accordance with the Regulation on target setting (approved by Order of the Company of 10.12.2019 No.800r), strategic priorities are at the top of the target-setting hierarchy of the Company. By Order of 24.10.2019 No.632r, the Company approved the following strategic priorities:

1. Ensuring reliable, high-quality and safe power supply to consumers.
2. Operating expenditure deficit reduction.
3. Arriving at the required level of tariffs to ensure the Company's development.
4. Digital business transformation.
5. Non-tariff services development and increase in revenue from their sales.
6. Business process standardisation and improvement of functional organisation.
7. Improving the efficiency of investment activities.
8. Streamlining the inventory and logistics management system and centralisation of procurement activities.
9. Power losses reduction.
10. Increase in labour efficiency.
11. Prevention of an increase in the number of accident victims.

The strategic priorities of the Company are based on the requirements of the industry systemic and corporate regulatory documents, such as the Energy Strategy of Russia (approved by Order of the RF Government of 13.11.2009 No. 1715-r), the Development Strategy of the Russian Power Grid System (approved by order of the RF Government of 03.04.2013 No.511-r), the quality policy of PJSC IDGC of the North-West, the environmental policy of the power grids etc.

Strategic priority distribution

Shareholders' interests	Competitiveness growth	Development interests	Sustainable development
Strategic priorities			
<ul style="list-style-type: none"> • Operating expenditure deficit reduction 	<ul style="list-style-type: none"> • Streamlining the inventory and logistics 	<ul style="list-style-type: none"> • Arriving at the required level of tariffs to ensure 	<ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe

<ul style="list-style-type: none"> • Non-tariff services development and increase in revenue from their sales • Increase in labour efficiency 	<p>management system and centralisation of procurement activities.</p> <ul style="list-style-type: none"> • Power losses reduction 	<p>the Company's development</p> <ul style="list-style-type: none"> • Digital business transformation • Business process standardisation and improvement of functional organisation • Improving the efficiency of investment activities 	<p>power supply to consumers</p> <ul style="list-style-type: none"> • Prevention of an increase in the number of accident victims
Key performance indicators			
<ul style="list-style-type: none"> • Consolidated operating profit (EBITDA) • Consolidated net debt/EBITDA • Consolidated net cash flow 	<ul style="list-style-type: none"> • Decrease in unit operating expenses (costs) • Increase in the power grid equipment capacity utilisation • Labour efficiency improvement 	<ul style="list-style-type: none"> • Compliance with the commissioning schedule • Innovation activities efficiency • Power losses level • Reduction in unit investment costs • Implementation of the plan to reduce the Company's accounts receivable 	<ul style="list-style-type: none"> • Reaching the reliability level of the services rendered • Meeting the technological connection deadlines • No growth in the number of major accidents • No growth in the number of accident victims
Risks			
<ul style="list-style-type: none"> • Financial risks • Reputational risk 	<ul style="list-style-type: none"> • Industry risks • Compliance risks 	<ul style="list-style-type: none"> • Country-specific and region-specific risks • Strategic risks 	<ul style="list-style-type: none"> • Company-specific risks

Strategic priorities achievement [GRI 103-3]

<p>1. Shareholders' interests</p> <p>Strategic priority for 2019</p> <ul style="list-style-type: none"> • Operating expenditure deficit reduction • Non-tariff services development and increase in revenue from their sales • Increase in labour efficiency <p>Performance results in 2019</p> <ul style="list-style-type: none"> • An activity plan was developed to ensure break-even power transmission services rendering operations; compliance of the operating expenses with the level stipulated in the tariff and balance decisions was verified; a roadmap was approved. All the activities scheduled for 2019 were performed in due time. 	<p>2. Competitiveness growth</p> <p>Strategic priorities for 2019</p> <ul style="list-style-type: none"> • Streamlining the inventory and logistics management system and centralisation of procurement activities. • Power losses reduction <p>Performance results in 2019</p> <ul style="list-style-type: none"> • The implementation of the Power losses reduction programme for 2019-2023 by the Company resulted in reaching the target indicator of power losses for 2019 – 6.23% (with the planned value of 6.32%).
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<ul style="list-style-type: none"> • Within the framework of non-tariff services development, a number of systemic regulatory documents were drafted. The number of incoming applications for additional chargeable services (ACS) increased by 6% year on year. The revenue from ACS in 2019 amounted to RUB 901,647 thous. 	
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3. Development interests

4. Sustainable development

<p>Strategic priorities for 2019</p> <ul style="list-style-type: none"> • Arriving at the required level of tariffs to ensure the Company's development • Digital business transformation • Business process standardisation and improvement of functional organisation • Improving the efficiency of investment activities 	<p>Strategic priorities for 2019</p> <ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe power supply to consumers • Prevention of an increase in the number of accident victims
<p>Performance results in 2019</p> <ul style="list-style-type: none"> • On 27.01.2020 (Minutes of No.347/24), the Company Board of Directors approved a Programme of digital transformation of PJSC IDGC of the North-West for 2020-2030 • In the reporting period, the Company reduced the time of accounts receivable turnover from 79 to 70 days. • Starting 2019, the Company has been implementing the project of business unification in PU and PDZ, balanced personnel allocation within functions. • At the end of 2019, under Decision of PJSC IDGC of the North-West Board of Directors dated 18.12.2019 (Minutes No.340/17) the organisational structure of the Company executive bodies was approved. 	<p>Performance results in 2019</p> <ul style="list-style-type: none"> • The average consumer power supply interruption duration in case of large-scale disturbances at power grid facilities caused by unfavourable (dangerous) natural phenomena reduced to 2.83 h. • Reduction in the level of occupational injuries • No group accidents or work-related diseases.

SWOT analysis

SWOT analysis is a method of strategic planning consisting in identification of internal and external factors and grouping them into four categories: strengths, weaknesses, opportunities, and threats. The Company's SWOT analysis can be presented as follows:

Internal context

Strengths

<ul style="list-style-type: none"> • Natural monopoly • High level of power supply reliability • Investments in the Company's power grid infrastructure • Low level of power losses • Stable financial position and balanced loan portfolio • High level of corporate governance • Qualified workforce and management • Vast expertise
--

<ul style="list-style-type: none"> • Favourable environmental conditions • Positive business reputation in the operations area • Leadership on the market of the services rendered • Competitive salary level in the operations area
Weaknesses
<ul style="list-style-type: none"> • Dependence on the governmental tariff policy • Insufficient automation of business processes • High deterioration level of grids and equipment • Influence of seasonal, climatic and geographical conditions on the operational performance
<i>External environment</i>
Opportunities
<ul style="list-style-type: none"> • Achievement of competitive tariffs • Energy-saving technologies • Reduction in operating expenses • New power consumers • Boosting the Company's governance efficiency • Seamless implementation of the concept "Digital Transformation 2030" • Enhancing reliability by consolidation of power grid assets • Extended activities to reduce accounts receivable • Building a positive image by direct consumer communication at the portal "The Light Country" • Development of additional services
Threats
<ul style="list-style-type: none"> • High level of the Company's economic dependence on the tariff level • Consumer attrition due to high power transmission tariffs • Competition, primarily from LGOs • Dependence of the financial indicators on the industrial infrastructure development in the operations area • Dependence of the regional investment climate on many factors, including international agenda, sanction restrictions, unfavourable developments in exchange rates • Changes in the areas of legislation regulating the power industry • Natural disasters • Misconduct of suppliers and contractors

Company development prospects*

The Company's development strategy is primarily implemented through the investment programme worked out in accordance with the requirements of the RF Government Order of 01.12.2009 No.977 "On investment programmes of the power industry entities".

The current investment programme of the Company was approved by Order of the Russian Ministry of Energy of 20.12.2019 No.27@ and published, in line with the due procedures, of the website of the Russian Ministry of Energy.

The approved investment programme of the Company stipulates capital investment financing in the amount sufficient to ensure seamless power supply to consumers and maintain the operating capacity of the fixed assets.

* The data on the investment programme: http://www.mrsksevzap.ru/id_20kapitalplans#tab1 (The final draft of the investment programme of PJSC IDGC of the North-West adjustment of 05.12.2019 (publication date: 06.12.2019) Part 1: <https://minenergo.gov.ru/system/download/4193/108107>).

Consolidation of the power grid assets

Consolidation of the power grid assets pursued by PJSC IDGC of the North-West among its priorities aims to implement the Development Strategy of the Power Grid System of the Russian Federation – to ensure reliable, high-quality and affordable consumer power supply in the Company's operations area by setting up a grid infrastructure that is as efficient as possible and meets the global standards.

Efforts for consolidation of the power grid assets are based on consideration of incoming applications for power grid facilities transfer to PJSC IDGC of the North-West management; as well as identification of the power grid facilities that can be potentially attractive for consolidation

and subsequent interaction with owners of such facilities to agree upon the best conditions of the relevant deals. PJSC IDGC of the North-West primarily focuses on considering purchases of power grid assets of LGOs, as well as other owners of electric grid facilities, including those that were deprived of the LGO status, towards debt repayment to the Company.

As of today, cooperation agreements on consolidation of the power grid system have been signed with the executive bodies of all seven Russian regions where the Company operates. Under the above agreements, projects are jointly implemented, involving consolidation of the regional and municipal power grid assets by the Company, as well as abandoned power grid facilities to ensure the required reliability and quality of power supply to consumers in the operations area.

The spending of PJSC IDGC of the North-West on power grid assets consolidation measures in 2019 amounted to RUB 83 mln including VAT, where power grid assets purchase accounted for RUB 55 mln, rent – RUB 28 mln.

Consolidation of the power grid assets by PJSC IDGC of the North-West monitoring

Indicator	2017			2018			2019		
	MVA	km	CU	MVA	km	CU	MVA	km	CU
Power grid assets purchase	2	16	53	1	5	24	31	30	588
Power grid assets rent	71	645	1,921	85	541	1,886	89	585	2,031
Total	73	661	1,973	86	546	1,910	120	616	2,619

Major projects for consolidation of the power grid assets implemented by PJSC IDGC of the North-West in 2019

Project	PL, km	Transformer substations, MVA	CU
Purchase of power grid facilities located in Teriberka, Kola District, Murmansk Region	6.5	8	231
Purchase of power grid facilities of 110/10 kV SS Yava located in Vologda, the Vologda Region	3.7	16	175
Purchase of power grid facilities located in Petrozavodsk, Suoyarvi and Vyartsilya, the Republic of Karelia	6.8	4.2	120
Rent of state-owned power grid assets in the Republic of Komi	19.8	4.5	154

Automated system of projecting prospective changes in the grid load and power consumption

To provide complete information on the current state and the development of the power grid facilities in the regions of operation, in late 2012, PJSC IDGC of the North-West launched the publishing subsystem “Power Facilities Display in the Google System”. The project was based on the standard functional specifications for visualisation of the current load of 35+ kV power supply centres. The system contains information about the power supply centres and grid structure – the automatically processed information enables to understand future changes of load at the power supply centres and to obtain a comprehensive view. The electronic map shows parameters of the power facilities: overloads, available capacities and planned renovation.

Key investment projects



In 2020 – 2025, 12 priority investment projects are to be implemented in three regions of the operations with the total value of RUB 8.2 bln including VAT. They include 8 renovation and technical re-equipment projects for substations, construction of new 32 MVA substation, renovation of a 110 kV OL with the length of 63.793 km and construction of overhead power lines of 110 kV and 150 kV over 190 km long. Overall, the long-term investment programme of the Company for 2020–2025 stipulates commissioning of 7,340 km of power lines and over 1,214 MVA of substation capacity. The financing of the investment programme is to comprise RUB 34 bln with VAT.

2020-2025
RUB 34 bln with VAT is the total value of the investment programme financing

Results planned:
7,340 km of PL
over 1,214 MVA of substation capacity

Development projects



Construction of 110 kV OL No.103 Vorkutinskaya CHPP No.2 – 110/10 kV SS Olkhovey

Location
 Intinsky District, the Republic of Komi

Project description

The largest project, the total project value is over RUB 2 bln incl. VAT. Implemented under the technological connection contract with PJSC Gazprom of CS-5 Usinskaya, CU-2 within the framework of building the gas pipeline system Bovanenkovo–Ukhta.

Timeline

2015-2021

Commissioning
 2021

Technical re-equipment of SS 110/10/6kV Bazovaya

Location
 Veliky Novgorod, the Novgorod Region

Project description

The total project value is RUB 0.81 bln incl. VAT. It is implemented under the scheme and programme of long-term development of the Novgorod Region power industry in 2019-2023 in Veliky Novgorod.

Timeline

2006-2023

Commissioning
 Q3 2022

Renovation and capacity increase of OL Sheksninskaya 1,2 with the total length of 63.793 km

Location
 Sheksninsky District, the Vologda Region

Project description

The total project value is RUB 0.71 bln incl. VAT. It is implemented in line with the system operator's requirements, and under the scheme and programme of long-term development of the Vologda Region in 2020-2024.

Timeline

2011-2025

Commissioning
 Q3 2024



Key investment projects

Power loss reduction

2. IT infrastructure upgrade and development of technological automated information and analysis systems of building the volume of power transmission and analysing power balances (the systems of AIS Power Transport and top-level information computing system on the platform “Piramida Ceti”), including:

Introduction of the technologies for planning, quality control and result processing to service power metering systems using the mobile version of AIS Power Transport (WS Operator, WS Controller).

Integration with the consumer account for metering values receipt from consumers or applications for verification, installation and certification of meters.

Integration with external systems (asset management system, technological connection system) for prompt update of the consumer databases and grid layout.

Key activities on power loss reduction



1. Implementation of projects to create automated smart systems of power metering, including:

• **By attracting private investment**

In 2019, the Company allocated RUB 3.098 mln of investment to equip grid sites of branches with high losses level with power metering systems. Upon implementation of the energy service agreements the current losses level in the distribution grid is to be reduced by 1.76 mln kWh in 5 years.

• **Within the Company’s investment activities**

The approved investment programme of the Company for 2020-2025 stipulates financing sources for installation of 26,201 smart power metering devices in the total amount of RUB 0.709 mln net of VAT. To meet the requirements of the Federal Law of 27.12.2018 No.522-FZ “On amending some laws of the Russian Federation sue to the development of the power (capacity) metering systems in the Russian Federation”, in 2020 the project is to include adjustments to the Company’s investment programme for 2020-2025 for additional amounts, therefore, the number of meters planned is to increase to 202,792 items for the amount of RUB 5.131 mln net of VAT.

3. Vocational training and retraining of personnel in line with the current requirements and challenges

- Introduction of mobile tablet devices in working with power losses, as well as new power metering devices to control the correctness of connection and accuracy of meters, as well as new models of smart meters and data collection and transfer devices requires ongoing improvement in theoretical knowledge and applied skills of using advanced technical devices and software applications.
- The company is constantly increasing the competence level of its operational power metering personnel. It has worked out and developed staff training programmes, holds regular contests in professional skills of power metering personnel.
- As the smart power metering technologies are developing, so are the techniques of power theft used by unprincipled consumers. The Company carried out ongoing monitoring, analysis and implementation of advanced methods of fighting “loaded meters”*.

* “Loaded” meters are the power meters with deliberate changes in the construction (scheme) not provided by the manufacturer made to distort the reported volume of power consumed.

Key performance indicators

Achievement of the Company's priority development goals is assessed using the key performance indicators (KPI) system². The system of key performance indicators correlates to the variable part of the management remuneration – each of the indicators has a specific weight in the amount of incentives paid, quarterly and annual bonuses are paid on condition of the respective KPI achievement.

The system of the General Director's key performance indicators is based on:

- the Company Charter (Item 50, Paragraph 15.1 of Article 15);
- Decision of the Company's Board of Directors dated 31.03.2017 (Minutes No. 235/26) on Item 7 "On approval of the methodology for estimation and assessment of the key performance indicators achievement by the Company's General Director" (in the version of Minutes of 05.06.2018 No.286/41, of 31.12.2019 No.344/21).

Under the above Decision of the Company Board of Directors, in 2019, the following set and the following target values of the key performance indicators were identified:

QUARTERLY INDICATORS

Indicators	Results achieved in 2018	Target value for 2019	Results achieved in 2019
Consolidated operating profit (EBITDA)	The KPI was achieved in all quarters	for Q1, 6 months and 9 months of the reporting year ≥ 0 ; for the year $\geq 3.0\%$	The KPI was achieved in all quarters, except Q3
Consolidated net debt/EBITDA	The KPI was achieved in all quarters	Q1, Q2, Q3, Q4 ≤ 3.0	The KPI was achieved in all quarters
Implementation of the plan to reduce the Company's accounts receivable	The KPI was achieved in all quarters	$\geq 100.0\%$	The KPI was achieved in all quarters
No growth in the number of major accidents	The KPI was achieved in all quarters	No growth The target in digital measurement: ≤ 1	The KPI was achieved in all quarters
No growth in the number of accident victims	The KPI was achieved in all quarters, except Q2 and Q3	No growth The target in digital measurement: any condition met: 1) ≤ 0.0611 2) no more than two persons injured with mild or serious consequences from	The KPI was achieved in all quarters, except Q3 and Q4

² KPI is a set of interrelated indicators to measure the Company's performance; it includes the list of KPIs and their specific weight in the bonus system, calculation methods and KPI achievement assessment procedures.

		the beginning of the year	
Compliance with the commissioning schedule	x	≥ 90%	The KPI was achieved in Q3, and not achieved in Q4

ANNUAL INDICATORS

Indicators	Results achieved in 2018	Target value for 2019	Results achieved in 2019
Consolidated net cash flow	RUB -1,183.6 mln	≥ RUB -509.1 mln	KPI achieved by 144%
Decrease in unit operating expenses (costs)	9.8%	≥ 2.0%	KPI achieved by 275%
Increase in the power grid equipment capacity utilisation	achieved	achieved	KPI achieved by 100%
Power losses level	6.59%	≤ 6.32%	KPI achieved by 100% (101%)
Reduction in unit investment costs	0.96	≤ 1.00	KPI achieved by 114%
Labour efficiency improvement	6.15%	≥ 2.00%	KPI achieved by 190%
Innovation activities efficiency	90%	≥ 90%	KPI achieved by 100%
Meeting the technological connection deadlines	1.0	≤ 1.1	KPI achieved by 100%
Reaching the reliability level of the services rendered	achieved	Simultaneously: 1. KPI ≤ 1.00 2. Ki < 1.00	KPI achieved by 100%

The actual values of the key performance indicators in Quarters 3 and 4 of 2019 and the year 2019 have not been calculated or approved by the Company Board of Directors as of the Annual Report date, considering the deadlines and procedures of drafting the reports which supply information for their estimation. To enhance the performance efficiency of the S&A of PJSC Rosseti, as well as to upgrade the methods of KPI calculation at the S&A of PJSC Rosseti, Decision of the Board of Directors of PJSC Rosseti dated 18.04.2019 (Minutes of 22.04.2019 No.349) introduced amendments to the key performance indicators system, approved by Decision of the Board of Directors of 31.12.2019 (Minutes of 31.12.2019 No.344/21) in 2019, including the following:

1) As the statistical minimum was reached for the quarterly accident levels, the methodology of calculating the quarterly indicator “No growth in the number of major accidents” was amended to shift from the general statistics to index-based assessment of the indicator achievement depending on the volume of equipment served;

2) Due to the transition of the Company branches to SAIDI/SAIFI indicators use in the tariff regulation and considering the provisions of the Russian Ministry of Energy Order of 29.11.2016 No.1256, annual KPI “Reaching the reliability level of the services rendered” was amended to enable alignment of the actual SAIDI/SAIFI values at the branches with the target indicators set by the regulator for them;

- 3) The annual KPI “Compliance with the commissioning schedule” was moved from the annual to the quarterly ones starting 01.07.2019;
- 4) Sources of information were specified for “Power losses level” indicator;
- 5) The methodology of KPI “Meeting the technological connection deadlines” included the indicator, recording the objective of reducing the volumes of contracts where the technological connection deadlines were violated due to untimely performance of obligations, including those of the applicant.

Comparison of the 2019 values with those of 2018 is shown in the tables.

The Company’s system of key performance indicators correlates to the variable part of the management remuneration – each of the indicators has a specific weight in the amount of incentives paid, quarterly and annual bonuses are paid on condition of the respective KPI achievement.

Investment activities



[GRI 103-2] Company annually builds new and renovates existing power grid infrastructure facilities. Particular focus is given to upgrade and improved reliability of the power grid infrastructure operation for uninterrupted consumer power supply to consumers.

Parameters of investment activities

The investment programme of PJSC IDGC of the North-West for 2019 was developed taking into account the aims and objectives of the Unified Technical Policy in the Power Grid System and approved by Order of the Russian Ministry of Energy of 20.12.2019 No.27@.

The investment activity is aimed to enhance reliability and performance of the power grid system, and to reduce losses in power grids. Achievement of investment goals will enable the Company to reduce operating expenses, ensure launch of extra capacities for connecting new consumers, and eliminate power shortage.

Cost and physical parameters of investment activities in 2019 [GRI 103-3]

Spending	Launch of new fixed assets	Financing	Capacity put into operation	
			MVA	km
RUB mln net of VAT		RUB mln incl. VAT		
4,832	4,862	5,534	179	1,316

Capital investments financing breakdown for 3 years, RUB mln incl. VAT

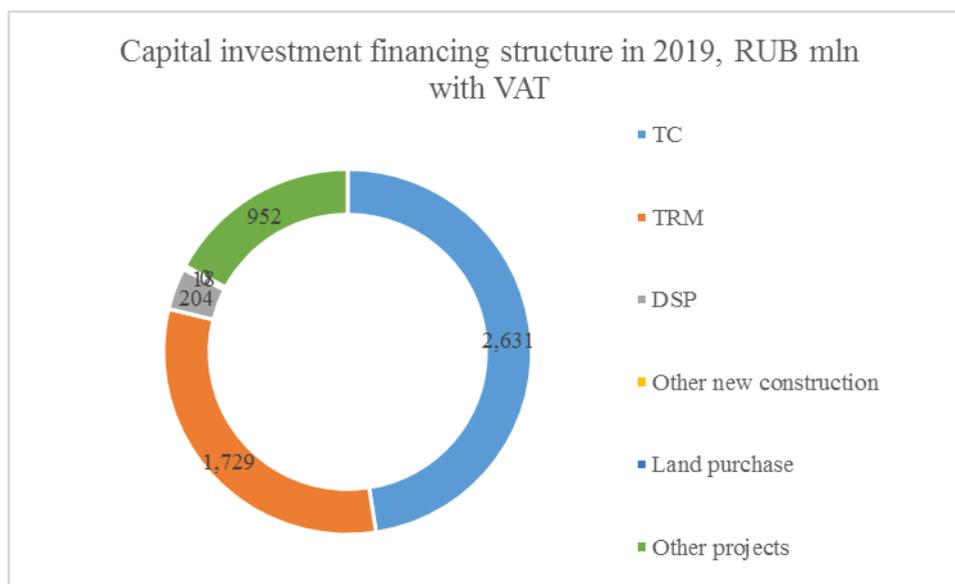
Indicator	2017	2018	2019
Technological connection	3,560	5,368	2,631
Renovation, modernisation, technical re-equipment	2,448	2,080	1,729
Investment projects conditioned by the power industry long-term development schemes and programmes	49	306	204
Other new construction of power grid facilities	59	39	18
Purchase of land plots for the purposes of investment projects implementation	0.2		-
Other investment projects	927		-
Total	7,042	9,034	1,242

In 2017-2019, the investment programme of the Company was largely financed from the entity's own funds (the share of borrowed funds amounted to 3.6% in 2018 and 2.9% in 2019).

Sources of the Company's investment programme financing for 3 years, RUB mln:

Indicator	2017	2018	2019
Sources of the investment programme financing, total including:	7,042	9,034	5,534
Own funds total, including:	7,042	8,706	5,374
Profits allocated to investments	1,672	3,336	849
Fixed assets depreciation	4,367	4,074	3,793
VAT refund	919	1,114	549
Other own funds	84	182	184
Borrowed funds	0	328	160

Overall, the total financing of PJSC IDGC of the North-West reduced in 2019 by 39% against 2018. The decline was due to performance under the technological connection contracts with GC Rosavtodor, LLC Magistral Dvukh Stolits, JSC Vorkutaugol, LLC Gazprom Invest, LLC Kola Dockyard in 2018.



In the total financing, 48% accounted for technological connection projects, 31% – for technical re-equipment and renovation, 17% – other IP projects, 4% – investment projects whose

implementation is conditioned by long-term development schemes and programmes for the power industry and 0.3% – other new power grid facilities construction.

The total amount of the Company financing having decreased in 2019 by 39%, the share of financing allocated to technological connection projects also reduced: from 59% to 48%. In absolute terms, the amount of financing allocated to technological connection projects declined by 51% year on year, which is due to the implementation of technological connection contracts with GC Rosavtodor, LLC Magistral Dvukh Stolits, JSC Vorkutaugol, LLC Gazprom Invest, LLC Kola Dockyard in 2018. At the same time, the share of financing allocated to technical re-equipment and renovation projects (hereinafter – TR&R) in 2019 increased year on year from 23% to 31% in order to decrease depreciation of the fixed assets. There was also a year-on-year increase in the share of other IP projects financing in 2019, from 14% to 17%, driven by a need of vehicle fleet renewal and purchase of emergency recovery equipment and machinery. The share of financing of the investment projects whose implementation is conditioned by long-term development schemes and programmes for the power industry (hereinafter – IP DS&P) remained at approximately the same level as in the previous year (increasing from 3% to 4%).

The Company has no investment projects implemented with contributions from the federal budget in its investment programme.

Results of the investment programme implementation in 2019

[GRI 103-3] Information on the results achieved in 2019 due to implementation of the projects included in the investment programme, under Order of the Russian Ministry of Energy of 14.03.2017 No.177:

- transformer substation capacity load – 9.31;
- estimate of the changes in the share of productive power supply formed by power metering units within the system of data collection and transfer – 0.804;
- estimate of the changes in the average duration of the consumer power supply interruption – -5.387693;
- estimate of the changes in the average frequency of the consumer power supply interruption – -1.185503;
- total number of technological connection obligations fulfilled under the investment programme of the grid company – 8,005;
- maximum capacity of the connected electric power consumers, power generating facilities, power grid facilities owned by other grid companies or other persons – 331.69 MW.

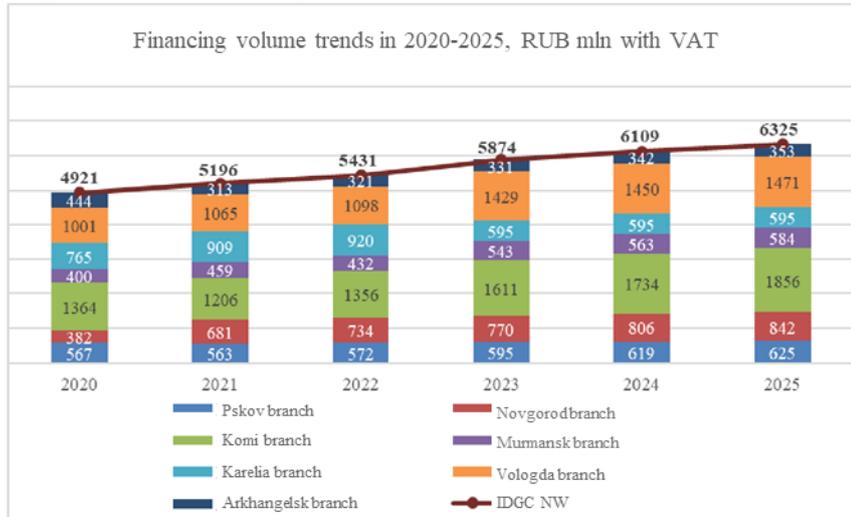
Long-term investment programme

The investment programme of PJSC IDGC of the North-West for the period of 2016-2025 takes into account the aims and objectives of the Unified Technical Policy in the Power Grid System and is approved by Order of the Ministry of Energy of the Russian Federation dated 30.11.2015 No.906 (in the versions of the Russian Ministry of Energy Orders of 16.12.2016 No.1333, of 21.12.2018 No.26@, of 20.12.2019 No.27@) (hereinafter – the approved IP)³.

Investment activities of the Company are aimed at enhancing reliability and performance improvement of the power grid system, reduction of grid losses

³ For more details on the key projects of PJSC IDGC of the North-West see Annex 3 to the Annual Report.

Capital investment dynamics

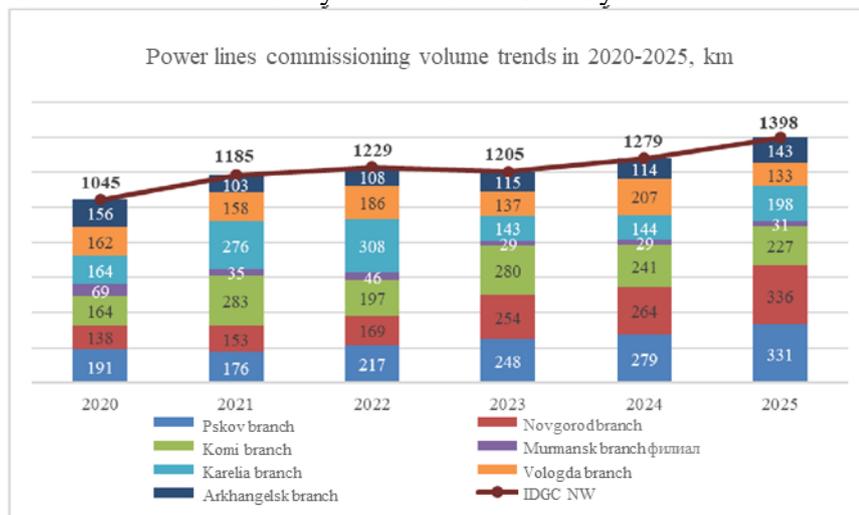


In 2020, the following large investment projects are to be implemented: construction of the 110 kV substation Prionezhskaya in the Prionezhsky District with installation of transformers of 2*16 MVA, cutting in L-173 and re-laying L-58P, L-56P, OL of 10 kV from 35 kV SS 9P Vilga; renovation of 110/10 kV SS No.209 Dvinskoy Bereznik in N.Chazhestrovo of the Arkhangelsk Region with the system of reactive power compensation in the 110 kV grid; technical re-equipment of 35/10 kV SS Molochnoye of the Vologodsky District regarding the systems of RPA, AERD, DCS and ACS, buildings of SCB, MCSM of 35 kV, MCSM of 10 kV, installation of ASC of 10 kV; and construction of 110 kV OL No.103 Vorkutinskaya CHPP No.2 – 110/10 kV SS Olkhovey for technological connection of CS-5 Usinskaya, CU-2 within the framework of building the gas pipeline system Bovanenkovo–Ukhta (contract of 26.01.2015 No. 56-01885V/14 with PJSC Gazprom – 1 item).

Gradual increase in financing sources in 2020-2025 is conditioned by including new large projects in the investment programme with the aim of renovation and technical re-equipment of lines and substations.

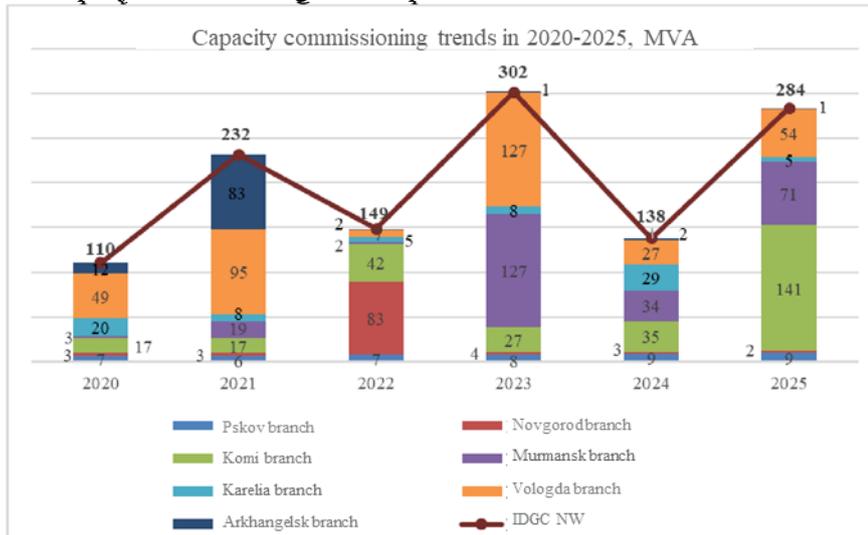
PJSC IDGC of the North-West investment programme for 2020-2025 takes into account plans of territorial development, technical condition of the power grids, significance of the power supply facilities and the current trends in the economic development of Russia.

The decisions made in working out the investment programme meet the aims and objectives of the Unified Technical Policy in the Power Grid System and the effective legislation.



In the years 2022, 2024-2025, the following investment projects are to be commissioned in accordance with the approved investment development programme: renovation of 110 kV OL

Sheksninskaya 1,2 with branch lines to 110/10 kV SS Iskra, 110/10 kV SS Zayagorba, 110/10 kV SS Nifantovo and Sheksninskaya HPP (64 km of PL); technical re-equipment of 10 kV OL L-31P-4 Krivtsy-Karbozero of the Pudozhsky District with replacement of poles and wires (with SSIW) (54 km of PL); and renovation of 10 kV OL L-12 at SS Valday, the Valday District of the Novgorod Region with wire replacement with SSIW (47 km of PL). The increase in the length of power lines to be commissioned in 2022 and 2024-2025 is due to implementation of other investment projects involving wire replacement with SSIW.

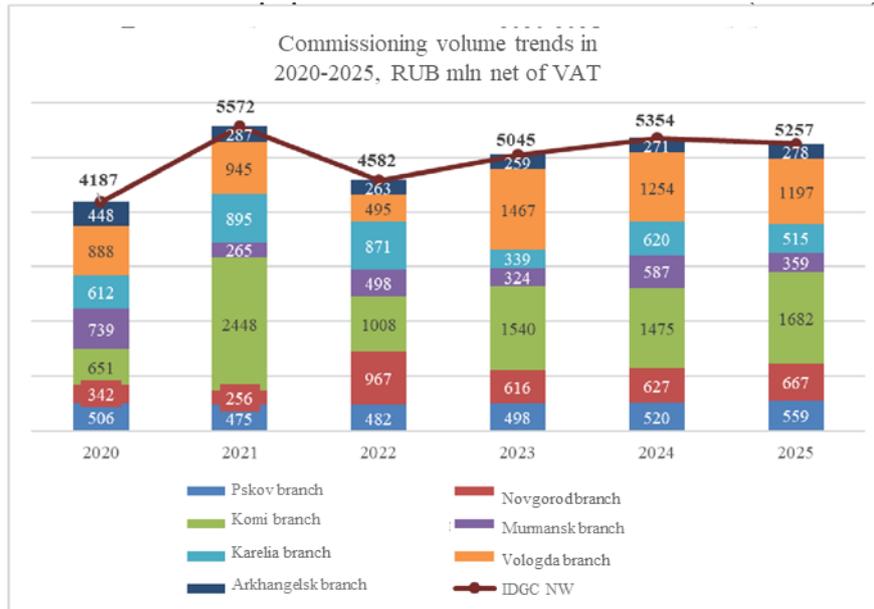


Considerable increase in the transformer capacity for commissioning in 2023 is conditioned by launch of the following investment projects:

- Renovation of 150/110/35/6 kV SS No.53 (125 MVA);
- Renovation of 110/35/10 kV SS Lugovaya (80 MVA);
- Renovation of 110/10 kV SS Vokhtoga (20 MVA);
- Renovation of 110/35/10 kV SS Suda (20 MVA);
- Technical re-equipment of 110/35/6 kV SS N.Odes (10 MVA).

Increase in the capacity volume for commissioning in 2025 is conditioned by launch of the following investment projects:

- Technical re-equipment of 150/10 kV SS No.11A (63 MVA).
- Renovation of 110/35/10 kV SS Ustyuzhna (32 MVA);
- Technical re-equipment of 110/10 kV SS Chikshino (20 MVA).



Increased entry into operation in 2021 is attributable to large investment projects:

- implemented to perform obligations under the TC contracts signed, specifically:

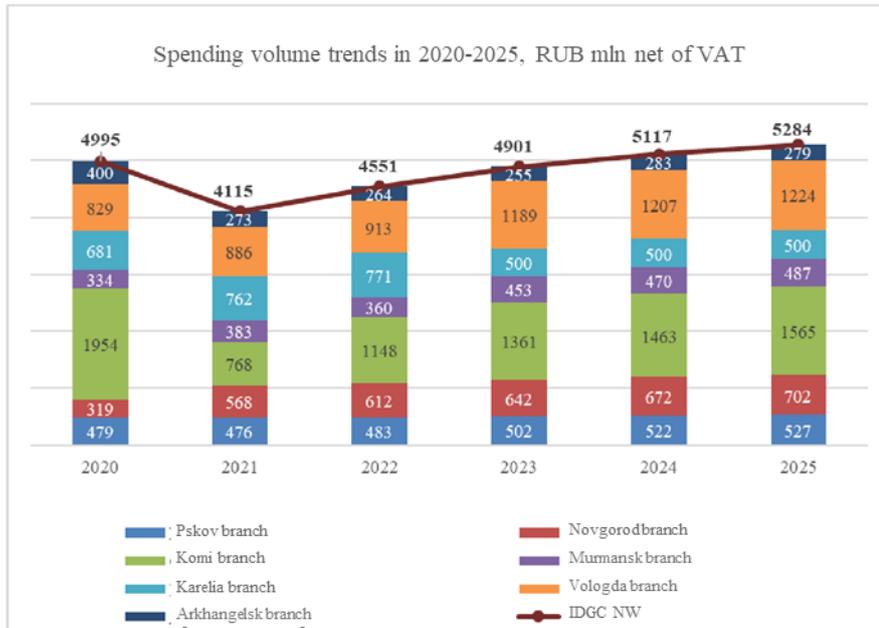
- Construction of 110/10 kV SS Olkhovey and 10 kV OL for technological connection of CS-5 Usinskaya, CU-2 within the framework of building the gas pipeline system Bovanenkovo–Ukhta (contract of 26.01.2015 No. 56-01885V/14 with PJSC Gazprom – 1 item) (110/10 kV SS – 1x10 MVA; 10 kV OL – 6 km; metering point – 1);
- Construction of 110 kV OL No.103 Vorkutinskaya CHPP No.2 – 110/10 kV SS Olkhovey for technological connection of CS-5 Usinskaya, CU-2 within the framework of building the gas pipeline system Bovanenkovo–Ukhta (contract of 26.01.2015 No. 56-01885V/14 with PJSC Gazprom – 1 item) (110 kV OL – 163 km).

- implemented for substations renovation with replacement of power transformers and circuit breakers:

- Renovation of the substation SS 41 Olonets with replacement of breaker-isolating switches and short circuiters with 2 sulfur-hexafluoride circuit breakers of 110 kV, oil circuit breakers of 35 kV with vacuum ones in the amount of 5 items, installation of a vacuum circuit breaker unit of 35 kV, replacement of oil circuit breakers of 10 kV with vacuum ones in the amount of 15 items;
- Renovation of 110/10/6 kV SS No.1 in Arkhangelsk, the Arkhangelsk Region, with replacement of transformer capacity of 25 MVA with 40 MVA (ASC – 4 items);
- Renovation of 110/35/10 kV SS Vostochnaya in Vologda: replacement of a 40 MVA power transformer with another one equal in capacity, renovation of OL and CL access lines with the total length of 5.82 km, renovation of 110 kV SG, 35 kV SG, 10 kV SG (installation of 61 circuit breakers);
- Renovation of 110/35/10 kV SS Kubenskoye of the Vologodsky District : replacement of power transformers – 2x10 MVA – with 2x16 MVA, replacement of circuit breakers of 10 kV – 3 items, installation of 35 kV ASC – 2 items, 10 kV ASC – 2 items.

- implemented for technical re-equipment and renovation of overhead power lines:

- Technical re-equipment of 10 kV OL L-39-6 Vedlozero-Kolatsega of the Pryazhinsky District with replacement of poles and wires (with SSIW), the length of the re-equipped site is 42.4 km;
- Renovation of 110 kV OL Ochistnye 1,2 in Sokol, Sokolsky District of the Vologda Region in the double circuit with the length of 8.179 km (including 110 kV CL of 0.468 km).



The dynamics of financed projects implementation for the period of 2020–2025 correlates with the above changes in financing volumes.

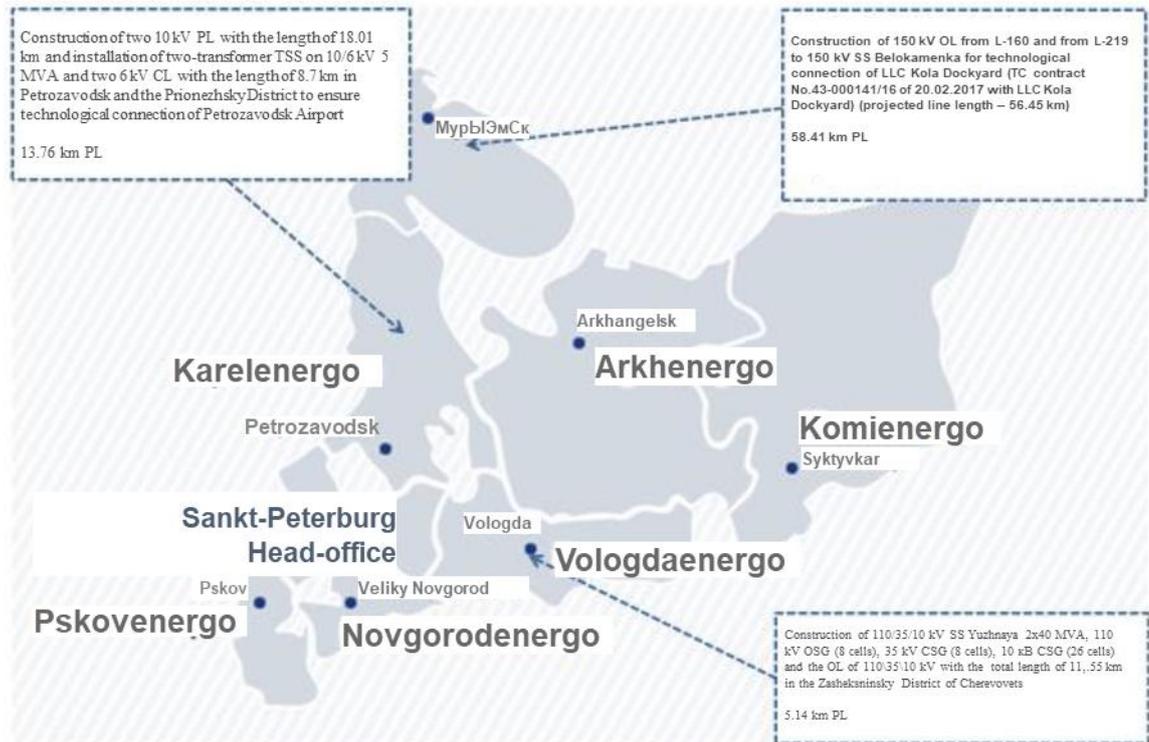
Priority investment projects completed in 2019⁴

Implementing Order of the Russian Government of 21.06.2010 No. 468 “On the procedure of construction compliance monitoring in building, renovation and overhaul of capital construction facilities”, to certify that the works performed during building, renovation and overhaul of capital construction facilities comply with the requirements of the design documentation, technical regulations, site development plans, engineering survey findings, construction compliance monitoring is carried out.

The coverage of the capital construction facilities under the investment programme of the Company by independent construction compliance monitoring was 92% in 2019.

In accordance with the investment programme of the Company, the following key projects were implemented in 2019:

⁴ Report on the capital construction quality control is presented in Annex 4 to the Annual Report.



[GRI 203-1] A number of these key investment projects have high public significance. To implement Orders of the RF Government of 20.07.2018, for the technological connection of Petrozavodsk Airport, a state-financed entity of the Republic of Karelia, the Company swiftly built two 10 kV OL with the length of 13.76 km and ensured external power supply of the airport. Petrozavodsk International Airport is part of the national backbone airfield and airport network of the Russian Federation. It provides almost 100% of the services rendered to air passengers in the Republic of Karelia. To integrate the Republic of Karelia into the system of international and domestic air transportation, comprehensive renovation of the airport facilities is carried out. The airport has the status of a federal international airport.

The investment project on construction of 150 kV OL from L-160 and from L-219 to 150 kV SS Belokamenka was implemented in 2019 under the performance of technological connection contract of 20.02.2017 No. 43-000141/16/KV-127-UP/2016 with LLC Kola Dockyard (LLC Novatek-Murmansk) and included in the scheme and programme of the power industry development in the Murmansk Region, approved by Order of the acting Governor of the Murmansk Region A.V.Chibis of 26.04.2019 No.73-RG. As a result of the investment project implementation, a large new consumer – centre for construction of large-capacity marine facilities (the contracted capacity is 56.4 MW) – was connected to the Murmansk Region power grids. The largest dry docks in Russia will perform construction and equipment of natural gas liquefaction and transshipping plant, as well as construction of nuclear-powered icebreakers. The enterprise will occupy over 150 hectares and create 15 thousand new jobs.

Production results

Power transmission and losses⁵

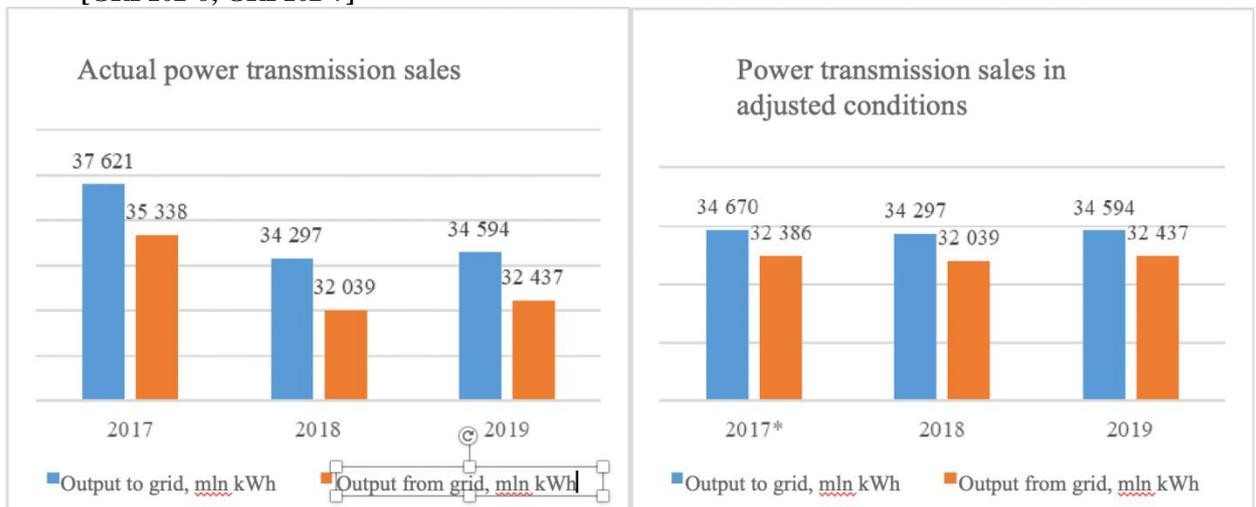


Indicator	Planned 2019	Actual 2019	Planned 2020
Output from grid, mln kWh	32,590.7	32,437.3	32,010.9

Power transmission services volume⁶

In 2019, the volume of power output from grid to consumers and related LGOs within the balance and operational responsibility totalled 32,437.3 mln kWh, which is 398.4 mln kWh (or 1.24%) higher year on year (32,038.9 mln kWh).

[GRI 102-6; GRI 102-7]



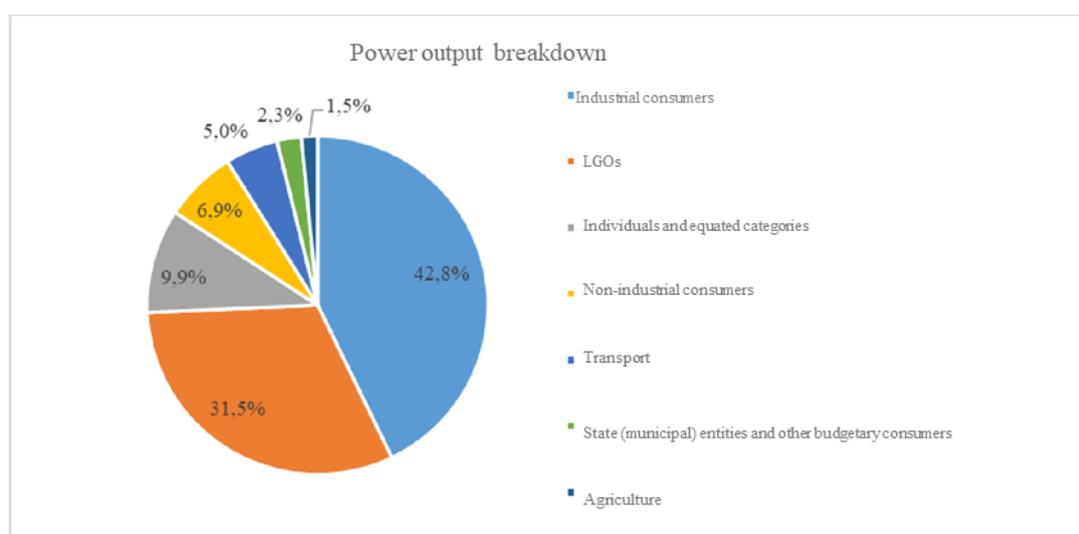
* In 2017, the indicators are presented in the conditions comparable with 2018-2019 (estimated net of the volumes of the last mile facilities in the first half of 2017).

The main reasons for these trends include increasing power consumption volume by some major consumers. The table below shows power consumption volumes influencing this dynamics.

⁵ Production results broken down by branch are shown in Annex 5 to the Annual Report.

⁶ The regulatory base for power transmission services is presented at the Company's web site: <https://clients.mrsksevzap.ru/regulations>

Services consumers	2018	2019	2019-2018	2019/2018
	mln kWh	mln kWh	mln kWh	%
Karelia branch of PJSC IDGC of the North-West				
OJSC RZD	600.800	669.600	68.80	11.4
JSC TNS Energo Karelia	602.700	674.700	72.00	11.9
OJSC Prionezhskaya Setevaya Kompaniya	704.700	712.900	8.20	1.2
Murmansk branch of PJSC IDGC of the North-West				
LLC EvroKhimEnergo	796.030	821.030	25.00	3.2
OJSC Olenegorsky GOK	369.587	386.600	17.00	4.7
Novgorod branch of PJSC IDGC of the North-West				
LLC Acron	986.400	1047.875	61.48	6.23
LLC UPM-Kymmene Chudovo	33.100	39.680	6.58	19.88
LLC Transneft Baltic	147.900	218.073	70.17	47.45
Pskov branch of PJSC IDGC of the North-West				
OJSC Velikoluksky Meat Processor	52.060	59.770	7.70	14.80
LLC VSGC	12.203	15.283	3.08	25.24



Largest consumers and LGOs

Largest industrial consumers and transport

Item	2017 mln kWh	2018 mln kWh	2019 mln kWh
LLC Rusenergosbyt	2,128	2,141	2,080
LLC Khibinskaya Energosbytovaya Kompaniya	1,796	1,751	1,749
JSC SUAL	1,252	1,249	1,254
PJSC Acron	1,016	986	1,048
LLC EvroKhimEnergo	806	796	821
OJSC Kondopoga	681	436	498
LLC Rusenergoresurs	791	833	453

Largest LGOs

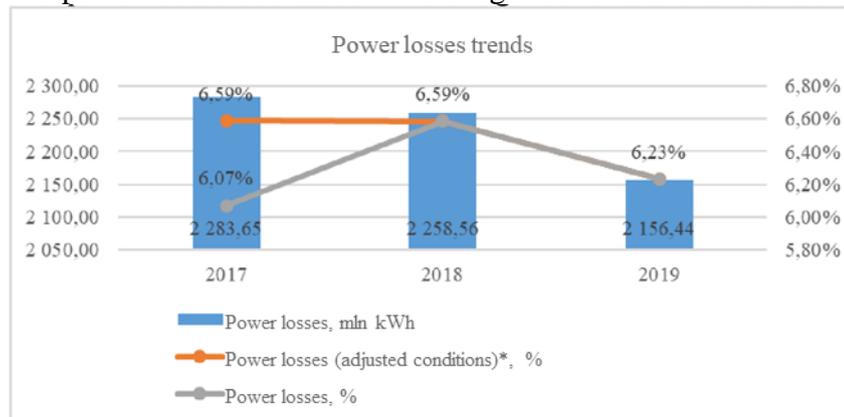
Item	2017 mln kWh	2018 mln kWh	2019 mln kWh
JSC KKT ⁷	1,444	1,297	1,228
JSC Murmanskaya Oblastnaya Elektrosetevaya Kompania	1,091	1,055	1,087
JSC Novgorodoblektro	1,075	1,037	1,008
JSC Vologdaoblenergo ⁸	926	1,019	1,052
MUE Elektrosset	340	294	334

Power losses [EU12]



Indicator	Planned 2019	Actual 2019	Planned 2020
Power losses, mln kWh	2,200.3	2,156.4	2,124.3

The power losses decreased in 2019 against 2018 and amounted to 6.23%.



* % of losses is calculated in relation to the output to the Company grid, net of the volumes of the last mile facilities in the first half of 2017.

Power losses reduction activities [103-2; 103-3]

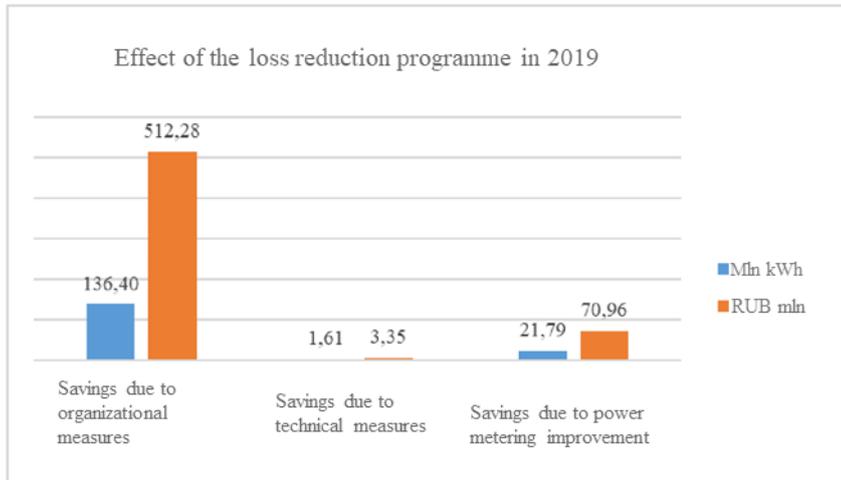
As a priority, PJSC IDGC of the North-West carried out a programme of measures aimed to reduce the level of losses in its grid facilities for 2019-2023.

[GRI 302-4] The implementation of the power losses reduction programme in 2019 resulted in saving 159.8 mln kWh, or 575.28 TJ (RUB 586.59 mln in value terms) due to:

- organisational measures;
- technical measures;
- measures aimed at improving power metering.

⁷ Before 01.03.2016, LLC Respublikanskaya Setevaya Kompania and LLC Energotreid.

⁸ Before 25.03.2016, JSC Vologodskaya Oblastnaya Energeticheskaya Kompania.



Technological connection⁹



Indicator	Planned 2019	Actual 2019	Planned 2020
Capacity connected, MW	485	450	299

The Company provides comprehensive services for connection of consumers' power receivers, power production facilities and power grid facilities to PJSC IDGC of the North-West power grids¹⁰. The service includes: receiving an application for technological connection, development of technical specifications, contract signing, receiving permission from the federal state energy supervision authorities for operation of the applicant's facilities, issue of connection certificate¹¹.

⁹ The methodology of tariff regulation regarding the technological connection services is shown on the Company web site: https://clients.mrsksevizap.ru/gc_commoninfo

¹⁰ The regulatory base of technological connection is shown on the Company web site: https://clients.mrsksevizap.ru/gc_regulations

¹¹ A description of the technological connection process is available in Annex 6 to the Annual Report.

[GRI 102-6]

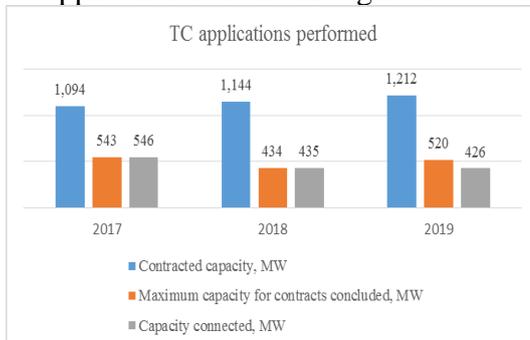

* Net of power generating facilities.

Overall, the total number of technological connection applications received and contracts concluded in 2019 remained at the same level against 2018. The number of technological connection contracts performed in 2019 was 7% lower than in 2018.

By year-end 2019, the ratio of contracts performed to contracts concluded was 1, which implies no growth in accrued liabilities.

This trend was due to the following:

- high share of technological connection contracts fulfilled using in-house resources;
- performance of design and survey works using in-house resources for the construction, reconstruction or upgrade of 0.4-10 kV distribution grids;
- streamlining trading and procurement processes;
- applicant relations through a feedback mechanism.



To implement the target model of simplified business procedures and enhanced investment attractiveness of the Russian Federation regions “Technological connection to power grids” approved by Order of the Russian Federation Government of 31.01.2017 No.147-r, in 2019 the Company:

- held “entrepreneurs’ days”, participated in public infrastructure activities, developed client services, including electronic Internet services, as well as cooperated with the mass media to ensure information support of the improved TC conditions;
- arranged automated workplaces for consumers in customer offices with open access to the Company’s interactive services;
- offers the applicants to perform the technological connection operations attributed to the applicant’s competence using the grid organisation’s resources.

The average period of technological connection activities for small and medium businesses is 61 days in 2019.

The largest socially significant facilities connected in 2019:

In the Arkhangelsk branch:

Technological connection of a nursery school for 280 children of the Department of Economic Development, Administration of Kotlas with the capacity of 210 kW.

In the Karelia branch:

Technological connection of Puikkola comprehensive school at the Sortavala Municipal District of the Republic of Karelia with the capacity of 100 kW.

In the Komi branch:

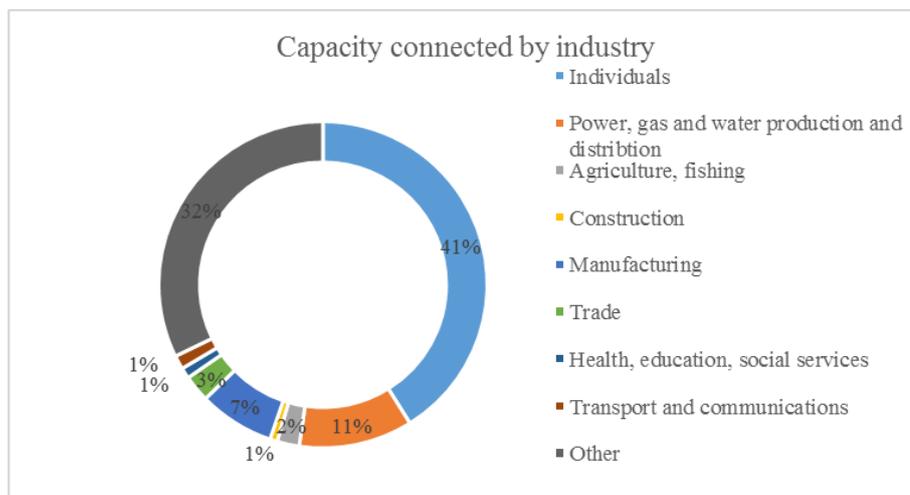
Technological connection of the ice hockey rink building of Inta sports school with the capacity of 734 kW.

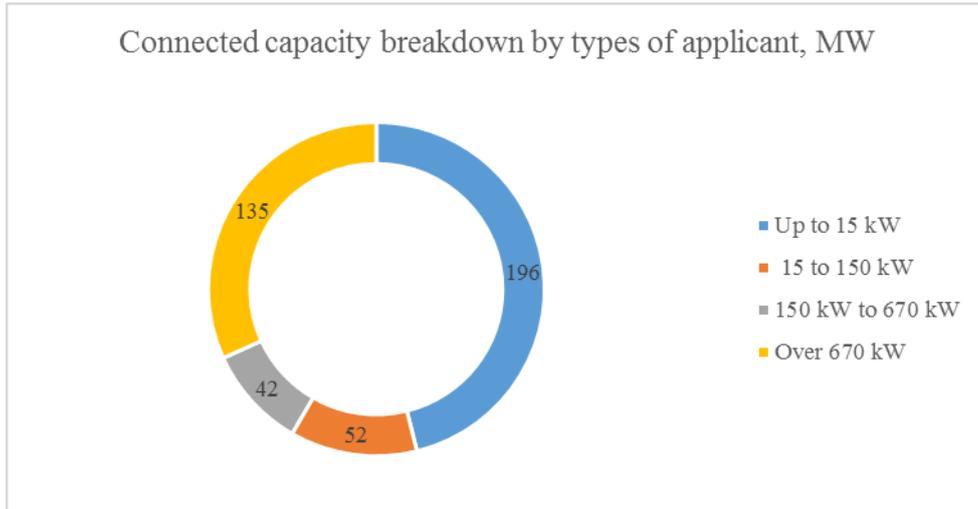
In the Pskov branch:

Technological connection of nursery schools in Pskov Construction and Overhaul Department, Administration of Pskov with the capacity of 267 kW and 235 kW.

The largest applicants of the Company in 2019:

- LLC Novatek-Murmansk: contract of 20.02.2017 No. 43-000141/16 to perform technological connection of 150 kV SS Belokamenka to ensure power supply of the centre for construction of large-capacity marine facilities (in the amount of RUB 679 mln net of VAT);
- PJSC Gazprom: contract of 27.09.2017 No.VOL5TP/393/17 (No.26-00244Ch/17) on technological connection of compressor station Sheksninskaya, part of the Nord Stream 2 gas pipeline under construction (in the amount of RUB 219 mln);
- JSC Tander: contract of 25.04.2017 No.15-03860A/16 on technological connection of power supply facilities for the regional distribution centre of foodstuffs and commodity goods storage (in the amount of RUB 99 mln).





Applications breakdown in 2017-2019 (including power generating facilities)¹²

	2017		2018		2019	
	total capacity, MW	items	total capacity, MW	items	total capacity, MW	items
Individuals	243	21,719	220	20,873	197	18,617
Legal entities	921	4,435	978	4,583	1,050	5,783
Total	1,164	26,154	1,198	25,456	1,248	24,400

The total number of applications received in 2019 reduced by 4% against 2018.

Power grid system development in the RF regions within the Company's geographical footprint

In order to systemise and aggregate proposals on power grid infrastructure development for sustainable socio-economic growth of the RF regions, to enhance accessibility of the energy infrastructure, boost competition on the power (capacity) market and align the development of backbone and distribution power grids, the Company annually works out (updates) comprehensive programmes of 35+ kV power grids development on the territory of the Russian Federation regions for the period of five years (hereinafter – CDP) engaging specialised engineering companies.

The resulting CDPs are used as supporting materials in drafting investment programmes of the Company branches, working out long-term development schemes and programmes of the RF regions (DS&P)¹³ and the programme of technical re-equipment of power grid facilities.

The power industry development schemes and programmes of the Russian constituent entities are prepared by Russian regional executive authorities for a five-year period taking into account the Development scheme and programme of the Unified Energy System of Russia. They cooperate with JSC SO UES, Rosseti North-West and LGOs. Representatives of Rosseti North-West are engaged in working groups on DS&P development, contribute to investment activities

¹² TC demand volumes and its satisfaction are shown in Annex 7 to the Annual Report .

¹³ In line with Order of the Russian Federation Government of 17.10.2009 No. 823 “On the power industry development schemes and programmes”.

committees under regional administrations of the operations area.

The approved investment programmes of Rosseti North-West branches take into account the activities reflected in DS&P.

Approved power industry development schemes and programmes of the Russian constituent entities

RF region	Development year	Projected DS&P implementation period	Details of the document adopting the DS&P of the RF region
Arkhangelsk Region	2019	2019-2023	Decree of the Arkhangelsk Region Governor of 29.04.2019 No.29-u
Vologda Region	2019	2020-2024	Order of the Vologda Region Governor of 26.04.2019 No.78
Republic of Karelia	2019	2019-2023	Instruction of the Head of the Republic of Karelia of 30.04.2019 No.220-r
Murmansk Region	2019	2020-2024	Instruction of the Murmansk Region Governor of 26.04.2019 No.73-RG
Republic of Komi	2019	2019-2023	Instruction of the Head of the Republic of Komi of 30.04.2019 No.86-r
Novgorod Region	2019	2019-2023	Decree of the Novgorod Region Governor of 22.04.2019 No.152
Pskov Region	2019	2019-2023	Decree of the Pskov Region Governor of 26.04.2019 No.36-UG

Comprehensive servicing of consumers

Client orientation is currently a core indicator of a company's effective governance system. A client-oriented approach in the activities of PJSC IDGC of the North-West means building all business processes in such a way that the focus of achieving strategic objectives and sustainable profitability is to ensure satisfaction and loyalty of the Company's customers.

Employees of the client relations department conduct on-site customer communication in 20 offices of customer service. All customers can receive expert advice about technological connection, quality and supply of power; lodge a complaint, apply for technological connection, apply for concluding a contract for power transmission or for additional chargeable services.

To promote interactive services, consumer workplaces were arranged at branch customer offices in 2019, where clients enjoy open Internet access and documents scanning options.

In order to improve the efficiency of interaction with consumers, all branches approved schedules for regular office hours when individual customers can visit heads of the branches, production divisions and PDZs.

Remote consumer servicing arrangements by telephone involve receiving and processing incoming phone calls by client relations unit employees, as well as making outgoing calls to notify consumers and provide information.

Throughout the reporting period the Company has had a 24/7 single hotline number 8-800-333-02-52; the calls are toll-free across Russia. The telephone line receives all client feedback on the Company's activities, including communications on power blackouts, malfunction of the grid facilities operation, unlawful or inappropriate power consumption.

Starting 31.12.2019, the PJSC IDGC of the North-West hotline services were transferred to the single hotline of the Rosseti Group: 8-800-220-0-220.

The hotline phone number is displayed at client offices, the Company website, all regional reference books, as well as in the Reference Book on Hotlines and Service Desks in the RF constituent entities.

Remote interactive services are provided to consumers via the official website of PJSC IDGC of the North-West <http://www.mrsksevizap.ru> in accordance with the requirements of the Unified standards of customer service quality at the grid companies, approved by Order of the Ministry of Energy of 15.04.2014 No.186.

The website of PJSC IDGC of the North-West offers the following interactive tools to consumers:

- Consumer's personal account
- Internet reception office
- Interactive map of power supply centres

The Internet reception office enables clients to submit applications for technological connection and applications for additional services, to file requests, fill in consumer questionnaires; find answers to frequently asked questions.

The interactive service of the consumer's personal account enables clients to track all stages of their technological connection application from the date of submission through actual connection and signing of the technological connection act.

Starting 01.10.2019, the Company has established a single interactive channel of submitting technological connection applications via a personal account at the single portal of power grid services PJSC Rosseti (<http://портал-тп.пф>).

In 2019, the following measures were taken to enhance the consumer service quality:

1. The official website of PJSC IDGC of the North-West, section "Information on power cuts", regularly shows data on scheduled power cuts for the current month <https://clients.mrsksevizap.ru/poweroutage>.

2. To enhance quality monitoring for the services rendered, ensure prompt response to consumer notifications on power system disturbances, receive feedback from consumers in case of large-scale emergency power outages, PJSC IDGC of the North-West uses the consumer feedback portal of PJSC Rosseti "The Light Country" in its operations area.

3. To ensure accessibility of the interactive services, all consumer offices are equipped with automated client workspaces with open Internet access and documents scanning options.

4. Starting 01.01.2020, the PJSC IDGC of the North-West hotline services were transferred to the single hotline of the Rosseti Group: 8-800-220-0-220.

5. The employees responsible for consumer relations took part in the workshop "Client-oriented service and effective sales of additional (non-tariff) services".

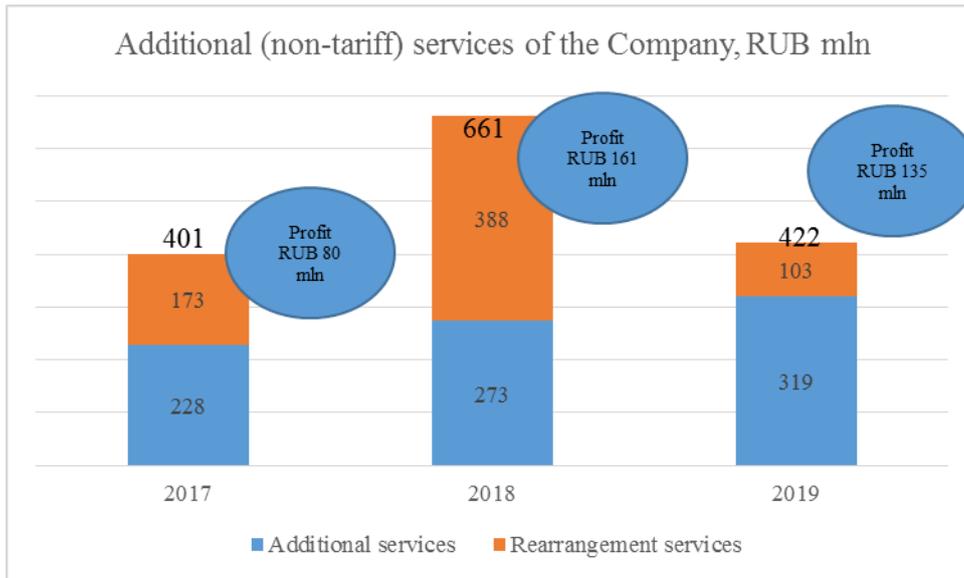
6. The client offices of the Novgorod branch were refurbished, new information stands were installed, signs and boards were replaced.

In 2020, PJSC IDGC of the North-West intends to work further on improvement of the client-oriented approach, development of comfortable environment for consumers, enhancement in the services quality.

Other activities

Apart from the core business subject to state regulation (power transmission services and technological connection to power grids), the Company renders additional chargeable services at the customer offices and upon applications received via interactive services.

The additional services are rendered on a paid basis to meet the needs of the clients (legal entities and (or) individuals), applying to the Company. Additional chargeable works/services are not subject to state regulation of prices (tariffs) in accordance with the RF legislation. The information on additional services rendered, as well as relevant calculations, are shown at the information stands of consumer service offices and at the Company website.



The development of additional (non-tariff) services of PJSC IDGC of the North-West is a priority area of the Company in the context of moderate growth in productive power supply and permanent demand for the technological connection services in the recent 5 years.

To define a single approach to rendering additional (non-tariff) services, the Rosseti Group approved a Unified consolidated list of additional non-tariff services for consumers:

1. Lease.
2. Maintenance and repair services.
3. Construction and assembly.
4. Advisory, organisational and technical services.
5. Agency.
6. Services in communications and information technologies.
7. Other services in non-core business operations.
8. Other services.

Proceeding from this list, the Company carried out a preliminary market analysis (defined the market segment, market capacity, competitive environment assessment) by each type of the additional (non-tariff) services .

The findings of the analysis enabled it to draw up a list of highly demanded additional services in the power grid business and adjacent areas: lease of buildings, rooms, constructions, land; services of telecommunications equipment housing; maintenance and repair services; organisation of power metering; performance of the technological connection operations attributed to the applicant's competence during technological connection ("TC on turnkey basis"), and other services in other business operations.

The market analysis served as the basis for the Company to draft a Roadmap on the above additional services development, defined the target indicators and the measures for their achievement.

The timeframe for the Roadmap activities completion is 2024.

Target indicators of the Roadmap on additional (non-tariff) services development at the Company

Indicator	Target values (plan)					
	2019	2020	2021	2022	2023	2024
A	1	2	3	4	5	6
Non-tariff revenue, RUB mln	866,521	967,210	1,007,996	1,050,820	1,095,783	1,142,993
Net profit, RUB mln	372,268	294,401	373,130	244,003	262,211	283,575
Profitability, %	78.99%	57.28%	75.17%	35.46%	35.79%	37.90%

The target indicators of the roadmap take into account:

- the scenario conditions of the business plan development;
- the actual values of the indicators achieved by sales of additional services in the previous periods;
- the applications received and the active income-generating contracts with the amount over RUB 1 mln;
- preliminary analysis of the marker and the prospects of additional (non-tariff) services development;
- the approved minimum profitability level for the additional services (the profitability for each additional service not less than the value defined as the highest indicator of 10% and the actual profitability of the service in the previous period).

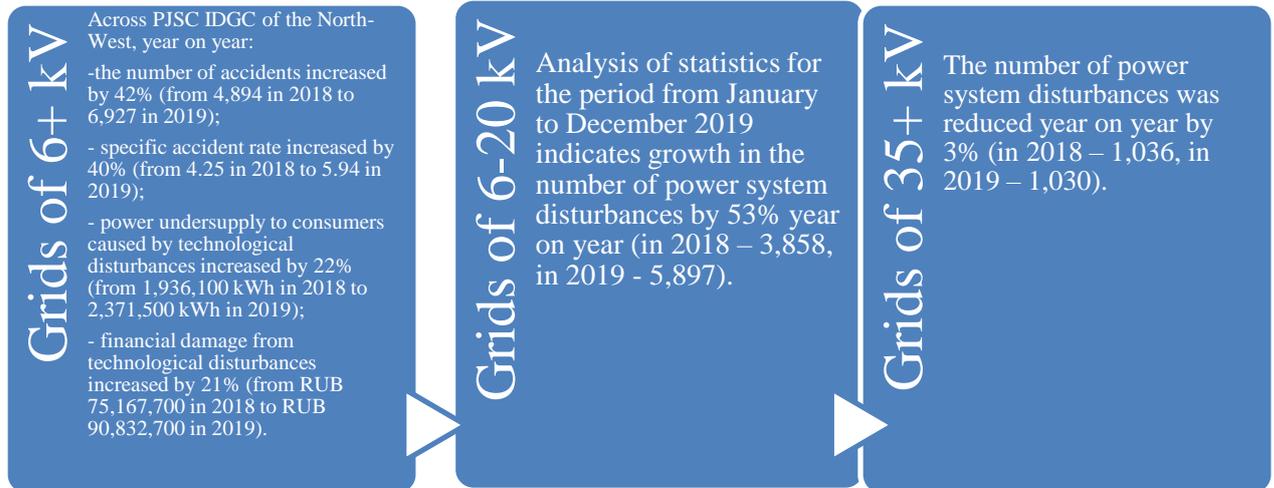
The Roadmap activities aim at increasing the market share in additional (non-tariff) services of the Company, raising non-tariff revenue from sales of additional services, improving accessibility of the additional services of the Company, as well as commercialisation of the consumer interaction processes.

Improving power supply efficiency, reliability and quality



Key technical areas of enhancing reliability and efficiency of the Company's power grid facilities are stipulated by the Unified Technical Policy in the Power Grid System¹⁴ approved by the Board of Directors of PJSC Rosseti (Minutes of 22.02.2017 No. 252).

¹⁴ The regulation on the Unified Technical Policy in the Power Grid System is presented at the web site <http://www.mrsksevzap.ru> under [About the Company / Charter and internal documents / Policies](#).



According to the research conducted after the accidents, their main reasons are as follows:

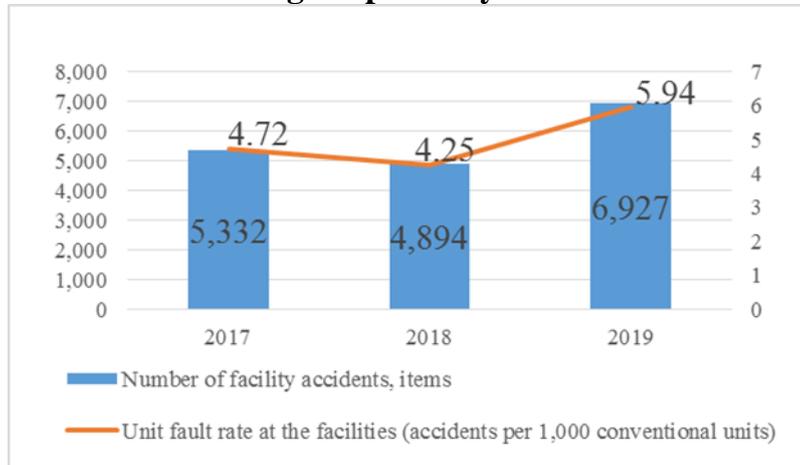
- inconsistency of the adopted corridor (clearing) widths of 6-110 kV OL with the modern operation requirements, fall of trees from outside the security territory with the height significantly exceeding the clearing widths, long period of operation for the majority of OL (58.2% OL have been in operation over 35 years) are the main reasons for technological disturbances at 35, 110 kV OL and in the 6-10 kV distribution grids. The number of power cuts caused by fall of trees due to weather conditions is 37% (2,532 cases) of the total number of disturbances in 2019;

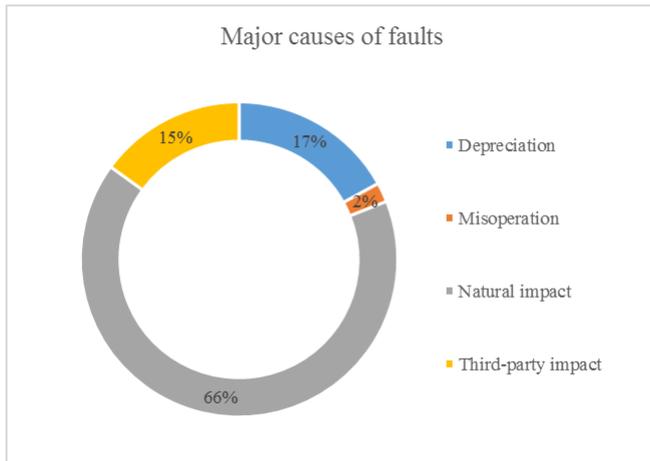
- high physical depreciation of the equipment, where the operation period exceeds the standard technical lifetime (requires: renovation of the power equipment at 35-110 kV substations, distributing SS, transformer SS);

- significant number of 6+ kV OL disturbances was due to wear and tear. The number of disturbances with the signs of events described in 3.4.7.5 “Unsatisfactory technical condition of the equipment (insulation ageing, loss in mechanical strength of wires, changes in properties of materials etc.)” accounts for 17% (1,184 power cuts) of the total disturbances in 2019;

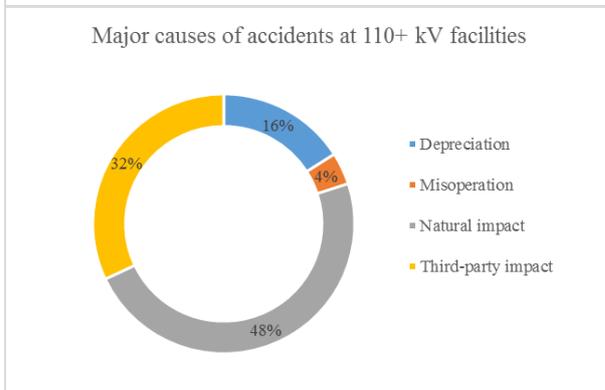
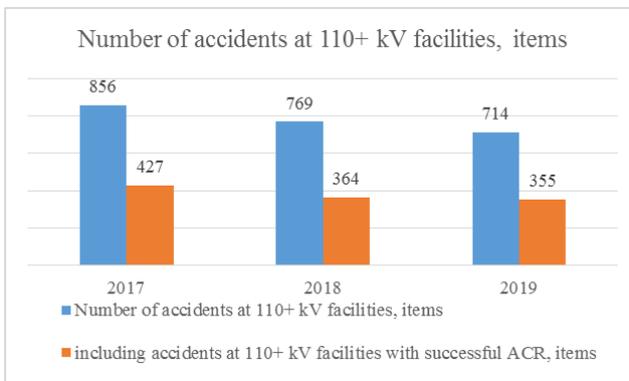
- disturbances connected with thunderstorms (362 disturbances) in the period from May to September account for 5% of the total number of disturbances in 2019.

Trends in technological power system disturbances





Trends in technological power system disturbances in 110+ kV grids



To reduce the number of emergency power outages caused by breakdown of the equipment with expired service life, the Company updated a programme for upgrade (renovation) of its power grid facilities for the period of 2020-2026 (approved by the Board of Directors of PJSC IDGC of the North-West, Minutes of 25.12.2018 No. 303/16).

A programme aimed at bringing forest corridors to normative condition by widening clearings of 35+ kV OL was developed to increase efficiency, reliability and safety of power generation and reduce the number of disturbances caused by falling trees (approved by Regulation of PJSC IDGC of the North-West No. 357r dated 11.09.2017). The widening of clearings is implemented within the investment programme.

To decrease the number of emergency power outages of 0.4-20 kV OL due to overlapping wires, fall of foreign objects on wires, fall of trees and recurrent natural disasters, a programme aimed at renovation of power lines of 0.4-20 kV with replacement of uninsulated wire with SSIW is implemented at PJSC IDGC of the North-West branches. Replacement of uninsulated wires with SSIW helps to reduce the number of technological disturbances and the costs of maintenance.

Readiness for possible power system disturbances response

Regardless of the season and weather conditions, PJSC IDGC of the North-West employees are prepared for mitigation of possible technological accidents: 217 employees of the company in the form of 37 mobile crews supported by 101 units of machinery are ready for swift mitigation of large-scale shutdowns, and may be sent to assist colleagues from other branches, or subsidiaries and associates of PJSC Rosseti if necessary. Additionally 71 agreements were signed with contractors on interaction during emergency recovery, which allows involving 1,228 persons in 160 crews and 476 units of machinery in restoring power supply.

PJSC IDGC of the North-West has 290 reserve sources of electric power supply with the total capacity of 45.8 MW.

Subject to Order of PJSC Rosseti dated 01.06.2018 No. 89, PJSC IDGC of the North-West worked out a multiannual (up to 2022) programme for purchasing reserve power supply sources (RPSS) in the volumes endorsed by PJSC Rosseti.

The RPSS purchasing plan for 2019 was fully completed by PJSC IDGC of the North-West: 18 RPSS were purchased with the capacity of 5.2 MW.

In accordance with the communicated principles of building the required RPSS capacity, 58 RPSS are to be bought in 2019–2022.

In 2019, PJSC IDGC of the North-West sent assistance to restore power supply to consumers of PJSC Lenenergo: 135 employees within 30 crews and 31 units of machinery, including crew vehicles. Mitigation of large-scale power system disturbances at power grids of PJSC Lenenergo involved employees from six branches of the Company.

Indicators of services reliability System Average Interruption Duration Index per point of delivery (Psaidd) and System Average Interruption Frequency Index per point of delivery (Psaifi)

Analysis of the actual indicators of reliability levels of the Company branches in 2019 shows that in the Karelia branch the indicator of services reliability System Average Interruption Duration Index per point of delivery (Psaidd) was achieved with a major improvement, and in the Arkhangelsk, Vologda, Murmansk, Novgorod, Pskov and Komi branches the indicator of services reliability System Average Interruption Duration Index per point of delivery (Psaidd) was achieved with acceptable variation.

Branch name	Psaidd/planned	Psaidd/actual	Result
Arkhangelsk branch	3.4535	2.4763	Achieved
Vologda branch	5.0404	3.6241	Achieved
Karelia branch	8.5180	4.7608	Achieved
Murmansk branch	0.3455	0.3095	Achieved
Komi branch	4.0805	4.1812	Achieved
Novgorod branch	7.0991	5.3658	Achieved
Pskov branch	5.0229	5.3409	Achieved

Analysis of the actual indicators of reliability levels of the Company branches in 2019 shows that in the Arkhangelsk, Vologda, Karelia, Murmansk, Novgorod, Pskov and Komi branches the indicator of services reliability System Average Interruption Frequency Index per point of delivery (Psaifi) was achieved with acceptable variation.

Branch name	Psaifi/planned	Psaifi/actual	Result
Arkhangelsk branch	1.2879	1.4920	Achieved

Vologda branch	2.2989	1.8629	Achieved
Karelia branch	2.1270	2.4432	Achieved
Murmansk branch	0.1523	0.1707	Achieved
Komi branch	2.0233	2.3303	Achieved
Novgorod branch	1.7622	1.8195	Achieved
Pskov branch	1.5239	1.9631	Achieved

EU28; EU29] Average interruption frequency and duration

Indicator	2017	2018	2019
System Average Interruption Frequency Index per point of delivery (Psai fi), items	1.60	1.40	1.90
System Average Interruption Duration Index per point of delivery (Psai di), hours	4.18	2.73	4.23

Data shows that in the period from 2017 to 2018, PJSC IDGC of the North-West presents positive trends in the power supply reliability indicators. In 2019 a reduction in reliability indicators was observed in 6 branches and the Company on the whole. The reliability indicators reduction was brought about by a 16% increase in the number of consumer power supply interruptions in 2019 against 2018, which is due to extremely unfavourable natural impact as Atlantic cyclones hit the territory of the PJSC IDGC of the North-West branches in January-March and November-December of 2019.

Reaching the reliability level of the services rendered

In 2019, the indicators of services reliability and quality levels set by executive authorities of the Russian Federation regions in the area of state tariff regulation subject to regulatory documents were achieved by all branches of PJSC IDGC of the North-West.

Branch	Indicator	2019	
		Planned	Actual
Arkhangelsk branch of PJSC IDGC of the North-West	average interruption duration per point of delivery	3.4535	2.4763
	average interruption frequency per point of delivery	1.2879	1.4920
	quality level	Not set	
	TC quality level	1.0000	1.0154
Vologda branch of PJSC IDGC of the North-West	average interruption duration per point of delivery	5.0404	3.6241
	average interruption frequency per point of delivery	2.2989	1.8629
	quality level	Not set	
	TC quality level	1.0093	1.0894
Karelia branch of PJSC IDGC of the North-West	average interruption duration per point of delivery	8.5180	4.7608
	average interruption frequency per point of delivery	2.1270	2.4432
	quality level	Not set	
	TC quality level	1.0000	1.2410
Murmansk branch of PJSC IDGC of the North-West	average interruption duration per point of delivery	0.3455	0.3095
	average interruption frequency per point of delivery	0.1523	0.1707
	quality level	Not set	
	TC quality level	1.0002	1.0531
Komi branch of PJSC IDGC of the North-West	average interruption duration per point of delivery	4.0805	4.1812
	average interruption frequency per point of delivery	2.0233	2.3303
	quality level	Not set	
	TC quality level	1.0000	1.0736
Novgorod branch of PJSC IDGC of the North-West	average interruption duration per point of delivery	7.0991	5.3658
	average interruption frequency per point of delivery	1.7622	1.8195
	quality level	Not set	

	TC quality level	1.0420	1.0507
Pskov branch of PJSC IDGC of the North-West	average interruption duration per point of delivery	5.0229	5.3409
	average interruption frequency per point of delivery	1.5239	1.9631
	quality level	Not set	
	TC quality level	1.0240	1.0071

Repair and maintenance programme

The Company performs power facilities maintenance and repair to keep up substations and high-voltage lines equipment in good working order.

In 2019, IDGC of the North-West fully completed the scheduled maintenance and repair activities.

Works	2017	2018	2019
Overhaul of OL, km	10,166	10,410	10,450
OL routes clearing, ha	16,563	19,824	15,841
Switching units repair, items	2,798	2,566	2,566
Actual M&R, RUB mln	3,800.76	4,839.49	4,495.25

All measures needed for maintaining the power grid system equipment in good technical condition, successful passing of autumn and winter period and reliable power supply to consumers are implemented at PJSC IDGC of the North-West within the technical repairs and maintenance plan for 2019.

Implementation of the technical repairs and maintenance plan accounted for RUB 4,495.25 mln (with RUB 4,091.39 mln planned), or 110%.

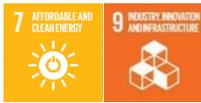
Power supply safety

In accordance with the regulations on implementing the uniform communications policy of PJSC IDGC of the North-West (the latest version approved by Decision of the Company's Board of Directors dated 28.12.2017 (Minutes No. 263/18)), the Company performs information exchange with related electric power entities and divisions of the EMERCOM of Russia. The Company's representatives participate in interagency working groups, consumer councils, regional headquarters for ensuring safe power supply under executive authorities of the constituent entities of the Russian Federation.

Special operation periods

PJSC IDGC of the North-West implemented organisational and technical measures to prepare the power grid system for operation during special periods. Regulatory administrative documents were developed, commissions were created, and inspections were carried out to control proper implementation of main and additional measures for ensuring operational readiness of the power grid system for special operation periods. Subject to the results of the commissions' work, acts were obtained regarding operational readiness for the 2019 high-water period, the fire protection period of 2019, the 2019-2020 autumn and winter period. By decision of the RF Ministry of Energy (Order of 15.11.2019 No.1225), the Company received a Certificate of operational readiness for the heating season. Full completion of the organisational and technical measures enabled it to ensure reliable power supply to consumers in the context of special operation modes.

Technical policy¹⁵



The technical solutions implemented in the projects of new construction and renovation included in the investment programme of PJSC IDGC of the North-West for 2019 correspond to the requirements of the Unified Technical Policy (approved by Decision of the Board of Directors of PJSC IDGC of the North-West dated 05.04.2017 No.237/28).

Specialised professionals of PJSC IDGC of the North-West contributed to adjustment of the Unified Technical Policy. The Regulation of PJSC Rosseti “On the Unified Technical Policy in the Power Grid System” approved by Decision of the Board of Directors of PJSC IDGC of the North-West (Minutes of 24.12.2019 No.342/19) and enacted by Order of the Company of 07.02.2020 No.61 “On implementation of the Regulation of PJSC Rosseti “On the Unified Technical Policy in the Power Grid System”.

The implementation of PJSC Rosseti’s Regulation “On the Unified Technical Policy in the Power Grid System” (hereinafter – the Regulation) is controlled at PJSC IDGC of the North-West as follows:

- in development of the schemes and programmes of the power sector development in the regions of the North-Western Federal District;
- in development of the Company’s operational, maintenance and target programmes;
- at the stage of the trade and procurement activities, when the equipment, products or materials offered are analysed for compliance with the checklists;
- in drawing up specifications for design, equipment (materials) supply and construction and assembly works;
- in approval of the technical solutions of design and specification documents for construction and renovation of power grid facilities;
- in carrying out technical supervision during construction and assembly and pre-commissioning activities for compliance with the approved design documentation;
- in assessing the developed design documentation for compliance with the requirements of the Regulation;
- in development and adjustment of the Company’s innovative development programme.

In 2019, the target operational programmes of PJSC IDGC of the North-West (the target programme for disposal of injury-risk equipment, the target programme for increased reliability of the distribution grid operations, the target programme for replacement of oil-filled bushing with solid insulation, the target programme for replacement of porcelain (polymeric) insulation at 35+ OL, the target programme for replacement of post insulators, the target programme for upgrade of RPA devices and units) stipulated gradual replacement of oil circuit breakers with vacuum ones of 6 (10) kV, construction of 0.4-10 kV PL using SSIW, introduction of up-to-date technologically compatible smart microprocessor units compliant with the requirements of IEC Standard 61850.

The operations of maintenance, repairs, renovation and new construction were performed using certified equipment, materials and systems, the bid documentation was monitored for compliance with the requirements. The new purchased equipment and materials were assessed for compliance with the requirements of the Unified Technical Policy, including those replacing imported ones.

¹⁵ Information on the technical guidance documents in the field of technical regulation is shown in Annex 8 to the Annual Report.

Key, special or crucial projects of PJSC IDGC of the North-West using innovative, advanced, forward-looking technical solutions, technologies, materials and equipment in line with PJSC Rosseti Regulation “On the Unified Technical Policy in the Power Grid System” in the reporting period

IDGC branch	Project name	Key technical parameters
Arkhangelsk branch	Renovation of 10kV OL f.TP42-1 in Verkola of the Pinezhsky District, Arkhangelsk Region with installation of an automated voltage regulation unit (MUE Karpogorskaya Kommunalnaya Elektroset, 15-01791A/17 of 04.08.17)	Automated voltage regulation unit 10 kV produced by LLC Torgovy Dom Tekhenergokholding Voltage: 10 kV Nominal current: 150 A Voltage regulation range: ±15%
Karelia branch	Overhaul of 110 kV OL L-133 at intersection with the motorway Saint Petersburg – Petrozavodsk, via Priozersk, Sortavala, Lakhdenpokhsky District. Installation of segmented (compound) reinforced concrete poles SK-22.	Voltage class: 110 kV Pole mass: 4.5+5.5 t Pole height: 12+10 m Base diameter: 790 mm Manufacturer: LLC PO Energozhelezobetoninvest The pole is installed without a foundation, in a pit with the depth of 4 m
Murmansk branch	Construction of 150 kV OL from L-160 and from L-219 to 150 kV SS Belokamenka for the technological connection of LLC Kola Dockyard	SENILEK AT3/S 150/34 wire use (produced under the TS 3511-005-41183126-2013). The manufacturer is JSC Ludinovokabel. The advantages of the wire are: – power lines reliability increase due to high rupture strength, reduced icing and wind pressure of wires with compact design and smooth surface; – growth in power lines transmission capacity 1.5-2 times due to increased operational temperature and current carrying capacity; – reduction in power lines construction and renovation costs due to lighter weight of the wires with the same carrying capacity.

The implementation of the above and other projects served to enhance reliability and improve the quality of power supply to socially significant and other major facilities.

Research and Development Board

In order to enhance its technical activities and implement the Unified Technical Policy in development, engineering, construction, renovation and operation of the power grid facilities, PJSC IDGC of the North-West created the Research and Development Board (hereinafter – the RDB). Its meetings are devoted to issues of research and development activities, experimental operation of equipment and materials, use of equipment, finding solutions to the theoretical and technical issues of the Company’s power grids and other subjects.

In 2019, there was 1 meeting of the RDB, where 11 issues were tackled¹⁶.

¹⁶ More details of the Report of the Research and Development Board for 2019 are shown in Annex 9 to the Annual Report.

Innovative development



The 2016-2020 innovative development programme with the outlook until 2025 taking into account the top-priority areas outlined in the policy of innovative development of PJSC Rosseti approved by Decision of the Company's Board of Directors of 31.03.2017 (Minutes No. 235/26).

The programme aims to achieve the strategic goals of the Company through transition to a power grid of a new technological paradigm with entirely new indicators of reliability, efficiency, accessibility, manageability and client focus at the power grid facilities of the Company taking into account the aims and objectives of PJSC Rosseti "Digital Transformation 2030" concept and the digital transformation programme of PJSC IDGC of the North-West for 2019-2030.

The following top-priority areas of the Company's innovative development for the period of D&S implementation up to 2025 were outlined:

1. Transition to and large-scale deployment of digital substations of the voltage class 35-110(220) kV.
2. Transition to digital smart active adaptive grids with the distributed intelligent system of automation and management.
3. Transition to comprehensive efficiency of business processes and automation of management systems.
4. Usage of new technologies and materials in the power industry.

Main comprehensive innovative projects implemented in 2019

Transition to digital substations of the voltage class 35-110 (220) kV

The essence of the area is to create an architecture of automated process management systems based on digital process and facility buses with data and measurement flow and control actions transfer over IEC-61850 protocol and ensuring compliance of the Company's built and renovated substations of 35-110 kV to the standard OS 34.01-21-004-2019 "Digital feeding centre. Requirements to the technological design of digital substations with the voltage of 110-220 kV and digital tie-substations with the voltage of 35 kV".

Implementation of the measures covered by this area involves key business processes:

- operational and process management by automation of collection, processing and decision-making on facilities management;
- repair and maintenance by monitoring the technical condition and the residual life of the equipment;
- rendering power transmission services by automation of remote data collection from power meters.

Additional positive influence on supporting business processes of the Company is expected due to reduction in the overall duration of power supply interruptions brought about by streamlining the information flows within a facility between metering and equipment protection devices and prevention of spurious openings.

Due to substantial increase in the volume of data received for further processing and visualisation, the time for drafting, making and implementation of management decisions on the current and future developments can be considerably reduced, further leading to optimisation of the above management business process and improved allocation of operating staff.

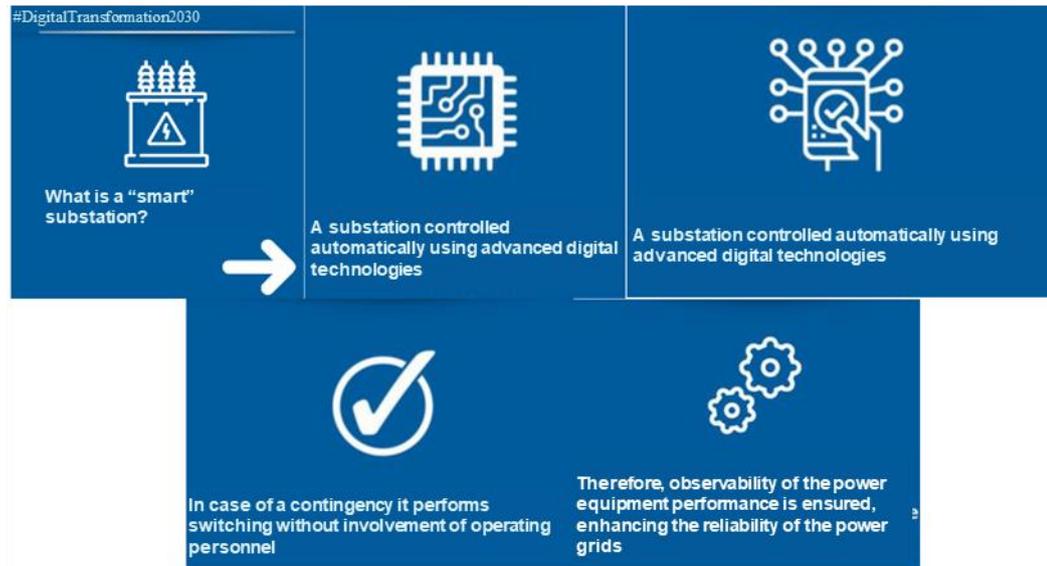
The major innovative development projects for PJSC IDGC of the North-West in 2019 were as follows:

1. Implementation of the digital substation architecture within the framework of renovation of 110/35/10 kV SS Vostochnaya in Vologda.

2. Implementation of the digital substation architecture within the framework of construction of 35/10 kV SS Balaton in the Vologodsky District of the Vologda Region.

3. Implementation of the digital substation architecture within the framework of construction of 35/10 kV SS Potok in the Vologodsky District of the Vologda Region.

Due to the upgrade, the above substations are to move to a high level of operational process management automation, they are to be equipped with advanced information technology and controlling systems and devices enabling all the processes of information exchange among the SS components (as well as interaction with the external systems) and the SS process management on the whole to be performed digitally on the basis of the IEC 61850 protocol. Digital substation components form a field bus with the topology of “process bus” and “station bus”.



Transition to digital smart active adaptive grids with the distributed intelligent system of automation and management

A smart active adaptive grid is an entirely new electric power state, which presupposes interconnection of power grids, consumers and power generating facilities on the technological level in a single automated system.

Active adaptive grids independently track the operations of all participants in the process of power generation, transmission and consumption in real time. Receiving online feedback from an extensive system of sensors, a smart grid is envisioned to respond automatically to all changes in the grid, making optimised decisions to prevent faults and ensure power supply with the best possible reliability and economic efficiency.

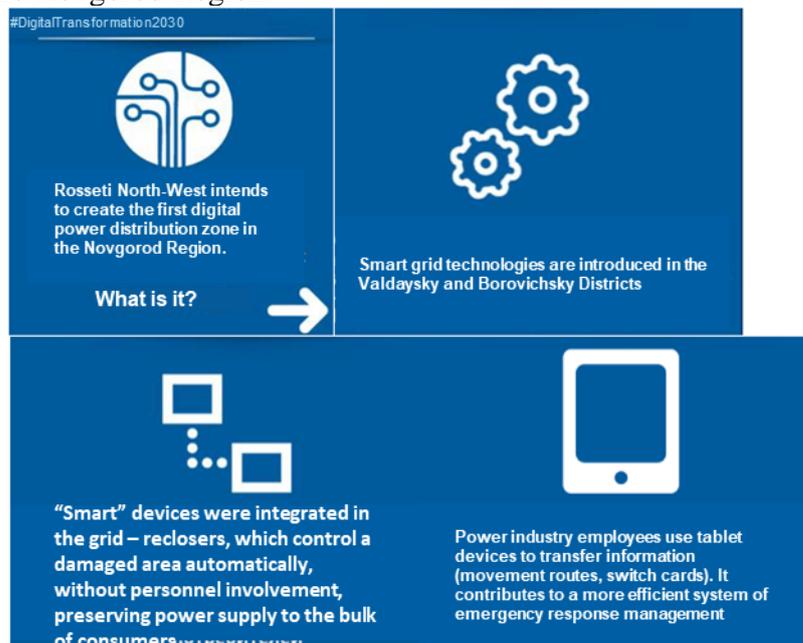
Development of an active adaptive grid including introduction of distributed automation at overhead distribution grids based on the principles of automated grid reconfiguration to minimise the frequency and duration of interruptions, as well as introduction of a situational information unit at the PDZ level to ensure observability of the distribution grid facilities was deployed in 2 PDZs of the Novgorod branch of PJSC IDGC of the North-West – Valday and Borovichi. The project aims at achieving the following target indicators: reduction in the average power supply interruption duration, improving the power quality and accessibility of the power infrastructure, reduction in operating expenses, as well as working out technical and administrative solutions to optimise the business process of operational, process and contingency control.

In 2019, the Valday PDZ fully completed the planned activities on design, installation and setup of the installed automation systems, the development, engineering and setup of the situational information unit; the Borovichi PDZ carried out design and survey, as well as construction and assembly for part of the equipment.

A major result of the year 2019 is the implementation of a single situational information unit deployed on the level of the branch GCC, ODS of the PU and ODG of the PDZ (a comprehensive system of decision-making support) as a unified information system of operational, process and contingency control, including:

- a CIM model of all power grid facilities of 35-110 kV, power grid facilities of Valday and Borovichi PU, Valday and Borovichi PDZ of 6-10 kV;
- a SCADA system with an instrument of topological analysis in the SCADA environment, the function of grid tracing (to main substations, connectivity among the grid elements etc.), the function of geodata processing on the data display forms, a web client to view the live data;
- a DMS system with the functions of analysing the steady states, evaluation of the grid condition, calculation of the short circuit currents, power consumption projection;
- an OMS system with the functions of identification of a damaged site, switching and separation of the damaged grid part by automated devices, developing switch cards for the service crews, automated drawing-up of an application for an emergency crew with a report on the location, scope, nature of the emergency, reflection of the data on mobile crews location, support of the tablet software (mobile application) for the emergency crew, automated power cuts data uploading, calculation of the number of consumers disconnected, of the volume of power undersupply, independent estimate of the SAIDI/SAIFI indicators, as well as a system of event notification in accordance with the circulation list;
- an ELA system with the functions of power balance calculation in 6(10) kV grids, identification of power losses locations, actual load of UTS 6(10)/0.4 kV monitoring.
- The key technical solutions achieved by implementation of the “Digital PDZ” project:
 - development of the active adaptive grid;
 - creation of a smart system for distribution grid management on the basis of SIU with the functionality of DMS and OMS;
 - introduction of the system power monitoring system.

Implementation of the project facilitates reduction in the power supply recovery time, enhances reliability of power supply to consumers and enables evaluation of innovation technologies in the Novgorod Region.



Implementation of the project “Development of an automated information system of technological management in the distribution power grid system” in 2019 involved continued

efforts to create a unified environment for data exchange among the existing manifold automated information systems of data collection.

Within the framework of the transition to the smart system of automation and control of the development and operation of the power metering system with remote data collection, the Company continues carrying out a project to introduce a single target top-level software system Piramida-Seti (Order of PJSC Rosseti of 21.09.2018 No. 163, Order of PJSC IDGC of the North-West of 10.10.2018 No. 679). It involves the following measures carried out by the Company in 2019:

- deployment of the server-side of Piramida-Seti software, organisation of access to the server side from automated workstations;
- establishment of a hierarchy of metering facilities, approval of the polling mode, development of report forms, agreement of the procedures for information exchange with related information systems;
- personnel training at the service centre;
- development and alignment of the programme and methodology for testing, programme of acceptance inspection;
- data loading.

To implement the concept “Digital Transformation 2030” approved by the Board of Directors of PJSC Rosseti (Minutes of 24.12.2018 No.336), as well as the measures stipulated by the programme on digital transformation of PJSC IDGC of the North-West in 2020-2030 approved by Decision of the PJSC IDGC of the North-West Board of Directors (Minutes of 27.01.2020 No.347/24), to build a hybrid data transfer network, the Company continued upgrading the radio network with the transition to the Digital Mobile Radio (hereinafter – DMR) standard. Its introduction is to ensure unified and centralised control of mobile crews and control room personnel and, if necessary, from the single grid control centre of the executive bodies of PJSC IDGC of the North-West regardless of the location of the mobile crews and personnel. In the future, the geoinformational system at the control operator’s workstation will show data on emergency crews and line crews location to accelerate the process of contingency control and estimate the best route of crew movement. It also plans to create a replacement pool of individual radio devices to provide for crew control even in the periods of mobile operators overload and disconnection.

The equipment purchased in 2019 (radio repeaters, portable and automobile radio stations) is deployed in the pilot zones of several Company branches:

- the Pskov branch (Pskov) deployed a digital VHF radio network of the DMR standard based on Radius IP equipment;
- the Komi branch (Vorkuta, Inta, Ukhta) deployed a digital VHF radio network of the DMR standard based on Motorola, Ermak equipment;
- the Murmansk branch is to deploy a digital VHF radio network of the DMR standard based on MIGKOM MGK-5002r equipment.

In accordance with the investment programme of the Company, the deployment of DMR networks in the branches is to be continued in 2020-2024.

Transition to comprehensive efficiency of business processes and automation of management systems

Within the innovation development area of “Transition to comprehensive efficiency of business processes and automation of management systems”, the Company started introducing the system of mobile solutions functionality automation OAMS in 2019 with a view to:

- increase the volume and reliability of the data in 1C: ERP – AOAMS regarding the technical features and geographical location of the power grid facilities;

- verify the data on the technical condition of the power grid facilities by using inspection templates;
- enhance control over safe work performance and encourage reduction in the number of process violations in performing the works due to the opportunity to control the quality of instruction before personnel access;
- reduce the labour input in drawing up documentation, analyse the nature and significance of the faults found, increase the M&R programme planning quality;
- communicate the required technical information to the personnel on site in due time (schemes, regulations, methodologies, instructions etc.).

Under this project, in 2019, the Company produced a conceptual design, including development of a unified scheduled plan of the project activities, development and approval of the design project.

Implementation of the corporate information system 1C: ERP – AOAMS on the platform 1C:Enterprise 8.3 in the configuration ERP Enterprise Management 2, transition from scheduled maintenance to condition-based maintenance will serve to reduce operating costs – the Company’s spending on day-to-day operation of the equipment.

Pilot project “Digital electrician”

Part of the scheduled activities under the pilot project “Digital electrician” was completed:

- The design concept and the scheduled plan of activities were drawn up.
- The prototype of mobile solutions functionality of OAMS was developed in accordance with the design concept, installed as set up at the pilot site.

The Company also fully completed preparations for integration of the OAMS mobile solution with digital personal safety equipment and launch of its experimental operation in the pilot area of the Vologda branch of PJSC IDGC of the North-West. The technical concept and specifications of the digital gear were developed, and a pool of project contributors with the relevant expertise were selected.

Usage of new technologies and materials

In 2019, the Murmansk branch of PJSC IDGC of the North-West continued implementation of the projects involving installation of innovative wire SENILEK (AT3/S, consisting of the zinc-coated steel wire core and layers of aluminium-alloy round wires of the AT3 type with the operational temperature of 210 °C). Its advantages are:

- power lines reliability increase due to high rupture strength, reduced icing and wind pressure of wires with compact design and smooth surface;
- growth in power lines transmission capacity 1.5-2 times due to increased operational temperature and current carrying capacity;
- reduction in power lines construction and especially renovation costs due to lighter weight of the wires with the same carrying capacity.

Such projects include:

- construction of 150 kV OL from L-160 and from L-219 to 150 kV SS Belokamenka for the technological connection of LLC Kola Dockyard (contract of 20.02.2017 TP No.43-000141/16 with LLC Kola Dockyard) (the projected line length is 56.45 km);

- construction of two 150 kV OL from 150 kV SS No.53 to 330 kV SS Murmanskaya and construction of access lines of 150 kV OL No.No.L-172, L-179 to 330 kV SS Murmanskaya (project completed).

In 2019, the Company completed the project of technical re-equipment of 110-150 kV OL, L-163/164, L-171/172, L-141 with installation of rime ice control points (the system of PL ice load telemetrics MIG) (5 items)”.

Pilot project “Digital overhead power line of 110 kV”

Under the first and the second stage of the pilot project “Digital overhead power line of 110 kV”, Karelia and Murmansk branches installed and launched experimental operation of the following equipment:

- system of OL short circuit detection;
- system of rime ice monitoring;
- system of wire temperature monitoring;
- system of poles/crossarms tilt measurement.

The above systems are the basis for creating the system of remote overhead lines condition monitoring, and lay the foundations of introducing the industrial Internet of things technology. The systems have shown their performance capacity, and in 2020 their experimental operation is to continue and a decision is to be made on their transfer into permanent full-scale operation. Additionally, a bid was organised at the second stage for rendering services and connection to information facilities in order to:

- probe the soil using laser, thermal and optical scanning;
- gain access to the system of weather conditions and OL disconnection monitoring;
- gain access to the system of thunderstorm finding;
- probe the soil (of OL) using satellites
- scan the OL wire and route by robotic units.

The installed system of PL ice load telemetrics MIG is a set including separate rime ice control points (including transmitters) and allowing forecasts of rime ice building up on the OL, facilitating timely measures necessary to prevent OL outage.

The functions of the installed telemetric system are:

- measuring the temperature of phase wires and ground wire;
- measuring the tension of phase wires and ground wire suspension;
- measuring the air temperature and humidity, wind direction and speed, atmospheric pressure;
- calculation of the ice formation beginning time.

The information is transmitted to the server via communication channels and processed by special software. After that the information is displayed in the operations control system.

In 2019, the Company also kept working on development of a single system of PJSC IDGC of the North-West vehicles monitoring integrated with the system of vehicle management:

- purchased on-board vehicle monitoring units (3,301 items) and software for the system of vehicle monitoring (154 licenses);
- installed and tested vehicle monitoring and tracking devices;
- carried out a pilot launch of the vehicle monitoring application based on the Wialon Local software integrated in the current systems.

These measures enable remote speed control and vehicle tracking. Their implementation enhanced the efficiency of vehicle operation by reducing its misuse and the number of traffic penalties for speed infringement. The findings of the pilot launch of the monitoring system in 2019 showed decrease in petrol consumption by 11% year on year. Thus, savings were achieved in fuel costs in the amount of RUB 4.85 mln net of VAT.

Implementation of the above innovative projects will contribute to achievement of the following strategic priorities:

- Ensuring reliable, high-quality and safe power supply to consumers
- Operating expenditure deficit reduction
- Digital business transformation
- Business process standardisation and improvement of functional organisation

- Improving the efficiency of investment activities

The costs of implementing the 2016-2020 innovative development programme with an outlook up to 2025 amounted to RUB 552.89 mln in 2019.

Planned and actual costs by key areas of innovative development

Key areas, RUB mln (net of VAT)	2019 planned	2019 actual	Deviation		Deviation reasons
			absolute	%	
Innovations, including key areas:	494.56	552.89	58.33	11.8	
Transition to digital substations of varying voltage class 35-110 (220) kV	43.62	138.86	95.24	218.3	Additional measures were taken not included during the plan development
Transition to digital active adaptive grids with the distributed smart system of automation and management	274.85	268.06	-6.79	-2.5	Savings from trade and procurement procedures
Transition to comprehensive efficiency of business processes and automation of management systems	17.62	3.04	-14.58	-82.7	Termination of the contract for services of information systems integration within the framework of adjusting IC: ERP-AOAMS
Usage of new technologies and materials in the power industry	121.35	125.51	4.16	3.4	Adjustment of value indicators

The efficiency of implementing the innovative development programme of PJSC IDGC of the North-West is assessed and monitored by specific gauges – programme efficiency indicators.

R&D [G4-DMA (previously EU8)]

A key priority within the innovative development of the power grid system is carrying out R&D, aimed at developing breakthrough technologies designed to create revolutionary solutions and methods.

The following R&D projects were performed by the Company within the mid-term plan for implementation of the innovative development programme in 2019:

Research project “A study of the information field at PJSC IDGC of the North-West and creation of a CIM basic profile in line with the standards IEC 61968 and IEC 61970” (contract with JSC FTC of 30.07.2019 No.499/1037/19).

To ensure interaction of all the automation levels of the target processes model of smart digital grids, it is necessary to create an information model profile for PJSC Rosseti on the basis of CIM, as reflected in the concept “Digital transformation of PJSC Rosseti 2030” approved by Decision of the Board of Directors of PJSC Rosseti (Minutes of 21.12.2018 No.336).

The CIM model provides for unified and unambiguous description of the network element interaction, their features and characteristics (with the purpose of further application of the resulting model across various systems). The rules and requirements to CIM model description are regulated by the standards IEC 61968 and IEC 61970. Therefore, the structure of the information field is studied, identifying sources and destinations of information building the information field. Applicability of the standards IEC 61968 and IEC 61970 is analysed regarding the information exchange and the need to expand the CIM with elaboration to gain an opportunity to describe the information flows under the tasks of general specification and contingency control.

The first stage of the research project completed in 2019, involved:

- development of an information field model in graphic notation;
- analysis of the data items of the information field and identification of the need to elaborate the conventional CIM model within the framework of CIM profile creation;
- drafting methodological recommendations for information field development at the S&A;

– comprehensive audit of the information exchange: a list of systems contributing to the information field (data sources/destinations) was drawn up, the structure of the data in question was defined, a model of the information field was presented in graphic notation.

The results of the first stage will serve to build a comprehensive list of the PJSC Rosseti data items to be included in the profile of the CIM model of PJSC Rosseti.

The CIM model profile created at the following stages of the research project will serve as the basis for integration of the information systems ensuring operational, process and contingency control at PJSC IDGC of the North-West.

Research project “a study of the increment speed of the main types of forest-forming tree species depending on climatic zones and the condition of the soil in the route areas of the current OL, creation of regional maps for the frequency of OL route clearing and issuing recommendations on the working technique” (contract with JSC FTC of 11.12.2019 No.847/1327/19).

Bringing the OL routes into standard condition is a priority of the Company aimed to ensure reliable operations.

To organise long-term planning of OL routes clearing while taking into consideration their actual condition and the prospects of tree and shrubbery vegetation (hereinafter – TSV) growth, it is necessary to divide the operations area of the power grid company into districts and identify the frequency of TSV cutting. This, in 2019, the Company launched research on the subject.

The following activities were performed at the first stage of the research project, completed in 2019:

- collection of the data covering all the operations area of PJSC IDGC of the North-West for the period at least 15 years;
- preliminary data processing to filter out cloud impact and develop the derivative information products enabling identification of the forest plant characteristics;
- collection and analysis of the source data on the natural and climatic profiles of the areas under research, forest composition broken down by forest site type and forest regions;
- collection and analysis of the source data on the increment speed of major types of forest-forming tree species and alignment of the reference data with the forest regions, building databases on the growth in forests with varying trees prevailing depending on the forest site conditions;
- a study aimed to develop a geoinformational database on the territories covered with forests and other TSV; on the location of areas covered with forests and other TSV by tree species groups and by prevailing tree species; on the location of areas covered with forests and other TSV by crown density; on value distribution of the average height of young/understorey forests and other TSV; on value distribution of the average annual increment in the height of young/understorey forests and other TSV.

The economic effect of the study consists in reducing damage from technological faults brought about by OL outage due to obstruction of the clearance between the wires and the TSV, as well as reduction in costs of OL maintenance by optimising the schedule of bringing OL routes to standards.

Information technologies



Results of the CMIS development in 2019

In 2019, introduction of the ERP-system on the 1C platform was carried out as follows:

- automation of the electronic register of faults at PJSC IDGC of the North-West;
- automation of the fixed assets breakdown probability projection model;
- automation of the methodology for projecting changes in reliability of power supply to consumers and the technical condition of assets depending on the resources available;
 - integration of the centralised software of OAMS, GIS system and applied software with systems of business analytics and the GIS system of PJSC IDGC of the North-West;
 - ensuring centralised maintenance of the reference data display;
 - automation of the functionality of mobile solutions at PJSC IDGC of the North-West;
 - automation of the standard forms of test/measurement records by test objects, groups and equipment types;
- creation of an automated system for technical re-equipment and renovation management;
- automation of the procedure of service volume calculation in conventional and volume-defining units;
 - automation of the occupational safety and operational supervision functionality.

Results of the APMS development in 2019

In 2019, the Company performed the APMS development activities planned within the following approved programmes:

1. A programme for upgrade and extension of the systems of data collection and transfer from control units of the Company branches in the operations area of JSC SO UES of IDO North-West and IDO Centre.
2. Programmes of APMS development at branches of the Company.
3. Programmes of digital transformation.

Implementation of these programmes is to boost the level of observability of the control facilities and arrange remote control of switching units, comprehensively increasing the quality of operational dispatch management.

The number of SS fully controlled remotely is 79 items in 2019.

The number of SS where circuit breakers are fully controlled remotely is 368 items.

The remote control devices upgrade was performed in 2019 as follows.

No.	Branch	Number of SS facilities	110+ kV grid	35 kV grid
1	Arkhangelsk	5	5	-
2	Vologda	6	5	1
3	Karelia	12	4	8
4	Komi	13	6	7
5	Novgorod	8	3	5
6	Pskov	1	1	-

Construction of SS 35 kV Potok in the Vologda branch involved commissioning of an automated technological process control system compliant with the standards of digital substation.

The projects of upgrading distribution grids of 10/6/0.4 kV of Valday PDZ, Novgorod branch, was completed with introduction of SIU compliant with the requirements to digital PDZ.

To launch the VHF radio networks under the digital standard DMR, radio stations were purchased by the Karelia and Pskov branches of the Company.

Results of the communications system and IT-infrastructure development in 2019

The Company kept developing communications channels with the facilities using both its own resources and those of communications providers. Renovation of communications channels and construction of new ones is based only on the advanced digital solutions providing greater capacity and quality than analogous ones.

At the Vologda branch, the Company deployed its information computer hardware and software system AMIS EPFM Piramida-Seti.

The corporate data transfer network was optimised, increasing bandwidth capability between the branches and the executive bodies 5 times, with the transition to fully-connected topology with high redundancy level. Further performance improvement is planned for the corporate information systems by setting up data processing centres (DPC) and arranging direct channels from PDZ and site units to the DPC.

A system of centralised communications and remote control equipment monitoring was launched at the Company. The Company worked with communications providers to reduce the costs of communication services, the annual savings are to amount to about RUB 2.5 RUB mln.

Information security of the CIIO

In 2019, the Company classified its critical information infrastructure objects (hereinafter – CIIO).

Overall, 103 CIIOs were categorised, including 29 items of the second category, 74 items of the third category.

In accordance with Letter of Deputy Director of the RF FSTEC Lyutikov V.S. of 18.03.2020 No.83/365dsp, information on 103 CIIOs of the Company was registered as significant CIIOs of the Russian Federation.

Under the programme “Digital transformation of PJSC IDGC of the North-West in 2020-2030” (approved by PJSC IDGC of the North-West Board of Directors on 27.01.2020, Minutes No.347/24), measures are stipulated to provide for information security of the CIIOs.

Financial performance analysis

[102-7]



Key financial and economic indicators of the Company under RAS

Key financial and economic indicators, RUB mln¹⁷

Indicator	2017	2018	2019
Revenues from sales of products (services), including:	44,307	61,123	45,131
from power transmission	42,710	40,427*	42,931
from technological connection	810	2,423	1,298
from power sales	0	17,541	0
from other activities	787	732	902
Cost of goods (services) sold	39,925	54,358	40,545
Gross profit	4,383	6,765	4,586
Administrative expenses	1,231	1,247	1,274
Selling expenses	45	1,091	108
Sales profit (loss)	3,106	4,427	3,203
Interest receivable	40	45	43
Interest payable	1,408	1,105	1,087
Profit from participation in other organisations	5	11	76
Other profit	2,107	1,480	1,326
Other losses	6,684	3,793	2,758
Profit (loss) before tax	-2,833	1,067	804
Profit tax and other payments	-391	467	250
Net profit (loss)	-2,441	599	554
EBITDA**	3,003	6,782	6,585

*The indicator is presented in accordance with accounting statements, net of internal business volume stemming from the function of the supplier of last resort

**EBITDA should be calculated as follows:

Profit before taxation + Interest payable + Depreciation = line 2300 form 2 – line 2330 form 2 + line 6514 form 2.1 + line 6554 form 2.1 + line 6564 form 2.1

Revenues from sales of products (services) in 2019 amounted to RUB 45,131 mln, which is RUB 15,992 mln, or 26%, lower than in 2018. The substantial year-on-year revenue decrease was primarily connected to the receipt of revenue in 2018 from power sales services in the amount of RUB 17,541 as the Company performed the function of power supplier of last resort in the Arkhangelsk branch from 01.01.2018 to 31.09.2018 and Vologda branch from 01.03.2018 to 31.12.2018. The total revenue from power transmission services in 2019 amounted to RUB 42,931 mln, which is RUB 2,504 mln, or 6%, higher than the level of 2018 (net of the power transmission services as part of power supply contracts for performing the function of power supplier of last

¹⁷ The breakdown of PJSC IDGC of the North-West revenue and expenses under RAS is shown in Annex 10 to the Annual Report.

resort in the Arkhangelsk Region from January to September 2018 and Vologda Region from April to September 2018). In comparable conditions (including the value of the power transmission services as part of power supply contracts for performing the function of power supplier of last resort), the revenue growth amounted to RUB 697 mln, or 2%, which is due to growth in the volume of services rendered by 453 mln kWh and in the average tariff by 3 RUB/thous. kWh. The revenue from technological connection in 2019 amounted to RUB 1,298 mln, which is RUB 1,125 mln, or 46%, lower year on year, due to reduced volume of contracts in 2019.

Revenue from other activities

Apart from the core business subject to state regulation (power transmission services and technological connection to power grids), the Company performs other activities: heat and power generation, property rent, relocation of power grid facilities etc. The share of other services accounts for 2% of the total revenue.

Revenue from other activities amounted to RUB 902 mln in 2019, according to the accounting statements, which is RUB 22 mln, or 2%, lower against 2018. This revenue amount includes the internal business volume in the amount of RUB 191 mln, stemming from power generation at Mezenskaya diesel power plant (DPP) aimed to perform the function of the supplier of last resort in the Arkhangelsk Region.

The largest share of revenues from other activities is attributable to:

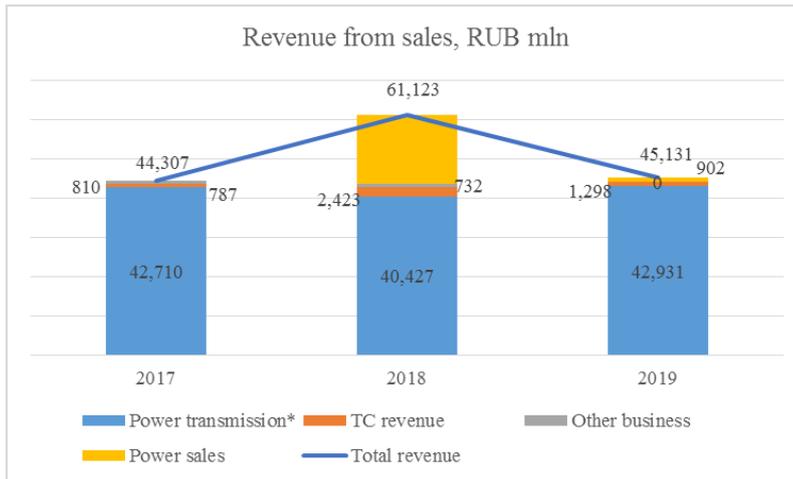
- power generation services at Mezenskaya diesel power plant (DPP) in the amount of RUB 313 mln (35% of the revenue from other activities), which is RUB 46 mln, or 17%, higher year on year due to productive power supply growth by 307 MW · h;

- property rent – RUB 256 mln (28% of the revenue from other activities); the largest income was generated by Karelia branch renting out property to OJSC Nadvoitsy Aluminium Smelter – a company of the RUSAL Group. The revenue from property rent in 2019 exceeds the level of 2018 by RUB 20 mln, or 8%, the growth being conditioned by increased volume of the vehicle and other property rent by Vologda branch to LLC Severnaya Sbytovaya Kompania, to which the functions of power supplier of last resort were transferred;

- relocation of power grid facilities – RUB 87 mln (10% of the revenue from other activities), which is 84 RUB mln, or 49%, lower year on year. In 2019, the principal revenue share was attributable to JSC Oboronenergo – RUB 46 mln. The largest contract of 2018 was concluded in the Novgorod Region due to construction of Moscow – St. Petersburg high-speed motorway at the segment 58-684 km.

- repair and maintenance services in the amount of RUB 89 mln (10% of the revenue from other activities), which is higher than the level of 2018 by RUB 5 mln, or 6%. This items mainly records the revenues received from municipal authorities for line maintenance of outdoor lighting grids.

- construction and assembly in the amount of RUB 37 mln (4% of the revenue from other activities), which is RUB 36 mln higher than the level of 2018 under the contract with IDGC of Northern Caucasus.



Sales revenue trends in 2017-2019

Indicator, RUB mln	2017	2018	2019
Power transmission*	42,710	40,427	42,931
TC revenue	810	2,423	1,298
Other activities*	787	732	0
Power sales *	0	17,541	902
Total revenue	44,307	61,123	45,131

* The indicators of revenue are presented in accordance with accounting statements, net of internal business volume.

Actual cost of services sold (taking into account selling and administrative expenses) in 2019 amounted to RUB 41,928 mln, which is RUB 14,768 mln and 26% lower against 2018. The year-on-year decrease in the costs is due to performing the function of supplier of last resort in the Arkhangelsk and Vologda Regions in 2018. In comparable conditions (net of the marketing costs), in 2019, the cost of services sold (including selling and administrative expenses) grew year on year by RUB 217 mln. The largest increase was in non-influenceable costs (services of PJSC FGC UES, LGOs, costs of power losses compensation) and property rights registration costs.

In 2019, the sales profit amounted to RUB 3,203 mln, which is RUB 1,224 mln, or 28%, lower than in 2018. In 2019, the Company received net profit in the amount of RUB 554 mln, which is lower year on year by RUB 45 mln, or 8%. The actual EBITDA in 2019 was RUB 6,585 mln, which is lower than planned by RUB 197 mln and mainly conditioned by lack of large technological connection contracts.

Operational performance improvement and cost reduction programme

Operational performance and cost reduction programme of PJSC IDGC of the North-West was approved by the Company Board of Directors (Minutes of 05.04.2019 No.314/27). The activities stipulated by the programme are taken into account in the business plan, investment programme, power saving and energy efficiency programme, innovative development programme and other target programmes worked out by the Company.

Performance indicators of the Programme are based on target values set by the Directive of the Russian Federation Government of 16.04.2015 No. 2303p-P13.

The reduction in the operating expenses in line with Directive of the Russian Federation Government of 16.04.2015 No. 2303p-P13 amounted to 7.46% in 2019 against 2018, which complies with the target indicator.

The operational performance and cost reduction programme involved the following activities performed by the Company:

1. Improved efficiency of repairs and maintenance management regarding the facilities, buildings and constructions by revision of operating and maintenance rules and other regulatory RTDs, optimisation of the number of employees responsible for maintenance and repairs, ensuring a 93% share of the maintenance carried out using in-house resources and the share of maintenance in the maintenance and repairs programme of 45%, optimisation of expenses on vehicles and machinery.

2. Improved efficiency of working capital management by loan portfolio optimisation, including opening lending limits at credit institutions in order to minimise financial risks, meet the limits of debt indicated in the Company's credit policy regulation (approved by the Board of Directors of OJSC IDGC of the North-West on 30.09.2013, Minutes No. 135/6), settling the previous loans in due time, refinancing the credits with the highest interest rates.

3. Improved efficiency of the fixed assets management by organising independent construction surveillance optimising depreciation, reduction in costs on upkeep and management of non-core assets, improving the efficiency of supply chain management, introduction of the system of monitoring purchase prices for materials and equipment, unification of the relay protection devices and emergency protection automatics used at the facilities.

4. Improved efficiency of the system of managing procurement and supply chains due to implementation of measures to reduce the share of procurement purchasing "from the sole supplier", retaining the share of purchases made at electronic trading facilities, minimisation of the use of imported equipment in the total equipment purchasing, carrying out reversed auctions.

5. Optimisation of the system of incentives and personnel remuneration by improving the performance of the administrative and management employees, improvement of the system of financial and non-financial personnel motivation.

6. Improvement of functional organisation, personnel headcount optimisation by business process standardisation, elimination of redundant management levels and overlapping functions (PU merging, PDZ enlargement, optimisation of the structure of site working units, upgrade of the internal standards, including process sheets).

7. Improved energy efficiency (management of the power saving and power losses reduction system) by implementation of the measures to reduce power losses and use fuel and energy and natural resources rationally.

Implementing the above set of measures facilitates full compliance with the indicators of the approved business plan and target programmes of the branch.

Income from sales of non-core assets¹⁸

Subject to Decree of the Russian Federation President of 07.05.2012 No. 596 "On long-term state policy", Directives of the Russian Government of 07.07.2016 No. 4863p-P13, Order of the Russian Government of 10.05.2017 No. 894-r, the Company Board of Directors Decision of 26.02.2018 (Minutes No. 269/24) adopted the programme for non-core assets disposal of PJSC IDGC of the North-West (hereinafter – the Programme).

The Programme specifies key approaches, principles and mechanisms for identification and sale of the non-core assets of PJSC IDGC of the North-West, establishes the criteria for classifying PJSC IDGC of the North-West assets as non-core, the procedure for maintaining the register of

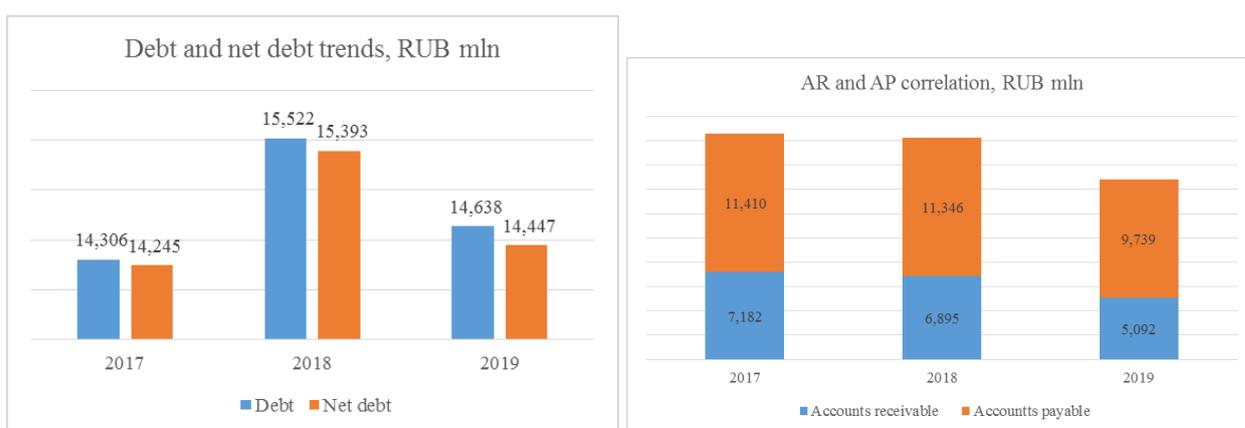
¹⁸ The data on sales of non-core assets in 2019 are available in Annex 11 to the Annual Report.

non-core assets and key provisions for disposal of non-core assets, as well as the procedure of reporting on the implementation of the register of non-core assets.

Decision of the Board of Directors of PJSC IDGC of the North-West of 26.02.2020 (Minutes of 28.02.2020 No.351/28) approved the register of non-core assets of PJSC IDGC of the North-West (hereinafter – the Register) as of 31.12.2019 under the requirements of the programme. The Register includes 39 non-core assets, 15 of which fall under the strategy of “sales”, 24 – “preservation”. A brief version of the current Register is available at the Company’s web site: <http://www.mrsksevzap.ru/property>.

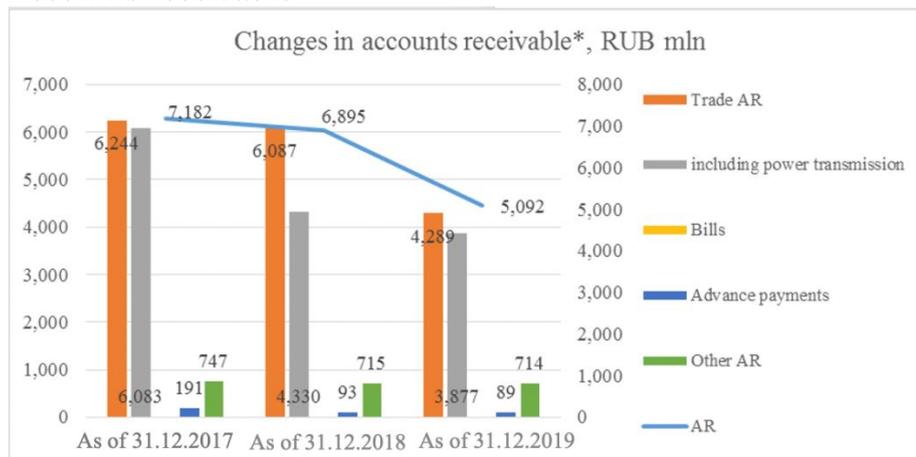
In 2019, PJSC IDGC of the North-West sold 3 non-core assets, the sales income amounted to RUB 20.55 mln.

Debt liabilities



In 2019, the growth rates of accounts receivable and accounts payable were lower than one, which shows their reduction against 2018.

Accounts receivable



* The indicators are shown in accordance with the Company’s accounting statements for 2019

The amount of accounts receivable of PJSC IDGC of the North-West at the beginning of the reporting period was RUB 6,895 mln, as of 31.12.2019 – RUB 5,092 mln. The reduction was due to a decrease in the receivables from power transmission services by RUB 453 mln (from RUB 4,330 mln to RUB 3,877 mln).

Trade accounts receivable as of 31.12.2019 amounted to RUB 4,289 mln, which is RUB

1,798 mln lower than those of 31.12.2018.

Advanced paid as of the end of 2019 decreased by RUB 4 mln.

The changes in other accounts receivable are insignificant. In 2019, the reduction amounted to RUB 1 mln.

The bulk (76.1%) of the Company's accounts receivable was in the settlements for power transmission services rendered.

Measures to recover accounts receivable

The Company works with the overdue accounts receivable from the power transmission services in accordance with the Regulation on managing accounts receivable from the power transmission services recorded by PJSC IDGC of the North-West, approved by Order of 05.06.2019 No.337 (hereinafter – the Regulation).

In line with the schedules set by the Regulation, in 2019 the Company sent 753 lawsuits for the total amount of RUB 5,257 mln and conducted negotiations with debtors.

As a result of the Company's claims activities to recover overdue accounts receivable for the power transmission services in 2019, the court sustained 634 lawsuits in the total claimed amount of RUB 1,419 mln (including the penalties of RUB 203 mln), dismissed the claims for 54 lawsuits in the total amount of RUB 133 mln (including the penalties of RUB 41 mln). The share of Company's lawsuit requirements sustained amounted to 93%.

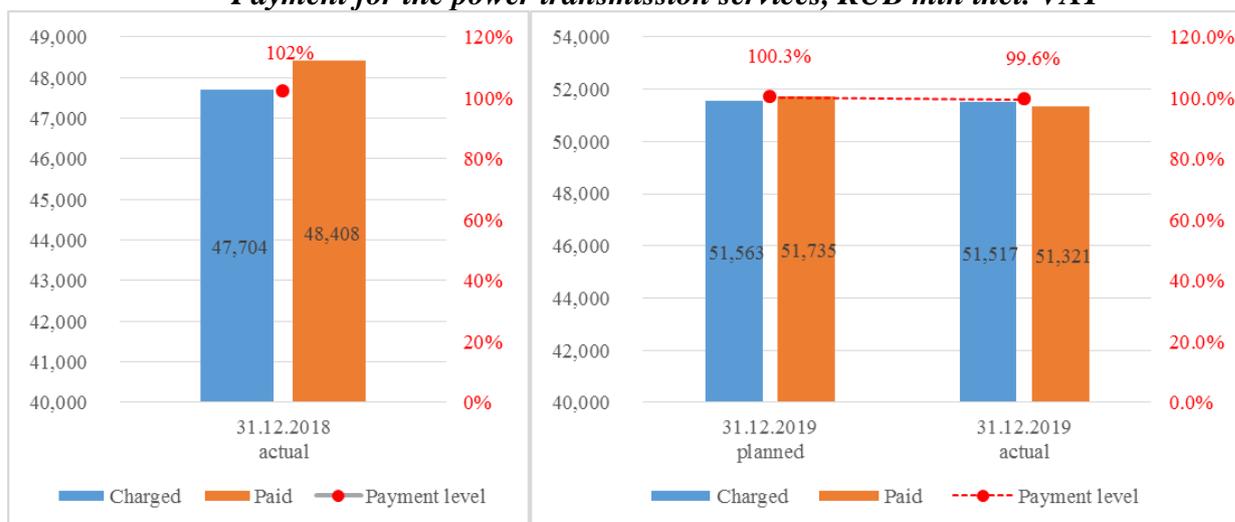
In 2018, upon consideration of the Company's claims to recover overdue accounts receivable for the power transmission services, the court sustained 684 lawsuits in the total claimed amount of RUB 7,659 mln (including the penalties of RUB 654 mln), dismissed the claims for 52 lawsuits in the total amount of RUB 53 mln (including the penalties of RUB 38 mln).

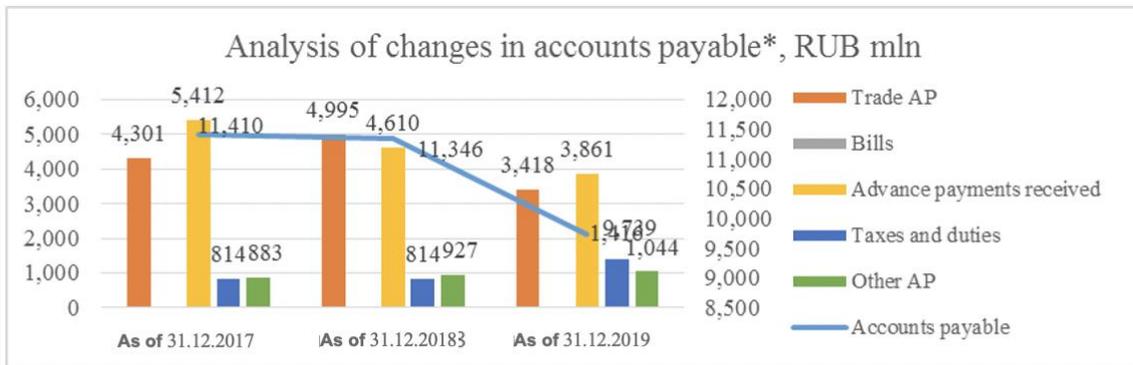
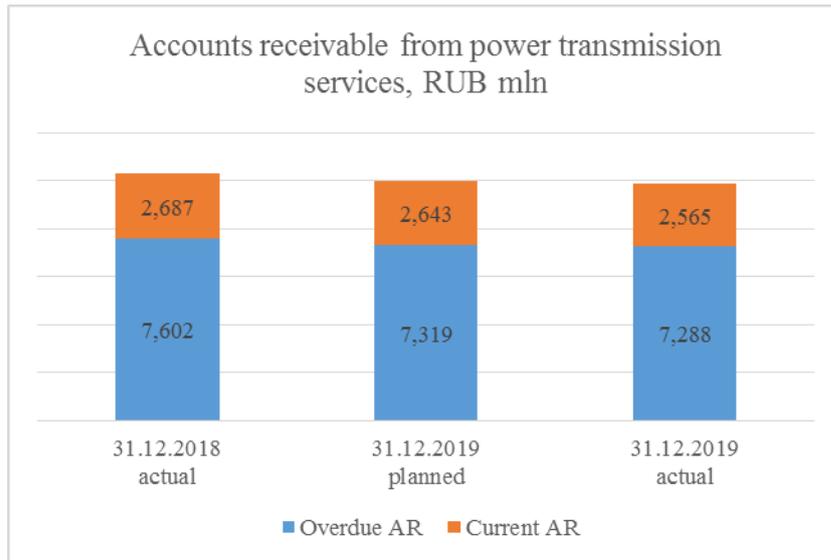
Under the enacted court decisions, in 2019, warrants of execution were issued in the amount of RUB 1,048 mln, and RUB 614 mln, or 59%, were settled. In 2018, warrants of execution were issued in the amount of RUB 4,401.4 mln, RUB 1,623.1 mln, or 37%, were settled.

The target indicators of overdue accounts payable settlement are performed by 129%: given the plan of RUB 1,745 mln, the Company settled RUB 2,258 mln.

The coverage of the overdue accounts payable with activities aimed at its reduction has been consistently high, amounting to 99.9% as of 31.12.2019.

Payment for the power transmission services, RUB mln incl. VAT





Accounts payable

* The indicators are shown in accordance with the Company's accounting statements for 2019, including the sum of balance sheet line codes "Other liabilities" 1450 and "Accounts payable" 1520.

The accounts payable reduced in 2019 by RUB 1,607 mln against 2018, amounting as of 31.12.2019 to RUB 9,739 mln.

The following changes were noted:

- 1) Trade accounts payable decreased by RUB 1,577 mln, including:
 - Payables to materials suppliers increased by RUB 24 mln;
 - Payables to repair contractors decreased by RUB 68 mln;
 - Payables for power purchased decreased by RUB 942 mln;
 - Payables to local grid operators (LGOs) decreased by RUB 324 mln;
 - Payables for investment activities decreased by RUB 362 mln;
- 2) Advances received amounted to RUB 3,861 mln, which is RUB 748 mln (16%) lower than those at the beginning of 2019. The bulk of advances come from technological connection services prepayment. The decrease is conditioned by settlement of advances received from:
 - LLC NOVATEK-Murmansk (under the contract concluded in 2017 for technological connection of power receivers to ensure power supply to the centre for construction of large-capacity marine facilities);

- PJSC Gazprom (technological connection of power receivers for power supply of CS Sheksninskaya within the project on gas transportation capacity development for the unified gas supply system of the North-Western region, Gryazovets – CS Slavyanskaya site);
- North-Western branch of OJSC Oboronenergo (technological connection of power receivers for power supply of the capital construction project – machinery storage facilities at the military station 10k Kislovo).

Bonds

Data on unplaced issues of exchange bonds

Bond issue, bonds of BO-02 series (ID of the issue and date of its assignment: 4BO2-02-03347-D of 12.03.2014)	
Type of securities	exchange-traded bonds
Number of securities issued, items	4,000,000
Face value, RUB	1,000
Volume of securities issued at face value, RUB	4,000,000,000
Status of the issued securities	placement has not started
Maturity date for the issued securities	<i>3640th day from the beginning of placement</i>
Bond issue, bonds of BO-03 series (ID of the issue and date of its assignment: 4BO2-03-03347-D of 12.03.2014)	
Type of securities	exchange-traded bonds
Number of securities issued, items	3,000,000
Face value, RUB	1,000
Volume of securities issued at face value, RUB	3,000,000,000
Status of the issued securities	placement has not started
Maturity date for the issued securities	<i>3640th day from the beginning of placement</i>
Bond issue, bonds of BO-04 series (ID of the issue and date of its assignment: 4BO2-04-03347-D of 12.03.2014)	
Type of securities	exchange-traded bonds
Number of securities issued, items	3,000,000
Face value, RUB	1,000
Volume of securities issued at face value, RUB	3,000,000,000
Status of the issued securities	placement has not started
Maturity date for the issued securities	<i>3640th day from the beginning of placement</i>

In 2016, the exchange bonds programme was registered in the total amount of RUB 25,000 mln (Decision of the Company Board of Directors of 30.09.2016, Minutes No. 220/11).

Exchange bonds programme of 001R series (ID of the programme and the date of its assignment: 4-03347-D-001P-02E of 11.11.2016)	
Maximum amount of the face values of exchange bonds to be placed within the exchange bonds programme, RUB mln	25,000
Maximum maturity of the exchange bonds to be placed within the exchange bonds programme, (days)	10,920
Issue form of the exchange bonds to be placed within the exchange bonds programme	certified, payable to bearer
The period of the exchange bonds programme (from the date of ID assignment to the exchange bonds programme)	unlimited

Credit rating

Credit rating AA+, outlook “Stable”.

ACRA

On 08 August 2019, Analytical Credit Rating Agency (ACRA) confirmed the credit rating of PJSC IDGC of the North-West as “AA+ (RU)” with the outlook “Stable”.

Stable outlook means that there is the highest likelihood of the rating remaining unalterable for 12–18 months

Positive rating action can be brought about by:

- reduction in regulatory and sales risks by implementing long-term transparent principles of tariff regulation;
- reduction of leverage in 2019-2021 to 1.5x FFO before net interest payments.

Key financial and economic indicators of the Group under IFRS

Key performance results of the Group in 2019, RUB mln

Indicator	2017	2018	2019
Return	47,869	64,854	49,136
Operating expenses, including:	50,368	62,811	47,089
Variable costs	22,771	35,075	21,526
Fixed costs*	23,489	23,430	20,976
Depreciation and amortisation	4,109	4,306	4,587
State subsidies	6	0	0
Net other income	1,333	717	494
Operating profit	-1,167	2,760	2,541
Profit before tax	-2,612	1,573	1,399
Profit over period	-2,172	1,146	1,081
EBITDA**	2,932	7,007	7,143
EBITDA margin	6.13	10.8	14.5
Net debt	14,249	15,371	14,406
Return on total assets (ROA)	-5.4	3.07	2.84
Return on capital	10.9	11.4	7.71

* Net of depreciation.

** EBITDA = profit before tax + depreciation +% payable.

Revenue

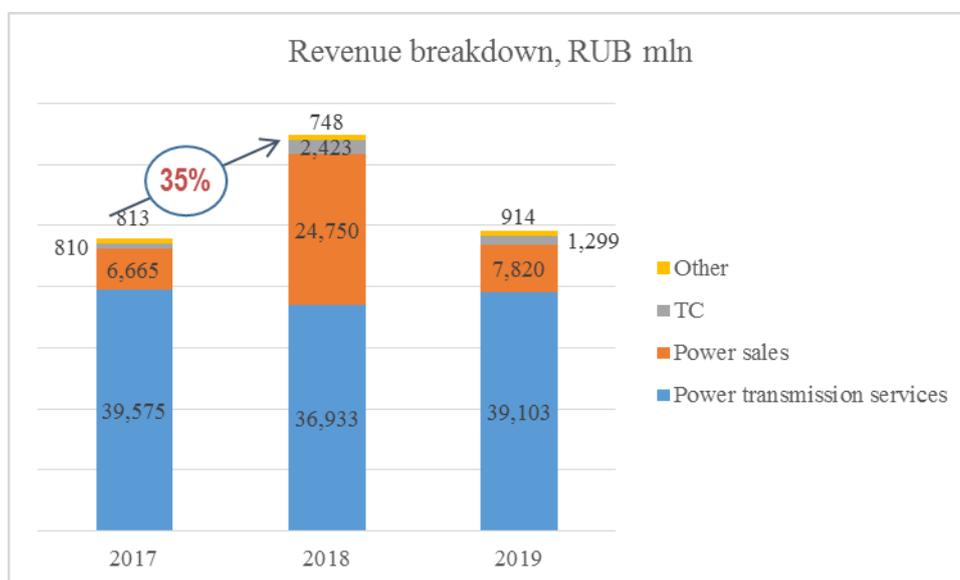
The main part of the Group revenue is received from power transmission services. The change in this type of revenue volume depends mainly on the changes in tariffs set by the FAS of Russia and the volumes of power transmitted in the period. The Group also receives revenue from sales of power, technological connection to power grids, as well as other services.

The decrease in revenue against 2018 in the amount of RUB 15,718 mln, or 24%, took place, as there was no revenue in 2019 coming from sales.

Revenue from power sales reduced in 2019 by RUB 16,930 mln, or 68%. In 2018, PJSC IDGC of the North-West performed the function of power supplier of last resort (hereinafter – SLR) from 01.01.2018 to 01.10.2018 in the Arkhangelsk Region (Order of the RF Ministry of Energy of 22.12.2017 No. 1202) and from 01.04.2018 to 01.01.2019 in the Vologda Region (Order of the RF Ministry of Energy of 23.03.2018 No. 178).

The growth in revenue from power transmission services year on year amounted to RUB 2,170 mln, or 6% (net of the value of power transmission services under contracts of power supply as part of SLR functions). In comparable conditions (taking into account power transmission services under contracts of power supply as part of SLR functions), the revenue growth amounted to RUB 697 mln, or 1.7%, due to increase in the volume of services rendered by 453 mln kWh, or 1.4%, and average tariff growth by RUB 3 /thous. kWh, or 0.2%.

The revenue from technological connection activities in 2019 amounted to RUB 1,298 mln, which is RUB 1,125 mln, or twice lower year on year, due to completion of several large TC contracts in 2018: with State Company Avtodor (in the amount of RUB 1,154 mln) and LLC Magistral Dvukh Stolits (in the amount of RUB 213 mln).



State subsidies

[GRI 201-4] The Group has no state subsidies to compensate for low power tariffs.

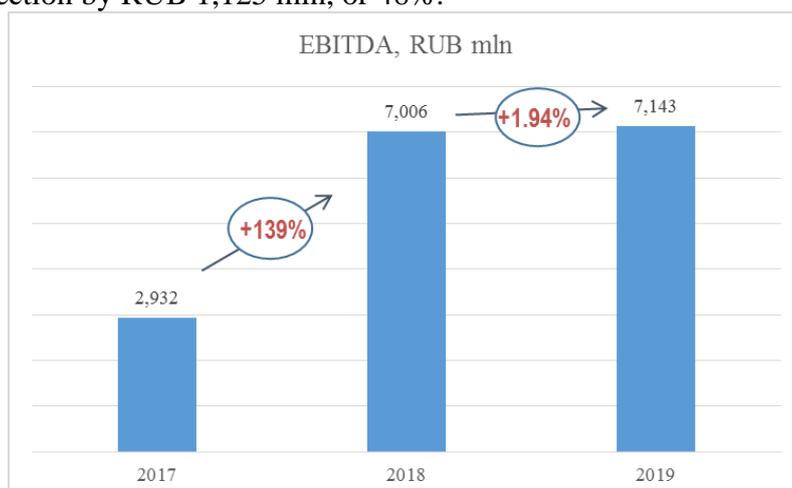
Net other income

Net other income includes proceeds from uncontracted power consumption, incomes from fines, penalties and forfeits under operational contracts, accounts payable relief, insurance proceeds. The amount of net other income was RUB 525 mln, which is RUB 315 mln, or 37% lower year on year. The difference is mainly due to the 2019 reduction in income from fines, penalties and forfeits under operational contracts against 2018 by RUB 237 mln, or 37%. Other expenses in 2019 amounted to RUB 30 mln, which is RUB 92 mln lower year on year due to lack of fixed asset retirement losses in 2019. Therefore, net income amounts to RUB 494 mln in 2019, which is lower year on year by RUB 192 mln.

EBITDA

EBITDA indicator amounted to RUB 7,143 mln, having increased by RUB 136 mln, or 1.9%, year on year. The main reason for the 1.9% EBITDA growth was the increase in depreciation by RUB 282 mln, or 6.5%, and interest paid for liabilities (including rent) by RUB 29 mln, or 2.6%, which offset the reduction in the Group's earnings before tax for 2019 year on year by RUB

174 mln, or 11%. The earnings reduction was due to a decrease in revenue from technological connection by RUB 1,125 mln, or 46%.

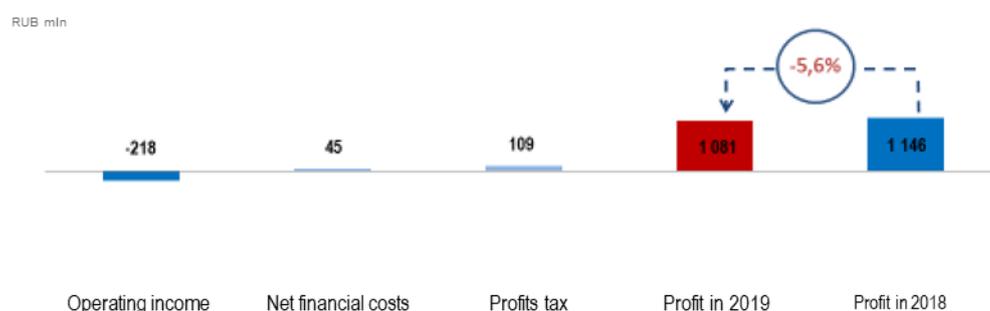


Profit before tax

The Group recorded profit before tax in the amount of RUB 1,399 mln in the year ended on 31 December 2019 and in the amount of RUB 1,573 mln in the year ended on 31 December, 2018.

Financial performance over the period

As a result of the above factors, the Group recorded the profit of RUB 1,081 mln and RUB 1,146 mln for the years ended 31 December 2019 and 31 December 2018, respectively.



Tariff regulation¹⁹

Methodology of the calculation of tariffs for power transmission services and technological connection is approved by the federal executive authority in the area of tariffs regulation; the functions of such are given to the Federal Antimonopoly Service (FAS of Russia)²⁰. Maximum rates of power transmission tariffs are set by the FAS of Russia.

Distribution grid power transmission services activity of PJSC IDGC of the North-West is regulated at the regional level by executive bodies of the constituent entities of the Russian

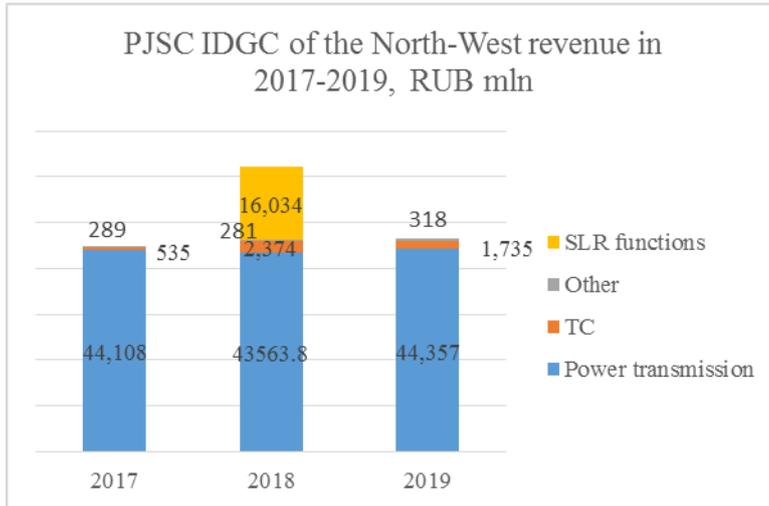
¹⁹ Key regulatory documents stipulating the power transmission tariff setting for the Company are shown in Annex 12 to the Annual Report.

²⁰ Decree of the Russian Federation President of 21.07.2015 No. 373 “On some issues of state regulation and control in antimonopoly and tariff regulation”.

Federation²¹.

Power transmission tariffs

In 2019, the established tariffs enabled the Company to receive revenue of RUB 46.4 bln for its services, which is 25% lower year on year, while the power transmission revenue grew by 2%. The revenue decline was due to termination of the functions of supplier of last resort in Arkhangelsk and Vologda Regions in 2018.



Power transmission services tariffs across the branches of PJSC IDGC of the North-West were based in 2019 on the long-term parameters. The Company branches are regulated as follows:

Method of GRR long-term indexation	
Arkhangelsk branch of PJSC IDGC of the North-West	2019-2023
Vologda branch of PJSC IDGC of the North-West	2018-2022
Karelia branch of PJSC IDGC of the North-West	2018-2022
Murmansk branch of PJSC IDGC of the North-West	2019-2023
Komi branch of PJSC IDGC of the North-West	2019-2023
Novgorod branch of PJSC IDGC of the North-West	2018-2022
Pskov branch of PJSC IDGC of the North-West	2018-2022

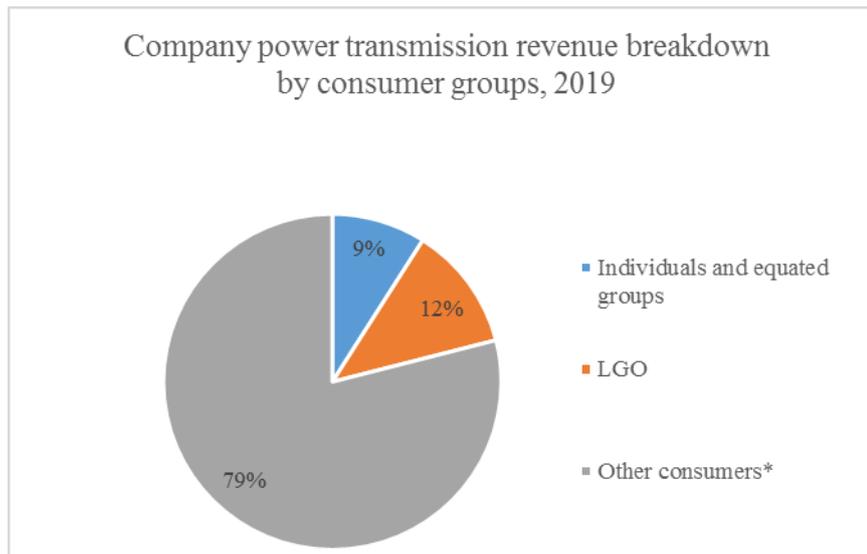
In 2019, a new long-term period started for the Arkhangelsk, Murmansk and Komi branches of PJSC IDGC of the North-West. Before 2019, these branches were regulated under the method of long-term GRR indexation. New long-term parameters were set for these branches. The Company performed annual mandatory adjustment of all its branches' gross revenue requirement (GRR) stipulated by the effective legislation in the area of state tariff regulation.

²¹ The report on regulated activities broken down by Company branches is shown in Annex 13 to the Annual Report.

Over 2019 the Company also revised the gross revenue requirement approved for 2019 due to the following factors:

- Subject to FAS of Russia Orders of 12 and 18 December 2018 No.SP/101972/18 and No.SP/103928/18 due to revision of the GRR for the Karelia branch of PJSC IDGC of the North-West and PJSC Prionezhskaya Setevaya Companiya.
- On the basis of Order of FAS of Russia of 13 December 2018 No.1764/18 which approved the minimum and maximum tariff levels for the power transmission services rendered to individuals and similar categories of consumers upon revision of the set tariffs for individuals, revision of sales premiums of PJSC TGK-2 Energosbyt and reduction in the GRR of the Arkhangelsk branch of PJSC IDGC of the North-West.

The total resulting change in the GRR amounted to RUB (-0.15) bln.



* “Other consumers” category includes consumers with direct contracts for power transfer services with the power grid company.

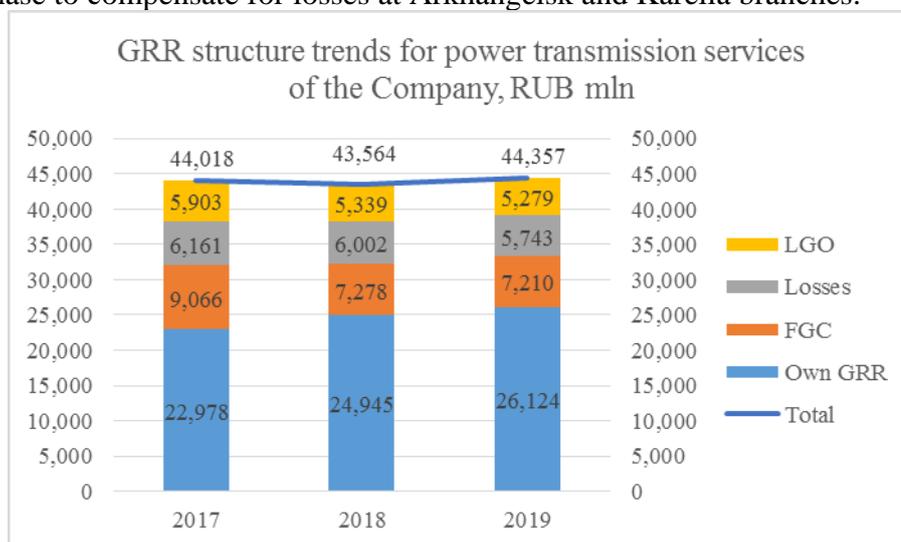
The group “Other consumers” accounts for the largest share of revenue from power transmission (79%) in PJSC IDGC of the North-West. This group includes regional power retail companies and large industrial consumers, the largest of which are PJSC Acron (33% in revenue of the Novgorod branch of PJSC IDGC of the North-West), JSC Kondopoga (13% in the revenue of the Karelia branch of PJSC IDGC of the North-West), OJSC SUAL (7% in the revenue of the Murmansk branch of PJSC IDGC of the North-West), JSC Vorkutaugol (13% in the revenue of the Komi branch of PJSC IDGC of the North-West); PJSC Severstal (5% in the revenue of the Vologda branch of PJSC IDGC of the North-West), JSC Sevmash (11% in the revenue of the Arkhangelsk branch of PJSC IDGC of the North-West).

The major share of group “Individuals and similar consumer groups” is attributable to the Pskov branch of PJSC IDGC of the North-West (24%), the Karelia branch of PJSC IDGC of the North-West (13%), the Komi branch of PJSC IDGC of the North-West (7%).

Gross revenue requirement structure

In the reporting year, own gross revenue requirement (GRR) grew by 5% due to growing indices in accordance with Resolution of the RF Government of 29.12.2011 No. 1178 “On pricing in the area of regulated prices (tariffs) in the electric power industry”, as well as transition of three branches of the Company to the new long-term period and a 1% decrease in payment for the services of PJSC FGC UES, due to the decline in the capacity paid for, subject to the schedule of gradual decrease in the contracted capacity of PJSC Rosseti S&A used in paying for the services of PJSC FGC UES to the level of the actual capacity in 2018-2027. The 1% reduction in expenses

for local grid operators' services in 2019 was mostly brought about by changes in the schemes and amounts of settlements between LGOs within the regional pot. Loss-related expenses decreased by 4%, which was caused by a reduction in the total volume of losses and lower price for power purchase to compensate for losses at Arkhangelsk and Karelia branches.



Trends in gross revenue requirement from power transmission services broken down by branch, RUB mln

Branch	2017		2018		2019	
	total	own	total	own	total	own
Arkhangelsk branch of PJSC IDGC of the North-West	5,306	2,947	5,546	3,514	5,601	3,942
Vologda branch of PJSC IDGC of the North-West	7,433	4,925	7,002	5,108	7,012	4,970
Karelia branch of PJSC IDGC of the North-West	8,140	3,119	6,945	2,948	7,049	3,213
Murmansk branch of PJSC IDGC of the North-West	7,591	2,556	7,713	3,116	7,815	3,129
Komi branch of PJSC IDGC of the North-West	6,911	4,113	6,696	4,215	7,058	4,857
Novgorod branch of PJSC IDGC of the North-West	4,437	2,436	5,098	3,002	5,144	2,917
Pskov branch of PJSC IDGC of the North-West	4,291	2,882	4,564	3,041	4,677	3,096
Total IDGC of the North-West	44,108	22,978	43,564	24,945	44,357	26,124

The total gross revenue requirement of the Company grew by 2%, own GRR increased by 5%. The difference in the growth of total GRR from the growth of own GRR was due to reduction in expenses on losses payment amounting to 4%, reduction in expenses on paying for the services of local grid operators being 1% reduction in expenses on paying for the services of PJSC FGC UES – 1%. This results from a decline in the paid capacity and complies with the schedule of gradual decrease in the contracted capacity of PJSC Rosseti S&A used in paying for the services of PJSC FGC UES to the level of the actual capacity in 2018-2027. The largest growth in the expenses on payment for the services of LGOs is attributable to the Vologda and the Komi branches, due to changes in the GRR of LGOs by including additional reasonable expenses.

Analysis of changes in the average tariffs for power transmission services by branch, RUB/kWh

Branch	2017	2018	2019
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Arkhangelsk branch of PJSC IDGC of the North-West	1,991	1,938	1,908
Vologda branch of PJSC IDGC of the North-West	1,266	1,585	1,512
Karelia branch of PJSC IDGC of the North-West	1,862	2,039	2,001
Murmansk branch of PJSC IDGC of the North-West	726	713	715
Komi branch of PJSC IDGC of the North-West	1,404	1,462	1,486
Novgorod branch of PJSC IDGC of the North-West	1,302	1,356	1,401
Pskov branch of PJSC IDGC of the North-West	2,461	2,496	2,526
Total IDGC of the North-West	1,319	1,375	1,373
Growth, %	-	104%	100%

Power transmission services tariffs in 2019 considerably differed by regions within the responsibility area of PJSC IDGC of the North-West. The strong divergence is due to varying breakdowns of consumers by voltage levels. The branches where low-voltage grids prevail, such as Arkhangelsk branch of PJSC IDGC of the North-West, Karelia branch of PJSC IDGC of the North-West and Pskov branch of PJSC IDGC of the North-West, feature high tariffs, which is due to higher costs of maintenance for such grids as compared to the branches where high-voltage grids prevail, such as: Vologda branch of PJSC IDGC of the North-West, Murmansk branch of PJSC IDGC of the North-West, Novgorod branch of PJSC IDGC of the North-West. The highest growth in the average tariff (3%) in 2019 was shown by the Novgorod branch, which is due to reduction in the productive power supply. In the Pskov and Komi branches, the average tariff growth amounted to 1% each due to increase in own GRR of the branches, expenses on LGO services and low growth in the productive power supply. In the Murmansk branch, the average tariff growth amounted to under 1%, reduction of the average tariff at the Arkhangelsk and Karelia branches amounted to 2% each, in the Vologda branch – 5%. This was due to inclusion of the adjustments stipulated in the tariff regulation for the previous years in the GRR. In 2019, the GRR of Karelia, Novgorod and Pskov branches included recovery of the results of flattening-out accrued over the period of RAB regulation for the branches in the amount of RUB 1.7 bln, as stipulated by the agreements with the heads of the respective regions.

Technological connection payments^{22,23}

Under the methodological guidelines for definition of the fees for technological connection to power grids, approved by the Order of the FAS of Russia dated 29.08.2017 No. 1135/17 (hereinafter – the Methodological Guidelines), the fee for an applicant is estimated only regarding the activities of technological connection stipulated by the issued technical specifications of the technological connection regarding the construction of the power grid facilities from the current power grid facilities to the connected power receivers and (or) power grid facilities of the applicant. In calculating fees for technological connection to local distribution grids, executive authorities of the Russian regions in the area of state tariff regulation approve the following:

- 1) for the period of regulation:
 - standardised tariff rates;
 - rates per unit of maximum capacity (RUB/kW);
 - formula of the technological connection fees;
- 2) at the request of the grid organisation:
 - fees for technological connection to local distribution grids of individual consumers' power receivers with the voltage of at least 35 kW and the maximum capacity of at least 8900 kW and

²² TC fees for 2017-2019 are shown in Annex 14 to the Annual Report.

²³ Cash flow monitoring for the TC contracts is presented in Annex 15 to the Annual Report.

power generating facilities;

- fees for technological connection to local distribution grids of power generating facilities;
- for an individual project, technological connection fee in cases stipulated by Chapter III of the regulations on technological connection to power grids of consumer power receivers, power generating facilities, as well as power grid facilities owned by grid organisations and other persons approved by Order of the Russian Federation Government dated 27 December 2004 No. 861 (hereinafter – Regulations on technological connection No. 861).

Information on the technological connection service fees is shown on the Company's official web site under "Standards of information disclosure by participants of the wholesale and retail power market. Grid company".

Since 2017, single tariffs have been adopted for all local grid operators in a constituent entity of the Russian Federation.

The fee for the applicant requesting technological connection of power receivers with the maximum capacity of 15 kW (including the capacity previously connected at this technological connection point), does not exceed RUB 550, for technological connection of facilities assigned to the third category of reliability (for one power supply source) on condition that the distance from the applicant's land plot borders to power grid facilities on the level of up to 20 kV (including that voltage) of the voltage required by the applicant and belonging to the grid company where the application was made, is no more than 300 metres in urban areas and no more than 500 metres in rural areas. The amount of shortfall in income approved in 2019 in the power transmission tariff was RUB 658.8 mln.

Under p. 12(1) of the Regulations on technological connection, small and medium businesses with the capacity connected no more than 150 kW, signing the technological connection contract, can use an interest-free instalment plan in the amount of 95% of the technological connection fee on condition of quarterly equal instalments as parts of the total amount due in the period of up to 3 years from the date when the parties sign the act of technological connection.

According to Article 23.2. of the Federal Law 26.03.2003 No. 35-FZ "On power industry":

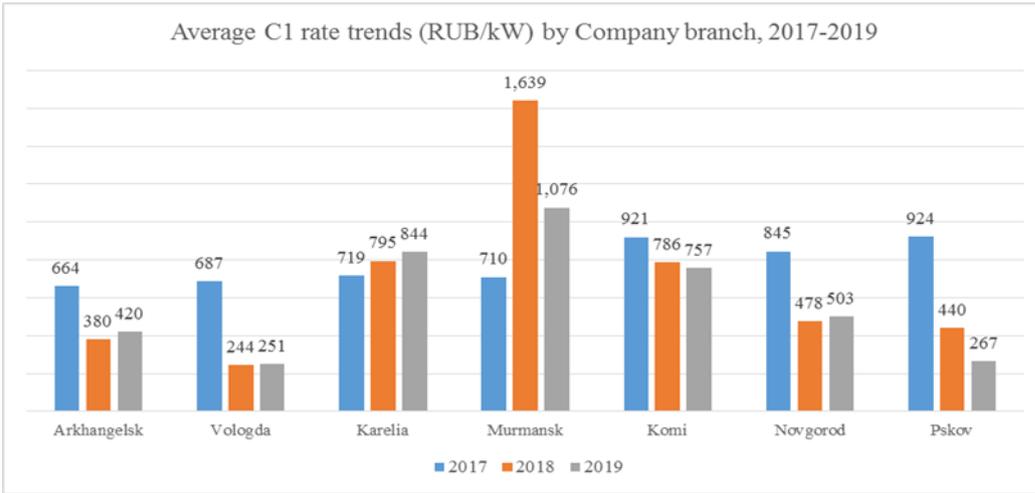
Starting 01 October, 2015 the amount of the investment component included in the technological connection fee for power receivers with the maximum capacity of no more than 150 kW to cover the construction expenses for power grid facilities – from the current power grid facilities to the connected power receivers and (or) power generators – cannot exceed 50% of the above expenses (hereinafter, the last mile facilities expenses).

Starting 01 October, 2017 last mile facilities expenses are not included in the technological connection fees for receivers with the maximum capacity no more than 150 kW.

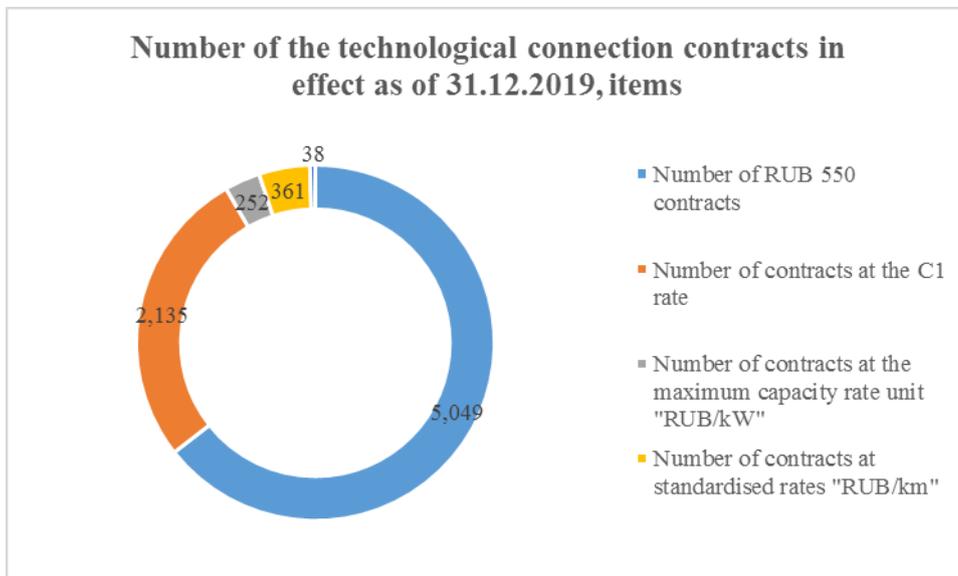
The amount of shortfall in income included in the power transmission tariff for applicants of no more than 150 kW, is RUB 204 mln in 2019, which is 91% higher year on year.

The data on the legislative changes regarding technological connection of the applicants up to 15 kW, the number of applications made and contracts signed, increase in availability of technological connection for applicants, and issues faced by PJSC IDGC of the North-West in signing the above contracts are shown in the section "Technological connection".

In 2019, the tariff set by the Company allowed it to receive revenue from technological connection services in the amount of RUB 1,298.5 mln.



The dynamics of the average C1 rate is based on the average total rate adopted by state tariff authorities for technological connection activities. The key reason for changes in the standardised tariff rate C1 for the technological connection activities is the growth in the consumer price index.



Availability of the approved standardised technological connection fees enabled the Company to reduce the number of contracts based on individual fees. The number of 2019 applications where contracts were based on individual rates amounted to 38 across the Company. The total number of effective technological connection contracts is 7,835. The largest share of the contracts signed represents subsidised technological connection up to 15 kW with the fee of RUB 550.

*Monitoring of the current technological connection contracts for benefit holders up to 15 kW
in 2019*

Branch /IDGC	Value of the effective TC contracts in 2019	Planned activities under the TC contracts up to 15 kW, included in the investment programme	Actual costs included in the investment programme for 2019
	RUB mln	RUB mln	RUB mln
Arkhangelsk	4.7	71.2	101.4
Vologda	6.4	186.9	161.6
Karelia	4.3	88.8	88.0
Murmansk	0.4	31.6	21.0
Komi	5.3	129.6	145.3
Novgorod	3.5	162.5	193.5
Pskov	3	104.9	96.7
IDGC of the North-West	27.6	775.5	807.6

The amount of technological connection fees for the current technological connection contracts up to 15 kW was RUB 27.6 mln net of VAT in 2019. The capital investment of 2019 into technological connection of the power units belonging to applicants of up to 15 kW was RUB 807.6 mln.

SUSTAINABLE DEVELOPMENT REPORT

Sustainable development management

The Company’s understanding of sustainable development

The Company’s understanding of sustainable development is in line with the definition provided by the UN: “Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

In its activities, PJSC IDGC of the North-West sticks to the precautionary principle formulated in the UN Declaration on Environment and Development. This principle permeates the Company’s activities of environmental management on all stages of its projects.

The Company constantly strives to comply with the requirements of the environmental legislation, boost the level of occupational and environmental safety, ensure consistent and efficient reduction in the negative impact of its operations on the environment.

IDGC of the North-West activities and the UN sustainable development goals

On 25 September 2015, global leaders, including head of states and governments, gathered in the United Nations headquarters in New York to endorse the sustainable development agenda under the title “Transforming our World: the 2030 Agenda for Sustainable Development” for the period after 2015. The agenda includes 17 goals and 169 objectives.

The Company is guided by the UN sustainable development goals in its operations.

UN goal	Relevant sections of the Report	Company responsibility and the key results in 2019
	Human resources and social policy	<ul style="list-style-type: none"> • Ensuring occupational safety – 98.2% of the employees are provided with personal safety equipment • Raising awareness of occupational safety among contractors – strict requirements to the work process arrangements and availability of personal safety equipment • The Occupational Safety Day held monthly by all units • Development of the system of financial aid to employees
	Human resources and social policy	<ul style="list-style-type: none"> • Ongoing vocational training for the employees (74.4% of the average staff headcount received various types of off-the-job training) • Fostering the development of the secondary and tertiary education system by cooperating with relevant higher education institutions and vocational education institutions – participation in university-based career fairs, provision of on-site training / internship opportunities • Establishment of a Training Centre for Energised Facilities Operation

	Production results	<ul style="list-style-type: none"> • Registration of 24,400 applications, 20,405 contracts signed, 20,400 technological connection contracts completed. • Reduction in the weighted average period of applicant's power receivers connection: from 153 days to 110 days. • Participation in the RES development in the operations area
	Human resources and social policy	<ul style="list-style-type: none"> • Observance of the employee rights – availability of a collective agreement • Creation of new jobs for the community • Cooperation with higher education institutions on employment of students and graduates
	Innovative development	<ul style="list-style-type: none"> • Support of innovation designs – RUB 552.89 mln allocated • Development of active-adaptive grids with the intelligent system of automation and management
	Production results	<ul style="list-style-type: none"> • Actual capital investment into technological connection of socially important facilities in the amount of RUB 157 mln • Timely prevention of emergency, preparation for the AWP, emergency response and mitigation
	Environmental responsibility	<ul style="list-style-type: none"> • Lean operation programme development • Participation in promoting resource and energy saving issues – the festival #BrighterTogether • Reporting in line with the GRI SRS standards
	Environmental responsibility	<ul style="list-style-type: none"> • Protection of biodiversity – bird protection from electric shock, the cost of equipment (bird protection devices installation) amounting to RUB 2,188 thousand net of VAT (1,298 bird protection devices at 35+ kV OL). Since 2015, the Company has installed 4,862 bird protection devices.

Quality management system²⁴

Since 2009, the Company has been using a quality management system (QMS), which complies with the requirements of the international standard ISO 9001 “Quality Management Systems. Requirements”.

The QMS is a component of the Company comprehensive governance system. It is designed to ensure high quality of the services rendered in accordance with requirements of the regulatory

²⁴ The quality management policy is available at the Company's web site: <http://www.mrsksevzap.ru/policyquality>

documents, needs and expectations of the consumers and satisfaction of all stakeholders, including employees, shareholders, investors and partners of the Company.

The Company's business priority is development of the efficient distribution grid facilities and ongoing improvement in the quality and availability of the services rendered, where quality is understood as compliance with the technical requirements to power transmission, as well as maintenance of the high level of consumer service.

Achievement of this priority is ensured by the efficient quality management system based on a process approach and complying with the principles and requirements of the international standard ISO 9001 (GOST ISO 9001).



In 2019, the Company successfully passed scheduled QMS certification audit carried out by a certification authority to assess compliance with the requirements of the standard ISO 9001:2015 (GOST ISO 9001-2015). The findings of the audit showed that the Company quality management system is maintained and developed in accordance with the ongoing improvement principle. The compliance certificates issued in 2018 and valid through 05.09.2021 were confirmed.

The Company QMS is developed, documented and implemented in accordance with the requirements of ISO 9001, GOST ISO 9001, the quality management policy and other internal documents of the Company within the current organisational structure approved by the relevant Company management bodies (the Board of Directors, the General Director). The overall requirements of the Company QMS are applicable across all its units.

The main QMS participants include:

- Quality councils (at the Company and its branches);
- General Director and Deputies General Director – Directors of branches;
- Quality managers of the Company and its branches;
- Deputies General Director and Deputies Directors of branches by business area;
- Structural units responsible for management systems organisation (Quality Management Unit of the Department for Internal Control, Risk Management and Quality Management Units at the level of the Company's executive bodies and the Sector for Quality Management of the Personnel Units on the level of the Company branches);
- Other structural units of the Company.

Certificates held

Management level	Certificate of the QMS compliance with GOST ISO 9001-2015	Certificate of the QMS compliance with ISO 9001:2015	Certificate of the QMS compliance with ISO 9001:2015 (in the IQNet certification system)	Certifying authority
Executive bodies	No.18.1496.026 of 05.09.2018	No.18.1495.026 of 05.09.2018	No.RU-18.1495.026 of 05.09.2018	Certification Association Russian Register
Arkhangelsk branch	No.18.1496.026-6 of 05.09.2018	No.18.1495.026-6 of 05.09.2018	No.RU-18.1495.026-6 of 05.09.2018	
Vologda branch	No.18.1496.026-5 of 05.09.2018	No.18.1495.026-5 of 05.09.2018	No.RU-18.1495.026-5 of 05.09.2018	
Karelia branch	No.18.1496.026-4 of 05.09.2018	No.18.1495.026-4 of 05.09.2018	No.RU-18.1495.026-4 of 05.09.2018	
Murmansk branch	No.18.1496.026-3 of 05.09.2018	No.18.1495.026-3 of 05.09.2018	No.RU-18.1495.026-3 of 05.09.2018	
Komi branch	No.18.1496.026-2	No.18.1495.026-2	No.RU-18.1495.026-2	

	of 05.09.2018	of 05.09.2018	of 05.09.2018
Novgorod branch	No.18.1496.026-1 of 05.09.2018	No.18.1495.026-1 of 05.09.2018	No.RU-18.1495.026-1 of 05.09.2018
Pskov branch	No.18.1496.026-7 of 05.09.2018	No.18.1495.026-7 of 05.09.2018	No.RU-18.1495.026-7 of 05.09.2018

Overall, the functioning of the quality management system was successful in the reporting year²⁵.

Environmental management system

Starting 2019, the Company has been implementing an environmental management system (EMS) in line with the requirements of International standard ISO 14001:2015 – Environmental management systems. Requirements with guidance for use.

In 2019, the Company issued key EMS documents (Regulation on the EMS, internal audit programme for 2019, environmental aspects register, Regulation on EMS audits etc.). It performed a set of internal EMS audits, prepared a report on environmental management system analysis by the Company management in 2019, successfully passed certification audit of the EMS performed by an independent auditor under the standard ISO 14001:2015 (GOST R ISO 14001-2016). The certificates are valid through 30.12.2022.

Certificates held

Management level	Certificate of the EMS compliance with GOST ISO 14001-2016	Certificate of the EMS compliance with ISO 14001:2015	Certificate of the EMS compliance with ISO 14001:2015 (in the IQNet certification system)	Certifying authority
Executive bodies	No.19.2565.026 of 30.12.2019	No.19.2564.026 of 30.12.2019	No.RU-19.2564.026 of 30.12.2019	Certification Association Russian Register
Arkhangelsk branch				
Vologda branch				
Karelia branch				
Murmansk branch				
Komi branch				
Novgorod branch				
Pskov branch				

²⁵ The dynamics of business process efficiency indicators in 2017–2019 are shown in Annex 16 to the Annual Report.

Stakeholder interaction

Level II

of transparency in the RRN rating “Corporate transparency of the largest Russian companies 2019”

Sustainable development of PJSC IDGC of the North-West directly depends on the quality of stakeholders relations. The Company maintains responsible and open communication with all stakeholders and strives to ensure due consideration of their interests in decision-making.

[GRI 102-42] In drafting this Report, the Company carried out polling of the Company employees to upgrade the stakeholder map and identify a list of key stakeholder groups.



[GRI 102-43] The Company aims to build fruitful, trust-based and mutually beneficial long-term partner relations with stakeholders – shareholders and investors, customers and consumers, top management, employees and trade unions, suppliers and contractors, professional and industry associations, government authorities, state regulatory bodies, local authorities, local communities and residents of the operations area, social and charity organisations, public and environmental organisations, the mass media, educational institutions and the academic community.

A balanced system of efficient communication based on the principles of openness, mutual respect, responsible attitude encourages further development of the Company’s business.

RRN corporate transparency rating²⁶

PJSC IDGC of the North-West is among the Russian leaders in transparency. The Company ranked 28th in the RRN rating “Corporate transparency of the largest Russian companies 2019”,

²⁶ Corporate transparency of Russian companies survey <http://corptransparency.ru/rate>

which corresponds to Level II in transparency. The Company reporting was assigned 47.55 points out of 100 (in 2018 — 40.25 points).

The Company's stakeholders

[GRI 102-40; GRI 102-44]

Stakeholders	Topics of interest	Interaction instruments	Interaction in 2019
Shareholders	Increase in shareholder value Transparency of the management activities	Press releases within the framework of obligatory information disclosure Information disclosure in accordance with the Company's information policy Interaction within the Board of Directors Individual meetings with shareholders General Shareholders' Meetings Statutory reporting of the Company	The Annual and Extraordinary General Shareholders' Meetings were held. For details see section "Information on the General Shareholders' Meetings in 2019". Events held for shareholders in the reporting year are described in section "Shareholder and investor relations".
Investors	Growth in the Company's investment attractiveness Information on the development prospects Information on credit ratings	Assignment and maintenance of the credit rating and national corporate governance rating Meetings with representatives of banks, the investment community High-quality information disclosure, IFRS reporting	Loan interest paid amounts to RUB 1,177 mln. Events held for investors in the reporting year are described in section "Shareholder and investor relations".
Customers and consumers	Reliable and seamless power supply Innovative development to improve power supply quality Timely and affordable technological connection Open and flexible interaction with customers / consumers	Upgrade of power grid facilities Installation of smart metering devices Contracts on technological connection to power grids A system of on-site (at service centres) and off-site consumer service (application by phone or Internet services) Consumer polls on the degree of satisfaction with the service quality	20,400 contracts on technological connection were performed. The contact centre received 119,757 consumer applications. 20 consumer service offices are in operation Details are available in section "Comprehensive servicing of consumers".
Top management	Conditions for professional growth Achievement of strategic goals and KPIs	Interaction within the framework of the Company's operations	Training in accordance with the employee professional development plans for 2019.

Employees and trade unions	Fulfilment of employers' obligations towards the Company employees Social and medical coverage Professional growth opportunities Providing employment and decent rate of remuneration Social benefits and guarantees	Negotiations with the trade union Meetings with the personnel Collective agreement Compliance with the requirements of the sectoral tariff agreement Social benefits and guarantees of employee voluntary medical and accident insurance (subject to the sectoral tariff agreement)	Meetings with employee representatives were held. Annual meetings of the management with employees of all branches were held on the Collective agreement fulfilment in 2019. Collective agreement results in 2019 were identified. Contracts on voluntary medical and accident insurance were signed for a new period.
Suppliers and contractors	Transparent competitive environment Use of the market pricing mechanism Compliance with the standards of business ethics in interaction Anti-corruption measures	Competitive procurement procedures Signing agreements with Russian and foreign manufacturers SMB support	In 2019, the Company held 1,449 procurement procedures with the total value of RUB 17.7 bln.
Professional and industry associations	Information on the Company's development prospects Cooperation	Regular meetings Information disclosure on the corporate web site Interaction within business communities of the operations area Participation in joint meetings, forums, shows, conferences	Meetings within the framework of congress and exhibition activities, forums, workshops (including regional energy investment fairs, corporate presentation days of PJSC IDGC of the North-West).
Government authorities	Reliable and seamless power supply Support of domestic power machinery construction and import substitution Contribution to preparations for large international projects Contribution to implementation of governmental projects	Fulfilment of investment policy obligations Signing a number of cooperation agreements Contribution to preparations for national and international projects	The Company signed 10 agreements with heads of the operations area regions and largest entities. The actual capital investment into technological connection of socially significant facilities – schools, nursery schools, sports and social facilities – amounted to 157 RUB mln. The share of procurement attributable to local suppliers in the operations area was 12.16% of the actual volume.
State regulatory bodies	Compliance with the requirements of the Russian legislation	Regular inspections passing Regular meetings and cooperation Provision of statutory reporting	Information disclosure in accordance with the requirements of the regulatory bodies.

Local authorities	Infrastructure development Contribution to social programmes and charity Tax payment Creation of jobs Information on the Company's development prospects	Agreements on cooperation Social and charity programmes Public reporting Injury prevention events for the safety of residents	The actual capital investment into technological connection of socially significant facilities – schools, nursery schools, sports and social facilities – amounted to 157 RUB mln. The share of procurement attributable to local suppliers in the operations area was 12.16% of the actual volume.
Local communities and residents of the operations area	Social infrastructure development Creation of jobs Implementation of social programmes and charity Mitigation of negative environmental and population impact	Media publications on technological connection, work of power employees, important changes in the effective legislation on power industry	Over 500 press releases were communicated. Regional and federal media published 14,341 item of the Company.
Social and charity organisations	Social responsibility Efficiency of the Company's performance and development prospects Contribution to charity projects	Interaction in carrying out social projects Information disclosure on the corporate web site Signing cooperation agreements	Investment in the social infrastructure amounted to RUB 164 mln.
Public and environmental organisations	Compliance with the environmental legislation requirements Compliance with the established environmental impact standards Reduction in man-made impact on the environment	Consultations, explanations Public hearings	In 2017, the Company joined implementation of the Environmental policy of power grid facilities of PJSC Rosseti. The environmental protection costs in 2019 amounted to RUB 20.21 mln.
Mass media	Transparency of business processes Prompt access to information on the Company's activities	Press events Prompt communication of information Processing media inquiries and requests	Publication of over 500 press releases, 14,341 publication in the regional and federal media.

Educational institutions	Contribution to industry-related education development Training high potential staff and ensuring job continuity	Signing agreements with higher education institutions Organisation of student work teams Programmes of young talent training Talent pool creation Provision of opportunities for hands-on training and internship Personnel education and training Open days and career fairs	74.7% of the average staff headcount took place in off-the-job training in 2019. Participation in 32 open days, career fairs at educational institutions. Held 266 open lessons on electric power safety at schools.
Academic community	Contribution to industry-related research development Use of innovative technologies	Interaction with academic institutions and R&D order placement Participation in forums, exhibitions Signing agreements	Signed 2 contracts with a research organisation for R&D with the total amount of RUB 11.531 mln incl. VAT.

Public, government and media relations

The Company develops stakeholder interaction on the basis of common values, promptly responding to reputational risks in the public space and building a positive image of not only the Company, but the whole industry.

More than 500 press releases were published on the official website www.mrsksevzap.ru, and 14,341 publications were made in the regional and federal media.

The communication policy of the Company Rosseti North-West is based on the principles of openness, reliability, promptness and accessibility within implementation of a unified communications policy of the Rosseti Group.

In 2019, the Public Relations Department launched a project on the development of the Company's accounts in the social media VKontakte and Instagram, and on systemic target audience relations.

Important news, useful information and various kinds of digital content are provided on the corporate platforms. Besides, direct contact with subscribers has been established by means of discussions, personal communication, surveys and other interactive options.

In 2019, the exposure of Rosseti North-West account in VKontakte increased by 120% to reach 70 thousand views per month. Each post by Rosseti North-West is viewed by an average of 5 thousand persons.

In 2019, the exposure of the Company's account in Instagram increased by 74% and exceeds 15 thousand views per month on average.

The growth of these indicators is stimulated by well-considered work with target audiences, use of tools for SMM promotion (reposts in popular communities, hashtags, and comments), generation of unique content, and implementation of regional projects.

99% the Company's audience has active accounts. The subscribers of the accounts include representatives of authorities and regional opinion leaders.

A key business communication form of Rosseti North-West is participation in exhibitions and conventions. In 2019, representatives of the Company took part in major congress and exhibition events, including scientific and practical conferences, industry exhibitions of the fuel and energy sector, economic and investment forums.

[GRI 413-1]

The Company signed 10 agreements with the regional leaders in the operations area and the largest enterprises:

On 14 February 2019, at the Russian Investment Forum in Sochi the General Director of Rosseti North-West Artem Pidnik and the Governor of the Pskov Region Mikhail Vedernikov signed an agreement on collaboration on the development of electric power in the Pskov Region. The document provides for implementation of digital grids within the concept "Digital Transformation 2030" and long-term planning of the development of power grid infrastructure.

On 07 June 2019, at the St. Petersburg International Economic Forum the General Director of Rosseti North-West Artem Pidnik and the Governor of the Novgorod Region Andrey Nikitin signed an agreement on cooperation in digitalisation of the power grid facilities of the region. The document provides for strategic partnership within the concept "Digital Transformation 2030".

On 07 June 2019, within the business programme of the St. Petersburg International Economic Forum the General Director of Rosseti North-West Artem Pidnik and the Governor of the Vologda Region Oleg Kuvshinnikov signed an agreement on intent to collaborate in the area of development of the region's electric power facilities.

On 07 June 2019, within the St. Petersburg International Economic Forum the Head of the Komi Republic Sergey Gaplikov and the General Director of Rosseti North-West Artem Pidnik signed an agreement on development of the power grid facilities of the region. The document provides for strategic partnership within the concept "Digital Transformation 2030".

On 07 June 2019, within the business programme of the St. Petersburg International Economic Forum the General Director of Rosseti North-West Artem Pidnik and the Head of the

Murmansk Region Andrey Chibis signed an agreement on collaboration in the area of development of the regional power grid facilities. The parties agreed on strategic partnership within implementation of the concept “Digital Transformation 2030”.

On 07 June 2019, at the St. Petersburg International Economic Forum the General Director of Rosseti North-West Artem Pidnik and the Governor of the Arkhangelsk Region Igor Orlov signed an agreement on collaboration on digitalisation of power grid facilities in the region. The document provides for strategic partnership within the concept “Digital Transformation 2030”.

On 07 June 2019, within the business programme of the St. Petersburg International Economic Forum the General Director of Rosseti North-West Artem Pidnik and the Governor of the Pskov Region Mikhail Vedernikov signed an agreement on collaboration in the area of development of the region’s power grid facilities. The parties agreed on strategic partnership within implementation of the concept “Digital Transformation 2030”.

On 07 June 2019, on the fringes of the St. Petersburg International Economic Forum the General Director of Rosseti North-West Artem Pidnik and the Head of Karelia Arthur Parfenchikov signed an agreement on collaboration in digitalisation of the power grid facilities of the region. The parties agreed on strategic partnership within implementation of the concept “Digital Transformation 2030”.

On 04 October 2019, at the Russian Energy Week forum the General Director of Rosseti North-West Artem Pidnik and the General Director of JSC United Rocket and Space Corporation (JSC URSC) Andrey Zheregelya in the presence of the Minister of Industry and Trade of the Russian Federation Denis Manturov, Deputy Minister of the RF Ministry of Energy Andrey Cherezov and the General Director of Rosseti Pavel Livinsky signed an agreement on satellite-based monitoring of the overhead lines protective zones.

On 04 December 2019, at the international forum Power Grids the General Director of Rosseti North-West Artem Pidnik and Chairperson of the Board of Directors of the company Electra Roman Shulginov in the presence of the President of PJSC Rostelekom Mikhail Oseevsky and the General Director of Rosseti Pavel Livinsky signed an agreement on joint operation of power grid facilities and communication networks.

An important area of the Public Relations Department activities is prevention of electric injuries. In 2019, the Company held a number of lessons on this topic in its operations area, including interactive tasks. Promotion materials and guidebooks on prevention of electric injuries were distributed among the following target groups: children, drivers, fishermen, and air sport lovers.

Human resources and social policy



The key goals of the Company’s HR and social policy (hereinafter – the Policy) aimed to ensure achievement of the target indicators set by the Development Strategy of the Power Grid System are:

- planning the staffing requirements – ensuring availability of reliable information on the current and projected number and qualities of employees required as necessary and sufficient to fulfil the tasks assigned to the Company;
- timely meeting the Company’s needs for personnel of required qualification;
- ensuring efficiency of personnel activities, labour efficiency improvement

The above key goals of the HR and social policy are achieved by implementing a set of measures in a variety of business areas and by reaching the established targets:

- in organisational design;

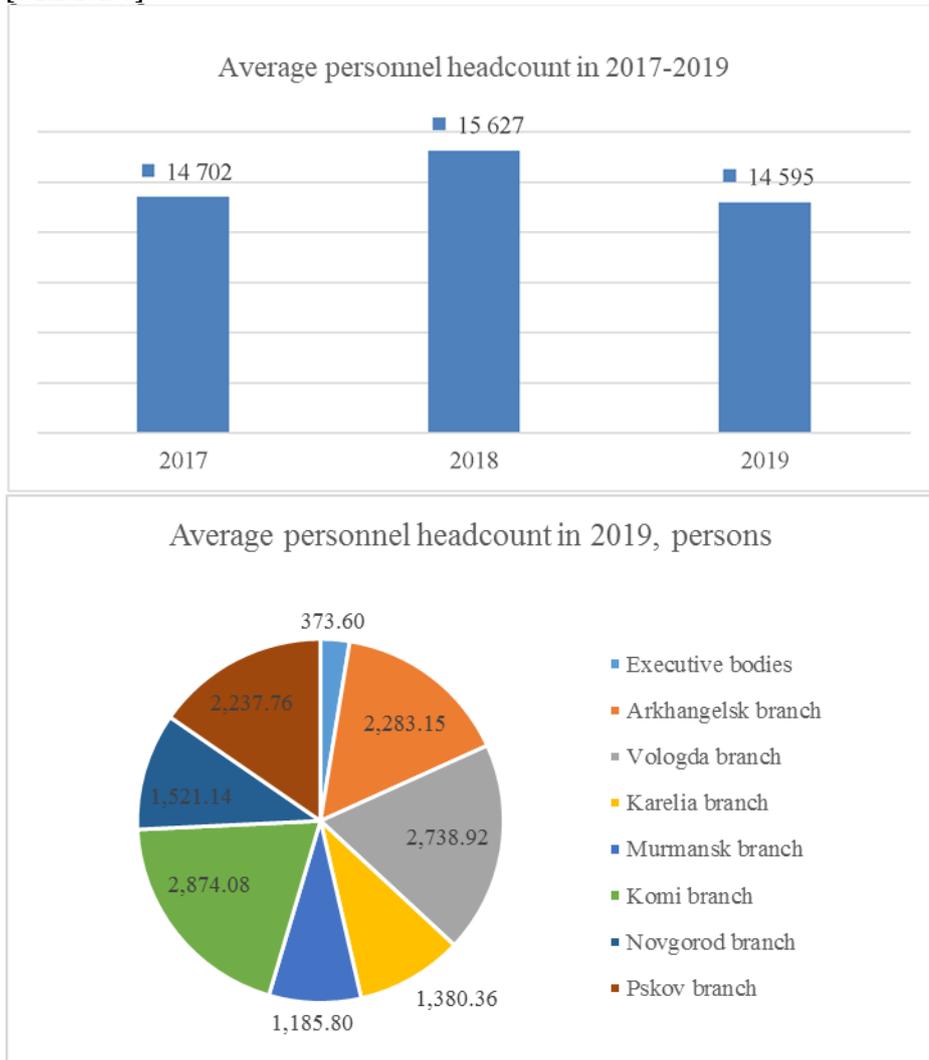
- in staffing and personnel development;
- in managing the efficiency of personnel activities (personnel motivation);
- in social benefits and social security;
- in promoting safety of operations and work culture.

Personnel headcount and breakdown

[GRI 102-8]

The average staffing number of PJSC IDGC of the North-West in 2019 amounted to 14,595 persons, which is 6.6% lower year on year. The decrease in the average staffing number of PJSC IDGC of the North-West was due to termination of the status of supplier of last resort in the Arkhangelsk Region by Order of the Russian Ministry of Energy of 22.12.2018 No. 1202 (the functions have been transferred since 01.10.2018 to the limited liability company TGK-2 Energosbyt) and in the Vologda Region by Order of the Russian Ministry of Energy of 29.11.2018 No. 110 (the functions have been transferred since 01.01.2019 to the limited liability company Severnaya Sbytovaya Kompania).

[GRI 102-7]



The staffing levels of PJSC IDGC of the North-West reduced in 2019 by 2.7% to reach 94.8% against 2018.

The average age of the Company’s employees in 2019 remained on the level of 2018 as 42 years, active staff turnover amounted to 5.13% in 2019.

In the recent three years, the share of employees working after retirement has been decreasing (-2.11 p.p.) as the share of the employees aged from 25 to 50 increased (+2.63 p.p.).

PJSC IDGC of the North-West employees possess considerably high qualification – 87.6% of them have received professional education. This indicator has increased by 3.1% in the recent three years.

The gender breakdown of the personnel has been stable over all the years and corresponds to the operations of the Company: 11,447 male employees (78.5%); 3,132 female employees (21.5%).

Personnel training and development, talent pool



[GRI 103-2; GRI 103-3] Training is a priority area of HR and social policy at PJSC IDGC of the North-West. It is regulated by the Rules of HR management in power industry companies of the Russian Federation, the Regulation on continuous professional development of staff, the Procedures of HR management.

The share of employees who took part in full-time training events in the total headcount is 74.7% (10,903 persons) in the reporting year, which exceeds the key indicator of the HR and social policy of PJSC IDGC of the North-West (30%), having reduced by 8.53 p.p. (2,107 persons) against 2018 (in 2018 – 13,010 persons, or 83.23% of the average staff headcount).

The largest share of the employees trained is attributable to operational personnel – 93.5% (10,194 persons). This indicator amounted to 92% (11,970 persons) in 2018.

The staff who took part in training events broken down into office and management personnel, operational personnel and supporting personnel is shown below:



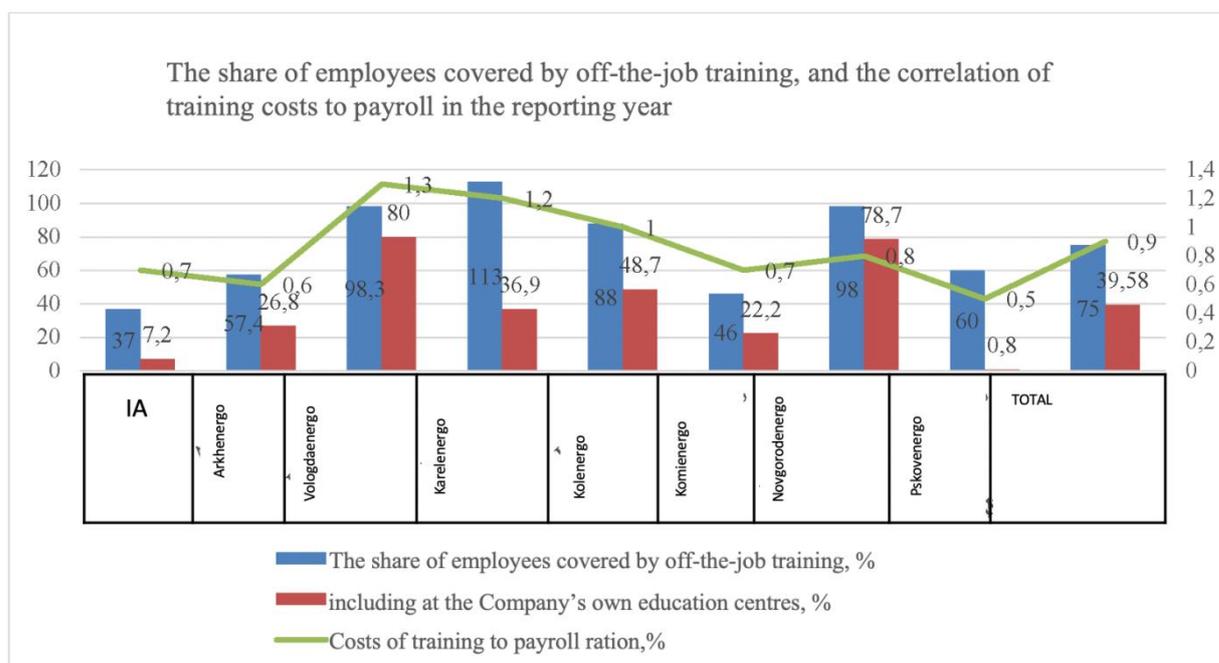
[GRI 404-2] Continuity of the employee training is ensured by the corporate training and development system including PEI CPE Energetik in Vologda with standalone divisions in Arkhangelsk, Veliky Novgorod, Petrozavodsk and training and educational centre for the employees of the Murmansk branch of PJSC IDGC of the North-West in Murmashi of the Murmansk Region.

Corporate training centres provided professional training, retraining and advanced training to 5,777 persons in 2019, which is 52.99% of the total number of employees who received training. This number is by 0.03 p.p. higher than that in 2018 (in 2018, corporate training centres provided education for 6,890 persons, which accounts for 52.96% of the total number of trainees). The largest portion of the corporate training centre students were also operational employees – 97.21% (5,616 persons), and in 2018 – 94.34% (6,500 persons).

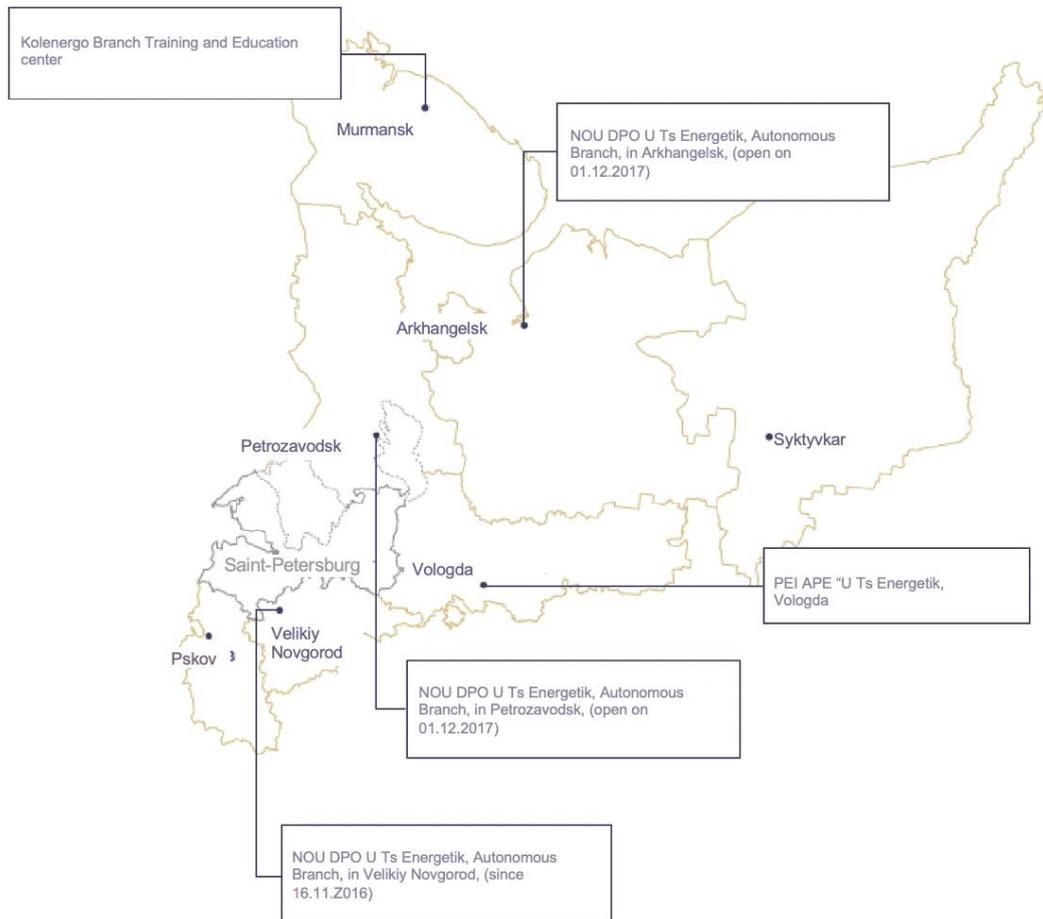
Actual costs of personnel training (regardless of their sources) amounted to RUB 64.77 mln, RUB 25.58 mln of which (39.5%) was allocated to training at corporate training centres. In 2018, staff training expenses amounted to RUB 68.9 mln, corporate training centres expenses accounting for RUB 25 mln, or 36.3% of the total training expenses.

The ratio of the actual training costs to the payroll in the reporting year was 0.9% (in 2018 – 0.9%), which is less than the key indicator stipulated by the HR and social policy of PJSC IDGC of the North-West (1.5%). The incompliance with the indicator is due to the Company’s operating expenses optimisation activities. Spending on personnel training includes compulsory training and training in line with the requirements of professional standards.

The share of employees trained full-time, and the ratio of the training costs to the payroll in the reporting year, %



Training centres of PJSC IDGC of the North-West



Participation of the Company in the corporate and national WorldSkills championships

In 2019, PJSC IDGC of the North-West employees took part in the PJSC Rosseti open corporate championship of vocational skills under the WorldSkills methodology in the following skill areas: “Smart systems of power metering”, “Maintenance and repair of relay protection and automation equipment”, “Operation of cable power lines”. Experts included 4 employees of the Company, and contestants – 4 employees of the Company.

Interaction with relevant higher education institutions and professional education organisations

In addition to the in-house training centres, key providers of educational services are:

- Peter the Great Saint Petersburg Polytechnic University;
- Lenin Ivanovo State Power Engineering University;
- Murmansk State Technical University;
- Lomonosov Northern (Arctic) Federal University;
- Vologda State University;
- Pskov State University;

- Syktyvkar Forest Institute (branch) of the Kirov Saint Petersburg State Forest Technical University;
- Petrozavodsk State University;
- Chkalov Cherepovets Forest Mechanical College;
- Gryazovets Polytechnic College, the Vologda Region;
- Industrial College of Petrozavodsk;
- Pskov Agro-Technical College;
- Novgorod Construction College;
- Pechora Industrial and Economic College;
- St. Petersburg Advanced Training Institute;
- Power Industry Staff Training Centre, Saint Petersburg;
- Learning and teaching centre of Rostekhnadzor, Moscow;
- Pskov training centre;
- ANO Kirov training centre Energetik.

Major areas of interaction with the educational institutions are stipulated by cooperation agreements and include:

- personnel training under main and additional professional curricula;
- target training of staff;
- organisation of internship for students.

In 2019, internship activities were arranged for 792 students of relevant higher education institutions/professional education organisations (in 2017 – 546 students of higher and secondary education institutions, in 2018 – 710 students of higher and secondary education institutions), including 110 students who were accepted for internship on a paid basis (in 2017 – 34 students, in 2018 – 71 student). On-the-job training was provided to 332 students of leading relevant higher education institutions (in 2017 – 213 students of leading relevant higher education institutions, in 2018 – 244 students), including 265 students majoring in the industry-related fields.

In 2019, PJSC IDGC of the North-West employed 31 graduates, including 9 graduates upon successful internship (in 2018 – 38 and 8 graduates, respectively).

Talent pool management of the Company

In order to develop the HR potential and cover the Company requirements of trained personnel for appointment to vacated and new positions, in 2019, PJSC IDGC of the North-West continued its management of talent pool for administrative staff, youth, and key positions.

Professional development of the employees included in the Company's talent pools was based on individual plans, considering the actual competence level of the employee and the requirements of the target positions.

Administrative talent pool is formed by PJSC IDGC of the North-West to promptly and properly meet the Company's needs for employees prepared for work at leading positions and ensure the continuity of management experience.

Youth talent pool is built:

- to create opportunities for professional and personal growth of the young employees of the Company;
- to render assistance in boosting the level of their professional and management qualification.

Talent pool for key positions is formed:

- to promptly fill in the positions where proper recruitment should be based on considerable working experience in the area of operations;

- to provide timely staffing of the positions to ensure fulfilment of the current and long-term goals faced by the Company whenever the labour market fails to provide professionals of the required qualification.

In 2019, the administrative talent pools included 853 most promising employees of the Company. The administrative positions staffing rate with the talent pool amounted to 34.3% as of the end of the reporting period.

The youth talent pool of the Company as of the end of the reporting period amounted to 98 employees.

The following events were organised and held to develop professional and managerial competencies of the talent pool employees of the Company in 2019:

- business training sessions and practical seminars to develop leadership, efficient administration and target-setting, productive teamwork;

- training under additional professional programmes (professional and vocational training).

The number of talent pool employees participating in the events aimed to develop professional and managerial competencies in 2019 amounted to 251 persons.

In 2019, Company branches and executive bodies appointed 157 talent pool members to vacancies, target positions were taken by 110 of them (70%).

Out of 377 management appointments made in 2019 by the Company: 263 positions (69.8%) were filled in by internal candidates, including 111 employees (29.4%) from talent pools for administrative staff, youth, and key positions.

Youth interaction

The Company implements key projects of youth interaction, including those under the Concept of “Rosseti Group Companies Interaction with Educational Organisations”: interaction with schoolchildren, students of educational institutions, young employees of the Company.

Schoolchildren interaction

To increase the schoolchildren’s motivation to study energy-related courses at educational institutions and be further employed by the Company, it regularly holds various career guidance events. In 2019, the Company held 310 such events in the operations area of its branches, the total coverage of the target audience was over 9 thousand persons:

- energy quests on electric safety (4 events, covering 612 persons);

- discussions on the profession of electrician (120 events, covering 3,288 persons);

- career guidance tours for students of grades 9–11 to the operational facilities (28 events, covering 545 persons),

- regional contest on fire and electric safety (covering 1,098 persons);

- electric safety contests (22 events, covering 977 persons);

- open days, career fairs for students of grades 9–11 (2 events, covering 150 persons);

- first-aid treatment lessons (126 events, covering 2,309 persons);

- All-Russian Olympiad of School Students organised by PJSC Rosseti (grades 9–10) (covering 330 persons), leaders of which took part in the energy project session of Orlyonok Russian Youth Centre, All-Russian Contest Energopropyv, Youth Day of the Russian Energy Week, All-Russian Forum for Schoolchildren’s Career Guidance ProyeKTOriYA (Yaroslavl) and other events; leaders of the Olympiad received mentoring before their entry into relevant higher education institutions;

Along with career guidance events, 266 electric safety lessons were held at schools in 2019, involving over 8 thousand schoolchildren.

Interaction with students of educational institutions

In 2019, interaction with students of educational institutions was carried out in the following areas:

- internship of higher and professional educational institution students, including internship on an unpaid basis (682 persons, 110 persons on a paid basis);
- student work teams (110 persons);
- target admission (2019 – 1 persons, 2018 – 5 persons);
- career guidance: open days (23 events, covering 343 persons); career fairs (7 events, covering 352 persons).

To attract and retain young employees within the power industry, the Company implements a number of ongoing specific measures, including:

1. Career guidance meetings held by professionals and managers of the Company with graduates of comprehensive schools, students of professional education institutions. Provision of information on the history and development prospects of the power industry, demand for power-related professions, opportunities of advanced training and professional growth.
2. Placement of publications in the regional media with information on the power industry prospects, vacancies available in the Company, social guarantees and benefits provided by the Company to its employees.
3. Holding open days at the Company branches for learners and students.
4. Signing long-term contracts on cooperation with professional education institutions on introductory and operational internship for learners and students at the Company branches.
5. Holding contests of essays and creative works on energy-related topics.
6. Development of the mentoring system. Allocation of young professionals to experienced employees, development of a system of continuity of professional expertise and skills.
7. Provision of young professionals with an opportunity to advance their qualification and professional development. Inclusion of young professionals in the talent pool for management positions. Holding interviews and briefings of the Company management with young professionals.
8. Fostering youth communities at the companies (Youth Professionals Council).

Social policy towards the Company employees²⁷

Implementation of efficient social policy is a focus of the HR management.

Aware of its responsibility towards the country, the society and the employees of PJSC IDGC of the North-West, the Company management pays considerable attention to social aspects of its activities, which deeply influence the employees' performance, labour efficiency improvement, optimisation of operational processes, stability and sustainable development of the Company in the long-term, increase in the employees' standard of living and positive image of the Company.

The efficient social protection system implemented in the Company contributes to attracting qualified professionals, reduces labour turnover and is a foundation of successful operations.

Investing in personnel development and actively using indirect incentives, the Company stabilises the staff, increases the social security of working and retiring employees, builds a positive public image, ensures a reasonable balance of rotation and retaining highly qualified personnel.

PJSC IDGC of the North-West developed a comprehensive Human resources and social policy of the Company approved by Decision of the Company's Board of Directors of 10.02.2015 (Minutes No. 67).

²⁷ Report on the results of ensuring the human performance reliability and special assessment of the working conditions in shown in Annex 17 to the Annual Report .

Building a positive social environment

The Company strives for the human resources policy and social guarantees to ensure most comfortable labour and recreation conditions for the employees, without which efficient work is impossible.

The range of the Company's social policy areas is quite broad, including the issues of:

- non-state pension provision;
- voluntary medical insurance;
- voluntary accident and illness insurance;
- ensuring employees health and recreation;
- support of the retired veterans of the power company and young professionals;
- measures to build and develop corporate culture.

Key principles of the social policy are:

- **targeting** – a primary focus on the groups of employees who are most important for efficient performance of operational tasks and achievement of the goals of the grid system of the North-West, and on the most vulnerable groups of employees;
- **relevance** – adequacy of the benefits granted to the essential needs of particular groups of employees, an individual approach;
- **awareness** – provision of social support in various areas of life;
- **openness** – open discussion of the developed social regulations and availability of information on existing benefits and guarantees;
- **effectiveness** – continuous monitoring and evaluation of the incentives' efficiency.

The 2019 social policy of PJSC IDGC of the North-West aimed at:

- maintaining social stability and development of social partnership;
- providing social security guarantees to the personnel, members of their families and power industry veterans;
- development of the corporate culture in order to motivate personnel to implement the Company's mission and fulfil current tasks;
- building a sustainable favourable social and psychological climate among employees;
- ensuring a positive public image of the Company.

The 2019 social policy of the Company developed systemically to keep up the social package, i.e. the package of benefits, compensations and privileges for the Company's personnel, their family members and power industry veterans, an important driver of highly qualified personnel recruitment and retention, and labour turnover reduction. The benefits system was developed within the framework of the collective agreement of PJSC IDGC of the North-West for 2019 in the following target areas:

- non-state pension provision;
- support of maternity and childcare;
- sports and health activities;
- corporate culture development.

Preventive healthcare and health improvement for employees and their children

Priorities of the Company's social policy include provision of up-to-date high-quality medical service to employees, organisation of health resort treatment and disease prevention.

Important features of employee's health improvement, healthy lifestyle promotion and disease prevention are the opportunities provided to the Company's employees in terms of fitness

and sports, holding competitions and sports events, participation in sports tournaments, friendly matches, festivals and contests.

In 2019, employees of the Company enjoyed over 300 sports events with the participation of over 7 thous. persons.

In line with the plan for the corporate sports events of the Rosseti Group in 2019 (Order of PJSC Rosseti of 27.12.2018 No.579r), employees of the Company took part in competitions in skiing, indoor football, basketball, hockey.

The Company's team ranked third in the skiing race among the teams, in the category of men over 40 it was second, men under 40 – second, team relay over 40 – second; PJSC IDGC of the North-West team took the fifth place in the basketball tournament, the sixth in hockey, and the eighth in indoor football.

A representative of the PJSC IDGC of the North-West team, Slednikov A.N. won the team relay skiing race in the category over 40 at the FES competitions.

By Order of PJSC IDGC of the North-West “On passing GTO Standards tests” of 14.04.2017 No. 261, all branches held GTO tests.

Cultural and educational events

In 2019, approximately 1,000 events were held to promote the Company's corporate culture with the participation of approximately 38 thousand persons.

During the reporting year, the Company held 235 themed entertainment events and 35 excursions for the employees engaging over 16 thousand people, as well as 32 exhibitions of creative works by power industry employees and their children.

The Company organised over 130 events aimed at attracting and retaining young qualified workers and professionals at the power grid facilities, with participation of over 3 thousand students of the region and young employees of the Company. These included outreach meetings of heads of the power energy companies with school and professional education institutions graduates, and open days.

In 2019, student construction teams were created in all seven branches of PJSC IDGC of the North-West. The total headcount amounted to 110 persons.

Over 100 events with the participation of over 3 thousand people were held for members of the Veteran Councils of the executive bodies and Company branches comprising around 6 thousand persons.

The Company organised 117 thematic events dedicated to major dates of the Russian history. The audience was approximately 7 thousand people. Thus, thousands of the Company's employees in seven regions of operation of PJSC IDGC of the North-West took part in the celebration of the main national holiday – the Day of Victory in the Great Patriotic War. The Company's Youth Council is actively engaged – it held memorial events in honour of the important dates in the Russian history, rendered charitable assistance to retired employees living alone – power industry veterans, carried out maintenance works at the monuments to defenders of the country.

Commemorative events and celebrations in honour of the veterans were held in large regional centres as well as remote settlements where power industry employees work, including the following:

- floral offerings at the memorial monuments;
- meetings with the veterans where employees of the branches presented their concert performances to the heroes;
- photo exhibitions “Immortal Regiment” with photo materials about the heroes from the power industry and members of the employees' families at PDZs and PUs;
- distribution of Saint George's ribbons.

PJSC IDGC of the North-West employees volunteer at regional search movements.

At the initiative and with the active participation of the Company's Youth Council, electrical safety lessons were held in orphanages; members of the Youth Council held New Year events for the orphanage pupils.

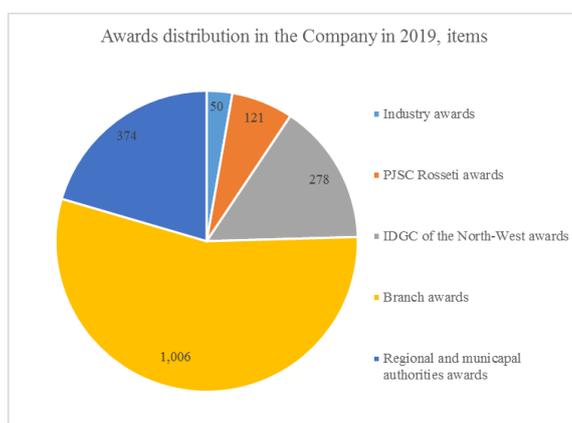
PJSC IDGC of the North-West has a procedure of awarding employees who achieve the best operational indicators, carry out innovative projects, have been dedicated to their work for many years, show top professional skills, contribute to the development of the North-Western power industry.

The awards policy pursued by the Company to boost social motivation of its employees is based on the following principles:

- uniform requirements to the employee awarding procedures;
- unbiased selection;
- adequacy of the award to the merits;
- awards differentiation;
- combination of financial and moral benefits.

Over 2019, employees of the Company with the best record of contribution to the power industry development received 1,682 awards.

The data on awards distribution in the Company in 2019 are shown in the chart below.



Remuneration at the Company's branches

The Company's system of labour remuneration is based on the uniform principles of social partnership stipulated by the collective agreement of PJSC IDGC of the North-West, as well as the Regulation on remuneration of employees of OJSC IDGC of the North-West effective from 01.05.2009 (as subsequently amended). The labour organisation and remuneration system currently in force in the Company generally complies with the Recommendations for the uniform procedure of labour remuneration at base wage rates (official salaries) of power industry employees approved by the Russian Association of Electric Energy Employers and the All-Russian Electric Trade Union.

Overall, the average salaries of the PJSC IDGC of the North-West employees in 2019 grew by 2.7% against 2018.

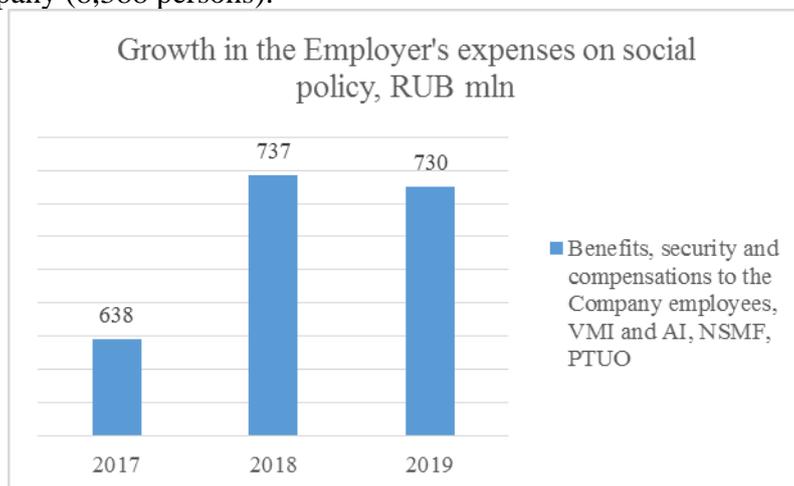
The efficiency of the HR and social policy is closely linked to timely payments and indexation of salaries to ensure their competitiveness in the regional labour markets, and therefore the salaries of employees of all the Company's branches have been traditionally higher than average salaries in the respective regions

The Company's Regulation on remuneration of employees provides for incentives to employees in the form of increments that may be paid on a monthly basis (for particular performance achievements, for the length of service, for qualification), as well as bonuses payable based on monthly, quarterly and yearly basis subject to performance.

Protection of employees' interests and rights

Throughout the reporting year, the Company built efficient relations with primary trade union organisations (PTUOs) and the Council of PTUO Representatives, in particular by fulfilling common tasks of communication to the staff, organisation of cultural, educational and sports events, implementation of the uniform collective agreement and the uniform Regulation on remuneration of employees of the Company. No violation of the terms of the collective agreement took place in the reporting year.

Members of primary trade union organisations account for 57.79% employees of the Company (8,388 persons).



The costs of the social policy implementation in 2019 remained virtually the same year on year.

In accordance with the standards of the Sectoral tariff agreement in the electric power industry of the Russian Federation and the effective collective agreement, in the reporting year the Company transferred RUB 35,731 mln to the accounts of primary trade union organizations of the branches and the Company's executive bodies for the purpose of organising cultural and sports events.

Implementation of the non-state pension programme

The non-state pension programme for employees of PJSC IDGC of the North-West (hereinafter – the NSP programme) was approved by the Company's Board of Directors for 2019 (Minutes of 15.08.2019 No.329/6). The main goal of the programme is to ensure a decent standard of living for the Company's employees at the retirement age, as well as to create conditions for efficient solution of various personnel issues, such as optimisation of the number of administrative and management personnel, reducing the staff turnover and retaining employees in the power system. During 2019, the Company cooperated with JSC Non-State Pension Fund Otkrytie (hereinafter – NSPF Otkrytie) towards the implementation of the non-state pension provision programmes for employees in three areas:

- the corporate plan (financed by the Company), including the "Supporting" programme;
- the parity plan (financed by the employee and the Company);
- the co-financing programme (financed by the employee, the Company and the State).

Under the approved NSP programme for 2019, the Company carried out the co-financing programme in line with the Federal Law of 30.04.2008 No.56-FZ "On additional insurance contributions to the cumulative component of employment pensions and state support for accumulation of pension savings".

Over 2019, retired employees received non-state pensions. The size of non-state pensions primarily depended on the employee's salary, the length of his/her work in the electric power industry, and on whether he/she has state, industry or corporate awards. Understanding the social significance of financial support of the employees after their retirement, the Company's

management annually finds opportunities to finance non-state pension programmes, although the regional tariff regulation bodies excluded those costs from the tariff structure.

Targeted social benefits, bonuses and compensations to the Company's employees

In accordance with the Collective Agreement, this component of the social package of the Company's personnel comprises a range of targeted payments and compensations to employees, the largest of which are:

- non-recurring recreational leave allowance;
- compensation for expenses to travel to the place of the recreational leave and back within the Russian Federation payable to employees and their dependents if the employees work in Far North districts and equated localities;
- 50% discount for household use of electric power;
- payments in cases of childbirth, registration of marriage, death of relatives;
- non-recurring bonus to employees resigning after the retirement age.

Occupational health and safety²⁸

"All the facilities of the power company are high-risk locations. Therefore, we prioritise not the strict delivery of the plan "whatever it takes", but organisation of safe working processes. Promotion of occupational safety culture involves the so-called risk-oriented approach to operations. It means that before any moves the employees think about what they are going to do. They do not tolerate risky behaviours – their own or colleague's".

First Deputy General Director – Chief Engineer of PJSC IDGC of the North-West Denis Yagodka



[GRI 103-2] In accordance with the Occupational Safety Policy of the Rosseti Group²⁹, the Company defines its occupational safety priorities as protection of its employees' life and health in the course of their operational activities, as well as those of visitors and contractors' employees at the Company's facilities and manifests life and health of each employee to be the key value.

Major goals in the area of occupational safety include:

- development of healthy and safe working conditions;
- consistent and ongoing decrease of the occupational injury rate and professional diseases;
- ensuring high level of the corporate safety culture.

In its development strategy and the context of the current Policy, the Company management is committed to the principles of Vision Zero concept.

Any initiatives of the Company employees and other stakeholders aimed to ensure and improve the working conditions and occupational safety will be studied, encouraged and duly appreciated.

The Company management guarantees allocation of the necessary resources, as well as creating conditions to perform the commitments made in this Policy.

²⁸ The Labour Safety Report is available in Annex 18 to the Annual Report.

²⁹ Approved by Order of PJSC Rosseti of 30.08.2018 No. 143 "On approving the occupational safety documents of PJSC Rosseti", accepted for implementation by Order of PJSC IDGC of the North-West dated 19.09.2018 No. 628 "On improvement of the occupational safety management system".

The Company management, being aware of the primary values, key goals and commitments, takes on the responsibility for implementation of this Policy.

To identify and eliminate the causes of occupational injury related to misoperation of the Company employees, starting the fourth quarter of 2018, the Company has implemented the project of “Safety awareness culture” aimed to improve qualifications and involvement of the employees in the process of occupational safety and protection.

Occupational injuries in the Company

[GRI 103-3]

The Company’s operations involve high risks stemming from the impact of hazardous and adverse operational factors, emergencies and human errors. This aspect is of great importance for the Company, its employees and other stakeholders. Unfortunately, in 2019, there were 5 accidents in the Company, including 2 fatal accidents (one of them as a result of a road traffic accident at the fault of a third-party driver). The year-on-year number of accidents decreased by one. There is a growth in fatal injury rate: from 1 persons in 2018 to 2 in 2019 (one as a result of a road traffic accident at the fault of a third-party driver). No group accidents took place. No work-related diseases were recorded.

Major occupational injury causes are as follows:

- inadequate organisation of works;
- other causes (health deterioration, personal negligence).

Occupational accidents in the Company

Indicator	2017	2018	2019
Total number of people injured in accidents, persons	3	6	5
Total number of fatalities, persons	2	1	2
Total occupational injury frequency rate (per 1,000 employees)	0.20	0.40	0.34
Fatality frequency rate (per 1,000 employees)	0.14	0.07	0.14

To increase the responsibility of the Company management for accidents, the system of remuneration for the General Director and top management of the Company includes the quarterly indicator “No growth in the number of accident victims”.

Occupational injuries in the S&A

[GRI 103-3]

In 2019, there were 2 occupational injuries. Two employees of JSC Pskovenergoagent were injured, with light damage to health.

The injury causes were:

- personal negligence;
- violation of the workplace safety guidelines by the injured.

Occupational accidents in the S&A

Indicator	2017	2018	2019
Total number of people injured in accidents, persons	0	3	2
Total number of fatalities, persons	0	0	0
Total occupational injury frequency rate (per 1,000 employees)	0	5.69	3.79
Fatality frequency rate (per 1,000 employees)	0	0	0

Occupational injury rate among contractors’ employees

Contractors work at the Company’s power facilities in operation, under construction, technical re-equipment or renovation in accordance with Rules of personnel management at power industry companies of the Russian Federation, construction rules and regulations 12-03-2001 “Labour safety in construction. Part 1. General requirements”, the Rules of occupational safety in operating power facilities.

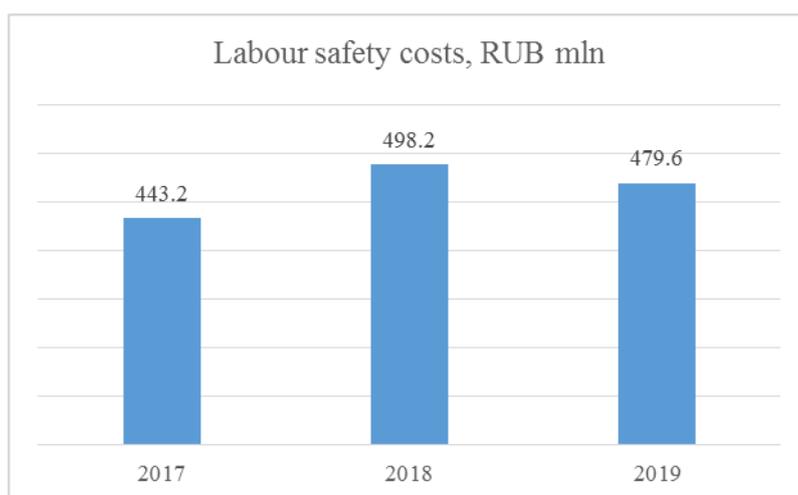
In 2019, there were no accidents involving contractors’ employees during operation at the power grid facilities of the Company.

To mitigate possible risk of occupational electric injuries to the staff of contractors and detached personnel involved in operations, as well as the Company personnel involved in joint activities with or working near the above third parties, the Company implements Organisational standard OS 01.O11-2017 “Organisation of safe work performance by the staff of contractors and detached personnel”. Standard forms of contractor agreements signed by PJSC IDGC of the North-West include sections “Compliance with the requirements of occupational safety”. “Penalties for occupational safety requirements violation”.

Occupational safety spending

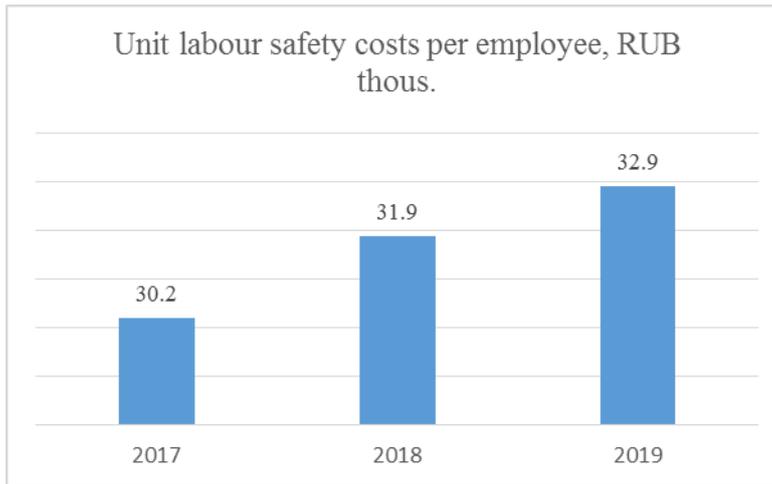
[GRI 103-3] The costs of occupational safety amounted to RUB 479,647.453 thousand in 2019, which accounts for 1.18% of the total expenses (cost of goods sold) of the Company and confirms compliance with the requirement of Article 226 of the RF Labour Code, under which financing of the conditions and occupational safety improvement shall account for no less than 0.2% of the cost of goods (works, services) sold.

	Total costs of occupational safety activities, RUB mln	including:			
		measures to prevent accidents	sanitary and hygienic activities to prevent work-related diseases	general improvement of the labour conditions	provision of employees with personal protection equipment
2017	443.2	23.5	96.2	9.8	313.7
2018	498.2	33.3	97.6	8.5	358.8
2019	479.6	26.2	92.5	8.8	352.1



Unit costs of occupational safety per employee in 2019 were RUB 32.9 thousand, which exceeds the previous-year indicator by 3%.

Unit costs of personal protection equipment per employee amounted to RUB 24.12 thousand in 2019, which is also more year on year by 4.9%.



The occupational safety costs are scheduled. The 3.7% reduction in 2019 was due to the following factors:

- considerable works carried out in 2018 to bring lighting conditions on the premises of operations in line with the sanitary requirements;
- delivery with time violations, products failure to meet the requirements.

Environmental responsibility

The Company's core business – power transmission and grid distribution – has an insignificant influence on the environment. At the same time, we strive to organise our activities so as to minimise any unfavourable environmental impact.

Being fully aware of the need to maintain the ecological balance as the basis of human life in the operations area of PJSC IDGC of the North-West, the Company defines environmental protection and ensuring high level of environmental safety in the power grids operation and construction as its priority areas.

Environmental policy



In 2017, the Board of Directors of PJSC IDGC of the North-West (26.12.2017 Minutes No. 260/15) made a decision to join the implementation of the environmental policy for the power grid facilities approved by Decision of the Board of Directors of PJSC Rosseti of 01.03.2017 (Minutes of 03.03.2017 No. 254) (hereinafter – the environmental policy).

The environmental policy for the power grid facilities aims at preserving favourable environment for the current and the future generations.

Key aspects of the environmental policy implementation are:

- compliance with the requirements and standards established by the environmental legislation of the Russian Federation and international legal instruments in the area of environmental protection;
- priority of pro-active measures to prevent adverse impact on the environment over remedial environmental action upon such impact;
- activities aimed at energy saving and improving energy efficiency;
- use of the best available technologies and innovations in the power grid sector to ensure compliance with the environmental requirements and mitigation of negative effect on the environment, including cable lines and self-supporting insulated wires in the distribution grids, as well as ultra-high poles for OL with the voltage of 110+ kV;

- replacement of petrol and diesel fuel with environmentally friendly types of motor fuel and use of electric vehicles in power grid companies;
- development of charging infrastructure and increase in the total share of electric vehicles in the Russian Federation;
- restrictions on operational and construction activities on the territories of particular environmental significance;
- ensuring conservation of biological diversity and remediation of disturbed lands;
- gradual shutdown of the equipment containing polychlorinated biphenyls, as well as oil-filled equipment and its replacement with environmentally friendly facilities;
- ensuring environmentally safe operational waste management;
- provision of open and readily available environmental data, informing all stakeholders on emergencies, their environmental implications and accident response;
- improvement of the system of operational environmental control;
- active participation in advancement of the regulatory framework in the field of environmental protection and environmental safety;
- personnel involvement in the activities aimed to ensure environmental safety, environmental protection and rational use of natural resources;
- education of the employees servicing power grid facilities on environmental protection and environmental safety.

The Company is committed to implement the environmental policy and undertakes to comply with the requirements of environmental legislation of the Russian Federation in full.

Priority goals of the Company in environmental protection under the action plan for implementation of the environmental policy of PJSC IDGC of the North-West for 2017-2019 approved by Decision of the Company Board of Directors dated 26.12.2017 (Minutes No. 260/15) are to reduce the adverse effects on the environment and to assess environmental activities in order to improve them.

Use of advanced technologies and solutions in the area of environmental protection

To increase the level of environmental safety, the Company implemented the following measures in 2019:

- replacement of oil break switches with vacuum and sulfur-hexafluoride circuit breakers, reducing the risk of environment pollution with circuit-breaker oil;
- renovation of oil receivers, oil piping, emergency oil collectors;
- arrangement of places for temporary waste accumulation at branches of the Company;
- transfer of hazard class 1-4 waste to specialised organisations for subsequent disposal;
- analytical monitoring of air pollutant emissions from stationary sources with instrumental gauging.
- equipment of overhead power lines of 35+ kV with 1,298 bird protection devices (overall, since 2015 the Company has installed 4,862 items).

Use of new technologies for environmental protection

Indicator	Unit	2017	2018	2019
35 kV vacuum circuit breakers	items	342	345	359
3-20 kV vacuum circuit breakers	items	6,821	7,157	7,239
SSIW for OL of 0.4 kV	km	7,703	8,323	9,039
SSIW for OL of 6-20 kV	km	6,464	7,254	7,530

Management and control of environmental protection activities

The Company employs eight environmental experts certified for environmental audit activities and having the licences of environmental auditors (seven at the Company branches, one – at the executive administration).

Environmental audit is carried out at the Company's facilities in order to prevent violation of environmental requirements and ensure implementation of activities to reduce the negative impact of the operations on the environment. Moreover, compliance with the requirements of the environmental legislation is monitored for the contractors working at the power grid facilities.

Internal environmental audit is a key aspect of environmental safety. It provides the Company with a comprehensive picture of the environmental indicators in all its regions of operation and enables it to manage proactively the adverse implications of its operations.

Environmental protection expenses and investments

The Company finances activities aimed at environmental protection. The current environmental spending in 2019 amounted to RUB 20.2 mln.

Sufficiency in the financing of the environmental programmes ensures compliance of the Company's facilities with the requirements of the Russian legislation, standards and regulations in the field of environmental protection.

Environmental protection expenses and investments

Indicator	2017	2018	2019
Total environmental expenses by type of costs, RUB mln:	13.57	21.49	20.21
current costs, RUB mln, including:	13.57	21.49	20.21
protection of water resources	4.36	4.97	6.68
protection of atmospheric air	0.99	2.48	2.14
protection of environment from waste	8.22	10.74	10.24
remediation of disturbed lands	-	-	-
introduction of the environmental management system	-	3.30	1.16

Fines and non-financial penalties imposed on the Company for non-compliance with the requirements of environmental legislation

Financial and non-financial penalties imposed on the Company in 2019 were due to exceeding the established standards of pollutants discharge to water bodies and exceeding the established standards of air pollution.

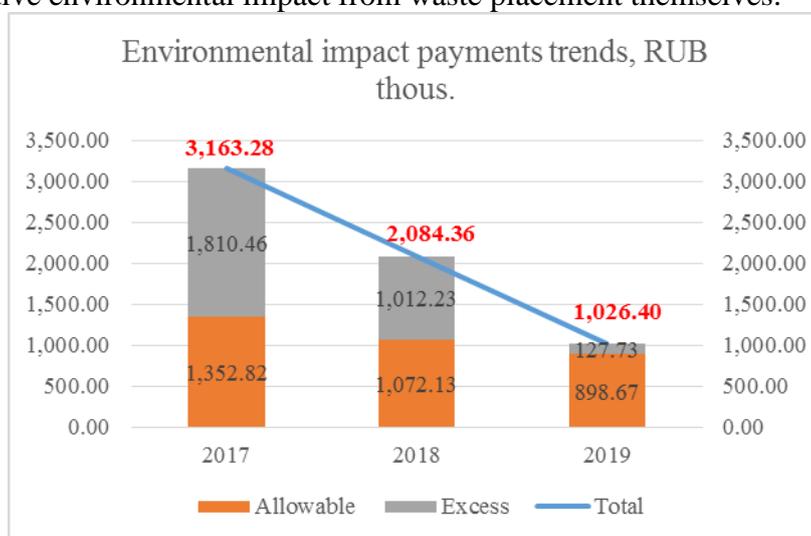
Indicator	2017	2018	2019
Number of non-financial penalties imposed, items	25	3	1
Total amount of fines, RUB thous.	100	10	10

Trends in payments for adverse environmental impact, RUB thous.

	2017	2018	2019
Total, including	3,163.28	2,084.36	1,026.40
allowable volume	1,352.82	1,072.13	898.67
excess volume	1,810.46	1,012.23	127.73

	2017	2018	2019
Discharge to water bodies, including	5.92	4.16	0.123
allowable volume	0.005	0.004	0.066
excess volume	5.91	4.16	0.057
Air pollution, including	260.10	250.18	86.41
allowable volume	19.84	19.58	33.73
excess volume	240.26	230.60	52.68
Waste placement, including	2,897.26	1,830.02	939.87
allowable volume	1,332.97	1,052.55	864.87
excess volume	1,564.29	777.47	75.00

Payments for the adverse impact on the environment tend to decrease as the Company has environment-related permits in accordance with the requirements of the environmental legislation and transfers solid municipal waste (SMW) to SMW placement operators, who pay for the negative environmental impact from waste placement themselves.



Energy saving and energy efficiency³⁰

Energy saving and energy efficiency improvement activities were organised by PJSC IDGC of the North-West in 2019 in line with Federal Law No.261-FZ “On energy saving and energy efficiency and on amendments to some legislative acts of the Russian Federation”, Orders of the Russian Ministry of Energy, Regulation on the development of the energy saving and energy efficiency programmes of subsidiaries and affiliates of PJSC Rosseti (approved by the Board of Directors of OJSC Rosseti, Minutes of 29.04.2014 No.156), as well as in accordance with the Programme for energy saving and energy efficiency improvement of PJSC IDGC of the North-West in the period 2016-2020 approved by Decision of the PJSC IDGC of the North-West Board of Directors of 21 November, 2016 (Minutes No.223/14).

The programme for energy saving and energy efficiency improvement of PJSC IDGC of the North-West (hereinafter – the Programme) stipulates the following target indicators:

- power losses level in transmission and grid distribution;
- own consumption of energy resources;
- equipment with up-to-date power metering devices in retail in accordance with the smart power metering development programme;

³⁰ The regulatory base on energy saving and energy efficiency organisation is shown on the Company web site: <https://clients.mrsksevzap.ru/energysaving>

- number of LED-equipped lighting facilities.

The target values of the programme are set for the period of 2016-2020.

Planned and actual target values of the programme for 2019

No.	Indicator	Measurement units	2019	
			Planned	Actual
1.	Power losses	mln kWh	2,200.25	2,156.44
		RUB mln net of VAT	5,366.34	5,348.14
		% of output to grid	6.32	6.23
2.	Consumption by substations for in-house needs	mln kWh	88.57	73.38
		% of power losses	3.63	3.40
3.	Energy consumption for in-house needs of administrative and production facilities, total, including:	RUB mln net of VAT	345.81	319.52
		thous. TOE	16.56	17.51
3.1.	<i>electric power</i>	mln kWh	75.37	77.89
		thous. TOE	9.04	9.35
		RUB mln net of VAT	240.82	223.79
		mln kWh/m ²		
3.2.	<i>heat (building heating systems)</i>	Gcal	48,198.09	52,760.17
		thous. TOE	6.89	7.54
		RUB mln net of VAT	101.26	92.93
		Gcal/m ³		
3.3.	<i>natural gas (including liquefied gas)</i>	thous. m ³	542.68	544.35
		thous. TOE	0.63	0.63
		RUB mln net of VAT	3.73	2.80
3.4.	<i>Other fuels and energy resources (coal, fuel oil, diesel fuel, kerosene etc.)</i>	thous. m ³	-	-
		thous. l	-	-
		thous. t	-	-
		thous. TOE	-	-
		RUB mln net of VAT		
4.	Natural resource consumption for in-house needs of administrative and production facilities, total, including:	RUB mln net of VAT	7.47	4.45
		thous. m ³	177.71	104.61
4.1.	<i>hot water supply</i>	thous. m ³	45.46	11.87
		RUB mln net of VAT	1.41	0.83
4.2.	<i>cold water supply</i>	thous. m ³	132.25	92.74
		RUB mln net of VAT	6.07	3.62
4.3.	<i>other types of natural resources</i>	thous. m ³	-	-
		thous. l	-	-
		thous. t	503.12	-
		RUB mln net of VAT	-	-
5.	Motor fuel consumption by vehicles and special machinery, total, including:	thous. l	11,124.88	12,669.94
		thous. TOE	13.04	15.10
		RUB mln net of VAT	459.93	490.44
5.1.	<i>petrol, including:</i>	thous. l	6,730.64	6,586.05
		thous. TOE	7.62	7.46
		RUB mln net of VAT	276.75	236.74
5.1.1.	<i>motor vehicles</i>	thous. l/100 km	-	-
		thous. l	5,366.72	5,740.36
		thous. TOE	6.08	6.50
		RUB mln net of VAT	215.71	201.06
		thous. l/100 km		
5.1.2.	<i>special machinery</i>	thous. l	1,363.92	845.69

		thous. TOE	1.54	0.96
		RUB mln net of VAT	61.04	36.69
		thous. l/100 km	-	-
		thous. l/m. per hour	-	-
5.2.	<i>diesel fuel, including:</i>	thous. l.	4,394.24	6,083.88
		thous. TOE	5.42	7.64
		RUB mln net of VAT	183.17	254.28
		thous. l/100 km	-	-
5.2.1.	<i>motor vehicles</i>	thous. l.	2,208.21	3,356.72
		thous. TOE	2.72	4.14
		RUB mln net of VAT	87.97	141.18
		thous. l/100 km	-	-
5.2.2.	<i>special machinery</i>	thous. l	2,186.03	2,840.62
		thous. TOE	2.69	3.50
		RUB mln net of VAT	95.20	118.11
		thous. l/100 km	-	-
		thous. l/m. per hour	-	-
5.3.	<i>other fuels for vehicles and special machinery, total, including:</i>	thous. TOE	-	-
		RUB mln net of VAT	14.19	-
5.3.1.	<i>natural gas (including liquefied gas)</i>	thous. l	-	-
		thous. TOE	-	-
		RUB mln net of VAT	14.19	-
5.3.2.	<i>electric power</i>	mln kWh	-	-
		thous. TOE	-	-
		RUB mln net of VAT	-	-
6.	Availability of energy-efficient LED lighting devices	%	53	36
6.1.	<i>number of lighting devices used, including:</i>	items	109,996	109,996
6.1.1.	<i>energy-efficient lighting devices (except LED)</i>	items	51,438	70,760
6.1.2.	<i>LED</i>	items	58,558	39,236

The actual consumption and cost indicators of fuel and energy resources for administrative and production consumption by branches of the Company reduced by RUB 29 mln to 17.51 thous. TOE, or RUB 324 mln.

In 2019, the share of LED lighting devices in the total lighting devices used by the Company amounted to 36%. The target level of 50% set by the RF Government Order of 27.09.2016 No.971, was not achieved by Karelia (15%), Murmansk (19%), and Pskov (14%) branches. The reason for deviation from the target value was the need to reallocated the Company spending from upgrade of the lighting systems to activities aimed at ensuring reliability of consumer power supply (emergency response).

The deviation of motor fuel consumption for motor vehicles and special machinery from the planned value amounted to 2.06 thous. TOE, or RUB 31 mln. The main causes for this are:

- increase in the volume of emergency response in Q1, Q4 of 2019 in the Vologda, Karelia, Novgorod, Pskov branches due to extreme weather conditions;
- increase in the operations of repairs and technological connection of new consumers performed using in-house resources in the Arkhangelsk and Komi branches;
- gradual refusal from third-party transport services by the Komi branch in 2017-2020;
- increase in the vehicle and machinery fleet to implement the objectives of power supply restoring and compliance with SAIFI / SAIDI indicators.

Atmospheric emissions of pollutants

in 2019, gross emissions of air pollutants grew year on year by 82.572 tonnes.

Atmospheric emissions of pollutants

Name	2017	2018	2019
Gross emissions of air pollutants, total tonnes, including	477.401	477.695	560.267
solid	52.074	54.507	53.246
gas and liquid	425.327	423.188	507.021
including:			
sulphur dioxide (SO ₂)	21.590	20.488	24.893
carbon oxide (CO)	168.731	169.745	186.711
nitrogen oxides (equivalent to NO ₂)	138.624	134.633	188.892
hydrocarbons (excluding volatile organic compounds)	3.702	2.766	2.785
volatile organic compounds	85.179	95.556	103.740
benzapyrene	0.000001	0.000001	0.000001

Waste generation and land conservation

In line with Federal Law No.89-FZ “On production and consumption waste”, the Company implements a comprehensive set of activities to reduce the amounts of production and consumption waste generated and accumulated.

In 2019, the Company generated 3.9 thous. tonnes of production and consumption waste classified under hazard classes 1–5, which is by 0.42 thous. tonnes less year on year.

Waste generation

Item	2017	2018	2019
Waste generated, total tonnes, including:	5,352.094	4,326.939	3,903.959
hazard class 1	11.865	29.375	3.729
hazard class 2	12.482	11.714	9.458
hazard class 3	384.611	89.270	102.229
hazard class 4	2,831.532	2,840.281	2,897.259
hazard class 5	2,111.604	1,356.299	891.2451
Waste transferred to third parties, total	5,324.405	4,140.329	3,965.802
including for waste placement	3,408.596	3,362.385	3,122.826

Waste disposal

Item	2017	2018	2019
Waste transferred to third parties for:	5,324.405	4,140.329	3,965.802
<i>use</i>	1,569.924	376.999	577.658
<i>treatment</i>	345.885	400.945	256.282
<i>storage</i>	-	-	-
<i>landfilling</i>	3,408.596	3,362.385	3,122.862

Biodiversity conservation



[GRI 304-2] According to expert research, most power lines operated are unsafe for birds and inflict severe damage on the ornithological fauna. Therefore, the Company plans and develops measures for bird protection, enabling it to prevent or minimise possible consequences.

Moreover, power experts of the Company pay considerable attention to protection of birds in the areas of their seasonal migration. The overhead lines going through large birds habitats are equipped with bird shields, strips of metallic wire preventing birds from resting on cross-arms. It serves to protect the birds' lives.

In 2019, technical bird protection measures were taken: installation of 1,298 bird protection devices at 35+ kV power lines. Overall, since 2015 the Company has installed 4,862 bird protection items.

Power lines of some branches of the Company go through the territory of the Russky Sever National Park (the Kirillovsky District of the Vologda Region), Darwin Nature Reserve (the Cherepovetsky District of the Vologda Region), Kivach Nature Reserve (the Republic of Karelia). The land plots occupied by the power lines are rented

Power lines in the protected natural areas

No.	Facility (OL)	OL length, km	Area of the land plot in lease, ha
<i>Russky Sever National Park (Vologda Region)</i>			
1	110 kV OL Belozersk – Kirillov	20.5	0.3737
2	110 kV OL Nikolotorzhskaya 1-2	25.4	0.9660
3	110 kV OL Nikolsky Torzhok – Nefedovo	24.8	0.1877
4	35 kV OL Korotets – Charozero	20.3	0.2104
5	35 kV OL Petrenevo – Kovrizhino	6.8	0.1552
6	35 kV OL Kovarzino – Korotets	19.0	0.1905
7	35 kV OL Vashki – Korotets	9.3	0.1414
8	35 kV OL Kovrizhino – Kirillov	13.5	0.0868
<i>Darwin Nature Reserve (Cherepovets District, Vologda Region)</i>			
9	10 kV OL Zapovednik	46.9	0.0362
<i>Kivach Nature Reserve (Republic of Karelia)</i>			
10	110 kV OL L-169 HPP-2 Palyeozerskaya – SS-63 Berezovka	4.4	0.0648
11	35 kV OL L-32P HPP-2 Palyeozerskaya – SS-1P Spasskaya Guba, 110 kV OL L-169 HPP-2 Palyeozerskaya – SS-63 Berezovka	1.8	0.0082
12	10 kV OL L-63-3 Berezovka – Kivach	12.1	0.1058

Responsible business

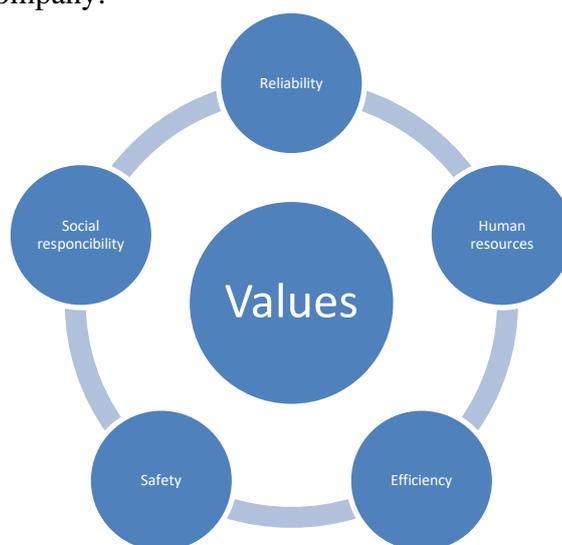
The Company considers development of an ethical and transparent business environment to be a prerequisite for maintenance and improvement of mutually beneficial relations with its business partners on the basis of fair, open and ethical cooperation methods, commitment to contractual obligations and mutual respect. The core principles of the Company's business are integrity and responsibility for its business policy and actions, respect for human dignity and interests of other business actors.

Code of Corporate Ethics³¹

[GRI 102-16]

The key document outlining the general principles, standards and rules of professional ethics and corporate behaviour of PJSC IDGC of the North-West is the Code of Corporate Ethics and Executive Conduct for Employees (hereinafter – the Ethics Code), approved by the Board of Directors of PJSC IDGC of the North-West on 03.05.2017 (Minutes No. 240/31).

The Ethics Code is an internal document of the Company defining essential standards and rules of individual and collection behaviour for each and all employees, members of management and control bodies. It is a body of principles, standards and rules of corporate behaviour, social responsibility and other business ethics issues for the employees and members of management and control bodies of the Company.



Under Article 13.3 of the Federal Law of 25.12.2008 No.273-FZ “On anti-corruption measures”, adoption of the Code of Corporate Ethics and Executive Conduct for Employees is a separate anti-corruption measure classified as a corruption prevention activity.

In accordance with methodological recommendations on development and adoption of anti-corruption measures by companies, approved by the RF Ministry of Labour and Social Protection on 08.11.2013, anti-corruption policy and other organisational documents regulating corruption prevention and counteraction are to be adopted as company regulations to ensure mandatory compliance with them by all employees of the organisation.

The national plan of anti-corruption measures approved by Decree of the Russian Federation President sets the objective of development of a set of organisational, advisory and other measures for the employees to comply with the bans, restrictions and requirements facilitating anti-corruption measures, unification of anti-corruption standards for employees of the Company and its S&A.

Order of the Federal Agency for State Property Management of 02.03.2016 No.80 approved methodological recommendations on risk management and internal control organisation in the area of anti-corruption measures at joint-stock companies with the ownership of the Russian Federation (hereinafter – the methodological recommendations).

Under p. p. 2.2, 2.10, 2.21-2.24 of the methodological recommendations, the Code of Corporate Ethics is to:

³¹ The document is available on the Company’s website: <http://www.mrsksevzap.ru/codex>

- comply with FZ No.273;
- include information on the procedures of the employee action in case they reveal violations with signs of corruption and the procedures of receiving additional advice on the issues of anti-corruption legislation.

Considering the above, to implement anti-corruption behavioural patterns of employees in the corporate culture of the Company, it drafted the Code of Corporate Ethics and Executive Conduct for Employees. The Code tackles such issues as:

- conflict of interest prevention and settlement;
- corruption prevention;
- corporate values;
- executive conduct rules;
- confidentiality and data protection, insider information;
- corporate image;
- compliance with the environmental legislation;
- compliance with the regulations on occupational safety and health protection;
- compliance with the Ethics Code and responsibility.

The Ethics Code defines such core terms as “conflict of interest”, “corruption”, “corporate ethics”, “labour dynasty”, “business gifts”, “direct and immediate subordination”, “persons in close relation or connection with the Company employee” etc.

Procurement activities



[GRI 103-2] The Company procurement was carried out in 2019 in line with the Unified Procurement Standard of PJSC Rosseti (Procurement regulation), endorsed by Decision of the Board of Directors of PJSC Rosseti of 17.12.2018 (Minutes No.334), which the Company joined under Decision of the PJSC IDGC of the North-West Board of Directors of 25.12.2018 (Minutes No.304/17).

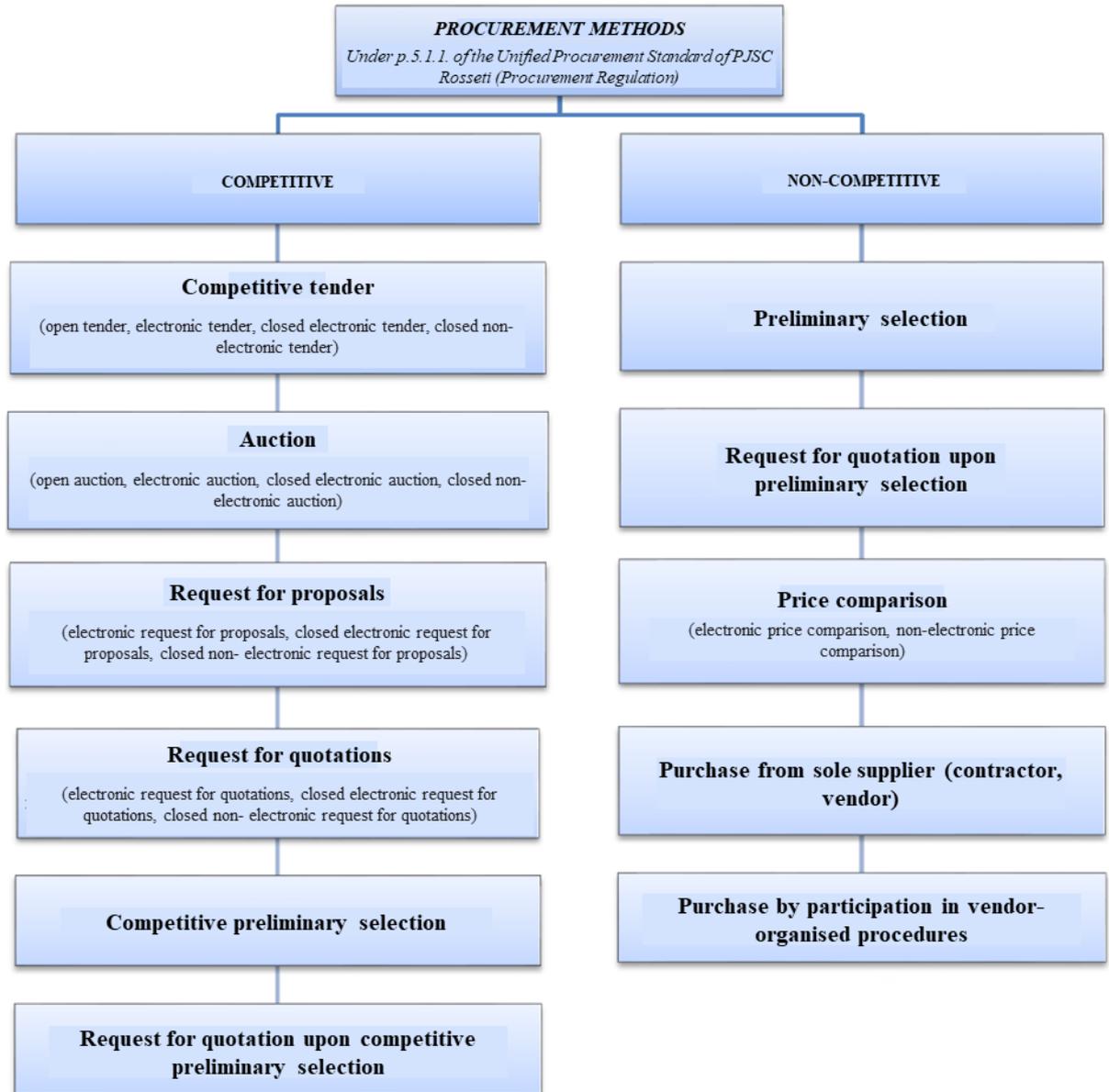
Procurement activities of PJSC IDGC of the North-West are based on the following principles³²:

- information openness;
- equality, fairness, prevention of discrimination or unreasonable restrictions of competition towards the procurement parties;
- targeted and cost-effective expenditure to purchase goods, works, services and measures aimed at reducing costs;
- prevention of restricted access to participation in procurement activities by setting unmeasurable requirements to procurement parties;
- transparency and manageability of procurement activities;
- expertise and competence of employees participating in the procurement activities of PJSC IDGC of the North-West;
- compliance with the standards of the effective legislation regulating procurement procedures, as well as the anti-corruption legislation, including the anti-corruption standards of procurement activities of PJSC Rosseti and S&A PJSC Rosseti.

³² For details on regulation and principles of procurement Annex 19 to the Annual Report.

Methods of holding procurement procedures

Procurement activity is implemented in the Company in line with the following methods stipulated by the Unified Procurement Standard of PJSC Rosseti (Procurement Regulation).



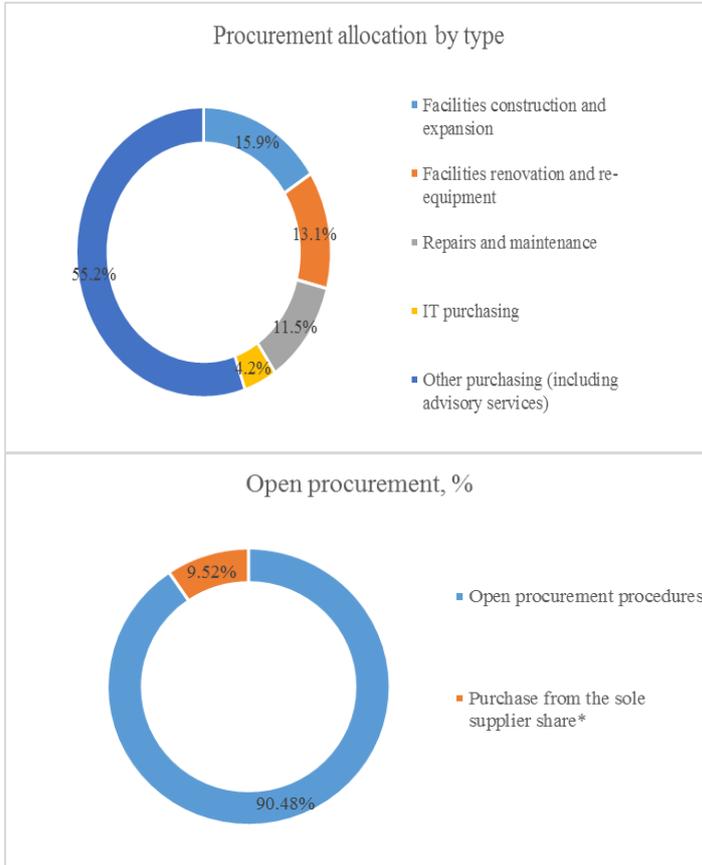
The main criteria of selecting the procurement methods other than an open competitive tender are:

- the level of sophistication of the purchased products;
- nature of the markets of the purchased products;
- cost of purchase;
- the need to ensure confidentiality required to protect the Company's interests;
- procurement schedules.

Procurement breakdown

[GRI 103-3] In 2019, the Company held 1,449³³ procurement procedures for the total amount of RUB 17.7 bln. The cost efficiency achieved by these procedures was RUB 1.7 bln including VAT, or 9.91% of the planned declared value of competitive purchases.

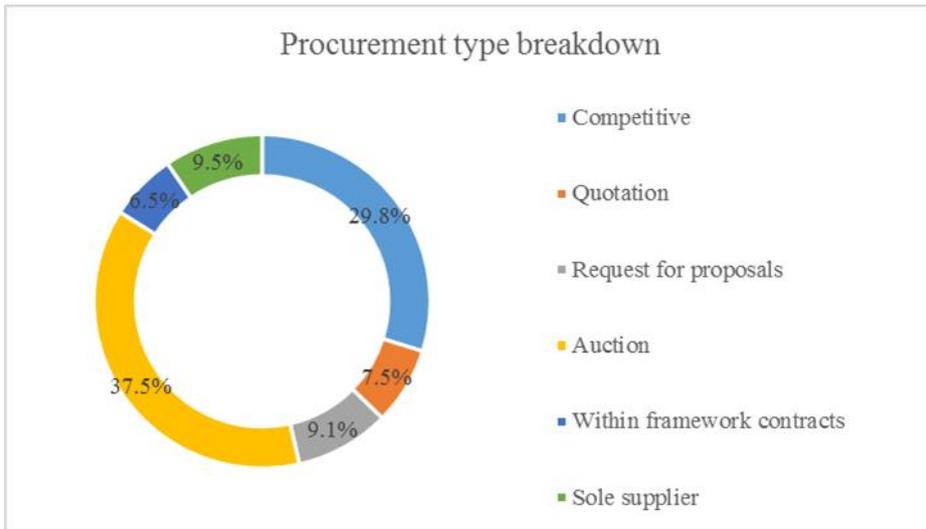
Purchasing via e-commerce facilities (electronic trading platforms) accounted for 1,255 cases for the amount of RUB 16 bln including VAT (99.84% of the total procurement number, 99.94% of the total procurement volume³⁴ in monetary terms).



* Net of purchasing services regulated by the RF legislation (pricing (tariffs), power transmission (transit) services, purchase of power to offset losses in grids) and other inevitable purchases from the sole supplier (rent of land, heat/water /gas supply, emergency response).

³³ Net of purchasing power transmission services, purchase of power to offset losses and other inevitable purchases from the sole supplier (rent of land, heat/water/power/gas supply, emergency response).

³⁴ Net of purchasing from the sole supplier.



Purchasing from small and medium businesses

Purchasing from small and medium businesses accounted for RUB 7.96 bln including VAT (1,211 purchases), or 80.26% of all the purchasing (87.50% in number).

The volume of competitive tenders where only small and medium businesses took part in accordance with the requirements of the tender/procurement documents, amounted to RUB 3.07 bln including VAT (785 purchases), or 30.93% of the actual volume (56.72% in number)³⁵.

In 2019, there were 7 purchases which match the criteria for classifying goods, works and services as innovative and (or) high-tech products for the actual amount of RUB 99.5 mln including VAT.

Anti-corruption policy³⁶

[GRI 103-2] PJSC IDGC of the North-West aims to build relations with its subsidiaries, partners and third parties according to the anti-corruption principles, notifies all stakeholders of the anti-corruption policy in place, and implements it in all its structural units and subsidiaries. Since 25.05.2015, the Company has been a member of the Anti-Corruption Charter of the Russian Business. Members of the Charter declare zero tolerance of any form of corruption in their business and intentions to promote the principles of zero tolerance of and countering corruption in building their relations with the governmental authorities, contractors, and corporate relations. Participants in the Charter are to confirm their compliance with its requirements on a regular basis (biannually). In case this condition is not met, the membership is suspended and the entity is further excluded from the Consolidated Register of the Anti-Corruption Charter of the Russian Business. In May 2019, the Company sent its Declaration of compliance with the provisions of the Anti-Corruption Charter to the RF Chamber of Commerce and Industry (outgoing Letter of 23.05.2019 No.MR2/40-07-07/4072), informing about the conformity of the Declaration to the guidelines on the methodology of anti-corruption measures assessment for declaration and public confirmation of the company implementation of the Anti-Corruption Charter of the Russian Business. Thus, the Company confirmed compliance with the requirements of the Charter by self-declaration.

PJSC IDGC of the North-West aims to conduct fair and transparent business, as well as consolidate the trust of key stakeholders and improve its public image.

³⁵ The data are compiled subject to the requirements of the RF Government Order of 11.12.2014 No. 1352

³⁶ The legal and methodological foundations of the anti-corruption policy are shown at the Company's web site: <http://www.mrsksevzap.ru/aboutcorruptionpolicy#tab1>

In 2019, the Company updated and approved internal regulatory documents stipulating prevention of and fight against corruption, as well as settlement of the conflict of interest:

- Anti-corruption activities plan of PJSC IDGC of the North-West for 2019 was approved by Order of the Company of 12.02.2019 No.78;
- Due to personnel changes in PJSC IDGC of the North-West, to prevent and identify conflict of interest and other malpractice stemming from the positions held in the Rosseti Group companies, the Company approved Order of 29.03.2019 No.190 “On organisation of activities to disclose information on the contractors’ chain of ownership”;
- Order of the Company of 16.04.2019 No.231 created a task force for supervisory control at the executive bodies;
- Regulation on insider information of PJSC IDGC of the North-West in the new version was approved by the BoD of the Company on 31.07.2019 (Minutes No.328/5);
- In order to enhance the performance of counterparty inspection measures in the course of procurement, Order of 17.07.2019 No.412r approved the counterparty inspection methodology;
- Due to change in the phone number of the hotline on alleged corruption, Order of the Company of 30.09.2019 No.630 introduced amendments into Order of 22.11.2017 No.809 “Approval of the procedures for receiving, studying and resolving communication from informers (employees, contractors and other individuals and legal entities) on allegations of corruption in the new version”;
- The new composition of the PJSC IDGC of the North-West commission on compliance with the standards of corporate ethics and settlement of the conflict of interest was approved by Order of the Company of 19.12.2019 No.770.

Particular attention is paid to prevention of corruption-related offences. With that view, a number of measures were introduced to reveal and remove the causes of corruption:

- The section on anti-corruption policy was created and updated on the official web site of PJSC IDGC of the North-West;
- Information on anti-corruption legislation requirements, general principles of anti-corruption policy, number of the hotline and confidential hotlines, information on other available methods of reporting corruption is placed at the information stands “Non-corruption territory” in offices of the executive bodies of the Company and its subsidiaries, branch executive offices, operational units and district power grids, as well as client service centres;
- Qualification requirements are imposed on candidates for vacancies, with due verification of the data they provide.

In 2019, the Company carried out 1,252 candidate inspections, 59 of which received adverse opinions. Candidate check, including use of the “Declaration” module of the automated system of beneficiaries data collection and analysis serves to reveal affiliation of the candidates with counterparties and employees of not only PJSC IDGC of the North-West, but other S&A of PJSC Rosseti. The share of negative conclusions on candidates in 2019 increased by 1.5% against 2018.

In assessing the level of integrity of the Company’s partners and contractors, the degree of their non-acceptance of corruption in business practice is taken into account, including availability and implementation of anti-corruption programmes. Compliance with anti-corruption principles is deemed to be an important factor in establishing contractual relations, including the reservation stipulating possible termination of contract relations in due order in case of violation of the anti-corruption principles.

[GRI 103-3] In 2019, there were 6,812 inspections of procurement procedures participants, 68 of which received adverse opinions. The main reasons for declines are contractors’ failures to

provide full data on owners, including ultimate beneficiaries, consent to personal data processing and other data stipulated by the requirements of procurement documentation (67% of the total number of rejections), as well as cases of affiliation of the procurement participants – 17%, in some cases – effective court verdicts on breach of contract – 12%, lack of financial and business operations, or other adverse information on the counterparty – 4%.

The Company has a commission on compliance with the corporate ethics and settlement of the conflict of interest. In the reporting year, 1 meeting of the commission was held to review matters of settlement of the conflict of interest.

Activities aimed at identification, prevention, revealing and investigation of corruption include the procedures for receiving, studying and resolving communication from informers (employees, contractors and other individuals and legal entities) on allegations of corruption (hereinafter – the Communication). The mechanism of receiving communication is based on the 24/7 hotline principle and includes the following options:

- filling in a feedback form at the official web site of the Company in the section “Anti-corruption policy”;
- a hotline phone call;
- sending an e-mail to an employee of the Security Department of the Company;
- sending a written request to the Security Department of the Company.

Each item of communication is reviewed for the possibility of corruption, an investigation is carried out, due measures are worked out to prevent corruption-related offences.

[GRI 103-3] In 2019, the Company received 14 communications from informers via hotline and confidential hotline, none of which contained allegations of corruption. All the requests were considered: 6 of them forwarded for consideration into relevant units of the Company (technological connection, power transmission), 8 – studied in cooperation with the relevant units, where in 5 cases the facts of violations were confirmed, property damage was prevented in the amount of RUB 205 thous.

In 2019, the Anti-Corruption Compliance Procedures Unit of the Security Department of PJSC IDGC of the North-West received 15 notifications from employees of the Company on receiving presents in connection with their position. In accordance with the requirements of the regulatory administrative documents of the Company, all presents were submitted by them to the logistical and administrative unit of the Company Administration for valuation, and later returned to their receivers, as their value did not exceed RUB 3 thous.

Information on alleged corruption in PJSC IDGC of the North-West can be communicated:

1. by filling in a feedback form, selecting “Report a violation – Report corruption”.
2. by making a hotline phone call at 8 (812) 305-10-69.
3. by sending an e-mail to geb@mrsksevzap.ru.
4. by sending a written request to the Anti-Corruption Compliance Procedures Unit at: 3A Konstitutsii Sq., Saint Petersburg, 196247

Social responsibility



The Group’s activity plays a key role in the life of the operations area. Therefore, high level of social responsibility to the public and the citizens has been the Company’s traditional priority.

In construction and renovation of power grid facilities, the Company searches for and implements the best possible solutions of location and structural design, taking into account the interests of the land owners and obtaining the respective legal rights of land plot use required for construction, as well as the interests of local communities (including indigenous minorities) in their traditional places of inhabitancy.

Companies of the IDGC of the North-West Group sign agreements with constituent entities of the Russian Federation on cooperation and social partnership which stipulate payment of targeted charitable donations to the municipalities within these entities in order to develop the economy, improve investment climate, as well as solve the main social tasks of the regions.

Support of retired employees

The Company's social responsibility stipulated by the collective agreement also provides for financial support of the former employees of PJSC IDGC of the North-West. In the reporting year, they received non-regular financial aid payments to mark the Victory Day, International Day of Older Persons, personal anniversaries, and in cases of emergency need; relatives of retired veterans received compensations for funeral services.

Charity projects and volunteering programmes

PJSC IDGC of the North-West supports regional and federal charitable projects in the following areas:

- conservation of cultural and historical heritage;
- support of educational initiatives, sports and healthy lifestyle promotion;
- social engagement of people with special needs;
- targeted social support of individuals, including veterans.

The Company's employees annually take part in volunteer programmes and social solidarity projects in NWFD. Within the framework of the Year of Volunteers in Russia, PJSC IDGC of the North-West held a contest of volunteering initiatives for student construction teams "Light of the acts of kindness" with participation of students from six regions of the North-West. The contest gave the students of leading technical education institutions an opportunity to design and implement their own ideas. The project covered a variety of social initiatives: support for a widow of a Second World War veteran, donorship, volunteering at a horse club and an animal shelter, educational quests for children on electric safety, safety events for fishermen, site improvements, environmental clean-up days, creation of art objects, street art, publishing electric safety handbooks.

Long-term traditions of PJSC IDGC of the North-West include charity events for children at orphanages and foster homes: the employees conduct campaigns to collect presents and stationery, arrange celebrations for the supported children's social institutions. For example, the Company has been a patron of Kildinskoye boarding school for children with special needs (in the Murmansk Region) for over ten years.

A vital component of the charitable activities are joint educational events – the power industry professionals regularly hold edutainment classes, workshops and fun sports races. The professionals taught children without parental care to use power devices safely and to remember precautionary measures near power facilities. They also gave the children presents from the Youth Council of the branch – sports equipment. PJSC IDGC of the North-West supported a preventive event on safe behaviour held on the Children's Day for the boarders of SOS village Pskov (the Pskov Region) – a special form of family upbringing to support orphans and children without parental care. Similar events are held at boarding schools and orphanages across the operations area.

PJSC IDGC of the North-West implements target support programmes for low-income pensioners, veterans of the Great Patriotic War, former juvenile prisoners and war workers. The Company initiates purchase of memorial gifts, medicines and renders financial assistance at the expense of the PTUO, jointly with the veteran and youth councils of the Company branches. PJSC IDGC of the North-West employees participate in maintenance of military burials, visit historic and memorial places, maintain the war obelisks.

Employees of PJSC IDGC of the North-West are volunteers of regional search parties. In 2019, “Luch” team of the Komi branch kept the “Memory Watch” in the Novgorod Region. In cooperation with the search team “Dolina”, the employees took part in looking for the bodies of soldiers who had fought near Maloe Zamoshye village of the Novgorod District during the Second World War. The team managed to recover bodies of Soviet soldiers.

Moreover, employees of PJSC IDGC of the North-West regularly take part in donor initiatives and environmental volunteering.

CORPORATE GOVERNANCE REPORT

Letter by the Deputy Chairperson of the Board of Directors

Dear shareholders!

The activities of the PJSC IDGC of the North-West Board of Directors and its Committees are well-organised and comply with the strategic guidelines of the Company and the key recommendations of the Corporate Governance Code. Throughout 2019, the Board of Directors made decisions on strategic and day-to-day operations of the Company. The Board of Directors approved the management's proposals on the programme "Digital transformation 2020-2030", business plan of the Company for 2020 and projections for 2021-2024, scheduled plans of measures to reduce overdue accounts receivable for power transmission services and dispute settlement, the organisational structure of executive bodies.

Under the decision of the Annual General Shareholders' Meeting of 14.06.2019, upon recommendation of the Board of Directors, the Charter and internal documents of the Company were complemented as follows: the Head of the Internal Audit is authorised to require convenion of a Board of Directors meeting, any member of the Board of Directors is authorised to propose alternative wordings of the draft decisions on the agenda items, a list of priority issues in the competence of the Board of Directors requiring meetings held by personal attendance was identified. Under the decision of the Board of Directors, the Strategy and Development Committee was renamed into the Strategy Committee, a new Regulation was approved on the Strategy Committee, stipulating, inter alia, specification of the Committee's objectives and scope of responsibilities.

The Company's corporate governance system complies with the current legislation of the Russian Federation and PJSC Moscow Exchange listing rules, as well as generally complies with the best practices of corporate governance in leading Russian companies. Based on the results of the analysis performed, PJSC IDGC of the North-West fully or partially complies with 96% of the principles and guidelines of the Corporate Governance Code.

**Deputy Chairperson of the Board of
Directors**

I.D.Alyushenko

Memorandum of the controlling shareholder PJSC Rosseti on the controlled power grid companies

PJSC Rosseti is a public holding company with the state share in the authorised capital of 88.04%. It was established in accordance with Decree of the Russian Federation President of 22.11.2012 No.1567 in order to enhance the performance and develop the power grid facilities of the Russian Federation, as well as coordinate the management of these facilities via subsidiaries and affiliates.

PJSC Rosseti owns controlling stakes in 14 distribution grid companies³⁷ (PJSC Kubanenergo, PJSC Lenenergo, PJSC MOESK, PJSC IDGC of Volga, PJSC IDGC of the North-West, IDGC of Northern Caucasus, PJSC IDGC of Siberia, OJSC IDGC of Urals, PJSC IDGC of Centre, PJSC IDGC of Centre and Volga Region, PJSC IDGC of South, PJSC TDC, JSC Rosseti Tyumen, JSC Yantarenergo) and 1 transmission system operator (PJSC FGC UES). No disposal of the above assets is under consideration.

PJSC Rosseti defined strategic development priorities for the Group's companies:

- to ensure reliable, high-quality and affordable power supply in the new digital environment;
- to ensure further efficiency improvement in the core business of power transmission;
- to endorse legislative proposals aimed at the industry development;
- to maintain the balance of interests of all stakeholders: government / consumers / shareholders / investors;
- to develop new business areas (non-tariff and consumer services) through digital transformation to ensure the company's resilience against industry developments.

PJSC Rosseti carried out management of the Group's companies in accordance with the single corporate standards aimed to ensure the efficiency of business processes, control their quality, minimise all kinds of corporate risks, as well as maintain information representation and transparency of their activities.

³⁷ PJSC Kubanenergo renders its services under the brand Rosseti Kuban.
PJSC Lenenergo renders its services under the brand Rosseti Lenenergo.
PJSC MOESK renders its services under the brand Rosseti Moscow Region.
PJSC IDGC of Volga renders its services under the brand Rosseti Volga.
PJSC IDGC of the North-West renders its services under the brand Rosseti North-West.
IDGC of Northern Caucasus renders its services under the brand Rosseti Northern Caucasus.
PJSC IDGC of Siberia renders its services under the brand Rosseti Siberia.
OJSC IDGC of Urals renders its services under the brand Rosseti Urals.
PJSC IDGC of Centre renders its services under the brand Rosseti Centre.
PJSC IDGC of Centre and Volga Region renders its services under the brand Rosseti Centre and Volga Region.
PJSC IDGC of South renders its services under the brand Rosseti South.
PJSC TDC renders its services under the brand Rosseti Tomsk.
JSC Yantarenergo renders its services under the brand Rosseti Yantar.
PJSC FGC UES renders its services under the brand Rosseti FGC UES.

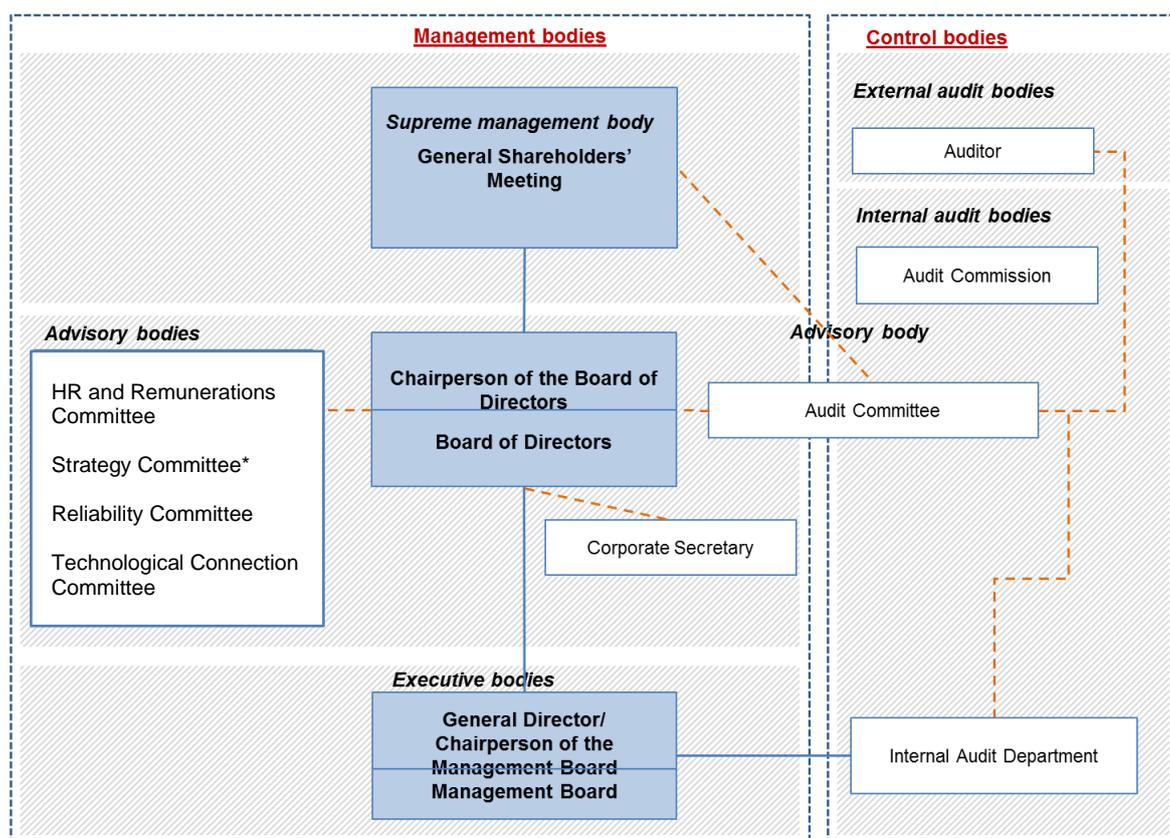
Overview of the Company's corporate governance

[102-16] The governance system of the Company complies with the current legislation of the Federation, the Company Charter, as well as the Corporate Governance Code³⁸.

Internal documents regulating the principles, practice and specific procedures of the corporate governance are available at the Company's web site (<http://www.mrsksevzap.ru/charterinternaldocuments>)

Corporate governance system structure

[GRI 102-18]



Dotted lines stand for the functional connections, solid lines stand for administrative subordination.

* Before 15.08.2019 – Strategy and development committee

For the functions and performance of the Audit Committee see p.173

For the functions and performance of the HR and Remunerations Committee see p.175

For the functions and performance of the Strategy Committee see p.177

For the functions and performance of the Reliability Committee see p.179

For the functions and performance of the Technological Connection Committee see p.180

General Shareholders' Meeting – the supreme management body of PJSC IDGC of the North-West.

³⁸ Recommended by the Bank of Russia Letter of 10.04.2014 No.06-52/2463.

Board of Directors – the management body responsible for working out the development strategy, monitoring the activities of the executive bodies, and objectively assessing the financial performance of the Company.

Management Board – the collective executive body set up to resolve the most complicated issues of the current operations of the Company.

General Director – the sole executive body of the Company managing current operations of the Company and responsible for the implementation of its strategy developed by the Board of Directors.

Audit Commission – the body monitoring the financial and business-related activities of the Company on a regular basis.

Auditor – the entity that carries out independent audit of the accounting (financial) statements of the entity under audit in order to express a judgement on the accuracy of such statements, a member of a self-regulatory auditor organisation.

Corporate Secretary – the Company’s administrative official whose functions include organisational support of the work of the Company Board of Directors, participation in the preparation and holding General Shareholders’ Meetings of the Company etc.

Committees of the Board of Directors – the advisory bodies of the Company set up to consider the issues within the Board of Directors frame of reference (or examined by the Board of Directors to control the activities of the Company’s executive body), and to work out the required recommendations for the Board of Directors and the Company’s executive bodies.

Internal Audit Department – the structural unit of the Company supporting the Board of Directors and the executive bodies of the Company in improving the Company’s management efficiency.

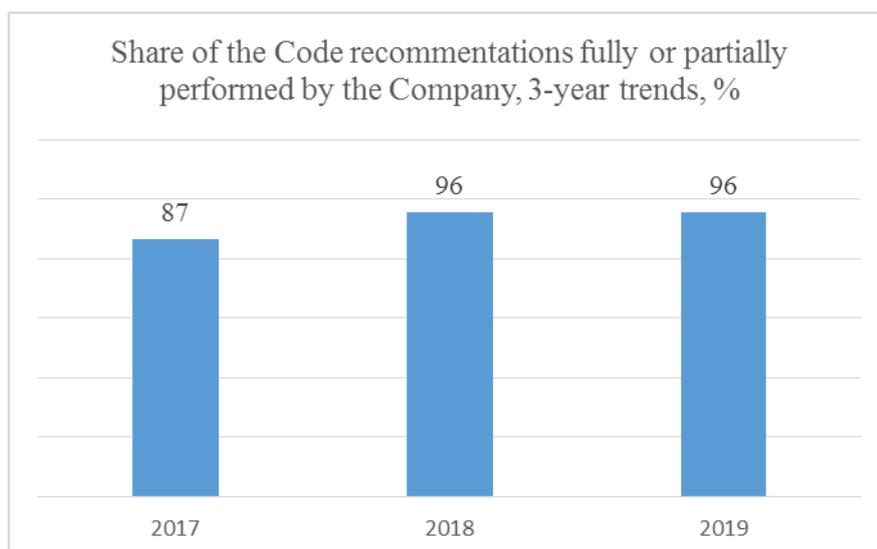
Self-assessment of the corporate governance efficiency

The Company has been carrying out internal corporate governance efficiency assessment for three years. Currently, this assessment follows the methodology developed on the basis of the Corporate Governance Code guidelines and the requirements of the PJSC Moscow Exchange listing rules, approved by Order of the Company of 07.02.2019 No.63 (hereinafter – the Methodology). Under this Methodology in the new version, the corporate governance assessment is carried out at least once a year at the end of the corporate year.

The main goal of the assessment is to provide the Company Board of Directors, the Audit Committee of the Company Board of Directors, the sole executive body and the Management Board of the Company with unbiased and independent information on the state of the Company’s corporate governance and its efficiency, as well as work out recommendations to improve the corporate governance of the Company.

The Company’s corporate governance efficiency assessment components included “Shareholder rights”, “Board of Directors”, “Executive bodies”, “Transparency and information disclosure”, “Risk management, internal control and internal audit”, “Corporate social responsibility, business ethics, compliance”.

Under the assessment, in 2018-2019 corporate year, the Company scored 465 points out of 553 (87%), which enabled the Internal Audit Department to conclude that the corporate governance of the Company is “advanced practice”.



The Company strives to improve the quality of its corporate governance, including activities based on the assessment findings analysis.

Report on compliance with the principles and recommendations of the Corporate Governance Code

PJSC IDGC of the North-West report on compliance with the principles and recommendations of the Corporate Governance Code was preliminarily considered by the Company Board of Directors³⁹ under the issue “On preliminary approval of the 2019 Annual Report of the Company”. It is presented in Annex 20.

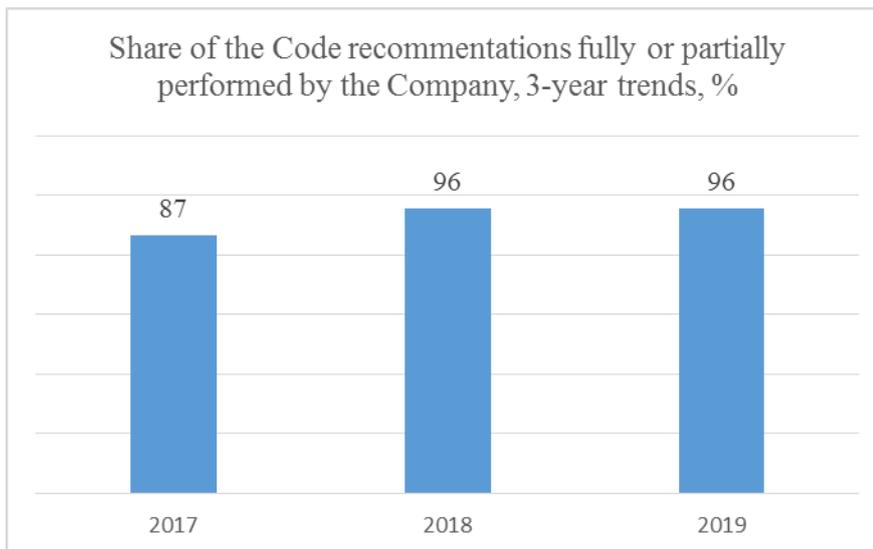
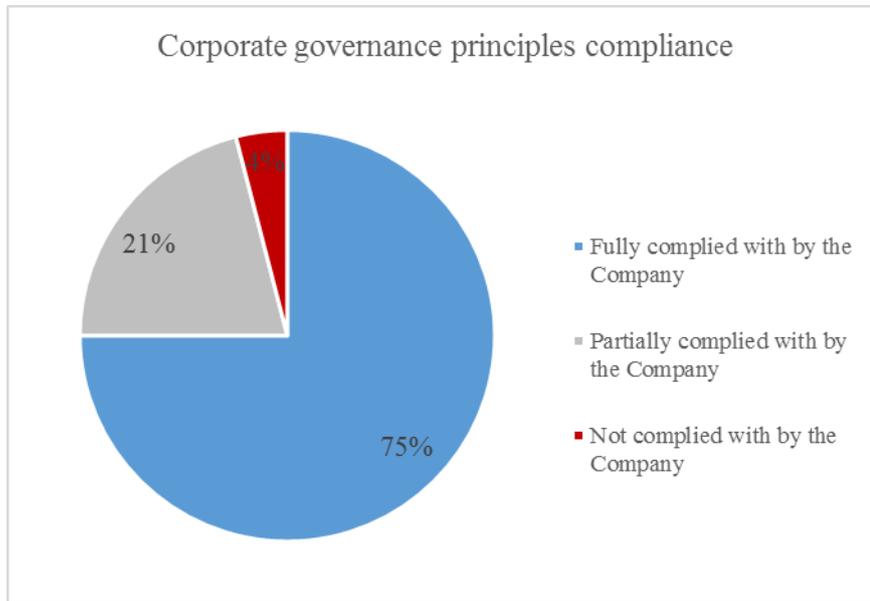
The Board of Directors confirms that the report data contain complete and reliable information on the Company’s compliance with the principles and recommendations of the Corporate Governance Code in 2019.

Statistics of compliance with the corporate governance principles

Section	Principles recommended by the Code	Principles that the Company fully complies with	Principles that the Company partially complies with	Principles that the Company does not comply with
Rights of shareholders and equitable treatment of shareholders in exercising their rights	13	12	-	1
Company Board of Directors	36	25	10	1
Corporate Secretary of the Company	2	2	-	-
Remuneration of the members of the Board of Directors, executive bodies and other key management of the Company	10	6	4	-
Risk management and internal control system	6	6	-	--

³⁹ The assessment of the compliance with the corporate governance principles was based on the methodology stipulated by the Bank of Russia recommendations on compiling the report on compliance with the principles and recommendations of the Corporate Governance Code (Bank of Russia’s Letter of 17.02.2016 No. IN-06-52/8).

Company information disclosure, information policy of the Company	7	7	-	-
Major corporate actions	5	1	3	1
Total	79	59	17	3



Corporate governance improvement in 2019

Key measures aimed at improvement of the corporate governance practice in 2019 include:

I. Approval by the Annual General Shareholders' Meeting of:

1. The Charter of PJSC IDGC of the North-West in the new version⁴⁰ with the following amendments and additions:

1) modifications aimed to align the Charter with the changes in the Law “On joint-stock companies”, including:

- Board of Directors is authorised to include in the General Shareholders' Meeting agenda issues and (or) candidates to the voting list for elections to the respective Company body at its own discretion, irrespective of whether such proposals were made by the shareholders;

- the Head of the Internal Audit is authorised to require convention of the Board of Directors meeting.

2) changes aimed to optimise the scope of reference of the Board of Directors, including:

- exclusion of the issue of personal composition approval, including Chairperson of the Central Procurement Body of the Company;

- exclusion of the need to approve transactions of the Company involving receipt of bank guarantees in the amount of over RUB 1 bln, in respect of the bank guarantees presented to courts as counter security for the Company's lawsuits;

- exclusion of the requirement to define the Company's position on certain issues of S&A boards of directors, where the revenue is under 5% of the Company's revenue;

- inclusion of the following issues into the competence of the Company Board of Directors:
 - approval of the information policy of the Company and review of the reports on its implementation;

- preliminary approval of the contract on unremunerated contributions to the Company's property by its shareholders.

2. The Regulation on the General Shareholders' Meeting of PJSC IDGC of the North-West in the new version⁴⁰ with the following amendments and additions:

- mandatory inclusion of the location address of the Company's registrar in the list of the addresses to which completed voting papers can be sent in the course of the General Shareholders' Meeting;

- inclusion of the following data into the list of information (materials) to be provided to the persons entitled to participate in the General Shareholders' Meeting:

- the findings of the Internal Audit carried out in the Company in accordance with Article 87.1 of the Law “On joint-stock companies”;

- data on the shareholders proposing candidates to the Board of Directors and the Audit Commission of the Company, as well as justifications and explanatory notes on the proposed draft decisions of the General Shareholders' Meeting.

- requirement for the Registrar representative to announce, prior to the discussion of the issue on election of the Company Board of Directors members at the General Shareholders' Meeting, the number of cumulative votes for each of the candidate included in the voting list in the ballots received or electronically submitted via the Internet site no later than two days before the General Meeting.

3. The Regulation on the Board of Directors of PJSC IDGC of the North-West in the new version⁴⁰ with the following amendments and additions:

⁴⁰ Approved on 14.06.2019 by the Annual General Shareholders' Meeting of PJSC IDGC of the North-West (Minutes No.14).

- modifications aimed to align the Regulation with the changes in the current legislation of the Russian Federation (including authorisation of the Head of Internal Audit to require convention of the Board of Directors meeting);
- definition of the priority issues in the competence of the Board of Directors requiring Board of Directors meetings that can be held by personal attendance (the format of the meeting of the Board of Directors is defined by the Chairperson of the Company Board of Directors);
- inclusion in the Regulation on the Company Board of Directors of a standard entitling any member of the Board of Directors to propose alternative wordings of the draft decisions on the agenda items to be included in questionnaires sent to the Board of Directors members with the indication of the need to vote on both draft decisions and to make the decision on the issue in the wording supported by the majority of votes.

4. The Regulation of the Management Board of PJSC IDGC of the North-West in the new version⁴⁰ with the following amendments and additions:

Alignment of the Regulation with the changes in the Law “On joint-stock companies”:

- introduction of the amendment under which Minutes of the Company Management Board meetings should be provided at request, apart from members of the Board of Directors, the Audit Commission, the Auditor of the Company, shareholders in accordance with the requirements of the Federal Law “On joint-stock companies”, to the Head of the Internal Audit of the Company.

Changes aimed to optimise the scope of reference of the Management Board of the Company:

- the Regulation amendments to exclude from the competence of the Company’s Management Board mandatory preliminary consideration of the issues within the scope of the Board of Directors of the Company listed in the previous version of the Regulation.

Thus, the need for preliminary Management Board consideration of the issues within the competence of the Company Board of Directors is defined by the General Director of the Company.

5. Regulation on remuneration and compensation payments to members of the PJSC IDGC of the North-West Board of Directors in the new version⁴⁰ with the following amendments and additions:

- Regulation alignment with the guidelines of the Corporate Governance Code and the best practices of the leading Russian joint-stock companies;
- exclusion of the provisions on payment of additional remuneration from the net profit in case the market capitalisation of the Company is increased in the period of operation of the Board of Directors, as the CGC does not recommend any forms of short-term motivation;
- provision that the remuneration payment is made at the expense of the profit from unregulated operations.

II. Approval by the Board of Directors of:

6. Regulation on the Strategy Committee of PJSC IDGC of the North-West Board of Directors⁴¹.

- The key amendments and additions concerned requirements to the composition of the Strategy Committee and the procedures of its staffing, and the meeting procedures. The extension

⁴¹ Approved on 15.08.2019 by the Board of Directors of PJSC IDGC of the North-West (Minutes No.329/6).

of its scope of reference concerning preliminary consideration, analysis and working out recommendations.

Plans for 2020

In 2020, the Company is to continue improving its corporate governance based on ongoing interaction of all participants to the system of corporate relations in order to achieve the strategic development priorities and top-level goals of the Company, to uphold the interests of shareholders in the short-term, mid-term and long-term.

The General Shareholders' Meeting is scheduled to approve the Regulation on the Board of Directors of the Company in the new version, the Board of Directors is to approve the new version of the Regulation on the HR and Remunerations Committee, as well as transition of the Company to the single brand architecture under decision of the Board of Directors of the Company on joining the unified corporate identity standard of PJSC Rosseti and Rosseti Group companies.

General Shareholders' Meeting

The General Shareholders' Meeting is the top management body of PJSC IDGC of the North-West authorised to make decisions on the most important issues of the Company's business.

The frame of reference, timeframe, procedures for preparing and holding the General Shareholders' Meeting are stipulated by the Federal Law "On joint-stock companies"; the Charter of PJSC IDGC of the North-West; the Regulation on the General Shareholders' Meeting of PJSC IDGC of the North-West.

The Board of Directors, the Management Board, the General Director and the Audit Commission report to the General Shareholders' Meeting.

The procedure of holding the General Shareholders' Meeting ensures equal opportunities for all shareholders of the Company to participate effectively in the General Shareholders' Meeting.

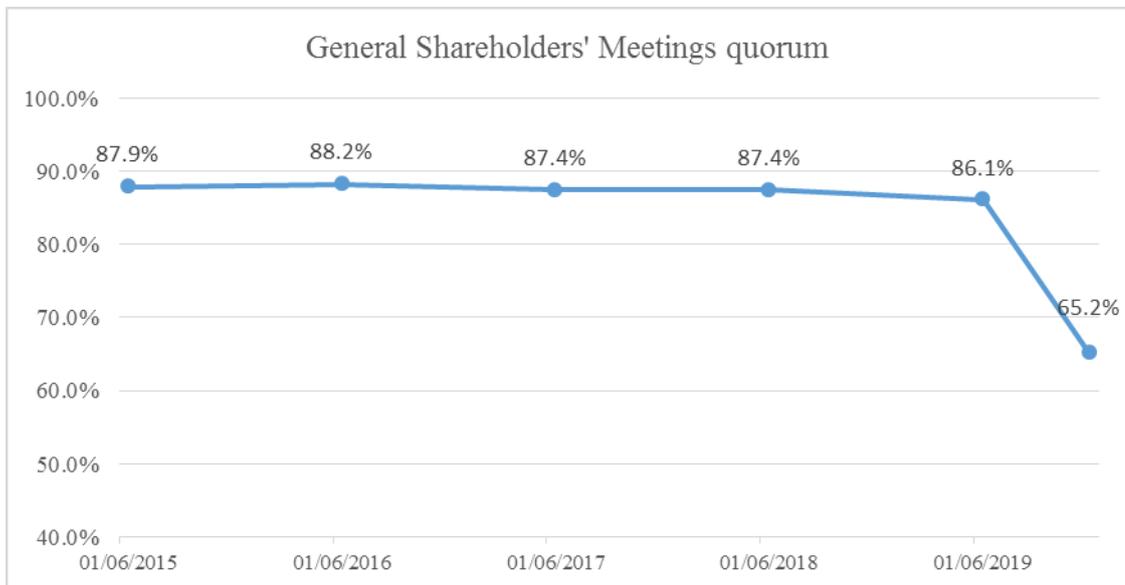
The procedures for preparing, convening, holding and formulating the results of the General Shareholders' Meeting of PJSC IDGC of the North-West are stipulated by the Regulation on the General Shareholders' Meeting of PJSC IDGC of the North-West⁴².

Information on the General Shareholders' Meetings in 2019

<p>Annual Shareholders' Meeting of PJSC IDGC of the North-West 14.06.2019</p> <p>By personal attendance (Minutes No.14)</p>	<p>The following issues were considered:</p> <ul style="list-style-type: none"> • Approval of the Annual Report of the Company, annual accounting (financial) reporting of the Company for 2018; • Allocation of profit (including payment (declaration) of dividends) and loss at the end of 2018; • Election of the Company Board of Directors members; • Election of the Company Audit Commission members; • Approval of the Company Auditor; • Amendments and additions to the Company Charter; • Amendments and additions to the Regulation on PJSC IDGC of the North-West Board of Directors;
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⁴² Approved on 14.06.2019 by the Annual General Shareholders' Meeting of PJSC IDGC of the North-West (Minutes No.14).

	<ul style="list-style-type: none"> • Approval of the Regulation on remuneration and compensation to members of PJSC IDGC of the North-West Board of Directors in the new version; • Approval of the Regulation on the General Shareholders' Meeting of the Company in the new version; • Approval of the Regulation on the Management Board of the Company in the new version.
<p>Extraordinary General Shareholders' Meeting of PJSC IDGC of the North-West 31.12.2019</p> <p>Absentee voting (Minutes No.15)</p>	<p>The following issue was considered:</p> <ul style="list-style-type: none"> • The amount of dividends, schedules and forms of their payment for 9 months of 2019 and setting the date as of which the persons entitled to dividends are identified.



* - extraordinary General Shareholders' Meeting

On 27.12.2018, Expert RA rating agency assigned the rating of A++.GQ (top level of governance quality) to the governance quality of IDGC of the North-West under the new methodology.

On 26.02.2020, Expert RA rating agency confirmed the Company's governance quality rating as A++. GQ.

The positive influence on the rating assessment was exercised by excellent business reputation, as well as an elaborate development strategy defining the key operational and financial target indicators in the context of the current power market environment.

The quality of Board of Directors organisation and operations keeps having a positive influence on the rating level. The Board of Directors includes 11 persons representing various groups of shareholders. However, only 3 of the directors are independent, which is a restraining factor.

In 2019, 39 meetings of the Board of Directors were held. The agency positively estimates availability of 5 Board of Directors Committees, namely the Audit, HR and Remunerations, Reliability, Strategy and Technological Connection Committees.

The performance of the executive body and its regulation are highly estimated by the agency. The Company has a Management Board responsible for decision-making on the most complicated issues of the current operations of the Company. The frames of reference of the members of the Management Board are beyond any doubt, and at the same time there are no evident signs of excessive concentration of the operating activities at the key top managers (low risk of an "irreplaceable person"). Apart from the Management Board, the Company has a separate internal control, risk management and quality management unit responsible for the operation and improvement of the risk management system. Quarterly reports are made across the risk map and submitted to the Management Board for consideration. The estimate of the level of internal documents elaboration, efficiency of the risk management system, as well as availability of the quality management certificate ISO 9001 is high, which is a positive contribution to the rating assessment level.

The information transparency indicators are estimated by the agency as top-level. The Company's web site, including its English version, contains exhaustive information. The Company uploads its RAS and IFRS financial reporting, auditor reports thereon, as well as material facts, documents regulating the Company's business within the disclosure timeframe set by the single information policy.

The rights of owners and other stakeholders are well-protected under the current corporate governance system. The analysis of shareholder structure showed a large share of free float (30.21%). The agency appreciates the Company's dividend policy with the specified dividend payment schedule. The activities of the General Shareholders' Meeting are strictly regulated. The Company also has the Audit Commission and the Internal Audit function, which, according to the agency, reduces the risk of conflict of interest from possible interference of individuals with the internal process of decision-making by circumventing the existing management facilities. The agency additionally highlighted the availability of the position of the Corporate Secretary who ensures interaction among the shareholder groups. The activities of the Secretary are regulated by the respective regulation.

Company Board of Directors

A vital component of the efficient corporate governance in the Company is availability of a professional Board of Directors. The activities of the Company Board of Directors are stipulated by the Regulation on the Board of Directors of PJSC IDGC of the North-West⁴³.

[GRI 102-26]

The key functions of the Company Board of Directors⁴⁴ are: resolving the issues of the general strategic management of the Company, defining development priorities for the Company, monitoring the activities of the executive bodies in the interests of the Company and its shareholders, objectively assessing the financial position of the Company.

Board of Directors report

In 2019, the Company Board of Directors held 39 meetings, 5 of them required personal attendance⁴⁵.

*Participation of the Board of Directors members in meetings*⁴⁶

Full name	Number of meetings attended by the BoD member, in person/in absentia	% of participation
From 01.01.2019 to 14.06.2019 (total number of meetings held – 18)		
Sergeeva Olga Andreevna	2 + 1* / 15	100
Akimov Leonid Yurievich	2 + 1* / 15	100
Akopyan Dmitry Borisovich	2 + 1* / 15	100
Zharikov Aleksey Nikolaevich	2 + 1* / 15	100
Pelymsky Vladimir Leonidovich	1 + 1* / 14	88.88
Stepanova Maria Dmitrievna	3 / 15	100
Fedorov Oleg Romanovich	2 + 1* / 15	100
Filkin Roman Alekseevich	2 + 1* / 15	100
Shagina Irina Aleksandrovna	2 + 1* / 15	100
Shvankova Maria Mikhaylovna	3 / 15	100
Shevchuk Aleksandr Viktorovich	2 + 1* / 15	100

⁴³ Notifications of the material facts disclosed in 2019 are published on the Company's web site: <http://www.mrsksevizap.ru/statementsmaterialfacts#tab1>

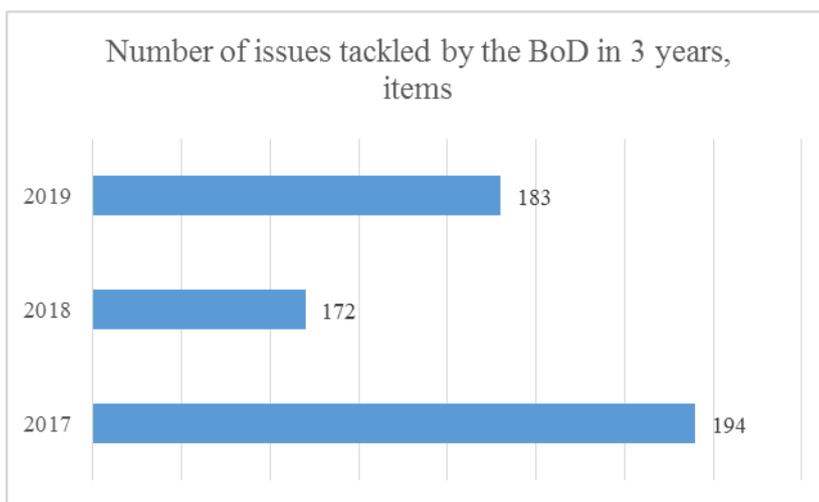
⁴⁴ The frame of reference for the Board of Directors of PJSC IDGC of the North-West is stipulated by the Company Charter <http://www.mrsksevizap.ru/charterinternaldocuments>.

⁴⁵ The list of in-person meetings of the Board of Directors of PJSC IDGC of the North-West includes those held as joint presence and on-site and off-site presence.

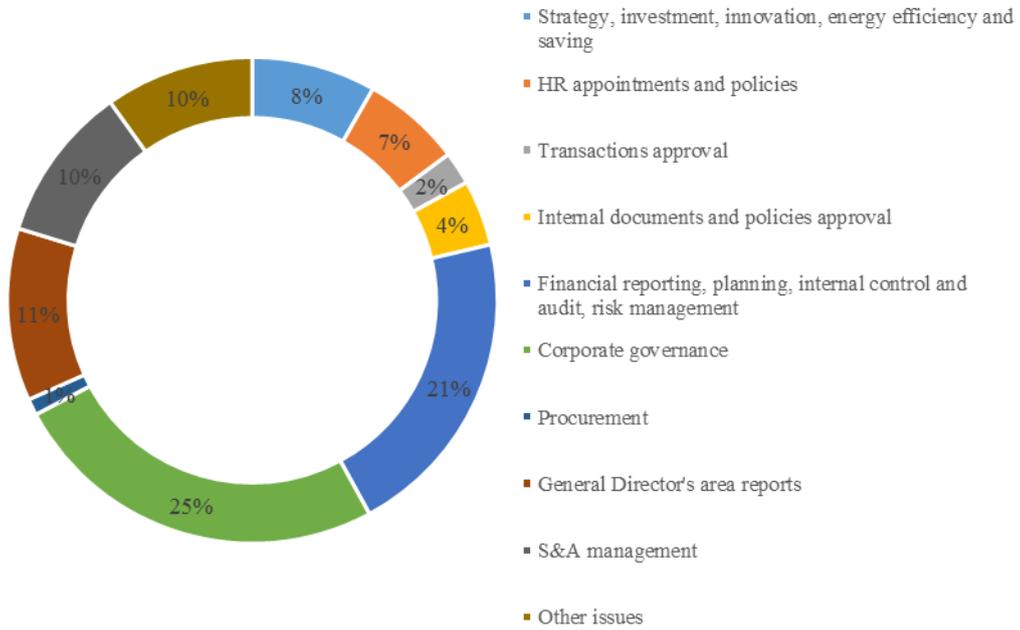
⁴⁶ More details on participation of the members of the PJSC IDGC of the North-West Board of Directors in meetings held in 2019 are shown in Annex 21 to the Annual Report.

Full name	Number of meetings attended by the BoD member, in person/in absentia	% of participation
From 14.06.2019 to 31.12.2019 (total number of meetings held – 21)		
Sergeeva Olga Andreevna	2 / 19	100
Alyushenko Igor Dmitrievich	1 + 1* / 19	100
Bychko Mikhail Aleksandrovich	2 / 19	100
Golovtsov Aleksandr Viktorovich	2 / 19	100
Zharikov Aleksey Nikolaevich	1 + 1* / 19	100
Korneev Aleksandr Yurievich	2 / 19	100
Morozov Andrey Vladimirovich	2 / 19	100
Pidnik Artem Yurievich	2 / 19	100
Stepanova Maria Dmitrievna	2 / 19	100
Fedorov Oleg Romanovich	1 + 1* / 19	100
Shagina Irina Aleksandrovna	2 / 19	100

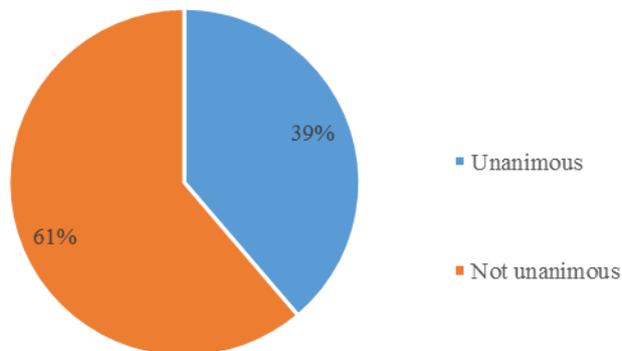
* The member of the Board of Directors presented opinions in the written form (as a questionnaire) on the items of the agenda when the Board of Directors meeting was held in the mixed in person and in absentia form.



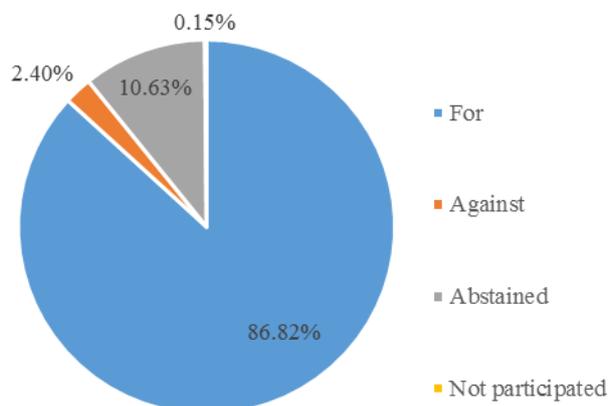
Breakdown of issues tackled by the BoD in 2019



Voting at the BoD meetings in 2019



Votes breakdown at the BoD meetings in 2019



Report of the Board of Directors on priority areas of activity

The Company Board of Directors is a collective management body controlling the activities of the sole executive body of the Company and carrying out the general management of the Company's business.

The primary task of the Company Board of Directors is to identify priority areas of the Company, including approval of the Company's development strategy, Company's innovative development programme and reports on their implementation.

The aim of the Company is to earn profit. At the same time, the Company is responsible for fulfilling the following obligations:

- ensuring efficient and reliable functioning of the power grid facilities;
- ensuring sustainable development of the power grid facilities;
- ensuring reliable and high-quality power supply to consumers (power delivery and transmission).

To achieve the goals, the Board of Directors entrusted the Company with continuing the work on enhancing operational performance and cost reduction. Thus, while considering the approval of the Company business plan for 2019 and the report on implementation of the business plan in 2018, the Board of Directors ordered the General Director to organise working out the activity plan aimed to ensure break-even power transmission services rendering operations, as well as compliance of the operating expenses with the level stipulated in the tariff and balance decisions, for each branch of the Company, starting 2019.

However, it is impossible to fulfil the obligations of the Company on reliable and high-quality power supply to consumers and achieve profitability in the current conditions without transferring the business model to an entirely new level and launching the business process transformation based on information technologies.

The future changes rely on data processing, commonly referred to as digitalisation. To get to a new level of efficiency, the Company needs improved mechanisms of governance and control that can be built on the basis of digitalisation and data analysis.

Under the decision of the Board of Directors, the Company joined the concept "Digital transformation 2030", approved by Decision of the Board of Directors of PJSC Rosseti on 21.12.2018 (Minutes of 21.12.2018 No.336). To develop the concept of PJSC Rosseti "Digital transformation 2030", the Board of Directors charged the General Director of the Company with the task of ensuring development of the digital transformation programme of PJSC IDGC of the North-West up to 2030, which was considered at a meeting with personal attendance and approved by the Board of Directors of the Company on 27.01.2020 (Minutes No.347/24).

The register on decisions of PJSC IDGC of the North-West Board of Directors on defining the priority areas of the Company is shown in Annex 22. In 2019, no decisions on defining priority areas of the Company were made by the Board of Directors.

Below is the information on the issues considered by the Company Board of Directors within the framework of implementation of the Company's priority areas in 2019.

Board of Directors priorities	Key issues considered by the Board of Directors in 2019, and decisions made
Profitability	
<i>Decrease in the accounts receivable</i>	<ul style="list-style-type: none"> • Quarterly scheduled plans were approved for PJSC IDGC of the North-West activities aimed at reduction of the overdue accounts receivable for the power transmission services and dispute settlement (hereinafter – the scheduled plans), as of 01.01.2019 (<i>Decision of 29.03.2019, Minutes No.312/25</i>); as of 01.04.2019 (<i>Decision of 10.06.2019, Minutes No.322/35</i>); as of 01.07.2019 (<i>Decision of</i>

	<p>30.09.2019, Minutes No.334/11); as of 01.10.2019 (Decision of 18.12.2019, Minutes No.340/17).</p> <p>While discussing the issues of approving the quarterly scheduled plans, the Board of Directors reviewed reports on fulfilling the scheduled plans previously approved by the Company Board of Directors, as well as information on the work performed on the new overdue receivables, and on the accounts receivable turnover.</p> <ul style="list-style-type: none"> • It issued an instruction to ensure settlement of RUB 1,745 mln overdue accounts receivable from the amount as of 01.01.2019, in 2019 with quarterly reporting on the progress made (Decision of 29.03.2019, Minutes No.312/25).
<p><i>Decrease in the technological consumption (losses) of power</i></p>	<p>1. A programme of measures to reduce power losses in the grids of PJSC IDGC of the North-West in the period of 2019-2023 was approved (Decision of 31.07.2019, Minutes No.328/5). An order was made to introduce amendments, if necessary, to the programme subject to approval of the programme for smart power metering development at PJSC IDGC of the North-West for 2019-2030.</p> <p>2. Within the framework of the report on implementation of the Company business plan in 2018, reports were reviewed on implementation of the programme of long-term development of the power metering systems at the power retail market and the programme of power saving and improving energy efficiency of the Company for 2018 (Decision of 23.04.2019, Minutes No.316/29).</p>
Competitiveness	
<p><i>Ensuring the reliability and quality of the services rendered</i></p>	<p>✓ Information was considered on the actual figures of the reliability level and the quality of services by Company branches in 2018: the planned indicators set by the executive authorities of the Russian Federation constituent entities in the area of the state tariff regulation were achieved by all branches of the Company (Decision of 27.05.2019, Minutes No.319/32).</p>
<p><i>Key performance indicators system for the General Director and top management</i></p>	<p>✓ Amendments to the Methodology of calculating and estimating achievement of the key performance indicators (KPI) of the General Director of PJSC IDGC of the North-West were approved taking into account the achieved minimum of the quarterly fault levels, transition of the Company branches to SAIDI/SAIFI indicators in tariff regulation, the objective of reducing the volumes of contracts with violations of the technological connection deadlines. Changes were also made in calculation of the KPI “Power losses level”, and the KPI “Compliance with the commissioning schedule” was transferred from annual to quarterly KPIs (Decision of 31.12.2019, Minutes No.344/21).</p> <p>✓ Target KPI values of the General Director of PJSC IDGC of the North-West were approved for 2019 (Decision of 31.12.2019, Minutes No.344/21).</p> <p>✓ Reports were approved on target values achievement for the KPIs of the General Director of the Company: in Q3 2018 (Decision of 31.07.2019, Minutes No.328/5), in Q4 2018 (Decision of 25.09.2019, Minutes No.332/9); the current KPI values were not fully achieved: one of 5 quarterly indicators was not reached: “No growth in the number of accident victims”.</p>
<p><i>Ensuring availability of power infrastructure</i></p>	<p>✓ Under the quarterly report on the Company business plan implementation, the BoD considered information on technological</p>

<p><i>and the quality of technological connection</i></p>	<p>connection of the applicants' power receivers with the capacity up to 15 kW (including this value) and from 15 to 150 kW (including this value) on an accrual basis against the similar reporting period</p> <p>✓ Reports on the compliance with the schedule for completion of overdue technological connection (TC) contracts of PJSC IDGC of the North-West were reviewed for 9 months of 2018 (<i>Decision of 28.02.2019, Minutes No.309/22</i>) and 2018 (<i>Decision of 01.04.2019, Minutes No.313/26</i>). The schedule for completion of overdue TC contracts stipulates reduction of the overdue obligations for the technological connection contracts. In 2018, the schedule was met, 2,155 overdue TC contracts were completed.</p>
<p>Development</p>	
<p><i>Consolidation of power grid assets</i></p>	<ul style="list-style-type: none"> • Within the framework of the investment programme implementation report, reports were considered on purchase of the power grid facilities where approval is not required from the Board of Directors, for Q3 2018 (<i>Decision of 27.03.2019, Minutes No.311/24</i>); Q4 2018 (<i>Decision of 28.05.2019, Minutes No.320/33</i>); Q1 2019 (<i>Decision of 28.05.2019, Minutes No. 329/6</i>); Q2 2019 (<i>Decision of 12.11.2019, Minutes No.336/13</i>). <p>All purchase transactions of the power grid facilities were made by the Company in line with the decision-making criteria on the projects of power grid assets consolidation specified by the decision of the Board of Directors.</p>
<p><i>Operation assets management system</i></p>	<ul style="list-style-type: none"> • An adjusted plan of the operation assets management system development of the Company up to 2019 (<i>Decision of 27.03.2019, Minutes No.311/24</i>). • Report of the General Director on implementation of the operational assets management system development plan of PJSC IDGC of the North-West for 2016-2019 in 2018 was reviewed (<i>Decision of 31.07.2019, Minutes No.328/5</i>).
<p><i>Improvement of the internal control and risk management system</i></p>	<ul style="list-style-type: none"> • Report of the sole executive body of PJSC IDGC of the North-West on managing key operational risks in 2018 was reviewed (<i>Decision of 27.05.2019, Minutes No.319/32</i>). • Reports on organisation and functioning of the internal control system were considered, as well as organisation, functioning and efficiency of the risk management system in 2018 (<i>Decision of 27.05.2019, Minutes No.319/32</i>). • Report of the Company's Internal Audit on assessment of the efficiency of the internal control, risk management systems of the Company was considered for 2018 (<i>Decision of 27.05.2019, Minutes No.319/32</i>). • Results of the external independent assessment of the efficiency of the internal control system of PJSC IDGC of the North-West were considered (<i>Decision of 11.06.2019, Minutes No.323/36</i>). • Results of the external independent assessment of the efficiency of the risk management system of PJSC IDGC of the North-West were considered (<i>Decision of 16.09.2019, Minutes No.331/8</i>).
<p>Safety, including environmental safety, of the power grid facilities</p>	

<i>Programme of the Company's Environmental Policy implementation</i>	<ul style="list-style-type: none"> • Report on implementing the activity plan to pursue the Environmental Policy of PJSC IDGC of the North-West for 2017–2019 was considered for 2018 (<i>Decision of 15.08.2019, Minutes No.329/6</i>). <p>In 2018, the following major environmental protection measures were taken: 437 equipment units containing polychlorinated biphenyls were transferred for treatment; 59 waste accumulation sites were set up; 339 oil break switches were replaced with vacuum and sulfur-hexafluoride circuit breakers; overhead power lines and open switchgear of substations were equipped with 804 bird protection devices.</p>
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The key issues of the Company's activities were considered at the Board of Directors meetings in the mixed form – in person and in absentia. Overall, 5 such meetings were organised and held in 2019, where the following key issues were discussed:

- ✓ Approval of the business plan of the Company for 2019 and projections for 2020-2023;
- ✓ Report of the General Director on implementation of the Company's business plan for 2018;
- ✓ Report of the General Director on implementation of the investment programme of the Company in 2018;
- ✓ Approval of the activity plan aimed to ensure break-even power transmission services rendering operations, as well as compliance of the operating expenses with the level stipulated in the tariff and balance decisions, for each branch of the Company, starting 2019;
- ✓ Approval of the business plan of the Company for 2020 and projections for 2021-2024;
- ✓ Approval of the scheduled plan of measures of PJSC IDGC of the North-West to reduce overdue accounts receivable for power transmission services and settlement of disputes as of 01.10.2019;
- ✓ Approval of the organisational structure of executive bodies of PJSC IDGC of the North-West.

Composition of the Board of Directors

[GRI 102-22]

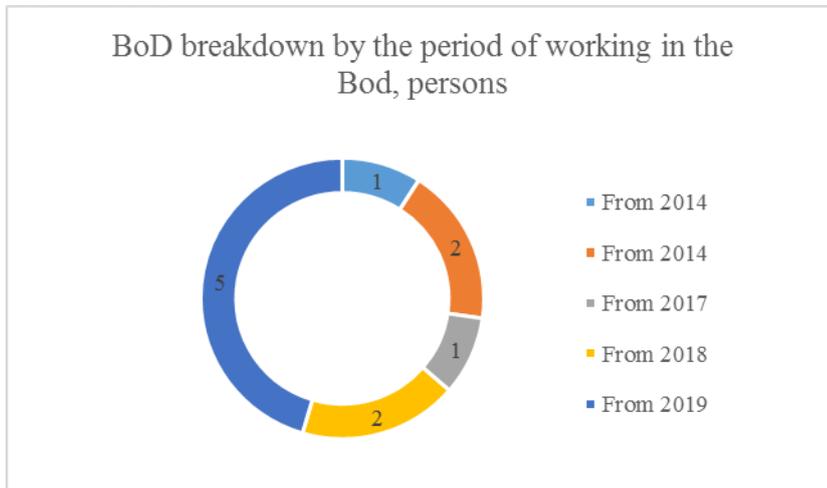
The number of the Company Board of Directors members is stipulated by the Charter as 11 persons.

In 2019, there were two compositions of the Company Board of Directors⁴⁷:

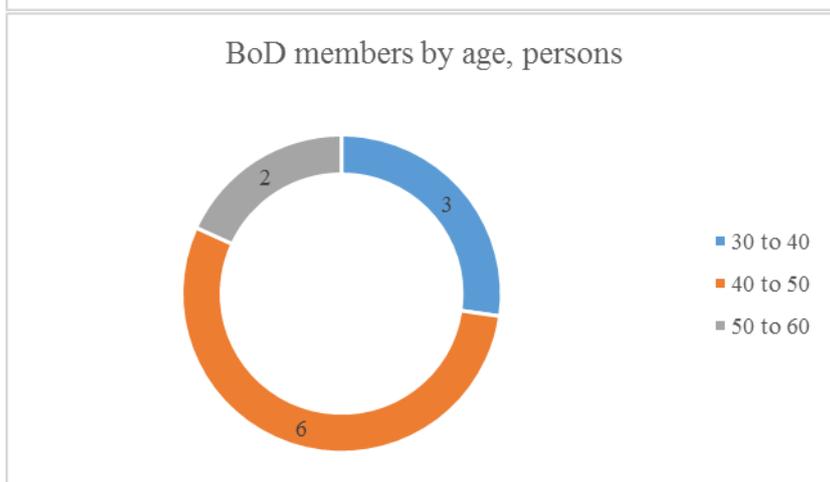
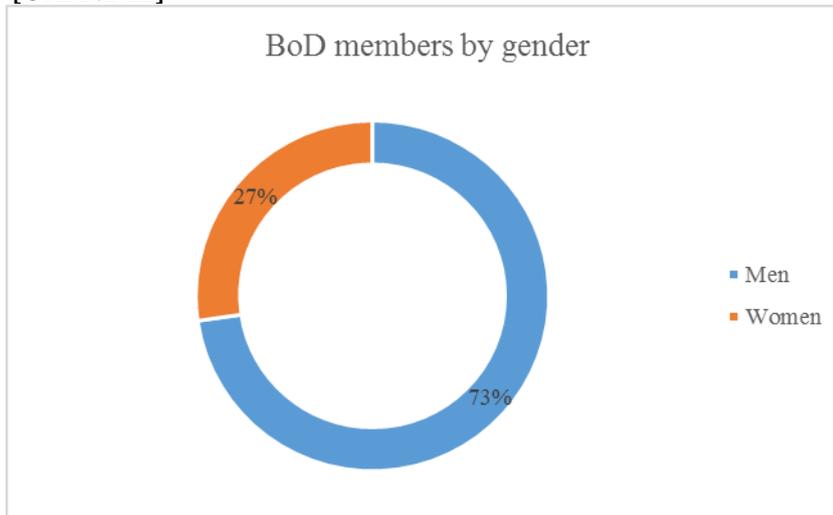
From 01.01.2019 to 14.06.2019		From 14.06.2019 to present	
1.	Sergeeva O.A. - Chairperson	1.	Sergeeva O.A. - Chairperson
2.	Akimov L.Yu.	2.	Alyushenko I.D.
3.	Akopyan D.B.	3.	Bychko M.A.
4.	Zharikov A.N.	4.	Golovtsov A.V.
5.	Pelymsky V.L.	5.	Zharikov A.N.
6.	Stepanova M.D.	6.	Korneev A.Yu.
7.	Fedorov O.R.	7.	Morozov A.V.
8.	Filkin R.A.	8.	Pidnik A.Yu.
9.	Shagina I.A.	9.	Stepanova M.D.
10.	Shvankova M.M.	10.	Fedorov O.R.
11.	Shevchuk A.V.	11.	Shagina I.A.

⁴⁷ Agreement of the BoD members for the disclosure of personal information presented in the 2019 Annual Report of PJSC IDGC of the North-West was obtained.

Members of the Company Board of Directors have outstanding management and industry experience, are authorities in the power sector, enormously contribute to the Board of Directors and its committees.



[GRI 102-22]



Independent directors

In accordance with the recommendations of the CGC, the Board of Directors should be an efficient and professional management body of the Company capable of making unbiased independent judgements and decisions promoting the interests of the Company and its

shareholders. Involvement of independent directors is a vital principle of the corporate governance development and encourages the development of such institute in the activities of the Company's management bodies.

The Company highly appreciates the contribution of independent directors to enhancing the effectiveness of the Board of Directors.

The Company management interacts with shareholder representatives on a regular basis in order to increase the number of independent directors nominated for election and supported by voting within the Company Board of Directors. The Board of Directors via its HR and Remunerations Committee annually considers compliance of the candidates to the Board of Directors with the independence criteria.

As of 31.12.2019, three members of the Company Board of Directors had the status of independent directors – Fedorova O.R., Golovtsova A.V. and Morozova A.V.

Upon assessment of independence of the Board of Directors members under the criteria set by PJSC Moscow Exchange listing rules and the CGC provisions, the Board of Directors made Decision of 17.07.2019 (Minutes No.327/4) on recognising Golovtsova A.V. and Morozova A.V. as independent directors, despite the formal criterion of cohesion.

Active participation in the Company Board of Directors and its committees shows their ability to take an independent stand, proving the autonomy of judgement aimed to enhance the efficiency of the Company's performance, gaining competitive edge in line with the interests of the Company and its shareholders.

Biographies of the Board of Directors members

<p>Sergeeva Olga Andreevna [GRI 102-23] Chairperson of the Board of Directors</p> <p>Non-executive director</p> <p>First elected to the Board of Directors on 07.06.2018</p>	<p>Born in 1984.</p> <p>Graduated from Plekhanov Russian University of Economics in 2006, majoring in Economics and Company Management, Construction, with the qualification of Engineer-Economist</p> <p><u>Positions held in the recent five years:</u></p> <ul style="list-style-type: none"> • 2012 – 2015 – Head of the Administrative Unit of the Fuel and Energy Department of Moscow (on 29.05.2013, received the civil service grade of Moscow State Councillor, Grade 3); • 2015 – 2016 – Head of the Procedural and Legal Unit of the Fuel and Energy Department of Moscow (on 01.07.2015, received the civil service grade of Moscow State Councillor, Grade 2); • 2016 – 2017 – Deputy Head of the Fuel and Energy Department of Moscow; • 2017 – Deputy Head of the Department of Housing, Utilities and Amenities of Moscow; • 2017 – 2019 – Deputy General Director – Head of the Administration of PJSC Rosseti; • 2017 – present – Member of the Management Board of PJSC Rosseti. • 2019 – present – Chief Advisor of PJSC Rosseti; <p>Participation in the management bodies of other organisations: Chairperson of the Board of Directors of PJSC IDGC of South, Chairperson of the Supervisory Council of Association ERA of Energy, member of the Board of Directors of PJSC MOESK, PJSC Lenenergo, PJSC IDGC of the North Caucasus, PJSC Kubanenergo, PJSC FGC UES and JSC NSPF Otkrytie.</p> <p>Participation in the Company Board of Directors committees: member of HR and Remunerations Committee</p>
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<p>Alyushenko Igor Dmitrievich Deputy Chairperson of the Board of Directors Non-executive director First elected to the Board of Directors on 14.06.2019</p>	<p>Born in 1967. Graduated in 1991 from Novocherkassk Polytechnic Institute majoring in Power Grids and Systems with the qualification of Electric Engineer. <u>Positions held in the recent five years:</u></p> <ul style="list-style-type: none"> • 2009 – 2018 – Director for Mode Control – chief controller of OJSC SO UES branch IDO of Centre. • 2018 – 2019 – Deputy Head of the Technical Audit Function of JSC SO UES branch IDO of Centre. • 2019 – present – Director of the Situation Analysis Centre – Deputy Chief Engineer of PJSC Rosseti. <p>Participation in the management bodies of other organisations: member of the Board of Directors of PJSC FTC, PJSC IDGC of Siberia. Participation in the Company Board of Directors committees: Chairperson HR and Remunerations Committee.</p>
<p>Pidnik Artem Yurievich General Director, Chairperson of the Management Board Executive director First elected to the Board of Directors on 14.06.2019</p>	<p>Born in 1983. In 2005, graduated from St. Petersburg State University in Law with the qualification of Lawyer. In 2017, received a diploma of St. Petersburg State University in the retraining programme Executive MBA. <u>Positions held in the recent five years:</u></p> <ul style="list-style-type: none"> • 2014 – 2018 – First Deputy General Director, General Director of LLC Sevkabel Group. • 2018 – 2018 – Advisor of the Administrative Department, acting Deputy General Director for Economy and Finance of PJSC IDGC of the North-West. • 2018 – present – General Director, Chairperson of the Management Board of PJSC IDGC of the North-West. <p>Participation in the management bodies of other organisations none.</p>
<p>Morozov Andrey Vladimirovich Independent director First elected to the Board of Directors on 14.06.2019</p>	<p>Born in 1978. Graduated in 2000 from the Russian Law Academy of the Ministry of Justice of the Russian Federation in Law with the qualification of Lawyer. In 2016, graduated from Harvard Law School, with a master's degree in Finance and Corporate Governance. <u>Positions held in the recent five years:</u></p> <ul style="list-style-type: none"> • 2003 – 2015 – Head of the Legal Department at the Moscow Representative Office of NCH Advisors, Inc. (USA). • 2017 – present – Legal Director of the Association of Professional Investors. <p>Participation in the management bodies of other organisations: member of the Board of Directors of PJSC IDGC of Centre and Volga Region and PJSC IDGC of South. Participation in the Company Board of Directors committees: member of the Audit Committee, Strategy Committee and Technological Connection Committee.</p>
<p>Korneev Aleksandr Yurievich</p>	<p>Born in 1980. Graduated in 2003 from Moscow Power Engineering Institute in In-Plant Electrical Equipment, with the qualification of Engineer.</p>

<p>Non-executive director</p> <p>First elected to the Board of Directors on 14.06.2019</p>	<p><u>Positions held in the recent five years:</u></p> <ul style="list-style-type: none"> • 2013 – 2017 – Head of the Administration for Regulation of Technological Connection of PJSC Rosseti. • 2017 – 2018 – Director of the Department for Long-Term Development of the Grids and Technological Connection of PJSC Rosseti . • 2018 – 2019 – Deputy Director of the Service Implementation Department of PJSC Rosseti. • 2019 – present – Director of the Technological Connection and Infrastructure Development Department of PJSC Rosseti. <p>Participation in the management bodies of other organisations: member of the Board of Directors of PJSC Tyumenenergo.</p> <p>Participation in the Company Board of Directors committees: Chairperson of the Technological Connection Committee and member of the Audit Committee.</p>
<p>Stepanova Maria Dmitrievna</p> <p>Non-executive director</p> <p>First elected to the Board of Directors on 23.06.2015</p>	<p>Born in 1982.</p> <p>Graduated in 2004 from Lomonosov Moscow State University majoring in Government Administration in Economics.</p> <p><u>Positions held in the recent five years:</u></p> <ul style="list-style-type: none"> • 2008 – 2016 – Head of the Department for Shareholder and Investor Relations at PJSC Rosseti. • 2017 – 2018 – Deputy Head of the Management Board and Board of Directors Procedures, Shareholder and Investor Relations Department of PJSC Rosseti; • 2018 – present – Head of the Shareholder and Investor Relations and Informational and Analytical Department of PJSC Rosseti. <p>Participation in the management bodies of other organisations: member of the Board of Directors of JSC Tyvaenergosbyt.</p> <p>Participation in the Company Board of Directors committees: member of the Strategy Committee.</p>
<p>Fedorov Oleg Romanovich</p> <p>Independent director</p> <p>First elected to the Board of Directors on 13.06.2017</p>	<p>Born in 1968.</p> <p>In 1992, graduated from Lomonosov Moscow State University with the qualification of Mathematician.</p> <p><u>Positions held in the recent five years:</u></p> <ul style="list-style-type: none"> • 2013 – present – Member of the Supervisory Board of PJSC ALROSA. <p>Participation in the Company Board of Directors committees: member of the Reliability Committee and Technological Connection Committee.</p>
<p>Shagina Irina Aleksandrovna</p> <p>Non-executive director</p> <p>First elected to the Board of Directors on 07.06.2018</p>	<p>Born in 1979.</p> <p>In 2001, graduated from the All-Russian State Distance-Learning Institute of Finance and Economics in Accounting and Audit with the qualification of Economist; in 2013, graduated from Vladimir Institute of Law of the Russian Federal Penitentiary Service, majoring in Law with the qualification of Lawyer.</p> <p><u>Positions held in the recent five years:</u></p> <ul style="list-style-type: none"> • 2011 – 2015 – Deputy Head of the Power Industry Regulation Department at the Federal Tariff Service of Russia;

	<ul style="list-style-type: none"> • 2015 – present – Head of the Tariff Setting Unit of the Tariff Policy Department, Director of the Tariff Policy Department at PJSC Rosseti. <p>Participation in the management bodies of other organisations: member of the Board of Directors of PJSC Kubanenergo and PJSC TDC.</p> <p>Participation in the Company Board of Directors committees: member of the Audit Committee.</p>
<p>Zharikov Aleksy Nikolaevich</p> <p>Non-executive director</p> <p>First elected to the Board of Directors on 12.03.2014</p>	<p>Born in 1970.</p> <p>In 1993, graduated from S.Ordzhonikidze Moscow State Academy of Management majoring in Economy and Management in Fuel and Energy Industries.</p> <p>Positions held in the recent five years:</p> <ul style="list-style-type: none"> • 2010 – present – Director for Corporate Policy and Shareholder Relations of JSC Elektrosentraladka. <p>Participation in the management bodies of other organisations: member of the Board of Directors of PJSC Saratov Airlines and PJSC IDGC of Volga.</p> <p>Participation in the Company Board of Directors committees: member of the HR and Remunerations Committee and Technological Connection Committee.</p>
<p>Golovtsov Aleksandr Viktorovich</p> <p>Independent director</p> <p>First elected to the Board of Directors on 14.06.2019</p>	<p>Born in 1973.</p> <p>In 1996 graduated from D.F.Ustinov Baltic State Technical University in Management and Information Science in Engineering Systems, with the qualification of Electrical Engineer.</p> <p>Positions held in the recent five years:</p> <ul style="list-style-type: none"> • 2005 – 2019 – Head of the Analytical Research Department of JSC URALSIB Management Company. <p>Participation in the management bodies of other organisations: member of the Board of Directors of the Association of Professional Investors, PJSC IDGC of Volga and PJSC IDGC of Centre.</p> <p>Participation in the Company Board of Directors committees: Chairperson of the Audit Committee, member of the Reliability Committee and Strategy Committee.</p> <p>The share of stock owned: 0.00066%.</p>
<p>Bychko Mikhail Aleksandrovich</p> <p>Non-executive director</p> <p>First elected to the Board of Directors on 23.06.2015</p>	<p>Born in 1971.</p> <p>Graduated in 1994 from Moscow Power Engineering Institute specialising in Power Plants with the qualification of Electrical Engineer. In 2004, graduated from the Russian Government Academy of National Economy.</p> <p>Positions held in the recent five years:</p> <ul style="list-style-type: none"> • 2015 – 2016 – Advisor at PJSC Lenenergo. • 2013 – present – Director of the Capital Construction Department of PJSC Rosseti. <p>Participation in the management bodies of other organisations: member of the Board of Directors JSC Yantarenergo.</p> <p>Participation in the Company Board of Directors committees: member of the Audit Committee.</p>

No transactions with the PJSC IDGC of the North-West shares were made by the members of the Board of Directors in 2019.

Over 2019, members of the Board of Directors did not receive any loans (credits) from the Company, as well as any legal entity from the group that the Company is part of.

Members of the Board of Directors did not own any shares of PJSC IDGC of the North-West in 2019, except A.V.Golovtsov.

Biographies of the Company Board of Directors members acting from 07.06.2018 to 14.06.2019 are shown in Annex 23.

The list of affiliated persons of PJSC IDGC of the North-West as of 31.12.2019 is available at the Company web site: http://www.mrsksevizap.ru/id_affilatelist#tab1

Independent assessment of the Board of Directors performance

[GRI 102-28]

In order to improve its corporate governance, the Company continues introducing the procedure of the Board of Directors performance assessment. In 2019, an independent appraisal of the Board of Directors of PJSC IDGC of the North-West was performed for the 2017–2018 corporate year by the independent external advisor JSC VTB Registrar (hereinafter – the Independent Assessment). The assessment included: polling (questioning) members of the Board of Directors and its committees, managers and the Corporate Secretary, selective interviewing and general analysis of the Company’s internal documents.

Upon independent assessment, the external advisor concluded that the system of corporate governance at the Company is well-organised and meets the strategic principles of the Company, the Corporate Governance Code and corporate governance practices, complies with the effective RF legislation and the listing rules of PJSC Moscow Exchange, generally complies with the Corporate Governance Code of the Bank of Russia and the best practices of corporate governance implemented by leading Russian companies.

The external advisor developed recommendations for the Board of Directors, Chairperson of the Board of Directors and the committees.

On 07.06.2019 (Minutes No.321/34), the Board of Directors of PJSC IDGC of the North-West considered the report on the Independent Assessment of the Company Board of Directors performance, and decided to carry out the procedure of self-assessment of the Board of Directors and the Committees of the PJSC IDGC of the North-West Board of Directors for the next corporate year. To implement the decision, the Company is performing self-assessment of the performance of the Board of Directors of the Company and its Committees.

Committees of the Company Board of Directors

In order to implement the principles stipulated by the Corporate Governance Code, advisory and consultative bodies were set up by the Company Board of Directors – Committees of the Board of Directors – for preliminary research into the most important aspects of the Company activity:

- Audit Committee;
- HR and Remunerations Committee;
- Strategy Committee⁴⁸;
- Reliability Committee;
- Technological Connection Committee (hereinafter – the Committees).

The Committees are actively engaged in the process of decision-making by the Company Board of Directors, enhancing its efficiency. They carry out preliminary surveys and provide the Board of Directors with recommendations on the key issues within the frame of reference of the Board of Directors. The decisions of the Committees serve as guidelines for the Company Board of Directors.

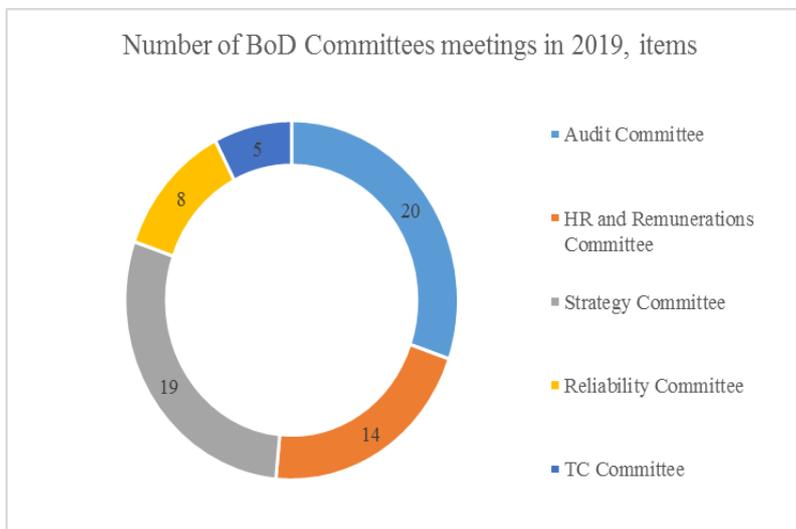
The activities of the Committees are stipulated by the Regulations on the Committees, covering their frame of reference, procedures for building their composition and functioning, rights and obligations of the Committee members.

Members of the Board of Directors actively contribute to the Committees of the Company Board of Directors

Full name	Shareholder group nominating the respective director	Status at the Board of Directors	Audit Committee	HR and Remunerations Committee	Reliability Committee	Strategy Committee	Technological Connection Committee
Sergeeva O.A.	PJSC Rosseti	Chairperson of the BoD, Non-executive director		Committee member			
Alyushenko I.D.	PJSC Rosseti	member of the BoD, non-executive director		Committee Chairperson			
Bychko M.A.	PJSC Rosseti	member of the BoD, non-executive director	Committee member				
Golovtsov A.V.	The Prosperity Quest Fund	member of the BoD, independent director	Committee Chairperson		Committee member	Committee member	
Zharikov A.N.	Energosouz Holdings Limited	member of the BoD, non-executive director		Committee member			Committee member
Korneev A.Yu.	PJSC Rosseti	member of the BoD, non-executive director	Committee member				Committee Chairperson
Morozov A.V.	ENERGYO SOLUTIONS	member of the BoD,	Committee member			Committee member	Committee member

⁴⁸ Previously, before 15.08.2019, the name of the Committee was Strategy and Development Committee of the PJSC IDGC of the North-West Board of Directors.

	RUSSIA (CYPRUS) LIMITED	independent director					
Pidnik A.Yu.	PJSC Rosseti	member of the BoD, executive director					
Stepanova M.D.	PJSC Rosseti	member of the BoD, non-executive director				Committee member	
Fedorov O.R.	ENERGYO SOLUTIONS RUSSIA (CYPRUS) LIMITED	member of the BoD, independent director				Committee member	Committee member
Shagina I.A.	PJSC Rosseti	member of the BoD, non-executive director	Committee member				



The number of members and appointments for each Committee are determined by decision of the Company Board of Directors. The Committees operate in line with the Committee action plans annually approved at the Committee meetings.

In 2019, each Committee of the Board of Directors included several sets of persons.

The Board of Directors Committee compositions as of 31.12.2019⁴⁹ were elected by Decisions of the Company Board of Directors on: 17.07.2019 (Minutes No.327/4) – the Audit Committee; 31.07.2019 (Minutes No.328/5) – the HR and Remunerations Committee; 15.08.2019 (Minutes No.329/6) – the Reliability Committee and the Technological Connection Committee; 15.08.2019 (Minutes No.329/6) with amendments of 12.11.2019 (Minutes No.336/13) – the Strategy Committee.

Audit Committee

The Committee aims at contributing to efficient performance of the Company Board of Directors by preliminary consideration of issues related to control of the financial and business operations of the Company.

⁴⁹ Compositions of the Board of Directors Committees of PJSC IDGC of the North-West and participation of the former Committee members are shown in Annex 24 to the Annual Report.

In the reporting period, the Audit Committee based its activities on the Regulation on the Audit Committee of the Board of Directors of PJSC IDGC of the North-West, approved by Decision of the Company Board of Directors of 29.02.2016 (Minutes No.197/12), taking into account the amendments introduced by the Company Board of Directors on 28.10.2016 (Minutes No.222/13).

The key objectives of the Committee are:

- Review of the Company's accounting (financial) statements and supervision of their preparation;
- Monitoring the reliability and efficiency of the internal control system, risk management system and corporate governance practice;
- Control of the external audit procedures and the choice of the External Auditor;
- Ensuring independent and unbiased internal audit function;
- Supervising the efficiency of the system for countering unfair actions of the Company's employees and third parties.

Under Decision of the Board of Directors of 17.07.2019 (Minutes No.327/4), the headcount of the Audit Committee was defined as 5 persons, the same decision appointed the persons to work at the Committee.

The position of the Committee Chairperson was taken by the independent director Golovtsov Aleksandr Viktorovich, who has the experience and knowledge in preparing, analysing, assessing and auditing accounting (financial) statements. Members of the Audit Committee Bychko M.A., Korneev A.Yu., Morozov A.V. and Shagina I.A. have a degree in finance, economics, law, management, power economy and power facilities operation .

All members of the Audit Committee have the experience and qualification required for the Committee to work efficiently.

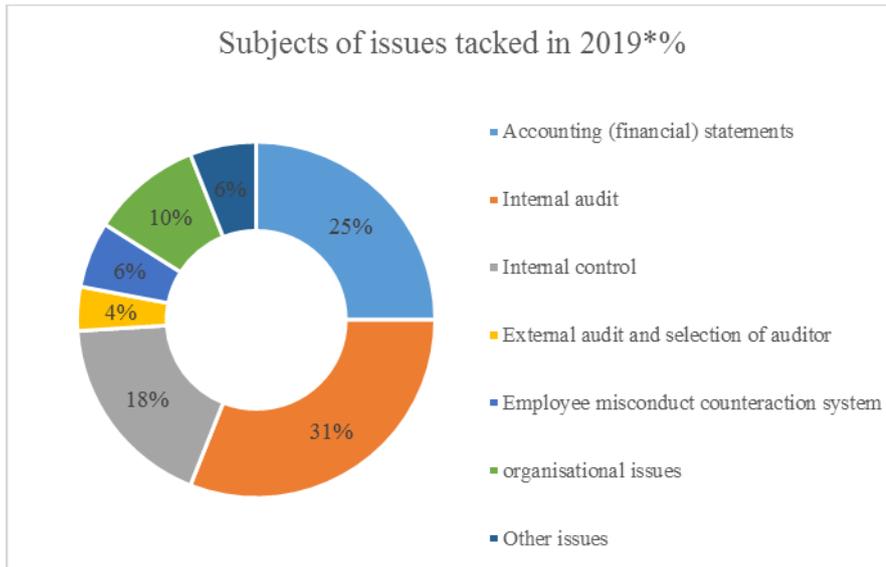
[GRI 102-22]

Personal data and contribution of the acting members of the Audit Committee of the Board of Directors

Full name	Position	Participation ⁵⁰	% of participation
(includes only members of the Board of Directors)			
Golovtsov Aleksandr Viktorovich Chairperson	Member of PJSC IDGC of the North-West Board of Directors	10 of 10	100
Bychko Mikhail Aleksandrovich	Director of the Capital Construction Department of PJSC Rosseti	10 of 10	100
Korneev Aleksandr Yurievich	Director of the Technological Connection and Infrastructure Development Department of PJSC Rosseti	10 of 10	100
Morozov Andrey Vladimirovich	Legal Director of the Association of Professional Investors	10 of 10	100
Shagina Irina Aleksandrovna	Director of the Tariff Policy Department at PJSC Rosseti	10 of 10	100

In 2019, the Audit Committee of the Company Board of Directors held 20 meetings, including 7 meetings – by personal attendance. It considered 51 issue.

⁵⁰ Information on participation in the Audit Committee is shown for the members of the acting Committee for the period from the election date – 17.07.2019 – to 31.12.2019.



* The list of the issues considered by the Audit Committee of the Company Board of Directors in 2019 is shown in Annex 25 to the Annual Report

Results of operations in 2019

Upon recommendations of the Audit Committee, the Company Board of Directors on 27.05.2019 (Minutes No.319/32):

- considered the reports of the sole executive body and the Management Board of PJSC IDGC of the North-West on organisation and functioning of the internal control system, as well as organisation, functioning and efficiency of the risk management system in 2018;
- considered the report of the Company's Internal Audit on assessment of the efficiency of the internal control, risk management systems of the Company for 2018;
- considered the findings of the external independent assessment of the efficiency of internal control and risk management systems of PJSC IDGC of the North-West. Information on the assessment of the efficiency of internal control system of the Company in the reporting year is shown in section "Internal Control System" of this Report;
- preliminarily considered the Internal Audit Policy of PJSC IDGC of the North-West in the new version;

The Audit Committee considered the issue of preliminary review of the Internal Audit report on compliance with the work plan and the results of the Internal Audit activities, including the self-assessment results of the Internal Audit performance in 2019, as well as compliance with the plan of activities to develop and improve the Internal Audit performance at the Company on 09.02.2020 (Minutes No.12).

Upon the internal assessment (self-assessment) of the performance of the Company's Internal Audit based on the programme for internal audit quality assurance and improvement of PJSC IDGC of the North-West (approved by Decision of the Company Board of Directors of 22.12.2016, Minutes No. 225/16, enacted by Order of the Company of 30.12.2016 No. 857), sustainability of the internal audit function of the Company was registered. The Internal Audit of the Company was deemed "generally compliant" with the Internal Audit Policy of the Company in 2019.

The issue of assessing the efficiency of the external audit of the accounting (financial) statements of the Company for 2019 was studied at the Audit Committee meeting on __.04.2020 (Minutes No.__). The data is to be provided after the meeting.

The performance results of the Audit Committee of PJSC IDGC of the North-West Board of Directors in 2018-2019 corporate year were reviewed by the Board of Directors of the Company on 05.09.2019 (Minutes No.330/7).

HR and Remunerations Committee

The main purpose of the HR and Remunerations Committee, according to the Regulation on the HR and Remunerations Committee of the Board of Directors of PJSC IDGC of the North-West approved by Decision of the Board of Directors of 22.08.2014 (Minutes No.163/5), is to ensure efficient operations of the Company Board of Directors regarding the issues within its frame of reference, and to develop the necessary recommendations for the Board of Directors and executive bodies of the Company.

The main goal of the Committee is to work out and present recommendations (findings) in the following areas:

- development of recommendations on the amount of remuneration to the Company Board of Directors members;
- development of the principles and criteria for determining the amount of remuneration for the Board of Directors members, members of the collective executive body and the person performing the functions of the Company's sole executive body;
- working out proposals for determining the material terms of contracts with the Board of Directors members, members of the collective executive body and the person exercising the functions of the Company's sole executive body;
- defining criteria for nominating members of the Board of Directors, members of the collective executive body and to the position of the Company's sole executive body, as well as preliminary assessment of these nominees;
- regular assessment of the activities of the person performing the functions of the Company's sole executive body, members of the collective executive body and preparing proposals for the Board of Directors on the possibility of their re-appointment.

Under Decision of the Board of Directors of 31.07.2019 (Minutes No.328/5), the headcount of the HR and Remunerations Committee was defined as three persons. The same decision appointed members of the Committee, including only members of the Board of Directors.

The members of the HR and Remunerations Committee have the professional experience and knowledge of the Company's business required to perform their functions.

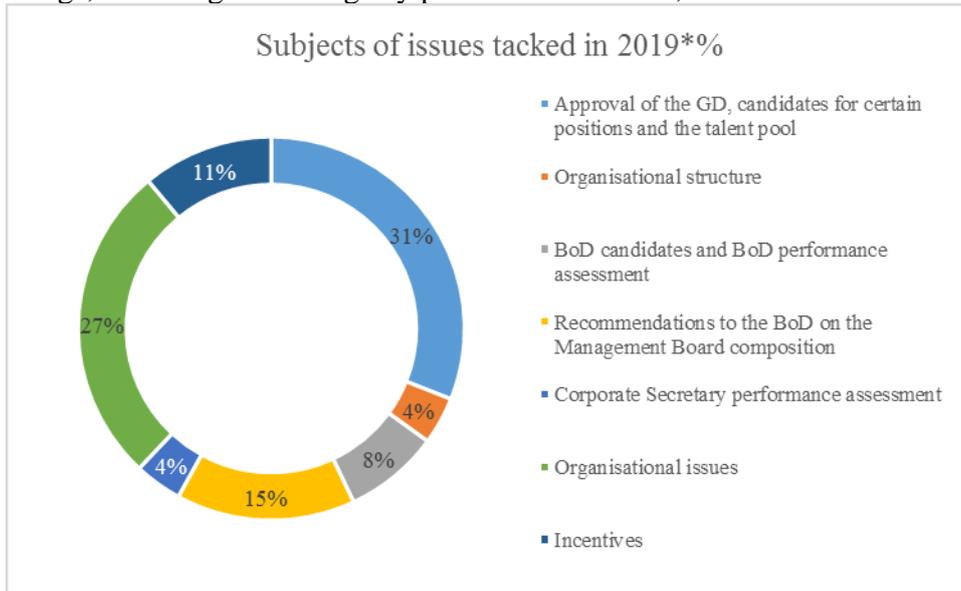
[GRI 102-22]

Personal data and contribution of the acting members of HR and Remunerations Committee of the Board of Directors

Full name	Position	Participation ⁵¹	% of participation
HR and Remunerations Committee (includes only members of the Board of Directors)			
Alyushenko Igor Dmitrievich Chairperson	Director of the Situation Analysis Centre – Deputy Chief Engineer of PJSC Rosseti	6 of 6	100
Zharikov Aleksey Nikolaevich	Director for Corporate Policy and Shareholder Relations of JSC Elektrosentronaladka	6 of 6	100
Sergeeva Olga Andreevna	Member of the Management Board, Chief Advisor of PJSC Rosseti	6 of 6	100

⁵¹Information on participation in the HR and Remunerations Committee is shown for the members of the acting Committee for the period from the election date – 31.07.2019 to 31.12.2019.

Over 2019, the HR and Remunerations Committee of the Company Board of Directors held 14 meetings, including 2 meetings by personal attendance, where 26 issues were tackled.



* The list of the issues considered by the HR and Remunerations Committee of the Company Board of Directors in 2019 is shown in Annex 25 to the Annual Report

Strategy Committee

[GRI 102-26]

The key purpose of the Strategy Committee is to ensure efficient operations of the Company Board of Directors regarding the issues within its frame of reference, and to enhance the long-term performance of the Company on the whole.

In 2019, under Decision of the Company Board of Directors of 15.08.2019 (Minutes No.329/6), the Strategy and Development Committee of the Board of Directors was renamed into the Strategy Committee of the Board of Directors of the Company. The same decision of the Board of Directors of the Company approved the Regulation on the Strategy Committee of PJSC IDGC of the North-West Board of Directors, while the Regulation on the Strategy and Development Committee of PJSC IDGC of the North-West Board of Directors became void.

In accordance with the Regulation on the Strategy Committee of PJSC IDGC of the North-West Board of Directors, the Committee aims at working out and presenting recommendations (findings) to the Board of Directors of the Company on the activities of the Board of Directors within the competence of the Committee, including: strategic development and priority areas, innovative development, business process organisation, business planning, dividend policy, risk management, assessment of the performance of the Company and its subsidiaries, as well as other objectives and areas defined by the Corporate Governance Code recommended by the Bank of Russia Letter dated 10.04.2014 No.06-52/2463 “On the Corporate Governance Code”.

The acting Strategy Committee was elected by Decisions of the Board of Directors of 15.08.2019 (Minutes No.329/6) with amendments of 12.11.2019 (Minutes No.336/13) as 11 persons .

[GRI 102-22]

Personal data and contribution of the acting members of Strategy Committee of the Board of Directors

Full name	Position	Participation ⁵²	% of participation
Pavlov Aleksey Igorevich Chairperson	Director of the Strategy Department of PJSC Rosseti	5/5 ⁵³	100
Golovtsov Aleksandr Viktorovich	Member of the PJSC IDGC of the North-West Board of Directors	10/10	100
Obrezkova Yulia Gennadievna	Deputy Director of the Strategy Department of PJSC Rosseti	5/5 ⁵⁷	100
Dronova Tatiana Petrovna	Deputy General Director for Strategy and Development of JSC Investment Holding Energetichesky Soyuz	10/10	100
Kormakov Anton Arkadievich	Head of the Tariff Setting and State Regulation System Development Unit of the Tariff Policy Department at PJSC Rosseti	10/10	100
Krupenina Anastasia Igorevna	Director for Strategy and Investment LLC Pyat Plus	10/10	100
Morozov Andrey Vladimirovich	Legal Director of the Association of Professional Investors	10/10	100
Rudakov Dmitry Stanislavovich	Member of the Management Board, Deputy General Director for Corporate Governance of PJSC IDGC of the North-West	10/10	100
Stepanova Maria Dmitrievna	Head of the Shareholder and Investor Relations and Informational and Analytical Unit, Corporate Governance Department of PJSC Rosseti	10/10	100
Tikhomirova Olga Vladimirovna	Director of the Treasury Department of PJSC Rosseti	10/10	100
Parfentiev Nikolay Aleksandrovich	Advisor at PJSC Rosseti	4/5 ⁵⁷	80

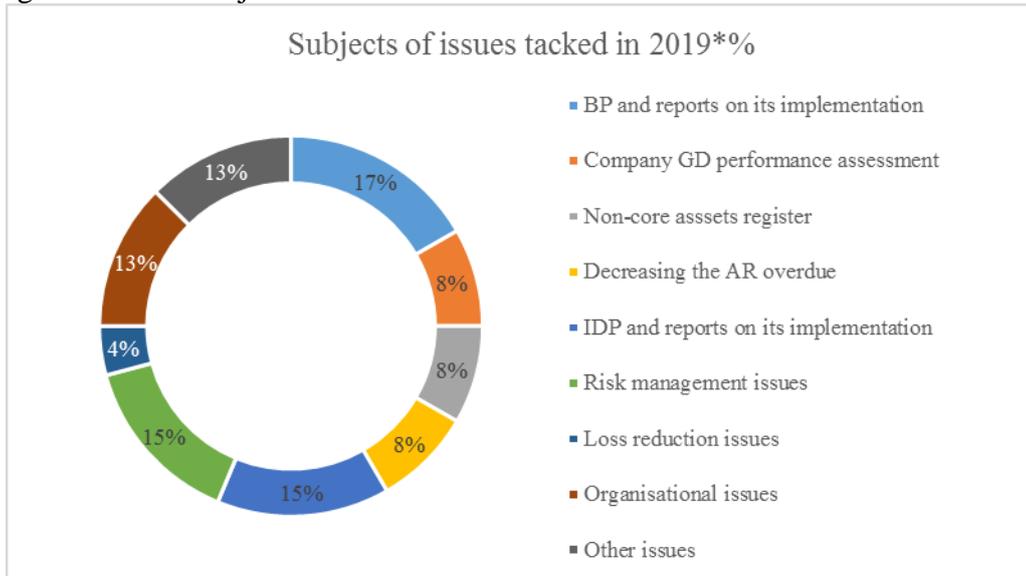
Members of the Strategy Committee have the knowledge of the Company's business required for them to perform their functions.

Over 2019, the Strategy Committee discussed 48 issues, held 19 meetings, including 2

⁵² Information on participation in the Strategy Committee is shown for the members of the acting Committee for the period from the Committee establishment date – 15.08.2019 – to 31.12.2019.

⁵³ The Committee member was elected to the Strategy Committee by decision of the Board of Directors on 12.11.2019.

meetings in the form of joint attendance.



* The list of the issues considered by the Strategy Committee of the Company Board of Directors in 2019 is shown in Annex 25 to the Annual Report

Reliability Committee

In the reporting period, the Reliability Committee proceeded in its activities from the Regulation on the Reliability Committee of the Board of Directors of PJSC IDGC of the North-West, approved by Decision of the Company Board of Directors of 31.07.2017 (Minutes No.249/4).

The key objectives of the Committee are:

- expert review of the operational programmes, plans for technical re-equipment, renovation, new construction and repair of electric grid facilities, analysis of their development and implementation in terms of ensuring the requirements for reliability of operation and technical condition of the power grids are met;
- assessment of the completeness and adequacy of measures based on the accident investigation results in accordance with the rules of accident cause investigation in electric power industry approved by the Decree of the RF Government, as well as monitoring their implementation;
- expert review of the quality of investigation into the causes of technological power system disturbances (accidents);
- expert review of the Company's activity in the field of emergency response (ensuring readiness, organisation and carrying out emergency recovery operations at electric grid facilities);
- expert review of programmes for prevention and reduction of risks of injuries to the Company's personnel and third parties at the Company's power facilities, as well as control over their implementation;
- monitoring and assessment of the Company's technical services performance to ensure reliable operation of power grids and occupational safety;
- expert review of the Company's internal technical control system;
- expert review of the Company's occupational safety and health management system;
- expert review of the environmental policy implementation programme;
- expert review of the fire and industrial safety system.

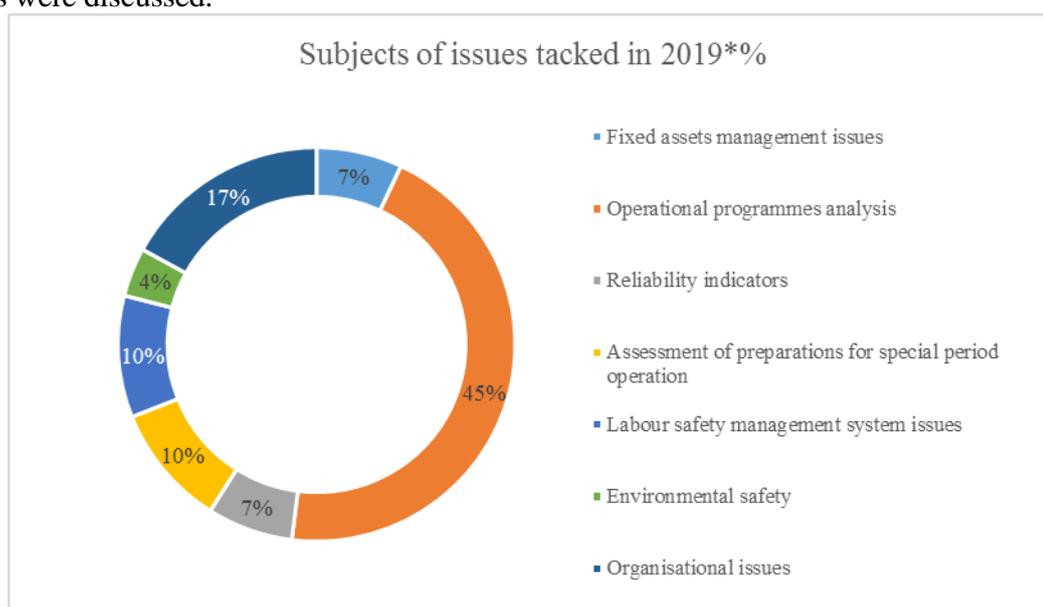
The acting Reliability Committee was elected by the Board of Directors Decision of 15.08.2019 (Minutes No. 329/6) as 6 persons.

[GRI 102-22]

Personal data and contribution of the acting members of Reliability Committee of the Board of Directors

Full name	Position	Participation ⁵⁴	% of participation
Reliability Committee			
Romankov Andrey Olegovich Chairperson	Deputy Chief Engineer of PJSC Rosseti (before 24.10.2019)	1 of 3	33
Bogomolov Eduard Valerievich	First Deputy Director of the branch of PJSC Rosseti – Centre for Technical Supervision	3 of 3	100
Golovtsov Aleksandr Viktorovich	Member of the PJSC IDGC of the North-West Board of Directors	3 of 3	100
Saveliev Maksim Ilyich	General Director of LLC Soyuz Invest	3 of 3	100
Fedorov Oleg Romanovich	Member of the PJSC IDGC of the North-West Board of Directors, member of the Supervisory Board of PJSC ALROSA	3 of 3	100
Yagodka Denis Vladimirovich	First Deputy General Director – Chief Engineer of PJSC IDGC of the North-West	3 of 3	100

The Reliability Committee held 8 meetings in 2019, including 1 – by personal attendance, 29 issues were discussed.



* The list of the issues considered by the Reliability Committee of the Company Board of Directors in 2019 is shown in Annex 25 to the Annual Report.

⁵⁴ Information on participation in the Reliability Committee is shown for the members of the acting Committee for the period from the election date – 15.08.2019 – to 31.12.2019.

Technological Connection Committee

The key purpose of the Technological Connection Committee is to ensure transparency and non-discriminatory access to the services of consumer technological connection to the Company's power grids.

In the reporting period, the Technological Connection Committee of the Board of Directors was guided by the Regulation on the Committee approved by Decision of the Company Board of Directors of 31.07.2017 (Minutes No.249/4).

The effective composition of the Technological Connection Committee was elected by the Board of Directors Decision of 15.08.2019 (Minutes No.329/6) as 7 persons.

[GRI 102-22]

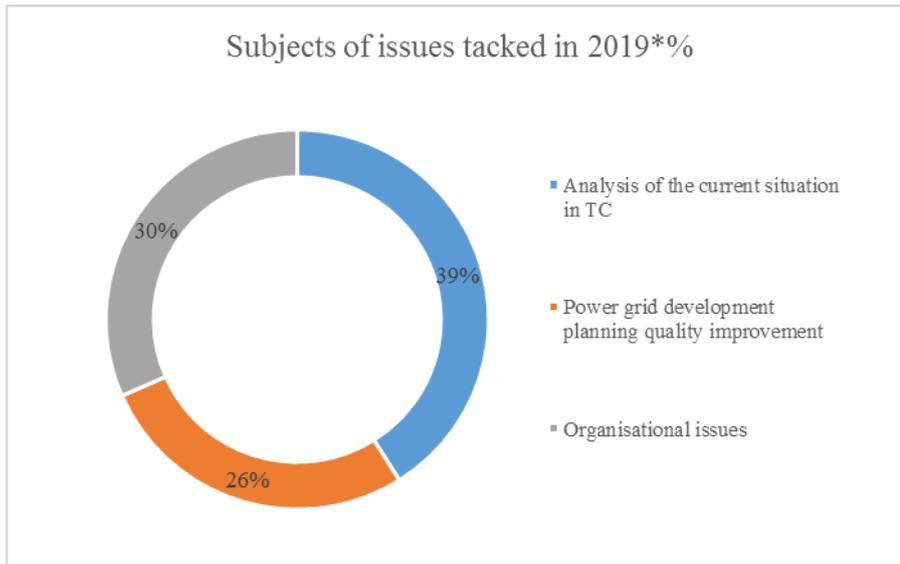
Personal data and contribution of the acting members of Technological Connection Committee of the Board of Directors

Full name	Position	Participation ⁵⁵	% of participation
Korneev Aleksandr Yurievich Chairperson	Director of the Technological Connection and Infrastructure Development Department of PJSC Rosseti	3 of 3	100
Derevenchuk Yury Sergeevich	Grid Development Director at the branch of PJSC FGC UES – MES of North-West	3 of 3	100
Zharikov Aleksey Nikolaevich	Director for Corporate Policy and Shareholder Relations of JSC Elektrosentraladka	3 of 3	100
Morozov Andrey Vladimirovich	Legal Director of the Association of Professional Investors	3 of 3	100
Savin Nikolay Olegovich	Deputy General Director for Investment Activities of PJSC IDGC of the North-West	3 of 3	100
Fedorov Oleg Romanovich	Member of the Supervisory Board of PJSC ALROSA	3 of 3	100
Filatova Svetlana Valerievna	Deputy General Director for Development and Marketing of Services of PJSC IDGC of the North-West	3 of 3	100

Members of the Technological Connection Committee have the knowledge of the Company's business required for them to perform their functions.

In 2019, the Technological Connection Committee held 5 meetings, including 3 meetings in the form of joint attendance. It considered 22 issues.

⁵⁵ Information on participation in the Technological Connection Committee is shown for the members of the acting Committee for the period from the election date – 15.08.2019 – to 31.12.2019.



* The list of the issues considered by the Technological Connection Committee of the Company Board of Directors in 2019 is shown in Annex 25 to the Annual Report

Corporate Secretary

The Corporate Secretary of the Company ensures due procedures of preparation and holding the General Shareholders' Meeting at the Company, coordinates the efforts to protect the rights and interests of shareholders, contributes to efficient performance of the Company Board of Directors and the operations of the Board of Directors Committees⁵⁶.

The activities of the Corporate Secretary are stipulated by the Regulation on the Corporate Secretary of PJSC IDGC of the North-West⁵⁷, approved by Decision of the Company Board of Directors of 30.09.2016 (Minutes No.220/11).

To ensure independence of the Corporate Secretary of the Company, he/she is elected by the Board of Directors at the suggestion of the General Director of the Company and/or Chairperson of the Board of Directors. The Company Corporate Secretary is accountable to the Board of Directors. Administrative subordination of the Corporate Secretary is defined by the organisational structure approved by the Company.

The Corporate Secretary is not a secretary of the Management Board.

From 27.06.2008, the functions of the Company Corporate Secretary have been performed by Nazarenko Lyudmila Yurievna.

The Corporate Secretary has sufficient knowledge, experience and qualification to perform her duties, as well as impeccable professional reputation. She upgrades her qualification on a regular basis.

Biography of the Corporate Secretary

Nazarenko Lyudmila	Born in 1971. In 1993 graduated from Odessa Technological Institute of the Food Industry;
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⁵⁶ The Corporate Secretary data are disclosed at the Company's web site, as well as the Annual Report in the same scope as the scope of information to be disclosed on members of the Company Board of Directors and its executive bodies.

⁵⁷ The Regulation on the Corporate Secretary of PJSC IDGC of the North-West is available at the Company's web site: <http://www.mrsksevzap.ru/otherinternaldocuments>

<p>Yurievna</p> <p>Corporate Secretary of PJSC IDGC of the North-West</p>	<p>in 2001-2002 studied the course of Financial Management at Saint Petersburg State University of Economics, Intersectoral Institute of Advanced Training and Retraining for Managers; in 2011 received a diploma of higher education in Law upon graduation from St. Petersburg State University of Engineering and Economics.</p> <p>Positions held in the recent five years: 2006 – present – Head of the Corporate Governance Unit at the Department for Corporate Governance and Shareholder Relations of PJSC IDGC of the North-West.</p> <p>Participation in the management bodies of other organisations: before 23.05.2019 – member of the Board of Directors of OJSC Lesnaya Skazka.</p> <p>Participation in the authorised capital of PJSC IDGC of the North-West – 0.0026%.</p>
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The Corporate Secretary did not make any transactions with the Company's securities in 2019. In 2019, the Corporate Secretary did not receive any loans (credits) from the Company, as well as any legal entity from the group that the Company is part of.

Executive management bodies of the Company

General Director

The sole executive body – General Director of PJSC IDGC of the North-West – carries out day-to-day management of the Company and functions as the Chairperson of the Management Board.

Pidnik Artem Yurievich is the General Director of PJSC IDGC of the North-West.

He was born in 1983 in Gatchina, the Leningrad Region. Graduated from Saint Petersburg State University. Starting 2002, he worked in the field of legal consulting.

From 2011 – Commercial Director – Deputy General Director, since 2012 – First Deputy General Director – Director for Economy and Finance of Baltic Shipyard LLC.

2013 – 2014 – Deputy Director for Development of the CJSC Building and Construction Department No.10 of Metrostroy.

From 2014 – First Deputy General Director, 2015 – 2018 – General Director of LLC Sevkabel Group.

On 03 July 2018, he was appointed Advisor of the Administrative Department of PJSC IDGC of the North-West.

From 16 July 2018 – acting Deputy General Director for Economy and Finance of PJSC IDGC of the North-West.

From 11 October 2018 he was elected General Director of PJSC IDGC of the North-West (Decision of the Board of Directors of 10.10.2018, Minutes No. 298/11).

The General Director's frame of reference includes all issues related to the current operations of the Company, with the exception of the issues attributed to the General Shareholders' Meeting, Board of Directors and Management Board of the Company. The Company Charter authorises the General Director to use the Company's property, enter into transactions on behalf of the Company, issue orders, approve guidelines and internal documents on the subjects within his frame of reference and gives other rights.

Management Board

The Management Board is a collective executive body of PJSC IDGC of the North-West.

The Management Board's activities⁵⁸ are regulated by the Federal Law "On joint-stock companies", the Company Charter and the Regulation on the Management Board.

In accordance with the Charter, members of the Management Board are appointed by the Company Board of Directors in the number set by the Decision of the Board of Directors upon proposal of the General Director.

As of 31.12.2019, the Management Board of the Company comprised 8 persons.

Biographies of the General Director and members of the Management Board

<p>Pidnik Artem Yurievich General Director Chairperson of the Management Board</p>	<p>Participation in the management bodies of other organisations: none.</p>
<p>Gusev Vladimir Sergeevich Member of the Management Board Deputy General Director for Security (before 21.08.2019)</p> <p>Date of election to the Management Board – 21.04.2015</p>	<p>Born in 1950. In 1973, graduated from the Leningrad Technological Institute majoring in Chemistry and Technology of Sorbents. Was awarded the PhD degree in Economics by Saint Petersburg State Institute of Technology in 2000.</p> <p><u>Positions held in the recent five years:</u></p> <ul style="list-style-type: none"> • 1998 – 2016 – professor of Peter the Great St. Petersburg Polytechnic University (on a part-time basis). • 2005 – 2015 – Vice President, Advisor, Member of the Management Board of OJSC International Bank of St.Petersburg. • 2005 – present – Advisor to the General Director of OJSC Radar MMS (on a part-time basis). • 2014-2017 – Senior Secretary of the Federal Security Service Directorate in Saint Petersburg and the Leningrad Region (on a part-time basis). • 2015 – 2019 – Deputy General Director for Security at PJSC IDGC of the North-West. • 2019 – 2020 – Advisor at the Administrative Department of PJSC IDGC of the North-West. • 2015 – April 2020 – member of the Management Board of PJSC IDGC of the North-West. <p>Participation in the management bodies of other organisations none.</p>
<p>Rudakov Dmitry Stanislavovich Member of the Management Board,</p>	<p>Born in 1975. In 2002, graduated from Moscow State Law University majoring in Law, with the qualification of Lawyer.</p> <p><u>Positions held in the recent five years:</u></p>

⁵⁸ The frame of reference of the Management Board of PJSC IDGC of the North-West is stipulated by the Company Charter <http://www.mrsksevzap.ru/charterinternaldocuments>.

<p>Deputy General Director for Corporate Governance</p> <p>Date of election to the Management Board – 07.06.2019</p>	<ul style="list-style-type: none"> • 2014 – 2015 – acting Director of the Priority Development Projects Department of Sevastopol; Director of the Department for Property and Land of Sevastopol; Head of the Legitimacy Unit of the Department for Law, Property and Land of Sevastopol Government. • 2015 – 2016 – Auditor of the Audit and Accounting Chamber of Sevastopol. • 2016 – 2019 – First Deputy Head of Administration; Deputy Head of Administration on Urban Development, Administration of Municipality of Rybinsk. • 2019 – 2019 – acting Deputy General Director for Corporate Governance at PJSC IDGC of the North-West. • 2019 – present – Deputy General Director for Corporate Governance of PJSC IDGC of the North-West, Member of the Management Board of PJSC IDGC of the North-West. <p>Participation in the management bodies of other organisations: Chairperson of the Board of Directors of JSC Energoservis Severo-Zapada; member of the Board of Directors of JSC Tavrichesky Bank.</p>
<p>Savin Nikolay Olegovich</p> <p>Member of the Management Board, Deputy General Director for Investment Activities (before 31.01.2020)</p> <p>Date of election to the Management Board – 20.12.2018</p>	<p>Born in 1965.</p> <p>In 1987, graduated from Kuybyshev Moscow Institute of Civil Engineering in Industrial and Civil Construction with the qualification of Civil Engineer.</p> <p><u>Positions held in the recent five years:</u></p> <ul style="list-style-type: none"> • 2012 – 2017 – Deputy Vice President of PJSC Transneft. • 2017 – 2018 – General Director of LLC Evolution Managing Company. • 2018 – 2018 – Director of the Infrastructure Projects Department of JSC SKAD Tech. • 2018 – 2020 – Advisor of the Administrative Department; acting Deputy General Director for Investment Activities of PJSC IDGC of the North-West; Deputy General Director for Investment Activities; Deputy General Director for Capital Construction and Investment Activities of PJSC IDGC of the North-West. • 2018 – April 2020 – member of the Management Board of PJSC IDGC of the North-West. <p>Participation in the management bodies of other organisations none.</p>
<p>Trofimova Marina Mikhaylovna</p> <p>Member of the Management Board, Deputy General Director – Head of Administration</p> <p>Date of election to the Management Board – 07.06.2019</p>	<p>Born in 1972.</p> <p>In 1994, graduated from Saint Petersburg State University in Economics and Research and Development Management with the qualification of Economist.</p> <p><u>Positions held in the recent five years:</u></p> <ul style="list-style-type: none"> • 2014 – 2016 – HR Director of JSC Kronstadt Group. • 2017 – 2017 – Director of the Personnel Directorate of PJSC Bank Saint Petersburg. • 2019 – 2019 – Advisor of the Administrative Department of PJSC IDGC of the North-West, acting Deputy General Director – Head of Administration.

	<ul style="list-style-type: none"> • 2019 – present – Deputy General Director – Head of Administration, member of the Management Board of PJSC IDGC of the North-West. <p>Participation in the management bodies of other organisations none.</p>
<p>Filatova Svetlana Valerievna</p> <p>Member of the Management Board, Deputy General Director for Development and Marketing of Services</p> <p>Date of election to the Management Board – 30.09.2019</p>	<p>Born in 1980.</p> <p>In 2003, graduated from North-West State Technical University majoring in Power Supply with the qualification of Engineer.</p> <p>Positions held in the recent five years:</p> <ul style="list-style-type: none"> • 2005 – 2017 – Director for Technological Connection, other positions at PJSC Lenenergo. • 2017 – 2018 – Deputy Director for Development and Marketing of Services of PJSC Lenenergo branch Gatchina Power Grids. • 2018 – 2018 – Deputy General Director for Development and Marketing of Services of LLC Renaissance Engineering. • 2018 – 2019 – Advisor of the Administrative Department, acting Deputy General Director for Development and Marketing of Services of PJSC IDGC of the North-West. • 2019 – present – Deputy General Director for Development and Marketing of Services of PJSC IDGC of the North-West, member of the Management Board of PJSC IDGC of the North-West. <p>Participation in the management bodies of other organisations: Chairperson of the Board of Directors of JSC Pskovenergosbyt.</p>
<p>Shadrina Lyudmila Vladimirovna</p> <p>Member of the Management Board, Deputy General Director for Economy and Finance</p> <p>Date of election to the Management Board – 20.12.2018</p>	<p>Born in 1973.</p> <p>In 1999, graduated from Smolensk University of the Humanities in Finance and Credit with the qualification of Economist.</p> <p>Positions held in the recent five years:</p> <ul style="list-style-type: none"> • 2014 – 2018 – Advisor of the acting Director for Finance, Deputy Director for Economy and Finance, Director for Finance at OJSC Klimov. • 2018 – 2018 – Advisor of the Administrative Department (on a part-time basis), acting Deputy General Director for Economy and Finance of PJSC IDGC of the North-West. • 2018 – 2019 – Deputy Chief Accountant of OJSC Klimov (on a part-time basis). • 2018 – present – Deputy General Director for Economy and Finance of PJSC IDGC of the North-West, member of the Management Board of PJSC IDGC of the North-West. <p>Participation in the management bodies of other organisations: member of the Board of Directors of JSC Pskovenergosbyt.</p>
<p>Yagodka Denis Vladimirovich</p> <p>Member of the Management Board, First Deputy General Director – Chief Engineer</p>	<p>Born in 1979.</p> <p>In 2001, graduated from Ivanovo State Power University in Power Supply (Industrial) with the qualification of Electric Engineer.</p> <p>Positions held in the recent five years:</p> <ul style="list-style-type: none"> • 2014 – 2015 – acting Deputy Chief Engineer for Operation – Head of the Maintenance and Repairs Department of OJSC IDGC of the North-West. • 2015 – 2016 – Deputy Chief Engineer for Operation – Head of the Maintenance and Repairs Department of PJSC IDGC of the North-West.

Date of election to the Management Board – 20.12.2018	<ul style="list-style-type: none"> • 2017 – 2017 – Leading Expert of the Occupational Health and Safety and Environmental Protection Department of the Environmental Operation Monitoring Unit at OP 7810-SGK-St. Petersburg of LLC Stroygazkonsalting. • 2017 – 2017 – Deputy Chief Engineer for Technological Development and Innovation – Head of the Department for Technological Development and Innovation, acting First Deputy General Director – Chief Engineer of PJSC IDGC of the North-West. • 2017 – present – First Deputy General Director – Chief Engineer of PJSC IDGC of the North-West. • 2018 – present – member of the Management Board of PJSC IDGC of the North-West. <p>Participation in the management bodies of other organisations: Chairperson of the Board of Directors of JSC Energoservis Severo-Zapada before 28.06.2019.</p>
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No transactions with the PJSC IDGC of the North-West shares were made by the General Director or the members of the Management Board of the Company in 2019.

Over 2019, the General Director or the members of the Management Board did not receive any loans (credits) from the Company, as well as any legal entity from the group that the Company is part of.

The General Director and the members of the Management Board did not own any shares of PJSC IDGC of the North-West in 2019.

Changes in the Management Board composition

In 2019, personnel-related decisions were made, resulting in the following changes in the Management Board of the Company:

- Management Board members Orlov Denis Aleksandrovich (Decision of the Board of Directors of 21.01.2019), Fedorov Vadim Nikolaevich (Decision of the Board of Directors of 29.03.2019) were removed from office;

- the following members were elected to the Management Board: Rudakov Dmitry Stanislavovich and Trofimova Marina Mikhaylovna (Decision of the Board of Directors of 07.06.2019), Filatova Svetlana Valerievna (Decision of the Board of Directors of 20.11.2019).

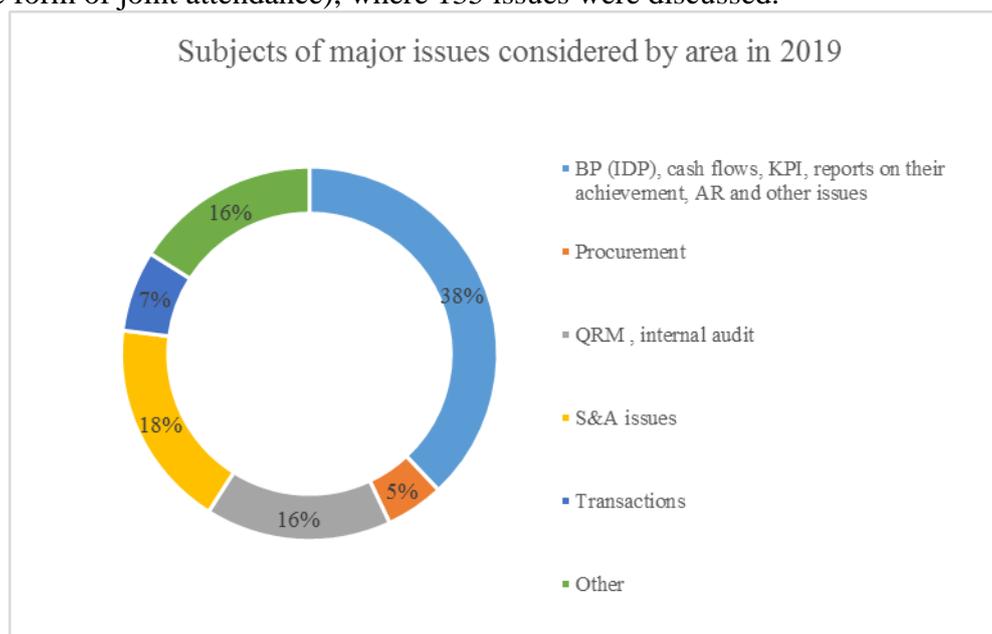
Biographies of the Management Board members acting in 2019, whose office was terminated, are shown in Annex 26 to the Annual Report.

Participation of the Management Board members in the meetings held in 2019

Full name	Total number of meetings	Number of meetings with the attendance of the Management Board member, items	Share in the total number of meetings, %
Pidnik A.Yu.	26	26	100
Gusev V.S.	26	23	88
Rudakov D.S.	14	13	93
Savin N.O.	26	24	92
Trofimova M.M.	14	13	93
Fedorov V.N.*	7	3	43
Filatova S.V.	7	5	71
Shadrina L.V.	26	26	100
Yagodka D.V.	26	24	92

* removed from office.

Carrying out day-to-day management of the Company in accordance with the scope of authority specified by the Charter and the Regulation on the Management Board of PJSC IDGC of the North-West, the Management Board of the Company held 26 meetings in 2019 (3 of which in the form of joint attendance), where 135 issues were discussed.



The Company remuneration system

[GRI 102-35]

Remuneration system for members of the Board of Directors

Remuneration and compensation types, amounts and procedures of payment to members of the Company Board of Directors in 2018 were stipulated by the Regulation on Remunerations and Compensations to Members of the Board of Directors of PJSC IDGC of the North-West (hereinafter – the Regulation), approved by Decision of the Annual General Shareholders' Meeting of the Company of 23.06.2015 (Minutes No.10). At present, the version of the Regulation approved by Decision of the Annual General Shareholders' Meeting of the Company of

14.06.2019 (Minutes No.14)⁵⁹ is in effect.

[GRI 102-36]

The Regulation provides for the following payments:

1. Remuneration for participation in the Board of Directors.

The payment is made subject to the results of the activities in the period from the candidate's election to the Board of Directors till the Company Board of Directors is elected in the new composition.

The remuneration amount for each member of the Board of Directors depends on the number of meetings of the Board of Directors (irrespective of their form) attended by the member of the Board of Directors in the period between the Annual General Shareholders' Meetings, and the size of the fixed amount of remuneration. The fixed amount of remuneration is defined on the basis of the Company's revenue estimated under the RAS in the previous financial year. For PJSC IDGC of the North-West, the fixed amount of remuneration (in accordance with the Regulation version in effect when the remuneration for 2018 was defined) is RUB 900 thousand.

In addition to remuneration for participation in the Company Board of Directors, the following additional payments are stipulated:

30% – to the Chairperson of the Company Board of Directors;

20% – to the Chairperson of a specialised committee of the Company Board of Directors;

10% – for membership in a specialised committee of the Company Board of Directors.

The total amount of remuneration per member of the Board of Directors including additional payments cannot exceed the fixed part of remuneration (RUB 900 thousand).

Remuneration is not paid to:

- the sole executive body (General Director) of the Company;
- persons who are restricted or forbidden by law to receive payments from commercial organisations;

- members of the Board of Directors who participated in less than 50% of the meetings held.

2. Additional remuneration from the net profit paid in case the market capitalisation of the Company is increased in the period of operation of the Board of Directors.

The amount of additional remuneration of each member of the Board of Directors is 0.0175% of the market value growth of the Company calculated in the period from the candidate's election to the Board of Directors till the Company Board of Directors is elected in the new composition.

Additional remuneration for the growth in the Company's market value is paid only if the average monthly volume of transactions with the Company's ordinary shares in the period of the rewarded Board of Directors' activity is no less than RUB 1.5 mln at the stock exchange (MICEX).

The total amount of additional remuneration for members of the Board of Directors cannot exceed 5% of the net profit under the RAS in the financial year.

Remuneration is paid to members of the Board of Directors on a lump sum basis at the end of the corporate year. The Regulation defines the corporate year as the period from the moment of election of the persons to the Board of Directors at the Annual General Shareholders' Meeting of the Company till the next Annual General Shareholders' Meeting of the Company.

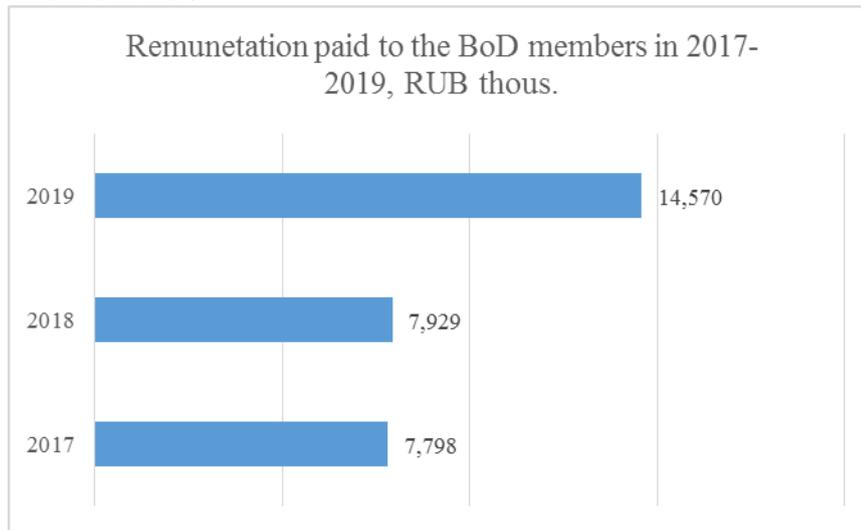
3. Compensation for the members of the Board of Directors.

Members of the Board of Directors are entitled to compensation of the expenses related to participation in meetings of the Board of Directors in line with the standards of reimbursement of travel expenses effective in the Company as of the date of the meeting.

Remunerations and compensations are not paid to members of the Board of Directors who

⁵⁹ The full text of the Regulation on Remunerations and Compensations to Members of the Board of Directors of PJSC IDGC of the North-West is available at the web site of PJSC IDGC of the North-West at <http://www.mrsksevzap.ru/remunerationcompensationregulation>.

are the sole executive body of the Company, members of the Management Board of the Company, government officials



Remuneration paid to members of the Company Board of Directors in 2017-2019, RUB⁶⁰

Full name	Position	For participation in the meetings of the Board of Directors	Additional payments for chairpersonship at the Board of Directors, chairpersonship/membership in Committees of the Board of Directors	For increase in the Company's market capitalisation	Total
Paid in 2017		6,211,541	1,586,535	-	7,798,076
Paid in 2018		6,890,110	1,038,462	-	7,928,571
Paid in 2019, incl.:		14,193,955		375,804	14,569,759
Paid in 2019 to the Board of Directors elected by the AGSM on 07.06.2018, including:		8,594,231	Additional payment as share of the annual remuneration of the BoD member, but no more than the fixed remuneration	375,804	8,970,035
Sergeeva Olga Andreevna	Member of the Management Board, Chief Advisor of PJSC Rosseti	900,000	30%	34,164	934,164
Akimov Leonid Yurievich	Director of the Legal Protection Department of PJSC Rosseti	900,000	30%	34,164	934,164
Akopyan Dmitry Borisovich	Director of the Investment Activities Department of PJSC Rosseti	692,308	-	34,164	726,472
Zharikov Aleksey Nikolaevich	Director for Corporate Policy and Shareholder Relations of JSC Elektrosentronaladka	761,538	10%	34,164	795,702
Pelymsky Vladimir Leonidovich	Deputy Chief Engineer of PJSC Rosseti	653,846	-	34,164	688,010

⁶⁰ Hereinafter in the Annual Report, the amounts of remuneration paid to management and control bodies are shown without deduction of the personal income tax.

Stepanova Maria Dmitrievna	Head of the Shareholder and Investor Relations and Informational and Analytical Unit of PJSC Rosseti	900,000	30%	34,164	934,164
Fedorov Oleg Romanovich	Member of the Supervisory Board of PJSC ALROSA	740,385	10%	34,164	774,549
Filkin Roman Alekseevich	Director of the Representative Office of Prosperity Capital Management (Russia) Ltd. (power industry, mechanical engineering).	761,538	10%	34,164	795,702
Shagina Irina Aleksandrovna	Head the Tariff Setting Unit of the Tariff Policy Department of PJSC Rosseti	692,308	-	34,164	726,472
Shvankova Maria Mikhaylovna	Head of the Treasury Unit of the Treasury Department at PJSC Rosseti	692,308	-	34,164	726,472
Shevchuk Aleksandr Viktorovich	Executive Director at the Association of Institutional Investors	900,000	30%	34,164	934,164
Paid in 2019 to the Board of Directors elected by AGSM on 14.06.2019		5,599,724	Additional payment as share of the quarterly remuneration of the BoD member, but no more than the fixed remuneration	Not provided by the Regulation on remuneration	5,599,724
Sergeeva Olga Andreevna	Member of the Management Board, Chief Advisor of PJSC Rosseti	667,857	40%	-	667,857
Alyushenko Igor Dmitrievich	Director of the Situation Analysis Centre – Deputy Chief Engineer of PJSC Rosseti	507,692	20%	-	507,692
Bychko Mikhail Aleksandrovich	Director of the Capital Construction Department of PJSC Rosseti	465,385	10%	-	465,385
Golovtsov Aleksandr Viktorovich	Unemployed at present	550,000	40%	-	550,000
Zharikov Aleksey Nikolaevich	Director for Corporate Policy and Shareholder Relations of JSC Elektrosentronaladka	598,351	20%	-	598,351
Korneev Aleksandr Yurievich	Deputy Director of Services Marketing Department at PJSC Rosseti	550,000	30%	-	550,000
Morozov Andrey Vladimirovich	Legal Director of the Association of Professional Investors	550,000	30%	-	550,000
Pidnik Artem Yurievich	General Director of PJSC IDGC of the North-West	The Regulation does not include members of the Company Board of Directors who simultaneously perform the functions of the General Director of the Company			
Stepanova Maria Dmitrievna	Head of the Shareholder and Investor Relations and Informational and Analytical Unit of PJSC Rosseti	556,044	10%	-	556,044
Fedorov Oleg Romanovich	Member of the Supervisory Board of PJSC ALROSA	598,351	20%	-	598,351
Shagina Irina Aleksandrovna	Director of the Tariff Policy Department at PJSC Rosseti	556,044	10%	-	556,044

In accordance with the effective Regulation, members of the Company Board of Directors in the composition elected by the Annual General Shareholders' Meeting on 14.06.2019, are to receive their remunerations in 2020, after the Annual General Shareholders' Meeting.

The Regulation does not provide for a system of long-term motivation of members of the Board of Directors, nor dismissal payments upon termination of their service

Compensations of the expenses paid to members of the Company Board of Directors in 2017-2019, RUB

Item	2017	2018	2019
Compensation of expenses related to performing the functions of members of the Board of Directors	236,777	157,552	430,465

Remuneration system for members of the Board of Directors Committees

[GRI 102-36]

Remuneration and compensation types, amounts and procedures of payment to members of the Company's Board of Directors Committees are stipulated by Regulations on remunerations and compensations to members of the Board of Directors Committees of the Company approved by Decision of the Company Board of Directors of 25.08.2009⁶¹ (hereinafter – the Regulations).

Decision of the Company Board of Directors of 29.12.2015 introduced amendments to the Regulations on remunerations and compensations to members of the Board of Directors Committees of the Company.

Under the Regulations, in case the Chairperson or member of a Board of Directors Committee are simultaneously members of the Company Board of Directors, their remuneration payments are determined by the Regulation on remunerations and compensations to members of the Board of Directors of PJSC IDGC of the North-West.

The Regulations provide for remuneration for each meeting attended by the member of the BoD Committee:

For participation in the meeting of the Board of Directors Committee held in absentia	For participation in the meeting of the Board of Directors Committee held in the form of joint attendance
remuneration is paid in the amount equivalent to one minimum monthly wage rate of a first-category worker (hereinafter – MMWR) set by the Sectoral Tariff Agreement for the Russian Federation Power Industry (hereinafter – the Agreement) as of the date of the meeting of the Board of Directors Committee, taking into account the indexation stipulated by the Agreement.	remuneration is paid in the amount equivalent to two MMWRs set by the Agreement as of the date of the meeting of the Board of Directors Committee, taking into account the indexation stipulated by the Agreement.

The amount of remuneration paid to the Chairperson of the Committee (Deputy Chairperson) for each meeting where the functions of the Chairperson were performed increases by 50%.

⁶¹ Full texts of the Regulations on remunerations and compensations to members of the Board of Directors Committees of PJSC IDGC of the North-West are available at the Company web site at <http://www.mrsksevzap.ru/remunerationcompensationregulation>.

Moreover, in line with the Regulations, members of Board of Directors Committees are entitled to compensation of the actual expenses related to performing the functions of the member of a Committee of the Board of Directors.

Remunerations and compensations are not paid to Committee members who are:

- the sole executive body (General Director) of the Company;
- persons who are restricted or forbidden by law to receive payments from commercial organisations.

Remunerations paid to members of the Board of Directors Committees in 2017-2019⁶²

Period	Remuneration for participation in meetings of the Board of Directors Committees, RUB ⁶³
Audit Committee	
2017	-
2018	-
2019	-
HR and Remunerations Committee	
2017	22,296
2018	-
2019	-
Strategy and Development Committee	
2017	1,527,646
2018	925,038
2019	482,545
Reliability Committee	
2017	423,228
2018	379,631
2019	182,475
Technological Connection Committee	
2017	287,163
2018	239,817
2019	161,238
Total remuneration paid for participation in meetings of the Board of Directors Committees	
2017	2,260,333
2018	1,544,487
2019	826,258

Remuneration system for the General Director and members of the Management Board

[GRI 102-36]

The system of motivation for the Company General Director is stipulated by the labour contract and the Regulation on remunerative incentives for the General Director of PJSC IDGC of the North-West approved by the Company Board of Directors on 15.06.2011 (Minutes No. 79/19), taking into account the amendments made by the Board of Directors Decisions of 13.03.2015 (Minutes No. 176/18) and 14.07.2017 (Minutes No. 248/3).

Members of the Management Board of the Company are classified as the Company top management. The incentive system for the top management of the Company is stipulated by their

⁶² The data do not include additional payments to remuneration of the members of the Company Board of Directors who are simultaneously members of the Company Board of Directors Committees.

⁶³ In 2019, the following MMWRs were used to calculate the remunerations for participation in the meetings of the Company Board of Directors Committees: from 01.01.2019 – RUB 8,110; from 01.07.2019 – RUB 8,313.

labour contracts and the Regulation on remunerative incentives and employment benefits for the top management of PJSC IDGC of the North-West approved by the Company Board of Directors on 15.06.2011 (Minutes No. 79/19).

The system of remunerative incentives for the General Director and members of the Management Board (top management) includes the following types of remuneration:

- **Salary.** The key principle of defining the amount of salaries for the General Director and the top management is to establish a fair competitive level of remuneration (position-related salary). The level of the salaries is consistent with the market conditions, which ensures stability of the Management Board composition.

- **Remuneration for performing the functions of the Management Board member.** The Regulation on remunerative incentives and employment benefits for the top management of the Company stipulates that the top managers receive additional personal payments for performing the functions of members of the Management Board in the amount up to 15% of their position-related salary (in proportion to the working hours).

- **Additional payments for operating data classified as state secret.** The amount of this additional payment is established as a percentage of the position-related salary in line with the Rules of paying monthly rated increase in addition to the salary (wage rate) of the citizens approved for access to state secret on a permanent basis, and employees of the structural units for protection of state secret, as approved by the RF Government Order of 18.09.2006 No. 573.

- **Bonus payments.** The Regulations on remunerative incentives provide for the following types of bonus payments:

- bonus for achieving the quarterly KPI;
- bonus for achieving the annual KPI;
- additional incentives for achieving the targets (strategic priorities) at the year-end defined by the Company Board of Directors;
- special bonuses for achieving outstanding results in the KPIs defined by the Company Board of Directors as priorities;
- bonus for performing tasks (activities) of special importance.

Bonus payments are aimed to increase the motivation of the General Director and members of the Management Board to pursue priority tasks of the Company by achieving key performance indicators (KPI)⁶⁴.

The KPIs used to assess the performance of the General Director and the specific weight of each KPI in the quarterly and the annual bonuses of the General Director are established by the Company Board of Directors. The KPIs for the top management are set by the General Director on the basis of the KPIs approved by the Company Board of Directors considering the degree to which a top manager can influence the achievement of the target KPI and the KPI of personal responsibility in the top manager's area.

The KPIs set for the purposes of motivation (defining the amount of remuneration) of the General Director and members of the Management Board in 2019

No.	Indicators
Quarterly KPIs set by the Company Board of Directors on 31.03.2017 (Minutes No. 235/26) with amendments of 05.06.2018 (Minutes No.286/41), of 31.12.2019 (Minutes No.344/21)	
1.	Consolidated operating profit (EBITDA)

⁶⁴ The system of key performance indicators is described in the Section "Key performance indicators (KPI)" of the Annual Report .

No.	Indicators
2.	Consolidated net debt/EBITDA
3.	Implementation of the plan to reduce the Company's accounts receivable
4.	No growth in the number of major accidents
5.	No growth in the number of accident victims
6.	Compliance with the commissioning schedule
Quarterly KPIs set by the General Director of the Company (Order of 15.06.2017 No.411 with amendments introduced by Orders of 12.09.2017 No.643, of 26.09.2018 No.646, of 27.05.2019 No.315, of 29.08.2019 No.549, of 02.09.2019 No.561)	
7.	Efficiency of investment activities: Compliance with the quarterly schedules of project implementation and commissioning of fixed assets under the Investment Programme
8.	Compliance with the plan of maintenance and repairs
9.	Limit of operating costs
10.	Power losses level in grids of all voltage levels
	Power losses level in grids of 0.4-20 kV
11.	Compliance with the deadlines of technological connection
12.	Zero violations of the current RF legislation, the Charter and internal documents of the Company in the corporate events organisation and conducting
13.	Quality of control over the progress of performing the instructions inherent in orders and regulations of the superior organisations
14.	Zero failures to take measures in cases when the Company suffers from large or especially large-scale financial damage or damage to its business standing
15.	Zero penalties for failure to submit reporting to tax authorities in due time or violation of the procedure for statistics presentation
16.	Ensuring performance of the obligations to pay for the services of power transmission in the grids of a branch
17.	Reaching the target reliability level of the services rendered
Annual KPIs set by the Board of Directors of the Company on 31.03.2017 (Minutes No.235/26) with amendments of 05.06.2018 (Minutes No.286/41), of 31.12.2019 (Minutes No.344/21)	
1.	Consolidated net cash flow
2.	Decrease in unit operating expenses (costs)
3.	Increase in the power grid equipment capacity utilisation
4.	Power losses level
5.	Reduction in unit investment costs
6.	Labour efficiency improvement
7.	Innovation activities efficiency
8.	Meeting the technological connection deadlines
9.	Reaching the reliability level of the services rendered
Annual KPIs set by the General Director of the Company (Order of 15.06.2017 No.411 with amendments introduced by Orders of 12.09.2017 No.643, of 26.09.2018 No.646, of 27.05.2019 No.315, of 29.08.2019 No.549, of 02.09.2019 No.561)	
10.	Compliance with the schedule of capacity launch and the plan to implement the Investment Programme
11.	Increase in the efficiency of power grids servicing
12.	Implementation of the personnel training plans
13.	Ensuring performance of the obligations to pay for the services of power transmission in the grids of the Company
14.	Ensuring reliability of accounting and timely presentation of accounting, tax, IFRS and statistical statements
15.	Sales of non-core assets

Bonuses are paid upon achievement of the key performance indicators and depend on the degree to which the KPIs were achieved in the reporting periods (quarters and year). Results of the KPI achievement by the General Director in the reporting period are considered by the Strategy and Development Committee of the Board of Directors and approved by Decision of the Company Board of Directors. Results of the KPI achievement by the top management in the reporting period are approved by Order of the General Director.

General Director and top managers can receive bonuses for implementation of particularly important tasks approved by the management bodies of the Company. Particularly important tasks (activities) include those with special requirements regarding their timeframe and quality, responsibility and significance for the industry and the state.

- **One-off recreational leave payments.** The amount is paid to the Company's top management and equals one position-based salary.

- **Severance package.** The conditions of the labour contracts with the General Director and members of the Management Board do not stipulate the possibility of any guaranteed payments in case of early termination of their office ("golden parachutes"), with the exception of the guarantees provided by the labour legislation.

Data on the amount of remunerations paid to members of the Management Board of the Company, including the person holding the position of the sole executive body, RUB⁶⁵

Remuneration	2017	2018	2019
Salary	36,053,658	34,890,308	25,084,404
Remuneration for performing the functions of the Management Board member	2,780,884	2,336,280	3,140,042
Bonuses	49,969,437	49,566,278	4,573,320
<i>including annual incentives</i>	<i>25,611,739</i>	<i>24,381,359</i>	-
Other payments	2,534,794	3,659,420	9,949,431
Severance package	1,348,827	8,551,678	64,495
Total remuneration	92,687,600	99,003,964	42,811,692

The introduction and implementation of the Company's remunerations policy is controlled by the HR and Remunerations Committee of the Board of Directors.

Subsidiaries management system

PJSC IDGC of the North-West, being a shareholder of its subsidiary entities (hereinafter – SE), interacts with the latter using corporate governance methods subject to requirements of the Russian Federation legislation, the Charter, the procedure for PJSC IDGC of the North-West interaction with the organisations where it participates, and other internal documents of the Company, charters and internal documents of the SE stipulating the procedures for management and control bodies (regulations on their boards of directors, audit commissions etc.).

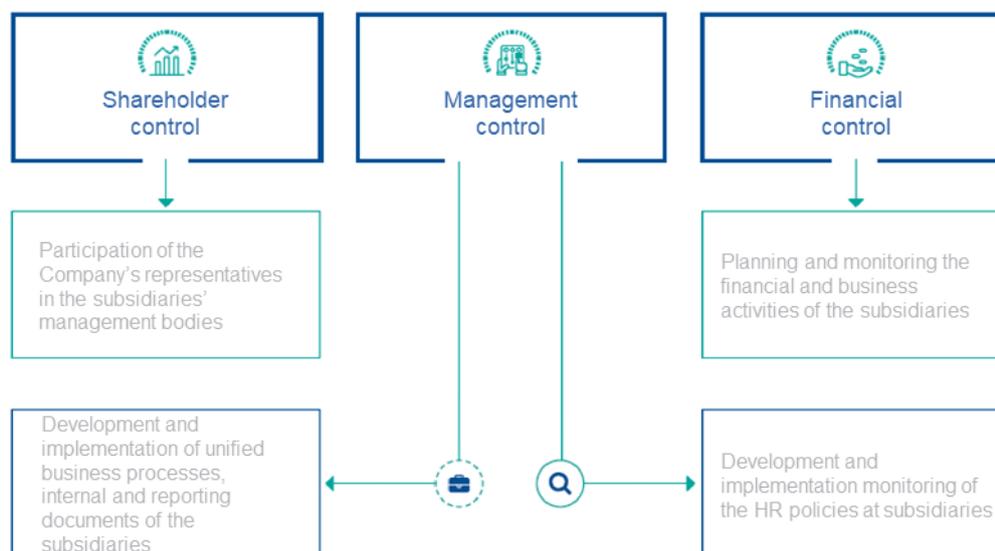
The corporate governance of PJSC IDGC of the North-West subsidiaries is carried out via a system of management and control bodies in line with the Company's interests:

- Board of Directors of PJSC IDGC of the North-West;
- Management Board of PJSC IDGC of the North-West;
- SE Board of Directors;

⁶⁵ The table includes data on the aggregate annual remuneration for all members of executive bodies, including those who are key managers of the Company subject to the Company remunerations policy, broken down by types of remuneration.

– SE Audit Commission.

Information on management and control bodies of the PJSC IDGC of the North-West subsidiaries is presented in Annex 27 to the Annual Report and the Company web site: <http://www.mrsksevzap.ru/aboutnorthwestcompany>.



Supervisory bodies and risk management

Risk management system

[GRI 102-30]

The Company has a Risk Management System in place (hereinafter – RMS), which is designed to ensure sustainable seamless operation and development of the Company by timely identification, assessment and efficient management of the risks threatening efficient business activities and reputation of the Company, employee health, environment, as well as property interests of shareholders and investors.

The Company has a an internal control and risk management unit, which under the Risk Management Policy and the Regulation on the unit performs the following functions:

- to inform the management bodies on the state of the internal control and risk management system, key trends and changes in operations, to put forward proposals on improving the performance;
- to set up the single internal control and risk management system in the Company;
- to organise improvement and development of the risk-oriented internal control system in the Company, including training on internal control and risk management systems;
- to arrange and coordinate the activities of the executive bodies and branches of the Company aimed at risk identification, assessment and management;
- to ensure interaction with state regulatory bodies in their performance of control activities, preparing analytical, informational, reference and other data regarding the organisation and functioning of the internal control and risk management system;
- to interact with the Company's external auditor on assessment of the efficiency of the internal control and risk management system, including provision of information on the state of the internal control and risk management system at the Company.

In order to develop the RMS, Decision of the Board of Directors of 31.03.2016 (Minutes No.200/15) approved the Risk Management Policy of PJSC IDGC of the North-West. It defines the aims, operational guidelines and elements of the Company RMS, key functions and

responsibilities of the RMS participants, the procedures of RMS efficiency assessment. Moreover, the Company implements the following regulatory documents in the area of risk management:

- Regulation on the implementation of the requirements of the Risk Management Policy in PJSC IDGC of the North-West (Order of 07.08.2018 No.517);
- Guidelines on planning and implementation of risk management activities (Order of 16.08.2016 No.515);
- Guidelines on using and filling in the operational risk datasheet (Order of 18.08.2015 No.464);
- Methodology of operational risk assessment (Order of 18.08.2015 No.464);
- Methodological instructions on functional risks assessment (Order of 31.01.2019 No.39r);
- Methodological recommendations on application of the Methodology of operational risk assessment, Form No. UR-1 Operational Risk Datasheet and Boundaries of the scale ranges for probability, consequence and materiality of risks (Order of 18.08.2015 No.464);
- Guidelines on the procedures of defining the risk appetite for PJSC IDGC of the North-West for 2019 (Order of 31.01.2019 No.39r).

The Company's risk management goals include:

- Reduction in the probability and/or consequences of the events with adverse impact on achieving the Company's goals;
- Setting priorities of the Company's business on the basis of the current risks identification, including financial ones;
- Protection of assets and efficient use of the available resources;
- Achievement of the planned performance indicators;
- Ongoing improvement of the performance efficiency in all areas by analysing and evaluating the current risks;
- Ensuring reliable technological operation of the power grid facilities in the Russian Federation;
- Achievement of the best possible efficiency of the risk management system for the Company and the S&A;
- Timely and complete informational and analytical support of the processes of management decision-making and planning the activities of the Company and the S&A.

RMS participants

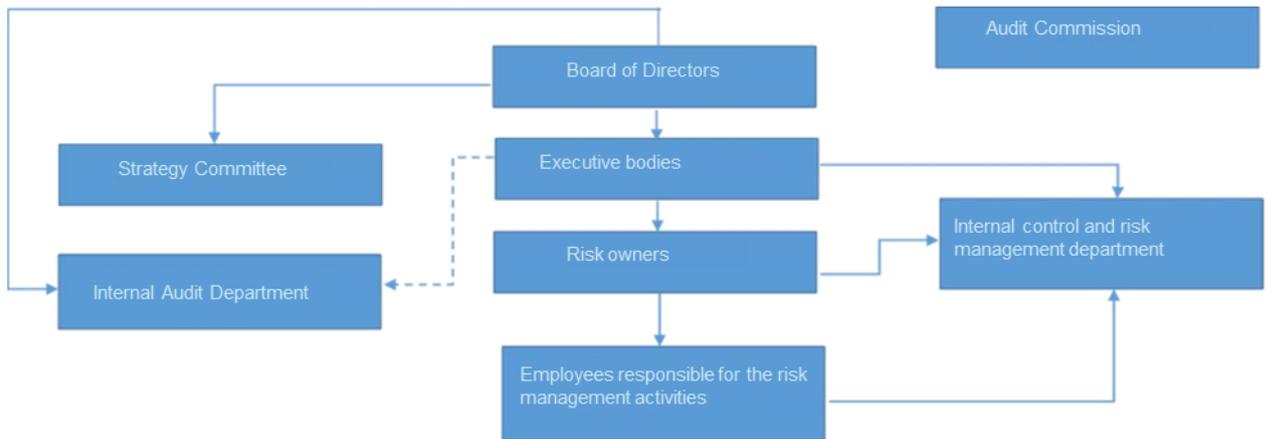
Key participants in the risk management process and their main functions related to risk management are shown in the table below, as well as the chart.

Key participants in the risk management process and their main risk management functions

Participant	Main RMS functions
Board of Directors	<ul style="list-style-type: none"> - Approves the Risk Management Policy and internal documents of the Company defining the organisation and functioning of the Company RMS. - Annually reviews the reports of the Company executive bodies on the organisation, functioning and efficiency of the RMS; assesses the functioning of the above system and works out recommendations for its improvement, reviews the Internal Audit reports on the efficiency of the RMS and findings of the external independent assessment of the RMS efficiency.
Authorised Committee of the Board of Directors	<ul style="list-style-type: none"> - Supervises the efficiency of the risk management procedures, assesses the efficiency of risk management and the RMS improvement measures, as well as analyses proposals on RMS improvement, including the issues of risk identification and risk parameters adjustment. - Carries out preliminary studies of the executive bodies' reports on the RMS organisation and functioning, internal documents of the Company stipulating the RMS organisation and functioning, Risk Management Policy of the Company and further amendments thereto, drafting official judgements

	regarding the text of the Company's Annual Report section on RMS before submitting the above documents to the Company Board of Directors.
Audit Committee of the Board of Directors	- Carries out preliminary study of the results of RMS efficiency assessment and compliance with the provisions of the Policy according to the findings of the Internal Auditor report on these issues before their presentation to the Company Board of Directors.
Audit Commission	- Drafts proposals /recommendations on the RMS improvement on the basis of the Audit Commission survey.
Executive bodies (Management Board, General Director)	<ul style="list-style-type: none"> - Establish requirements to the format and completeness of the information on the Company's risks, specify the RMS development and improvement areas and plans, as well as analyse the risk portfolio and work out measures for the strategy of response and reallocation of resources to manage the respective risks. - Compile an annual report on the organisation, functioning and efficiency of the Company's RMS and put forward proposals for the RMS development and improvement to be considered by the Company Board of Directors. - At least once in six months, review the report of the unit responsible for the risk management activities regarding risk management performance and assessment of RMS efficiency. - Review the results of the internal assessment of the RMS efficiency, work out measures to develop and improve the RMS and ensure efficient risk management at the Company on a day-to-day basis. - Approve the regulatory and methodological documents of the Company on the RMS organisation and functioning with the exception of the documents to be approved by the Company Board of Directors.
Risk owners	<ul style="list-style-type: none"> - Are responsible for timely identification and assessment of risks, selection of the method of risk response, timely development and implementation of the measures aimed at risk management and regular monitoring. - Ensure timely provision of information to the Company's executive bodies on the results of risk management activities and efficient interaction with the Risk Management Unit concerning the documents and reports prepared within the risk management activities.
Employees responsible for the risk management activities	- Ensure timely identification and/or mitigation of risks in line with the job instructions and the active regulatory documents, as well as risk management activities in due time and to the full extent.
Risk Management Unit	<ul style="list-style-type: none"> - Ensures general coordination of the risk management procedures, including interaction of all the RMS participants, introduction of the Company methodological documents in the area of risk management and RMS functioning, as well as organisation of the Company employees training on the RMS; - Performs the functions aimed at timely aggregation of the data on the risks identified and preparation of proposals for updating the Registers of Risks and monitoring the risk management process in the Company. - Drafts a report at least once in six months and informs the Company executive bodies on the risk management performance and assessment of the RMS efficiency, as well as compiles an annual report on organisation, functioning and efficiency of the Company RMS and other issues stipulated by the current Risk Management Policy of the Company.
Internal Audit Unit	Carries out internal independent assessment of the RMS efficiency and issues recommendations to the unit responsible for the risk management activities, aiming to enhance the efficiency and productivity of the RMS, as well as inform the executive bodies and the Board of Directors (the authorised Committee of the Board of Directors) on the RMS state.

Key participants in the risk management process



External independent assessment of the RMS was carried out by the independent expert LLC RSM RUS. The external independent assessment report on the RMS of PJSC IDGC of the North-West was studied at the Board of Directors meeting (Minutes of 16.09.2019 No.331/8) upon preliminary discussion of the issue by the Strategy Committee of the Board of Directors (Minutes of 23.05.2019 No.12). The overall assessment of the RMS efficiency is “moderately efficient”.

Reports of the sole executive body and the Management Board of PJSC IDGC of the North-West on the risk management system organisation and functioning, including data on the activities towards improvement of the internal control, risk management and corporate governance systems in 2019 were studied and taken into account at the meeting of the Board of Directors (Minutes of ____ No. ____).

To ensure that the RMS is efficient and consistent with the objective evolution of requirements and conditions, the Internal Auditor of the Company assesses the RMS efficiency.

The internal independent assessment of the RMS efficiency is carried out by the Internal Auditor of the Company. The RMS efficiency in 2019 was reviewed at the Board of Directors meeting (Minutes of ____ No. __) upon preliminary discussion of the issue by the Audit Committee of the Board of Directors (Minutes of 30.03.2020 No.14). The above decisions estimated the RMS maturity level as intermediate between “Moderate” and “Optimal” (assessed as 4.4 points). In 2019 the overall efficiency of the RMS was deemed “Moderately efficient”.

In 2018 the Internal Auditor of the Company estimated the RMS maturity level as 4.4 points, which is intermediate between “Optimal” and “Moderate”, thus, the RMS level in 2019 remained similar to 2018.

To improve the RMS maturity level, the Company management developed and the Board of Directors approved on 31.12.2019 (Minutes No.344/21) a Plan for development and improvement of the risk management system of the Company for 2020-2023, which was enacted by Order of the Company of 17.01.2020 No.15r.

In the reporting year, the Company implemented the following key measures aimed at the RMS improvement:

1. Working out the Regulation on the procedures for updating the expenditure of the Company executive bodies in the target period;
2. Assessment of risks within the framework of the project activities of the Company’s strategic projects;
3. Implementation of the targeted software package Piramida-Seti for remote collection and transfer of the power meters data to the benefit of PJSC IDGC of the North-West.

The main areas covered by the Plan for development and improvement of the RMS for 2020-2023 include:

1. Highlighting the risk management significance, development of the culture of risk awareness.
2. Identification of the key risk indicators.

3. Embracing the new methodology of risk identification, assessment, registration and management.

4. Introduction of regulatory documents on self-assessment of the risk management system efficiency at the Company.

5. Improvement of the format and requirements to the content of the management reports to the Company management bodies on the functioning and maturity of the risk management system, as well as critical risk management of the Company.

Key factors and risk significance assessment

To identify and manage risks, a systemic approach is used. Activities aimed to prevent and mitigate the risks are developed and updated each quarter.

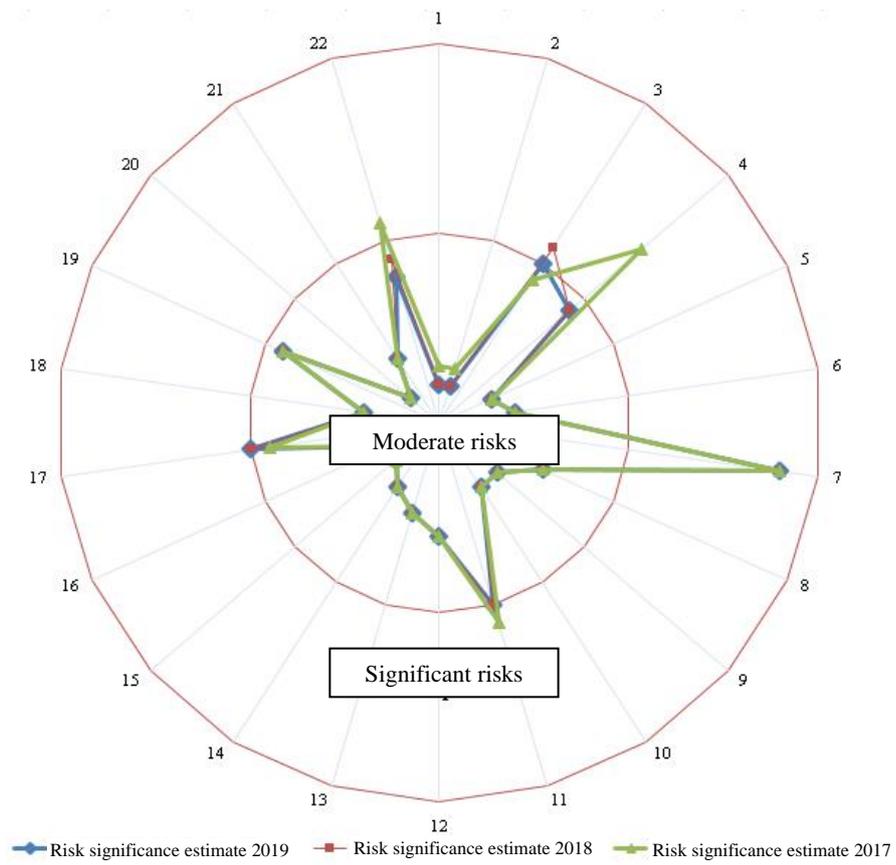
The significance of a risk implies a combination of the risk occurrence probability and the severity of consequences for the Company in monetary or other terms. Risk significance and the respective developments are assessed by taking into account the existing risk datasheets or by expert judgement in accordance with the following scales:

Significance		Trend indicator	
Critical		Risk increased	
Significant		Risk decreased	
Moderate		Risk unchanged against the previous period	

	Risk	2017	2018	2019
Industry risks				
1	Increase in overdue accounts receivable for power transmission services			
2	Decrease in the volume of power transmission services			
3	The risk that the regional authorities may not fully recognize the Company's expenses to be included in the tariff for power transmission services			
4	Non-compliance with the schedule for regulated procurement procedures in the reporting period of the current year			
5	Exceeding the procurement cost established in the Procurement Plan			
6	Lower procurement transparency			
7	Risk of lack of the activities related to power grid renovation (development) in the Investment Programme of the Company			
Country-specific and region-specific risks				
8	Risks inherent in the political and economic situation in the country and in the region			
9	Risks related to possible military conflicts, declaration of a state of emergency and strikes in the country (countries) and regions			
10	Risks related to geographic features and climate of the country and the region			

	Risk	2017	2018	2019
Financial risks				
11	Interest rate risks			
12	Foreign exchange risks			
Compliance risks				
13	Changes in the tax legislation			
14	Appeal against major and interested-party transactions by the Company's shareholders			
15	Changes in licensing requirements			
16	Changes in the court practice			
Reputational risks				
17	Reputational risks			
Strategic risks				
18	Strategic risks			
Company-specific risks				
19	Possible legal proceedings as a result of third parties' default on their obligations to the Company in its core business (power transmission services, technological connection services)			
20	Fines in the area of the antimonopoly legislation of the Russian Federation related to technological connection of consumer receivers			
21	Emergencies at power facilities			
22	Increased expenses for power purchase to compensate for losses			

Risk map



Key risk factors and their significance estimate in 2019, as well as year-on-year changes

Industry risks		
Increase in overdue accounts receivable for power transmission services		
Possible implications	Measures taken	Strategic priorities connection
<p>The risk is related to non-payment for the rendered power transmission services (disputed and non-disputed overdue accounts receivable) by power transmission consumers. The main defaulters are suppliers of last resort, power sales companies and local grid operators. The risk is caused by low efficiency of the new mechanisms for payment discipline improvement both on the retail power market and the market of transmission services, lack of motivation for service consumers to make timely payments. The imperfect mechanisms of the retail power market cause disagreements between power grid companies and electricity sales companies regarding the power and capacity consumption volumes. This entails disputed and overdue receivables for power transmission services, which reduces the Company's liquidity and financial stability. The Company carries out activities to prevent and mitigate the causes of conflicts with consumers, reduce the litigated overdue accounts receivable from power transmission, build the court practice and positive legal precedents. Impact on the level of payment for the power transmission services was made, inter alia, by the change in the power transmission services payment procedure since January 2017, established by Order of the RF Government of 21.12.2016 No.1419, whereby the schedule of payment for the power transmission services by consumers depends on the category of end users of such services. The Company transferred the power transmission consumers to new terms of contract payments regarding the deadlines of payment settlement.</p> <p>Accounts receivable from power transmission tend to decrease. The key defaulters and debtors are: PJSC Arkhenergosbyt (under bankruptcy procedures), LLC TNS energo Veliky Novgorod, JSC TNS energo Karelia, LLC SK Tesla (under bankruptcy procedures), PJSC Vologdaenergosbyt (under bankruptcy procedures), JSC Intaugol (under bankruptcy procedures), LLC Vodokanal (Vorkuta) (under bankruptcy procedures), JSC Murmansk Regional Grid Company, LLC Energotranzit Alfa.</p>	<p>To cover the most significant risk factors, the Company carries out the following activities:</p> <ul style="list-style-type: none"> • Improvement of the interaction with the Bailiff Service at the stage of enforcement procedures and signing cooperation agreements. • Putting forward the issues of inadequate payment discipline for discussion at the meetings of regional interagency commissions for monitoring the situation with settlements for electric power and power transmission services. • Implementation of a set of measures towards the debtors in the state of bankruptcy, including arrangement of the sale of bankrupt entities' receivables. • Full or partial the power consumption restriction mode for direct consumers. • Claims and lawsuits against the consumers violating contractual and legal provisions of payment. • Provision of counter security for immediate execution of the original jurisdiction decisions to reduce the time span for receiving writs of execution. 	<ul style="list-style-type: none"> • Operating expenditure deficit reduction • Business process standardisation and improvement of functional organisation • Increase in labour efficiency <p>Risk changes The risk is not materialised.</p> <p>Accounts receivable (AR) were reduced below the planned indicators of the Company business plan.</p> <ul style="list-style-type: none"> • The planned AR overdue (net of bad debt provision) as of 31.12.2019 recorded in the approved business plan is RUB 1,601 mln. • The actual AR overdue (net of bad debt provision) as of 31.12.2019 was RUB 1,332 mln, which is below the planned level by RUB 269 mln (or 16%). Federal Bailiffs Service of Russia – “Internet office”. <p>To minimise the risk of non-payment, monitor the Company's activities on overdue AR reduction, as well as their efficiency, to improve the procedures of handling AR of the Company, Order of 05.06.2019 No.337 approved and enacted the new Regulations of working with accounts receivable from the services of power transmission on the balance sheet of the Company.</p>
Decrease in the volume of power transmission services		

Possible implications	Measures taken	Strategic priorities connection
<p>General decrease in the power demand.</p> <p>The Company’s area of operations is located in the North-Western Federal District. The largest contribution to the regional GRP after Saint Petersburg and the Leningrad Region is made by the Arkhangelsk Region and the Komi Republic. The lowest GRP is in the Pskov Region.</p> <p>Manufacturing entities prevail in the NWFD industry. The most developed sectors of NWFD include: engineering, metallurgy, chemistry and wood processing. The largest share of manufacturing entities (over 30% of the GRP) is concentrated in the Vologda and the Novgorod Regions. In the Vologda Region, metallurgy and chemistry are developed the most, in the Novgorod Region – chemistry (PJSC Acron). The highest share of mineral extraction in the GRP structure is attributable to the Arkhangelsk Region, as well as the Republic of Komi (coal and oil).</p> <p>In 2018, the power consumption from the Company’s grids reduced by 9.3% year on year, while in the comparable conditions it reduced by 1% net of last mile facilities. In Q4 of 2019, the volume of power consumption from the Company’s grid increased year on year by 1.48%. In 12 months of 2019, the power consumption from the Company’s grid grew against the same period in 2018 by 1.30%.</p> <p>Optimisation of the schemes of external power supply by customers, reduction of power consumption from the unified energy system of Russia, development of their own generating facilities.</p> <p>In order to reduce production costs, large power-intensive industrial enterprises strive to optimise the schemes of external power supply by joining UNPG and build their own power generating facilities. In some cases newly designed industrial facilities rely on their own generation as the main power source. In oil and gas recovery areas, consumers develop the technologies of using associated gas to generate power for their production use.</p>	<p>To minimise the risk, the Company, based on the macroeconomic statistics and behaviour of large consumers, acts to improve the reliability of forecasting the volume of electric power transmission services for pricing and business planning.</p>	<p>Strategic priorities connection</p> <ul style="list-style-type: none"> • Operating expenditure deficit reduction • Ensuring reliable, high-quality and safe power supply to consumers • Business process standardisation and improvement of functional organisation <p>Risk changes</p> <p>The planned volume of power transmission services in 12 months of 2019 amounted to 32,371.4 mln kWh. The actual volume of power transmission services in 12 months of 2019 was 32,326.6 mln kWh, which is 45 mln kWh lower than planned (-0.1%).</p> <p>In 12 months of 2019, the risk of deviation of the power transmission services volume from the business plan target value was materialised on the “Moderate” significance level.</p>
The risk that the regional authorities may not fully recognize the Company’s expenses to be included in the tariff for power transmission services		
Possible implications	Measures taken	Strategic priorities connection
<p>The risk can be caused by restriction of growth in maximum power tariffs set by the federal authorities. This risk implies impossibility of full compensation for the economically feasible expenses of the</p>	<p>The Company’s activities to minimise the risk:</p> <ul style="list-style-type: none"> • Interaction with the regional tariff authorities for the establishment of economically justified tariffs 	<ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction

<p>Company and limited investment of its own funds into the power grid facilities development.</p>	<p>that would compensate for all costs of the Company and ensure required implementation of the Investment Programme;</p> <ul style="list-style-type: none"> • Implementation of a balanced costing policy. 	<ul style="list-style-type: none"> • Arriving at the required level of tariffs to ensure the Company's development <p>Risk changes</p> <p>The risk of deviation of the average tariff for power transmission services from the value used in the business plan.</p> <p>During 2019, there was no revision of the tariffs set and used in business plan calculations, therefore, the reduction of the average tariff for power transmission services was fully conditioned by the changes in the balance structure by voltage levels and consumer groups. On the annual basis, this risk was not materialised, i.e. the actual value of the average tariff exceeds the planned average tariff by 0.05%.</p>
<p>Non-compliance with the schedule for regulated procurement procedures in the reporting period of the current year</p>		
<p>Possible implications</p>	<p>Measures taken</p>	<p>Strategic priorities connection</p>
<p>This risk stems from late provision of technical specifications and draft contracts for the procurement procedures by their initiators, lengthy period for coordination of the draft Procurement Plan and its amendments, and lengthy coordination of unscheduled purchases.</p>	<p>The Company's activities to minimise the risk:</p> <ul style="list-style-type: none"> • Control of the deadlines for submitting technical specifications and draft contracts in order to generate the draft Procurement Plan in a timely manner (including research of the market value of the required goods). • Development of draft technical specifications for design and survey, construction and installation, maintenance and repair based on standard technical specifications. • Control of compliance with the deadlines for preparation of procurement documents set by the regulatory documents. 	<ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction • Digital business transformation • Business process standardisation and improvement of functional organisation • Improving the efficiency of investment activities • Streamlining the inventory and logistics management system and centralisation of procurement activities <p>Risk changes</p> <p>No changes.</p>
<p>Exceeding the procurement cost established in the Procurement Plan</p>		
<p>Possible implications</p>	<p>Measures taken</p>	<p>Strategic priorities connection</p>
<p>The reasons include incorrect calculation of the maximum (initial) procurement cost when developing the Procurement Plan, compiling and adjusting the Procurement Plan without a business plan approved by the Board of Directors (in the scenario conditions for the current and the planned year).</p>	<p>The Company's activities to minimise the risk:</p> <ul style="list-style-type: none"> • Strict compliance with the administrative and regulatory documents regarding the calculation of the maximum (initial) procurement costs by the procurement procedure initiator. 	<ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction • Business process standardisation and improvement of functional organisation

	<ul style="list-style-type: none"> • Rebidding within procurement procedures in accordance with the Single Procurement Standard of PJSC Rosseti (Regulation on Procurement). 	<ul style="list-style-type: none"> • Improving the efficiency of investment activities • Streamlining the inventory and logistics management system and centralisation of procurement activities <p>Risk changes</p> <p>No changes.</p>
Lower procurement transparency		
Possible implications	Measures taken	Strategic priorities connection
<p>The risk is caused by changes in the ratio of the number and methods of procurement compared to the approved Procurement Plan (open tender, open request for proposals, purchase from the sole supplier (contractor, vendor) etc.).</p>	<p>The Company's activities to minimise the risk:</p> <ul style="list-style-type: none"> • Control of strict compliance with the Single Procurement Standard of PJSC Rosseti (Regulation on Procurement). • Control of the feasibility of purchasing from a sole supplier (contractor, vendor). 	<ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction • Business process standardisation and improvement of functional organisation • Improving the efficiency of investment activities • Streamlining the inventory and logistics management system and centralisation of procurement activities <p>Risk changes</p> <p>No changes.</p>
Risk of lack of the activities related to power grid renovation (development) in the Investment Programme of the Company		
Possible implications	Measures taken	Strategic priorities connection
<p>Absence of measures for renovation (development) of power grid facilities in the Investment Programme leads to a decrease in the reliability of power supply to consumers, as well as to delayed performance of technological connection contracts.</p>	<p>The Company's activities to minimise the risk:</p> <ul style="list-style-type: none"> • Interaction with the regional authorities to approve the balanced investment programmes required both to connect new applicants and to maintain the power grids reliability. • Interaction with the authorised executive power tariff regulation bodies with a view to include the costs not compensated through the technological connection fees in the power transmission tariff. 	<ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe power supply to consumers • Arriving at the required level of tariffs to ensure the Company's development • Digital business transformation • Business process standardisation and improvement of functional organisation • Improving the efficiency of investment activities <p>Risk changes</p> <p>The risk is materialised in deviation of the indicator of fixed assets launch from the approved business plan by 22% (RUB 1,399.204 mln); and the implementation of capital investment was</p>

		performed by 16% (RUB 893.174 mln) of the approved business plan.
Country-specific and region-specific risks		
Risks inherent in the political and economic situation in the country and in the region		
Possible implications	Measures taken	Strategic priorities connection
The Company's country-specific and region-specific risks are primarily caused by macroeconomic factors operating at the global level, across the Russian Federation and in certain regions. The crisis in the world economy impacts the volumes of industrial production and power consumption, which leads to a reduction in the Company's revenues.	The influence of macroeconomic risks on the Company's volume of power transmission services and measures to mitigate their consequences are detailed under "Industry Risks".	<ul style="list-style-type: none"> Ensuring reliable, high-quality and safe power supply to consumers
		Risk changes
		No changes.
Risks related to possible military conflicts, declaration of a state of emergency and strikes in the country (countries) and regions		
Possible implications	Measures taken	Strategic priorities connection
The NWFD includes regions that have approximately the same level of social and economic development, but some of those regions border on other countries, including NATO member states, and therefore it is impossible to rule out the probability of internal conflicts, including those involving military force. Besides, it is impossible to completely exclude risks of possible declaration of a state of emergency in the regions where the Company's facilities are located. However, the probability of military conflicts and declaration of a state of emergency in the Company's operations area is insignificant. In case of possible military conflicts or terrorist acts, the Company bears the risks of its fixed assets being disabled.	The Company's activities to minimise the risk: <ul style="list-style-type: none"> Implementation of measures aimed to control the anti-terrorist protection of the Company's power facilities. Organisation of training sessions and briefings on physical protection of the facilities and property of the Company for the employees who work at the power facilities and the security companies. 	<ul style="list-style-type: none"> Ensuring reliable, high-quality and safe power supply to consumers Prevention of an increase in the number of accident victims Increase in labour efficiency
		Risk changes
		No changes.
Risks related to geographic features and climate of the country and the region		
Possible implications	Measures taken	Strategic priorities connection
The Company operates in a vast territory with two climate zones (subarctic and temperate zones). There is a possibility of natural disasters (hurricanes, torrential rains, floods, icy rains, etc.), which may entail disruptions of power supply and transport connection. The Company assesses the risks related to increased hazard of natural disasters as minimal.	Detailed information on operational and technical risk management and measures aimed at timely mitigation of the consequences of natural disasters is provided under "Company-specific risks".	<ul style="list-style-type: none"> Ensuring reliable, high-quality and safe power supply to consumers Prevention of an increase in the number of accident victims
		Risk changes
		No changes.
Financial risks		
Interest rate risks		
Possible implications	Measures taken	Strategic priorities connection
		<ul style="list-style-type: none"> Digital business transformation

<p>Growth in interest rates may have a significant impact on the Company's financial and economic performance, as the Company uses borrowed funds in its operations.</p> <p>Due to multiple decreases in the Bank of Russia's key rate in 2019, interest rates for the newly attracted loans and loan indebtedness decreased.</p> <p>The weighted average credit portfolio rate as of 31.12.2019 decreased against the beginning of the year by 0.31 annual percentage points to 7.35%.</p>	<p>In case the interest rates grow, the Company is to diversify its credit portfolio by credit product, bank and credit period.</p>	<ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction <p>Risk changes</p> <p>No changes</p>
Foreign exchange risks		
<p>Possible implications</p> <p>Increase in the exchange rate of major world currencies does not produce any considerable impact on the financial state of the Company. In its both income- and expenses-related operations, PJSC IDGC of the North-West performs settlements with its contractors only in the national currency. The Company has no direct contracts involving settlements in foreign currencies. However, implementation of some projects within the Repair and Investment Programmes involves the use of foreign-made equipment.</p> <p>Increase in the exchange rate of major world currencies results in a rise in the price for such equipment and the project on the whole.</p>	<p>Measures taken</p> <p>In order to reduce the risk of influence of higher exchange rates of the world currencies, the Company is considering the possibility of replacing foreign-made equipment used in these projects for its analogues produced in Russia.</p>	<p>Strategic priorities connection</p> <ul style="list-style-type: none"> • Digital business transformation • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction <p>Risk changes</p> <p>No changes</p>
Compliance risks		
Changes in the tax legislation		
<p>Possible implications</p> <p>The practice of the tax legislation enforcement is often unclear and contradictory, which creates significant tax risks.</p> <p>Changes in the tax legislation in terms of increase of the tax burden (changes in tax rates, procedures and timeframe for tax calculation and payment, introduction of new types of taxes) may lead to a decrease in the Company's net profit, which, in its turn, will result in a decrease in dividend paid.</p>	<p>Measures taken</p> <p>In case of reduction in the tax rates by the Government of the Russian Federation and cancellation of certain taxes and fees, this will positively influence the Company's performance.</p> <p>In case of changes in the tax legislation, the Company intends to plan its financial and economic activities on the basis of such changes.</p>	<p>Strategic priorities connection</p> <ul style="list-style-type: none"> • Digital business transformation • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction <p>Risk changes</p> <p>No changes</p>
Appeal against major and interested-party transactions by the Company's shareholders		
<p>Possible implications</p> <p>Such risks involve cases when major and interested-party transactions are appealed against by the Company shareholders (when they are concluded without the approval by the Company's Board of Directors or the General Shareholders' Meeting in</p>	<p>Measures taken</p> <p>Activities to minimise the risk:</p> <ul style="list-style-type: none"> • The contract procedures involve mandatory preliminary legal analysis of potential transactions to identify the existence of grounds for conducting appropriate corporate procedures required by the 	<p>Strategic priorities connection</p> <ul style="list-style-type: none"> • Operating expenditure deficit reduction <p>Risk changes</p> <p>No changes</p>

accordance with the procedure stipulated by the effective legislation or approved with violations of the due procedures).	legislation of the Russian Federation and/or the Company Charter.	
Changes in licensing requirements		
Possible implications	Measures taken	Strategic priorities connection
Currently there are no risks related to changes in the requirements for licensing the Company's core activities, or rights of use of the facilities that are limited in circulation (including natural resources), except for cases if the Company is not able to meet the requirements set for renewal of a license or activity subject to licensing.	In case the requirements for licensing are changed, the Company will take all necessary measures to obtain appropriate licenses and permits. In the reporting period, as of 31.12.2019, the Company was not under the risk of inability to renew its license for a certain activity or rights of use of the facilities that are limited in circulation in terms of the environmental legislation compliance.	<ul style="list-style-type: none"> • Digital business transformation • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction
		Risk changes
		No changes
Changes in the court practice		
Possible implications	Measures taken	Strategic priorities connection
In the Russian Federation, precedents established by relevant judicial acts are not qualified as sources of law, and therefore the judicial practice in certain categories of cases cannot materially influence the Company's performance. Changes in the judicial practice are predominantly related to changes in the legislation. It is impossible to assess the risks inherent in legislation changes.	In case of significant changes in the judicial practice in the area of the Company's operations, the Company intends to plan its financial and business operations taking into account such changes.	<ul style="list-style-type: none"> • Digital business transformation • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction
		Risk changes
		No changes
Reputational risks		
Possible implications	Measures taken	Strategic priorities connection
The Company carries out its activities so as to completely fulfil its obligations to customers and contractors. It is permanently working to maintain the reliability and seamless power supply to its consumers, improve the quality of services rendered and enhance its client focus – to achieve the goals set by the Power Grid Facilities Development Strategy.	The Company is a natural monopoly, and therefore a significant outflow of customers and contractors, as well as a decrease in the volume of rendered services due to an impact of negative reputational factors are unlikely.	<ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction • Arriving at the required level of tariffs to ensure the Company's development • Digital business transformation. • Non-tariff services development and increase in revenue from their sales • Improving the efficiency of investment activities
		Risk changes
		No changes.
Strategic risks		
Possible implications	Measures taken	Strategic priorities connection

<p>Prospective areas for long-term development of the power industry in general as a key industry are determined by the state. The Power Grid Facilities Development Strategy of the Russian Federation was approved subject to Order of the Government of the Russian Federation of 03 April 2013 No.511r. The Strategy of PJSC Rosseti is reflected in the Long-Term Development Programme (approved by Decision of the Board of Directors of PJSC Rosseti dated 19.12.2014 – Minutes of 22.12.2014 No.174).</p>	<ul style="list-style-type: none"> • Control over compliance with decisions and orders of external bodies / superior organisations / management of the Company. • Increasing the efficiency of the Company’s management by complying with the requirements of PJSC Rosseti at all levels, including compliance with the terms and scenario conditions while generating the Company’s business plans, continuous control and monitoring of their implementation. 	<ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction • Arriving at the required level of tariffs to ensure the Company’s development • Digital business transformation. • Non-tariff services development and increase in revenue from their sales • Improving the efficiency of investment activities <p>Risk changes</p> <p>No changes.</p>
<p>Company-specific risks</p>		
<p>Possible legal proceedings as a result of third parties’ default on their obligations to the Company in its core business (power transmission services, technological connection services)</p>		
<p>Possible implications</p>	<p>Measures taken</p>	<p>Strategic priorities connection</p>
<p>There can be risks related to legal proceedings as a result of third parties’ default on their contractual obligations to the Company in its core activities (power transmission services, technological connection services), including those resulting from the current economic situation.</p>	<p>The legal position on significant lawsuits is developed for the Company as a whole and is subject to due approval. In the course of the approval procedure, the Company defines, among others, the issues related to the required evidence base. When developing its legal position, the Company takes into account the current judicial practice on controversial issues.</p> <p>The Company makes necessary efforts (pre-trial settlement of disputes, appropriate negotiations) to minimise the above risks and possible property damage for the Company.</p>	<ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe power supply to consumers • Operating expenditure deficit reduction • Business process standardisation and improvement of functional organisation <p>Risk changes</p> <p>No changes.</p>
<p>Fines in the area of the antimonopoly legislation of the Russian Federation related to technological connection of consumer receivers</p>		
<p>Possible implications</p>	<p>Measures taken</p>	<p>Strategic priorities connection</p>
<p>A fine does not exempt the Company from fulfilling its obligations on technological connection of applicants. Fulfilment of the Company’s obligations is possible through reduction of the Investment Programme aimed at improved reliability as a result of reallocation of the funds for technological connection or through increase of borrowed funds to perform technological connection for the applicants.</p>	<p>The Company’s activities to minimise the risk:</p> <ul style="list-style-type: none"> • Monitoring troubled contracts and consumer complaints with subsequent pre-trial settlement of the issues. • Control of compliance with the effective legislation regulating technological connection activities, namely: • a) preparation and submission of contracts to applicants; 	<ul style="list-style-type: none"> • Operating expenditure deficit reduction • Business process standardisation and improvement of functional organisation <p>Risk changes</p> <p>No changes.</p>

	<ul style="list-style-type: none"> b) control of fulfilment of the obligations undertaken by the Company in respect of the technological connection. Monitoring the current legislation of the Russian Federation and the judicial practice. Submission of proposals on amendments to the effective legislation of the Russian Federation regulating technological connection activities. 	
Emergencies at power facilities		
Possible implications	Measures taken	Strategic priorities connection
Risk of power facilities emergencies caused by adverse natural phenomena (hurricane wind, heavy snow, ice, low air temperatures) due to geographic and climatic characteristics of the North-Western region of the country.	<p>The Company's activities to minimise the risk:</p> <ul style="list-style-type: none"> Engineering power facilities with account of the nature of the regional climate and geography. Implementation of the programme of insurance of the power distribution facilities against natural disasters. 	<ul style="list-style-type: none"> Ensuring reliable, high-quality and safe power supply to consumers Business process standardisation and improvement of functional organisation Prevention of an increase in the number of accident victims
		Risk changes
		No changes.
Increased expenses for power purchase to compensate for losses		
Possible implications	Measures taken	Strategic priorities connection
Power losses can be classified into "technological losses" and "commercial losses". The definition of "technological power losses" is set by Order of the RF Ministry of Energy of 30.12.2008 No.326 "On organisation in the Russian Federation Ministry of Energy of works on approving the standards for technological power losses in transmission via power grids". The collective term "commercial power losses" is not currently stipulated by the legislation, but it is found in regulatory and technical documents in the industry. The commercial losses are conventionally defined as the difference between the reported and technical losses, where the "technical power losses" are considered as all "technological power consumption for its transport via power grids determined by calculation". The technical power losses can be calculated on the basis of electric engineering laws, the tolerable deviations of metering devices – on the basis of their metrological characteristics, and the own consumption of substations – by meter readings. Commercial losses are impossible to measure instrumentally or calculate using specific formulae. They are estimated	<p>To minimise the risk of losses growth, the Company carries out diagnostics of electric power balances and identifies the factors which can cause increase in losses.</p> <p>Such factors include:</p> <ul style="list-style-type: none"> Increase in the number of undocumented consumption cases; Misrepresentation of the metering and payment data by power retail companies; Lack of communal meters; Purchase of grid assets. <p>To minimise the risk of growth in the power losses and power purchase to compensate for losses, the following measures are planned and implemented:</p> <ul style="list-style-type: none"> Implementation of the programmes on power saving and energy efficiency, including the programmes of measures to reduce power losses 	<ul style="list-style-type: none"> Operating expenditure deficit reduction Business process standardisation and improvement of functional organisation Improving the efficiency of investment activities
		Risk changes
		No changes (not materialised) The risk of increase in expenses for power purchase to compensate for losses depends on two factors: the growth in the volume of losses and the rise in the price for power purchase. The Company is unable to influence the risk of growth in price for purchasing power needed to compensate for losses.

<p>mathematically as the difference between the actual and the technological power losses and are not to be included in the power losses standards. The costs related to them are not set off by the tariff regulation. Power losses attributed to the commercial category largely consist in power consumption which is undocumented for various reasons. Therefore, it is not recorded as output from grid and no consumers are charged for it.</p> <p>In accordance with the current legislation, grid operators are obliged to pay for the actual losses of power arising in their grid facilities, including, therefore, the commercial losses. Commercial power losses, unlike the technological ones, constitute direct financial loss for the grid companies. Being, on the one hand, a cause of cash expenditure for the grid company, they are also its loss of expected profit due to unpaid power transmission. Therefore, the Company, more than any other players of the power market, is interested in the most accurate power metering and estimation of its volumes at the points of delivery on the boundaries of its inventory responsibility.</p> <p>The imperfection of the legal framework, lack of direct power supply contracts with the customers, insufficient financing and impossibility to significantly increase the headcount of power consumption inspectors reduce the Company's ability to identify and eliminate the causes of commercial power losses.</p>	<p>and long-term development of power metering systems;</p> <ul style="list-style-type: none"> • Carrying out patrol inspections to identify unrecorded power consumption; • Restriction of power consumption by the consumers violating their obligations; • Control of the data on the losses volumes and power prices applied by power suppliers of last resort in calculation of the power losses costs; • Implementation of a single automated information system of power transport in PJSC IDGC of the North-West (contract No.283/548/16 of 12.08.2016). 	
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Internal control system

The Internal Control System of the Company (hereinafter – the ICS) is an element of the Company’s overall governance system designed to ensure reasonable guarantees of goal achievement in the following areas:

- efficiency and high performance of the Company, including achievement of the financial and operational indicators, as well as safety of the Company assets;
- compliance with the applicable legislation and Company regulations, particularly in the course of economic operations and accounting;
- ensuring reliable and timely accounting (financial) and other reporting.

The ICS covers all the aspects of the Company’s business, control procedures are performed on an ongoing basis across all the Company’s processes (areas of activities) on all the management levels.

To implement the Development and Improvement Strategy of the ICS of PJSC Rosseti and its S&A approved by the Board of Directors of PJSC Rosseti on 10.02.2014 (Minutes No.143), the Company, under Decision of the Board of Directors of 29.02.2016 (Minutes No.197/12), approved the Internal Control Policy of PJSC IDGC of the North-West (the new version). The Internal Control Policy stipulates the aims, principles of functioning and elements of the Company ICS, key functions and responsibilities of the ICS participants, as well as procedures for assessment of the ICS efficiency.

The Company implements the Procedures for Internal Control Policy requirements implementation outlining the pragmatic aspects of applying the rules of the Internal Control Policy.

Participants⁶⁶ of the internal control process, in accordance with the Internal Control Policy approved by PJSC IDGC of the North-West Board of Directors on 29.02.2016 (Minutes No.197/12) include:

- Audit Commission of the Company;
- Board of Directors of the Company;
- Audit Committee of the Board of Directors of the Company;
- Other committees of the Company Board of Directors;
- Executive bodies (Management Board of the Company, General Director of the Company);
- Collective task forces created by the executive bodies of the Company (commissions, working groups etc.);
- Heads of divisions and structural units of the Company;
- Employees of the structural units of the Company performing control procedures as part of their job duties;
- Internal Control Unit;
- Internal Audit Unit.

The roles of the internal control contributors are allocated depending on their participation in the respective internal control process stages.

The ICS improvement and performance of control procedures are based on efficient and aligned interaction of all contributors to the internal control process on all management levels.

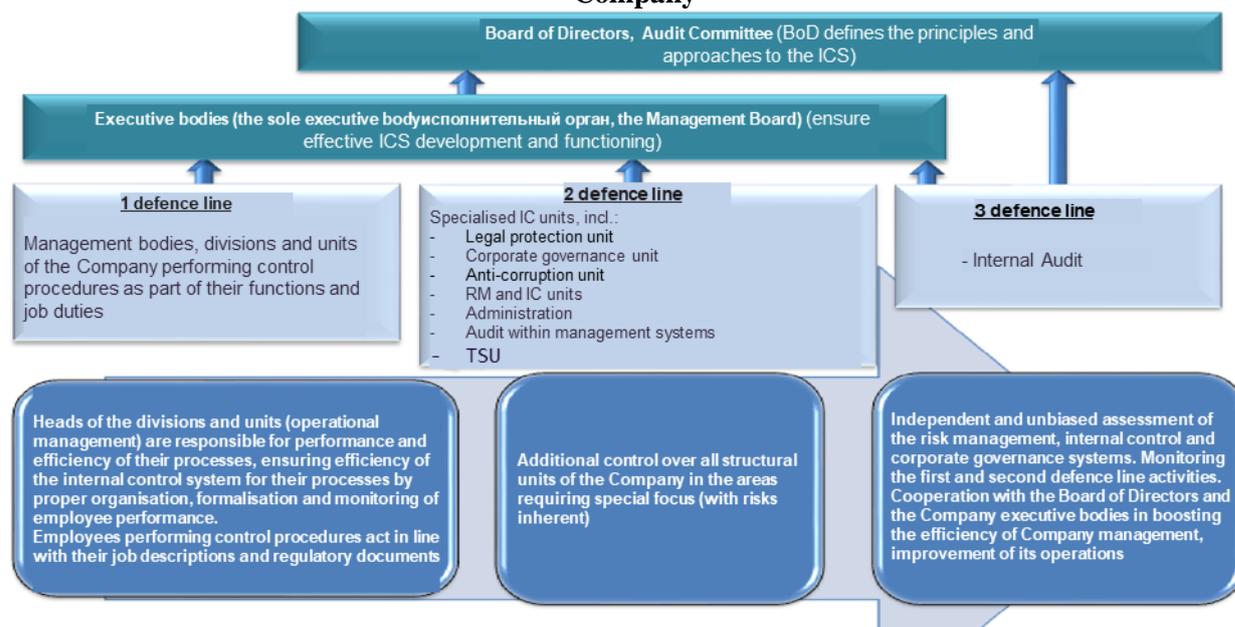
The responsibilities in this case should be divided, each control function should be assigned to one participant of the internal control process.

⁶⁶ Description of the internal control contributors is shown in Annex 28 to the Annual Report.

The **Internal Control System** of the Company functions in line with the “three defence lines” model. The model stipulates internal control implementation at the Company on three levels (Chart 1):

- on the level of management bodies, divisions and units of the Company performing control procedures as part of their functions and job duties – the first defence line;
- on the level of the Company’s control units – the second defence line;
- on the level of the Internal Audit Department – the third defence line.

Chart 1. Key functions of the three defence lines and interaction with the management bodies of the Company



Control procedures regarding the core, managing and supporting processes and sub-processes of the Company are documented in matrices of control and risk by areas of activity.

In line with the Company Board of Directors Decision of 25.09.2019 (Minutes No. 332/9), the Company issued Order of 19.11.2019 No.717r “On approval of an activity plan to maintain and develop the ICS of PJSC IDGC of the North-West”, under which the plan to maintain and develop the Internal Control System of PJSC IDGC of the North-West was approved and implemented regarding the activities with the deadline before the end of 2019.

Assessment of ICS performance

To ensure that the ICS is efficient and complies with the changing objective requirements and conditions, the external and internal auditors of the Company carry out assessment of the ICS efficiency, its conformity to the target state and maturity level.

External independent assessment of the internal control system as of 31.03.2019 was carried out by a Joint Participant: the leader of the Joint Participant – LLC Ernst & Young Valuation and Advisory Services and a member of the Joint Participant – LLC RSM RUS.

Assessment of the efficiency of the Company’s internal control system

Assessment criteria	Overall efficiency assessment			
	1	2	3	4
Control environment				
Risk assessment				
Control activities				
Information and communication				
Monitoring				

1- **“Inefficient”**. The ICS component (element) does not meet some of the requirements to the “moderately efficient” score.

2- **“Moderately efficient”**. The criteria are:

- The element is implemented and functioning;
- The element is aligned with other ICS elements;

While complying with these criteria, the ICS element has significant drawbacks and limitations or is not sufficiently integrated with other ICS elements.

3- **“Efficient”**. The criteria are: the element meets all the criteria to the “moderately efficient” score and, moreover, the following ones:

- Fully implemented and functioning as designed;
- The efficiency of the element is assessed and enhanced;
- It is automated to a certain extent, requires reasonable labour intensity.

While complying with these criteria, the ICS element can have some drawbacks.

4- **“Best practice”**. The criteria are: the element meets all the criteria to the “efficient” score and, moreover, the following ones:

- Complies with the best practices, no drawbacks are found;
- Is automated, based on minimum labour intensity.

According to the above external assessment, the overall performance of the Company internal control is estimated as “Efficient”.

The merits of the ICS, according to the analysis, included high level of control environment organisation (internal control regulatory and methodological guidelines are introduced, the Company management pays considerable attention to control issues, personnel is trained in risk management and internal control, regular monitoring is carried out, as well as internal control efficiency assessment). The ICS meets the regulatory requirements on internal control, the requirements of the trading facilities, directives and methodological instructions of the federal authorities.

The drawbacks include low automation of the control and risk management procedures, incomplete KPIs regarding the business project targets, as well as lack of integration of fraud and corruption risk management in the Company’s business processes.

Proceeding from recommendations of the external independent assessment, the Company developed and approved an activity plan to maintain and develop the efficiency of the internal control system of the Company for 2019-2022.

Under the activity plan to maintain and develop the efficiency of the internal control system of PJSC IDGC of the North-West, in 2019 the following measures were taken:

1. To adjust to the current situation and the best practices of the Company’s mission, values and aims, in accordance PJSC Rosseti standards, p. 1 of the set of measures, under Order of 19.11.2019 No.714r, on 23.11.2019 a strategic meeting was held with the top management of the Company; under Order of 13.12.2019 No.815r, from 19.12.2019 to 21.12.2019, the top management, Internal Audit Department, Department for Internal Control, Risk Management and Quality Management of the Company took part in the training session held by LLC Ernst & Young Valuation and Advisory Services “Efficient communication of internal audit and internal control in the context of growing expectations of stakeholders”, including the workshop “Defining areas of growth for risk management, internal control and internal audit of PJSC IDGC of the North-West on the basis of best practices of power grid companies”.

2. To implement p. 1.3.1 of the plan on adjustment and upgrade (if necessary) the internal regulatory documents of the Company on the governance system (including the management model used, requirements to process regulation and description etc.), under the requirements of PJSC Rosseti standards, Order 718r of 19.11.2019 approved a model of the Company’s business processes and management systems of the Company.

3. To implement p. 2.1.1 of the plan of activities for the Strategy Committee of the Company Board of Directors to work out and put forward proposals on improvement of the risk management

system for the consideration of the Board of Directors of 04.12.2019, Minutes No.8, a plan of activities for improvement of the risk management system of the Company was approved by the Board of Directors of the Company on 31.12.2019 No.344/21.

All the items of the activity plan were implemented within the due deadlines.

Internal independent assessment of the ICS efficiency was carried out by the internal auditor of the Company. ICS efficiency in 2019 was considered by the Board of Directors meeting (Minutes of _____ No. _) upon preliminary discussion of the issue by the Audit Committee of the Board of Directors (Minutes of 30.03.2020 No.14). According to the above decisions, the ICS maturity level was estimated as “Optimal”, in 2018 it was deemed to be “Optimal”, in 2017 between “Moderate” and “Optimal”, and in 2016 the ICS maturity was assessed as “Moderate”.

ICS maturity level

	2016	2017	2018	2019
High				
Optimal				
Moderate				
Satisfactory				
Basic				
Zero				

In the reporting year, the Company carried out the following key measures to improve the ICS:

1. It defined the need for development and implementation of measures to improve control procedures and business process matrices subject to self-assessment of the business process performance, which resulted in an upgrade and approval of control and risk matrices in 11 areas of the Company’s activities.
2. It approved an activity plan to maintain the efficiency and develop the internal control system of PJSC IDGC of the North-West for 2019-2022.
3. To implement the activity plan to maintain the efficiency of the risk management and internal control systems in the Rosseti Group, working groups were set up. Under Order of PJSC Rosseti of 28.10.2019 No.431r, working groups in the business areas “Development of a standard for business process modelling and building a system of process indicators (metrics)”, “Development of proposals for communication improvement”, “Development of standard requirements to automation of business process control procedures” included representatives of the Department for Internal Control, Risk Management and Quality Management of the Company.
4. The working group activities on development of standard requirements to automation of business process control procedures resulted in draft standard requirements to automation of business process control procedures.
5. In 19.12.2019–21.12.2019, the top management, Internal Audit Department, Department for Internal Control, Risk Management and Quality Management of the Company took part in the training session held by LLC Ernst & Young Valuation and Advisory Services “Efficient communication of internal audit and internal control in the context of growing expectations of stakeholders”, including the workshop “Defining areas of growth for risk management, internal control and internal audit of PJSC IDGC of the North-West on the basis of best practices of power grid companies”. On 23.11.2019, a strategic meeting was held with the top management of the Company aimed to develop the managerial competencies in the area of strategic programmes implementation of PJSC IDGC of the North-West and the risk management function of the Company in order to achieve a better compliance with the efficiency criteria for the risk management and internal control system.
6. Subject to decision of the Quality Council of the Company, a model of business processes and management systems was approved.

7. To minimise the risk of growth in operating expenses and failure to receive net profit, the Company approved a roadmap – an activity plan of the Company to ensure break-even power transmission services rendering operations, as well as compliance of the operating expenses with the level stipulated in the tariff and balance decisions, by each branch of the Company, starting 2019. The number of unfulfilled activities due in the reporting period = 0.

8. To streamline the process of defining business goals taking into account strategic priorities by the Company management, as well as goal management aimed at enhancing the quality of their setting and implementation, a regulation on goal-setting was worked out and introduced.

9. The Board of Directors approved an Operational Efficiency Improvement and Cost Reduction Programme for 2019.

10. Guidelines on the procedures of defining the risk appetite for the Company were approved and enacted.

Internal audit

The unit responsible for the internal audit implementation at the Company is the Internal Audit Department.

Internal Audit is functionally subordinate to the Company Board of Directors, which means that the Board of Directors controls and organises the activities of the Internal Audit unit, including approval of the Internal Audit action plan, report on the implementation of the Internal Audit action plan and the budget of the Internal Audit unit, endorsement of the decisions on appointment, dismissal, as well as remuneration of the head of the Internal Audit Department.

The purpose of the Internal Audit Department is to assist the Board of Directors and executive bodies of the Company in enhancing the efficiency of the Company management, improvement of its financial and business activities, implementing systemic and consistent approach to analysis and assessment of the systems of risk management, internal control and corporate governance as instruments to guarantee reasonable assurance that the Company will achieve its goals.

Aims and objectives, key principles of organisation and functioning of the internal audit, functions and authorities of the Internal Audit Department are stipulated by the Internal Audit Policy of PJSC IDGC of the North-West (new version), approved by the Board of Directors on 29.02.2016, Minutes of the meeting of the Board of Directors of PJSC IDGC of the North-West No.197/12.

The Company approved the standards of the internal audit activities and practical applications developed on the basis of the International Standards for the Professional Practice of Internal Auditing, including:

- the Internal Audit Policy of the Company and the Code of Ethics for Internal Auditors, approved by Decision of the Board of Directors of 29.02.2016 (Minutes No. 197/12);

- the Regulation on the Internal Audit Department of PJSC IDGC of the North-West, approved by Decision of the Company Board of Directors of 21.11.2016 (Minutes No. 223/14);

- the Programme for Internal Audit Quality Assurance and Improvement, approved by Decision of the Company Board of Directors of 22.12.2016 (Minutes No. 225/16); etc.

Feedback is received from the Audit Committee by the Head of the Internal Audit in a variety of forms in the course of interaction with the Audit Committee, including analysis of the decisions/recommendations of the Audit Committee on issues within the competence of the Internal Audit, as well as polling members of the Audit Committee.

The satisfaction of the Audit Committee of the Company Board of Directors with the performance of the Internal Audit in 2019 is assessed as 1.1 points (“complies with reservations”). The quality assessment was conducted in line with the Programme of Internal Audit Quality

Assurance and Improvement of the Company approved by the Company Board of Directors on 22.12.2016 (Minutes No. 225/16).

In 2019, an external independent assessment of the Internal Audit activities of the Company was carried out. In accordance with the Conclusion on compliance with the internal audit standards, JSC KPMG believes that as of November 2019, the organisation and performance of the Internal Audit of the Company generally complies with the Internal Audit Standards and the Code of Ethics developed by the Institute of Internal Auditors, as well as Internal Audit Policy of the Company. At the same time, JSC KPMG issued recommendations on improvement of the internal audit performance of the Company.

The results of the assessment were considered by the Audit Committee of the Company Board of Directors on 19.12.2019 (Minutes No.10) and the Board of Directors of the Company on 04.02.2020 (Minutes No.349/26).

The action plan to develop and improve the internal audit activities of the Company for the period from 2017 to 2019 developed on the basis of the recommendations provided by the Audit Committee of the Board of Directors was fully completed.

In 2019, the headcount of the Internal Audit function was 7 persons.

Compliance service

The Company's anti-corruption activities are improved and designed to boost the efficiency of anti-corruption measures stipulated by the law.

Under the provisions of p.1 Part 2 Article 13.3 of the law on anti-corruption measures, the Company created a structural unit responsible for prevention of corruption and other violations. According to the organisational structure approved by Decision of the Board of Directors of 19.07.2016 (Minutes No.214/5), such unit is the Anti-Corruption Compliance Procedures Unit of the Security Department (hereinafter – ACCP).

In 2019, the headcount of the Anti-Corruption Compliance Procedures Unit did not change (3 persons).

The ACCP functions include:

- drafting organisational and administrative documents aimed at implementation of corruption prevention measures and their submission to the Company's General Director for approval;
- organisation of implementing control activities to identify corruption-related offenses committed by the Company's employees;
- receipt and review of messages on inducing employees to corruption offences in the interests or on behalf of a third-party entity, as well as on corruption offenses committed by the Company's employees, contractors or other parties;
- arranging for the Company's employees to fill in declarations on conflict of interests, property, income and property-related obligations, and studying them;
- organising individual consultations for the Company's employees on corruption prevention and counteraction issues;
- assisting authorised representatives of control and supervision bodies and law enforcement authorities during their audits of the Company's activities related to corruption control and prevention;
- assisting authorised representatives of law enforcement authorities during implementation of measures aimed to prevent and investigate corruption offenses;
- assessment of the results of anti-corruption measures and preparing relevant reports for the Company's management.

Audit Commission

The Audit Commission of the Company controls the Company's financial and business activities. The Audit Commission is elected by the General Shareholders' Meeting for the period until the next Annual General Shareholders' Meeting.

The headcount of the Audit Commission of the Company is stipulated by the Charter as five persons.

In 2019, there were two compositions of the Audit Commission, 5 meetings were held.

In the period from 07.06.2018 to 14.06.2019, the Audit Commission of the Company comprised the following persons: M.A.Lelekova, S.A.Kim, A.N.Kirillov, E.S.Erandina, E.A.Kabizskina.

The composition of the Audit Commission elected at the Annual General Shareholders' Meeting of 14.06.2019, is as follows:

<p>Lelekova Marina Alexeevna</p> <p>Chairperson of the Audit Commission</p> <p>First elected to the Audit Commission of the Company: 21.06.2013</p>	<p>Born in 1961. Graduated from the Far-Eastern Institute of Soviet Trade with the qualification of Economist.</p> <p><u>Professional experience:</u> 2008-2009 – Head of the Financial Control and Internal Audit Directorate of PJSC FGC UES. 2009-2013 – Head of the Control and Audit Department of PJSC FGC UES. 2013-2015 – Head of the Internal Audit and Control Department of PJSC Rosseti. 2015-2019 – Director of the Department for Control Activities / Department for Control and Auditing Activities of PJSC Rosseti. 2019 – present – Director of the Department for Internal Control and Risk Management of PJSC Rosseti.</p> <p>Owned no shares of PJSC IDGC of the North-West in 2019. Did not enter into any transactions with the Company's securities in 2019.</p>
<p>Kim Svetlana Anatolievna</p> <p>First elected to the Audit Commission of the Company: 13.07.2017</p>	<p>Born in 1981. Graduated from Moscow State University of Railway Engineering in 2004 with the qualification of Expert in Commerce.</p> <p><u>Professional experience:</u> 2010-2013 – Head of the Investment Control at the Department for Control and Audit of PJSC FGC UES. 2013-2019 – Head of the Audit Unit of the Department for Control and Auditing Activities of PJSC Rosseti. 2019 – present – Head of the Supervisory Unit of the Department for Internal Control and Risk Management of PJSC Rosseti.</p> <p>Owned no shares of PJSC IDGC of the North-West in 2019. Did not enter into any transactions with the Company's securities in 2019.</p>
<p>Kabizskina Elena Aleksandrovna</p> <p>First elected to the Audit Commission of the Company: 23.06.2015</p>	<p>Born in 1964. In 2004, graduated from the Far Eastern State Technical Fisheries University with the qualification of Engineer-Economist. In 2006, graduated from the State University of Management with the qualification of Economist.</p> <p><u>Professional experience:</u> 2013-2014 – Head of the Methodological Support Unit of the Internal Audit Department of OJSC MOESK.</p>

	<p>2014-2019 – Deputy Head of the Audit Unit of the Department for Control and Auditing Activities of PJSC Rosseti.</p> <p>2019 – present – Head Expert of the Supervisory Unit of the Department for Internal Control and Risk Management of PJSC Rosseti.</p> <p>Owned no shares of PJSC IDGC of the North-West in 2019. Did not enter into any transactions with the Company’s securities in 2019.</p>
<p>Kirillov Artem Nikolaevich</p> <p>First elected to the Audit Commission of the Company: 12.03.2014</p>	<p>Born in 1984.</p> <p>Graduated from Moscow Power Engineering Institute with the qualification of Engineer in 2008.</p> <p><u>Professional experience:</u></p> <p>2013-2015 – Head of the Investment Audit Function, Audit Activities and Internal Audit Unit, Internal Audit and Control Department of PJSC Rosseti.</p> <p>2015-2019 – Deputy Head of the Audit Activities Unit, Department for Control Activities / Department for Control and Auditing Activities of PJSC Rosseti.</p> <p>2019 – present – Deputy Head of the Supervisory Unit of the Department for Internal Control and Risk Management of PJSC Rosseti.</p> <p>Owned no shares of PJSC IDGC of the North-West in 2019. Did not enter into any transactions with the Company’s securities in 2019.</p>
<p>Barmina Ekaterina Aleksandrovna</p> <p>First elected to the Audit Commission of the Company: not elected</p>	<p>Born in 1984.</p> <p>Education: higher.</p> <p>Astrakhan State Technical University (graduated in 2004) with the qualification of IT systems engineer in economy.</p> <p>Astrakhan State Technical University (graduated in 2006) with the qualification of PhD in Technical Sciences, management in social and economic systems.</p> <p>Astrakhan State University of Architecture and Civil Engineering (graduated in 2019) with the master’s degree in heat power and thermal engineering .</p> <p><u>Professional experience:</u></p> <p>2014-2015 – Head of the Internal Audit and Control Sector of JSC REC IDGC / JSC TCC.</p> <p>2015 – Head Expert of the Control and Expert Unit of the Department for Control and Auditing Activities of PJSC Rosseti.</p> <p>2016-2018 – Head Expert of the Methodology and Internal Audit and Control Unit of PJSC MOESK</p> <p>2018-2019 – Head Expert of the Control and Expert Unit of the Department for Control and Auditing Activities of PJSC Rosseti.</p> <p>2019 – present – Head Expert of the Department for Internal Control and Risk Management of PJSC Rosseti.</p> <p>Owned no shares of PJSC IDGC of the North-West in 2019. Did not enter into any transactions with the Company’s securities in 2019.</p>

Performance results in the reporting year

Information on the key decisions made at the meetings of the Audit Commission in 2019:
– 06.03.2019 (Minutes No.2) – approve the Programme of the financial and operations audit of the Company for 2018.

- 06.03.2019 (Minutes No.2) – invite professionals (experts) to contribute to the financial and operations audit in the areas relevant to the respective objects of audit, including specialised entities.
- 06.03.2019 (Minutes No.2) – assign responsibilities to members of the Audit Commission and the invited experts for the items subject to the financial and operations audit of the Company for 2018.
- 20.04.2019 (Minutes No.3) – review and approve the Findings of the Audit Commission of PJSC IDGC of the North-West.
- 28.05.2019 (Minutes No.4) – review and respond to the letters from the Deputy General Director for Corporate Governance of PJSC IDGC of the North-West of 27.05.2019.
- 13.06.2019 (Minutes No.5) – review and approve the Certificate of the Audit Commission presenting the findings of the financial and operations audit of PJSC IDGC of the North-West for 2018.
- 21.06.2019 (Minutes No.1) – elect Lelekova Marina Alexeevna, Director of the Department for Control and Auditing Activities of PJSC Rosseti, as Chairperson of the Audit Commission of the Company.
- 21.06.2019 (Minutes No.1) – elect Kim Svetlana Anatolievna, Head of the Audit Unit of the Department for Control and Auditing Activities of PJSC Rosseti, as the Secretary of the Audit Commission of the Company.
- 21.06.2019 (Minutes No.1) – approve the action plan for the Audit Commission of PJSC IDGC of the North-West for 2019-2020.

Remuneration paid to the Audit Commission

According to the Regulation on the remuneration and compensation payment to members of the Audit Commission of the Company⁶⁷ (hereinafter – the Regulation), remuneration to members of the Audit Commission of the Company depends on their participation in the Audit Commission activities in the previous corporate year and the fixed amount of remuneration. The fixed amount of remuneration is defined on the basis of the Company’s revenue estimated under the RAS in the last financial year. The rate of participation of an Audit Commission member in its activities depends on the number of calendar days in the corporate year when the duties of the Audit Commission member were performed and the personal participation rate.

The personal participation rate is identified by the Chairperson of the Audit Commission for each member of the Audit Commission and reflects their contribution to the meetings of the Audit Commission, as well as performance of additional responsibilities as the Chairperson or the Secretary of the Audit Commission.

Remuneration is paid at the end of the corporate year. Under the Regulation, the corporate year is the period from the election of the persons to the Audit Commission at the General Shareholders’ Meeting of the Company till the next General Shareholders’ Meeting of the Company.

Members of the Audit Commission who failed to participate in over half of the meetings held in the period of their membership in the Audit Commission are not entitled to remuneration.

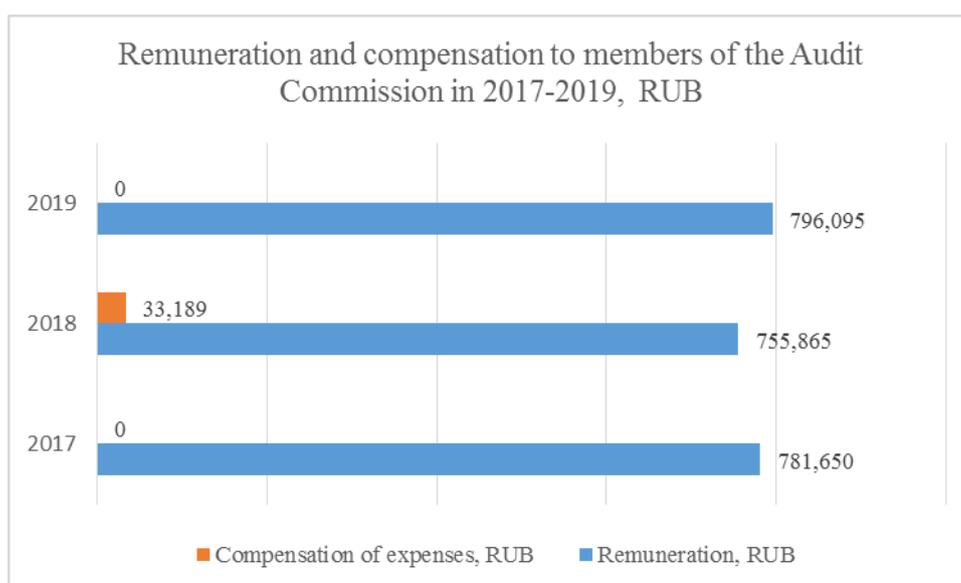
In case a member of the Audit Commission actively contributed in the corporate year to additional audits held by the Audit Commission or control activities on certain issues organised by decisions of the General Shareholders’ Meeting, the Company Board of Directors or upon request of a shareholder (shareholders) of the Company owning at least 10 percent of the

⁶⁷ Approved by the Annual General Shareholders’ Meeting on 07.06.2018 (Minutes No.13).

Company's voting shares, the Chairperson of the Audit Commission is entitled to apply to the General Shareholders' Meeting for increase in the actual amount of remuneration.

Moreover, according to the Regulation, Audit Commission members receive compensation for the actual documented expenses incurred in the course of visiting the Company's facilities, participation in meetings of the Audit Commission held at the Company's location, and performing other activities of the Audit Commission.

Remuneration and compensations are not paid to members of the Audit Commission who are government officials.



External audit

To ensure independent and unbiased activities of the Auditor, the External Auditor of the Company was selected by an open single-stage tender without preliminary qualification-based selection. In 2018, the External Auditor was selected to carry out the audit of the accounting (financial) statements of PJSC IDGC of the North-West compiled in line with the Russian Accounting Standards and the audit of the consolidated financial reporting of PJSC IDGC of the North-West compiled under the International Financial Reporting Standards for 2018–2020. The results of the tender were announced on 16.04.2018. The tender was held by PJSC Rosseti on the basis of Order of 30.10.2017 No.595r. The official method of holding the open tender was the official web site of the Russian Federation for placing tender information www.zakupki.gov.ru (No. 31806037793), at the electronic trading facility of PJSC Rosseti (<http://www.etp.rosseti.ru>). According to the decision of the Tender Commission (Minutes of 16.04.2018 No.14/595r), LLC Ernst & Young was selected as the winner of the bid. Assessment of candidates was based on the criteria previously identified and disclosed in the tender conditions.

Under pp. 11 p. 10.2 Article 10 of the Company Charter, the General Shareholders' Meeting has the authority to approve the Auditor of the Company. Subject to the tender procedures, as well as recommendations of the Audit Committee, the Board of Directors proposes and the General Shareholders' Meeting of PJSC IDGC of the North-West approves of the independent Auditor. Under the decision of the Annual General Shareholders' Meeting of PJSC IDGC of the North-West dated 14.06.2019, the independent External Auditor of the Company for 2019 became LLC Ernst & Young.

Full name: Ernst & Young Limited Liability Company
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Short name: LLC Ernst & Young

Location: 77 bldg 1 Sadovnicheskaya Emb., Moscow, 115035 Russia

Mailing address: 77 bldg 1 Sadovnicheskaya Emb., Moscow, 115035 Russia

Phones: +7 495 755-97-00, +7 495 755-97-01

Internet address: ey.com/ru/ru

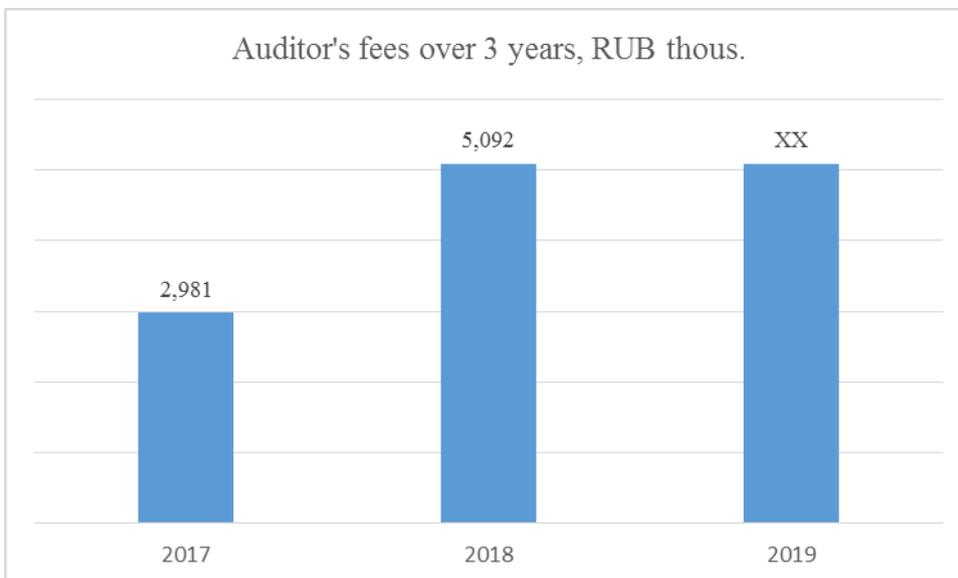
E-mail: moscow@ru.ey.com

Full name of the branch: Saint Petersburg branch of Ernst & Young Limited Liability Company

Location: 23 Malaya Morskaya St., Saint Petersburg, 190000 Russia

Mailing address: 23 Malaya Morskaya St., Saint Petersburg, 190000 Russia

Identification of the amount of the Auditor service fee is within the competence of the Company Board of Directors. According to the contract for audit of the RAS accounting statements and the IFRS consolidated financial statements for 2019, the amount of remuneration to the Auditor was RUB 5,131 thousand, including VAT. No non-audit services were rendered by LLC Ernst & Young to the Company.



The system for conflict of interest prevention and insider information

[GRI 102-25]

To limit the influence of employees' personal interests on their business decisions, the Company undertakes measures for identifying, preventing and settling conflicts of interests.

To prevent occurrence or probability of a conflict of interest, the Company implements continuous declaration of conflicts of interests by the Company's current and potential employees and verification of the conflict of interest declarations on a permanent basis. To settle the emerging pre-conflict situations in the structural units, as well as to ensure full compliance with the requirements of Article 13.3 of the Federal Law "On anti-corruption measures", the Company established the Commission on Compliance with the Corporate Ethics and Settlement of the Conflict of Interest (hereinafter – the Commission).

In 2019, the Company verified 2,733 conflict of interest declarations submitted by the Company's employees. 102 employees (3.6%) did not submit the declarations for valid reasons (maternity leaves, protracted illness, dismissal in Q1 of 2019). In 2018, this indicator amounted to 5.5% (1.9% more than in 2019), which was due to the deployment of electronic declaration process in the Company branches and S&A and technical causes of failure to submit the electronic declarations by a number of the Company's employees. In 2019, the electronic declaration process was seamless. The risks of emerging conflicts of interests were assessed with account of, among others, simultaneous employment of close relatives who could become a reason for conflict of interests, and submission by employees of false or incomplete data, etc. All the identified risks of the conflict of interests underwent activities for their elimination.

The activities for ensuring compliance with the requirements of control over insider information in the Company are based on:

- Federal Law of 27.07.2010 No. 224-FZ "On counteracting illegal use of insider information and market manipulation and on introducing amendments to certain legislative acts of the Russian Federation";
- Order of the Federal Service for Financial Markets of Russia of 18.06.2013 No. 13-51/pz-n;
- Regulation on Insider Information of PJSC IDGC of the North-West approved by the Company Board of Directors on 31.07.2019 (Minutes No.328/5).

In 2019, the Company prepared and submitted the list of its insiders to trading organiser PJSC Moscow Exchange. 6 lists of insiders were compiled and submitted to the trading organiser within the due period, 52 persons were included in the list of insiders and 65 excluded from it. No notifications were received from the insiders on their transactions with securities of PJSC IDGC of the North-West in the reporting period.

The Company discloses insider information on its corporate website, in the news feed of the Company's authorised AK&M Information Agency and on the Company's webpage provided by the authorised AK&M Information Agency. No failures to comply with the due dates for disclosing insider information were revealed as a result of analysis of the disclosed information.

Information for investors and shareholders

Capital structure

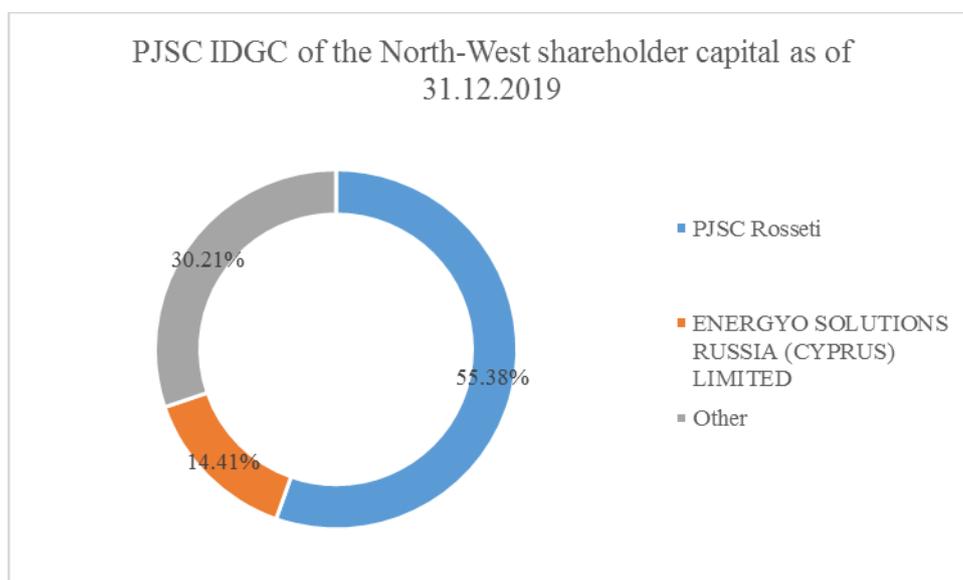
As of 31.12.2019, the authorised capital of the Company amounts to 9,578,592,313 (nine billion five hundred and seventy eight million five hundred and ninety two thousand three hundred and thirteen roubles) 80 kopecks.

Ordinary shares make up 100% of the Company's authorised capital.

Data on each category (type) of shares

Type and category of shares	Registered ordinary shares
Form of issue	uncertified
Number of ordinary shares, items	95,785,923,138
Nominal value of 1 (one) security, RUB	0,10
Data on the state registration of the securities issue	No.1-01-03347-D

According to the Company Charter, the number of the Company's authorised shares in addition to the placed shares is 1,076,862 (one million seventy six thousand eight hundred and sixty two) registered ordinary shares with the nominal value of 10 (ten) kopecks each for a total amount of RUB 107,686 (one hundred and seven thousand six hundred and eighty six roubles) twenty kopecks at the nominal value.



[GRI 201-4] PJSC Rosseti is the largest shareholder, owning the share of 55.38% in the authorised capital. The Russian Federation represented by Federal Agency for State Property Management has 88.89% ordinary shares of PJSC Rosseti (see Table "Statistics of the share capital structure". The table shows the shares of federal and municipal ownership).

There is not special right of the Company control "golden share" by the Russian Federation.

The number of state-owned PJSC Rosseti shares as of 31 December 2019*

Share ownership	% ordinary shares	% of the authorised capital
Federal Agency for State Property Management	88.89	88.04

*The information is shown on the basis of the PJSC Rosseti quarterly report for Q4 2019.

Free float

The free-float shares of PJSC IDGC of the North-West account for 30.21%⁶⁸.

⁶⁸ Under the calculation methodology approved by the Moscow Exchange, the free-float ratio is calculated as the proportion of the number of free-float shares to the total number of the issuer's shares. For more details, as well as the regulatory base and the methodology of calculating the free-float ratio, see the official web site of the Exchange at: <https://www.moex.com/ru/listing/free-float.aspx>

PJSC IDGC of the North-West does not have any information on ownership stocks exceeding 5%, apart from the disclosed ones.

As of 31.12.2019, PJSC IDGC of the North-West shares were not owned by the Company's subsidiaries and affiliates.

Statistics of the share capital structure

Shareholder type	31.12.2018		31.12.2019	
	Number of shareholders	% of AC	Number of shareholders	% of AC
Owners – individuals	13,745	12.5886	15,439	13.9537
Owners – legal entities	188	87.2166	190	85.7423
Federal property (RF, RF regions)	3	0.0035	3	0.0035
Municipal property	3	0.0104	3	0.0104
Nominee shareholders	9	0.0160	9	0.0111
Trustees	10	0.1568	10	0.2834
Foreign custodian	1	0.0018	2	0.0039
Unidentified persons	2	0.0063	2	0.0056
TOTAL	13,961	100.0000	15,652	100.0000

Number of shareholders, including individuals

Shareholder type	31.12.2018		31.12.2019	
	Number of shareholders	% of AC	Number of shareholders	% of AC
RF residents	13,843	72.2909	15,536	74.3100
RF non-residents	116	27.7028	114	25.6844
Unidentified persons	2	0.0063	2	0.0056
Total	13,961	100.0000	15,652	100.0000

Geography of the Company's shareholders as of 31.12.2019

Country	Number of shares	% of the AC
Australia	1,180,964	0.0012
Austria	2,630,000	0.0027
Belarus	5,137,234	0.0054
The British Virgin Islands	148,049,878	0.1546
The United Kingdom	9,195,278	0.0096
Germany	3,098,883	0.0032
Israel	1,063,105	0.0011
Ireland	3,443	0.0000
Kazakhstan	1,112,782	0.0012
Cyprus	15,051,841,253	15.7140
Latvia	868,490	0.0009
Lithuania	2,157,394	0.0023
Moldova	917,598	0.0010
Norway	886,886,897	0.9259
The Cayman Islands	8,300,143,711	8.6653
The Seychelles	4,258,949	0.0044
Singapore	470,000	0.0005

The Bahamas	6,767,807	0.0071
The USA	1,458,603	0.0015
Uzbekistan	110,000	0.0001
Ukraine	4,816,302	0.0050
Finland	1,643,200	0.0017
Switzerland	141,078,537	0.1473
Sweden	21,385,698	0.0223
Estonia	5,733,723	0.0060

Shares of PJSC IDGC of the North-West have been listed on the established securities market since 2008. At present, the Company's shares are traded on the Russian stock market PJSC Moscow Exchange MICEX-RTS in the Level 2 Quotation List.

Platform	Ticker	Start of trading without the listing procedure	Start of trading in Quotation List B	Start of trading in Quotation List A, Level 2	Date of inclusion into the Level 1 Quotation List based on the listing reform results	Date of inclusion into the Level 2 Quotation List based on the listing reform results
MICEX	MRKZ	–	29.05.2008	24.05.2011	09.06.2014	31.01.2017

Shares of PJSC IDGC of the North-West were included into the Level 2 Quotation List on 31 January, 2017 subject to the decision of PJSC Moscow Exchange within the listing reform.

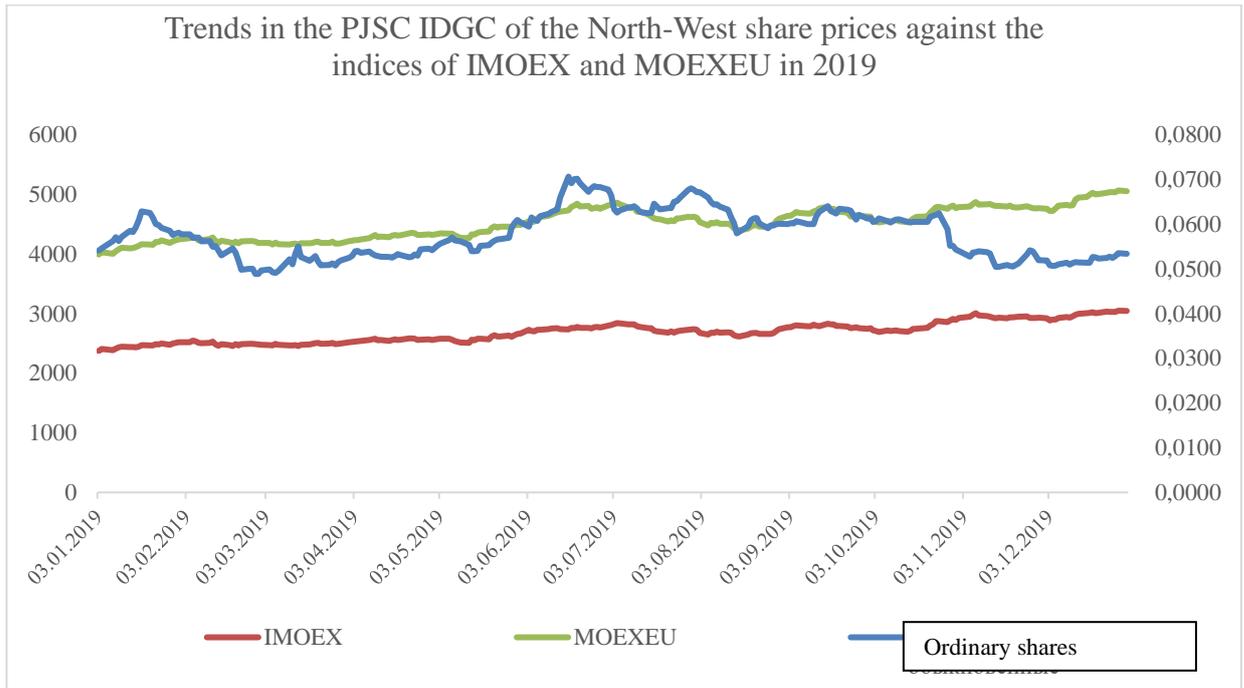
The Company's shares are included in the calculation bases by Moscow Exchange:

	Weight of the shares in the index calculation base as of 31.12.2019
MOEXBMI (broad market index)	0.01%
MOEXEU (power industry index)	0.6%
MOEX RegCo Index (regulated companies index)	0.55%

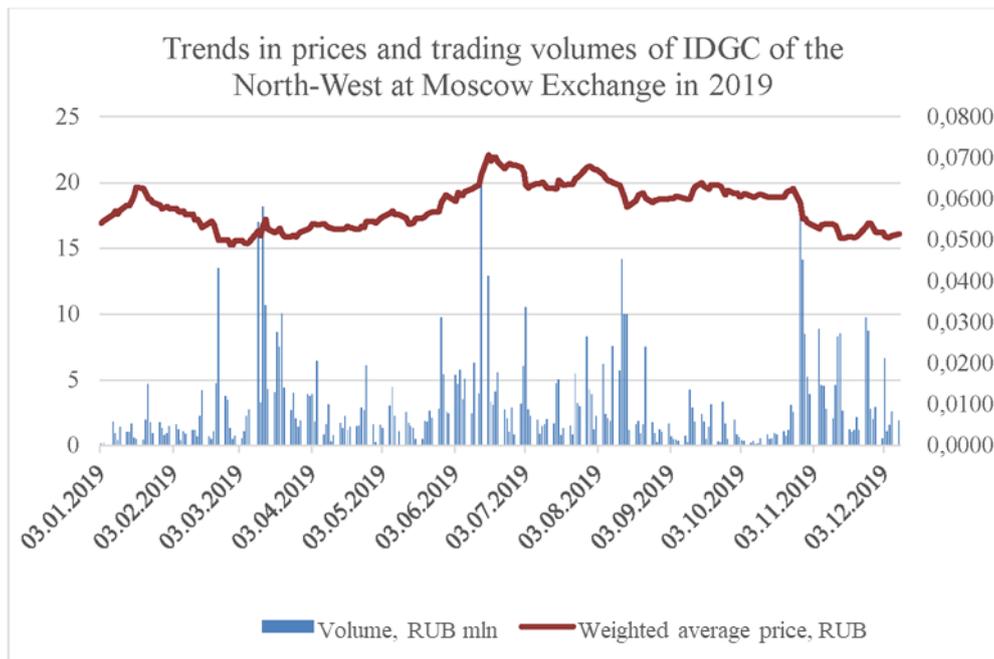
Market features

Indicator	Unit	29.12.2017	29.12.2018	31.12.2019	Change, %
Weighted average price	RUB	0.0515	0.0549	0.0534	-1.29
Capitalisation*	RUB mln	4,933.0	5,258.6	5,114.97	-2.73
Trading volume (one year before the indicated date)	RUB mln	297.35	437.32	772.48	+76.64
	mln items	5,549.45	7,445.52	13,504.15	+81.37

*Calculated as the weighted average price per share as of the end of the reporting period multiplied by the total number of the Company's shares.



IDGC of the North-West shares	-1.29%
MICEX index	+28.21%
MICEX power industry index	+24.31%



Investor and shareholder relations

Transparency is one of the principles underlying the Company's corporate governance, which implies timely disclosure of reliable information on all material facts related to the Company's operations, as well as free access to such information for all stakeholders.

The Company discloses information with the primary aim to achieve the highest level of trust toward the Company on the part of its shareholders, potential investors, contractors and other stakeholders by providing them with the information required for making carefully considered and justified decisions regarding the Company and its securities.

A key project of the Company in the area of stakeholder interaction was the launch of and free access to the system “Shareholder’s Personal Account” based on the Company registrar’s web site. Shareholders can use it to receive the required information online, as well as exercise their rights (<http://www.mrsksevizap.ru/shareholdersprivateoffice>).

Information disclosure by PJSC IDGC of the North-West is primarily subject to the following requirements:

- Federal law “On joint-stock companies”;
- Federal law “On securities market”;
- Regulation on Information Disclosure by Issuers of Equity Securities (approved by the Bank of Russia on 30.12.2014 No.454-P);
- Corporate Governance Code approved by the Company Board of Directors;
- Company Order of 13.10.2017 No.715 “On the procedure of information disclosure by the issuer of equity securities PJSC IDGC of the North-West”.

In line with the principles of open and transparent governance, the Company aims to provide access to information on its business and securities to all stakeholders simultaneously and promptly.

PJSC IDGC of the North-West informs its stakeholders via the official web site (www.mrsksevizap.ru).

Besides, in line with the legislation of the Russian Federation, information to be disclosed in accordance with the requirements set by the Bank of Russia is published on the webpage provided by the authorised information agency (AK&M Information Agency) at www.disclosure.ru/issuer/7802312751.

In addition to the information subject to mandatory disclosure under the RF regulatory documents, the Company provides other information to ensure a high degree of transparency of the Company and contribute to achievement of the targets of its Information Disclosure Policy. Thus, it quarterly publishes its RAS accounting (financial) statements, IFRS consolidated financial statements and other information about the Company and its business on the corporate website.

The Company discloses insider information; its concept, scope and disclosure procedure are stipulated by the Company’s Regulation on Insider Information, the revised version of which was approved by the Board of Directors of PJSC IDGC of the North-West on 31.07.2019 (Minutes No.328/5). The text of the Regulation is available at the Company web site <http://www.mrsksevizap.ru/otherinternaldocuments>.

To ensure equal access to information of all stakeholders, specifically, to secure informational rights and interests of foreign shareholders and investors, the Company maintains the English version of the corporate website.

To maintain a high level of transparency and develop its positive image, the Company participates in the Russian contests of issuers’ annual reports held every year by PJSC Moscow Exchange in cooperation with RCB media group, Expert RA rating agency, as well as foreign ones (Galaxy Awards, LACP, MarCom Awards).



In 2019, Rosseti North-West (a brand of IDGC of the North-West) won the 22nd Annual Moscow Exchange Contest of Annual Reports in the main nomination “Best annual report of the company with the capitalisation up to RUB 40 bln” and was second in the additional nomination “Best representation of the company’s strategy and investment attractiveness in its annual report”.

The 2018 Annual Report of IDGC of the North-West also received a platinum award for “Annual report (Design)”, a silver award in the “Power supply and electric energy” sector at the international contest LACP Vision Awards, as well as bronze in the category “Annual Reports – Online” of the international annual reports contest Galaxy Awards in the nomination “PDF”.

Report on the events held in 2019

To ensure access of the investment community to material information, the Company carries out regular spoken and written bilateral communication with its shareholders and investors, as well as other professional securities market participants.

On 27 August 2019, the Company held a conference call for representatives of the investment community on the performance of PJSC IDGC of the North-West under IFRS for 6 months of 2019. Leading banks and investment companies took part in it (Renaissance Capital, JSC Gazprombank, Uralsib, ATON, Sova Capital, BCS Managing Company, Prosperity Capital Management). The investment community highly appreciated the Company management’s readiness for the dialogue, saying that overall the Company is increasing its transparency and the quality of information disclosure.

Besides, PJSC IDGC of the North-West maintains regular communication with the investment community in other formats.

For the convenience of shareholders and all stakeholders, the Shareholders Q&A section of the Company’s corporate site shows answers to frequently asked questions. Analytical presentation materials on IFRS reporting are shown at the Company’s web site on a quarterly basis (http://www.mrsksevzap.ru/ir_presentations).

Starting 2019, the Company has arranged a hotline for prompt shareholder communication with the Company (<http://www.mrsksevzap.ru/shareholdersmeetinginfo>) and a shareholder forum (<https://forum.mrsksevzap.ru>) during preparing and holding General Shareholders’ Meetings.

Calendar of investor activities for 2020

April – May 2020: meetings with minority shareholders before the Annual General Shareholders’ Meeting.

August 2020: a conference call on the publication of the IFRS consolidated interim condensed financial statements for the 3 and 6 months ending 30 June 2020 (unaudited).

Detailed scheduled plan of activities on interaction with the investment community in 2020 is available at the Company web site: http://www.mrsksevzap.ru/ir_investorscalendar

Dividend policy

The net profits allocation policy of PJSC IDGC of the North-West is based on the balance of the Company’s interests and those of its shareholders, improving the Company’s investment attractiveness and its capitalisation, consistent acknowledgement of the rights of shareholders stipulated by the current RF legislation, the Company Charter and its internal documents.

Dividend policy of the Company, developed in accordance with Order of the RF Government of 29.05.2017 No.1094-r, is defined by the Regulation on the Dividend Policy approved by Decision of the Company Board of Directors of 02.02.2018 (Minutes No.265/20).

Key principles of the Dividend Policy of the Company are as follows:

- dividend calculation based on profit allocation without account of the impact of re-evaluation of financial investments;

- the need to maintain a proper financial and technical condition of the Company (implementation of the Investment Programme), ensuring the Company's development prospects;
- compliance of the Company's dividend calculation and payment practice with the legislation of the Russian Federation and best corporate behaviour standards;
- balance of the interests of the Company and its shareholders;
- the need to enhance the Company's investment attractiveness and capitalisation;
- ensuring transparency (clarity) of the dividend calculation and payment mechanism;
- dividends on ordinary shares are only paid out after full payment of dividends on preferred shares according to the Company Charter (if any preferred shares are issued by the Company).

The Company aspires, along with achieving capitalisation growth, to increase the amount of dividend paid to shareholders, subject to the amount of net profit gained in the reporting financial period and the development needs of the Company's operational and investment activities.

The recommended dividend amount is defined by the Board of Directors on the basis of the Company's financial performance, the Board of Directors aiming to ensure positive year-on-year dynamics of the dividend payments to shareholders.

History of dividend payments

	2017 (for 2016)	2018 (for 2017)	2019 (for 2018)	2019 (for 9 months of 2019)
Dividends per one ordinary share, RUB	0.011608	–	0.003985	0.00199999807
Amount of dividend accrued, RUB thous.	111,188		381,707	191,570
Share of net profit allocated to dividends, %	24.3		63.7	-
Amount of dividends paid, RUB thous.	109,608		376,260	The dividend payment started in 2020
Dividend yield*, %	2.52		7.16	3.51

* The dividend yield of shares is calculated as of the date of making the decision on the amount of annual dividends as the correlation of annual dividends per share and the median value of market prices for this share in the reporting year.

The share of dividend paid in the total amount of declared dividend for 2015 was 98.85%, for 2016 – 98.54%, for 2018 – 98.57%. In 9 months of 2019, the Company accrued interim dividends in the amount of RUB 191,570 thous. Dividends were paid to all the persons included in the dividend register, with the exception of those who had not submitted full and accurate details required for dividend payment.

Profit allocation

	2017 (for 2016)	2018 (for 2017)	2019 (for 2018)
Net profit (loss) in the reporting period, thous. RUB	456,889	-2,441,462	599,356
Undistributed profit (loss) in the reporting period, thous. RUB, including:			
Provisions	22,844	0	29,968
Profit for development	322,857	0	0
Dividends	111,188	0	381,707
Coverage of losses from previous years	0	0	187,681

In line with the Company Charter, the decision on 2019 profit allocation is to be made by the Annual General Shareholders' Meeting (AGSM).

Minutes of the General Shareholders' Meetings are available at the Company's web site: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Information on major and interested-party transactions

In 2019, there were no major transactions with any state companies or the Company shareholders owning at least 5% of the Company's voting shares, as well as transactions classified as major by the Federal Law "On joint-stock companies".

Information on the list of transactions made by the Company in the reporting year, which under Chapter 11 of the Federal Law "On joint-stock companies" are classified as interested-party transactions is shown in Annex 29 – Data on the interested-party transactions made by PJSC IDGC of the North-West in 2019. The report was signed by the General Director of the Company. The meeting of the Audit Commission of __.__.2020 (Minutes No.__) included assessment of the accuracy of the report on the interested-party transactions made by the Company in the reporting year. Decision of the Company Board of Directors of __.__.2020 (Minutes No.__/__) approved the report on the interested-party transactions in 2019.

Information on interested-party transactions is also available at the Company's web site: http://www.mrsksevzap.ru/id_dealings.

Major court proceedings

Subject to decision of the Supervisory Board of Association NCP Market Council of 21.12.2017, PJSC Arkhenergosbyt was deprived of the status of wholesale electric power and capacity supplier and excluded from the registry of wholesale market participants. By Order of the Russian Ministry of Energy of 22.12.2017 No. 1202, the status of power supplier of last resort within the area previously covered by PJSC Arkhenergosbyt, was given to PJSC IDGC of the North-West from 01 January 2018 (from 01.10.2018, by Order of the RF Ministry of Energy dated 14.09.2018 No. 763, the SLR functions in the area of PJSC IDGC of the North-West have been transferred to LLC TGK-2 Energosbyt).

The Arbitration Court of Karachay-Cherkessia on 29.12.2017 initiated insolvency (bankruptcy) proceedings upon the lawsuit of LLC METEK against PJSC Arkhenergosbyt (No.A25-2825/2017).

On 20.12.2018, PJSC Arkhenergosbyt was deemed bankrupt, and a bankruptcy procedure was initiated against it – bankruptcy administration with V.A.Iosipchuk appointed as insolvency administrator. The court hearing of the report on bankruptcy administration results is scheduled for 30.05.2019.

In 2018, the Company file four applications on including into the creditor's claims register of PJSC Arkhenergosbyt requirements for the total amount of RUB 3.5 bln, RUB 3.059 bln of which is the principal amount, and RUB 0.5 bln is penalties and interest. Upon their consideration, the requirements of the Company were fully sustained by the court.

In February 2019, the Company filed another applications on including into the creditor's claims register of PJSC Arkhenergosbyt requirements for the total amount of RUB 20.8 mln, where RUB 20.5 mln accounts for the principal amount, RUB 0.3 mln – the penalties. The claim was to be considered by the court on 18.04.2019. Upon its consideration, the requirements of the Company were fully sustained by the court.

Court decision of 31.05.2019 extended the bankruptcy administration period of PJSC Arkhenergosbyt by six months. The court hearing of the report on bankruptcy administration results is scheduled for 21.11.2019.

Court decision of 21.11.2019 extended the bankruptcy administration period of PJSC Arkhenergosbyt by six months. The court hearing of the report on bankruptcy administration results is scheduled for 21.05.2020.

Subject to decision of the Supervisory Board of Association NCP Market Council of 23.03.2018, PJSC Vologdaenergosbyt was deprived of the status of power supplier of last resort in the Vologda Region. By Order of the Russian Ministry of Energy of 23.03.2018 No.178, the status of power supplier of last resort within the area previously covered by PJSC Vologdaenergosbyt, was given to PJSC IDGC of the North-West from 01.04.2018 to 01.04.2018.

On 16.04.2018, the Company lodged a legal application to declare PJSC Vologdaenergosbyt bankrupt (insolvent) and include the claims of RUB 7.3 mln in the creditor's register. RUB 6.1 mln of this amount accounts for the principal debt. The application was taken up by the court, and an action of insolvency (bankruptcy) was brought against PJSC Vologdaenergosbyt (case No.A25-846/2018).

On 15.10.2018, the Company's claims in the amount of RUB 7.3 mln were dismissed by the court due to the settlement of the debt by a third party – JSC Finenergoinvest.

The court ruled on 28.12.2018 that PJSC Vologdaenergosbyt should be subject to a bankruptcy procedure – 5-month monitoring, the interim administrator is I.A.Yakovenko. The court hearings on the interim administrator report are scheduled for 16.05.2019. Court decision of 20.08.2019 postponed the consideration of the monitoring results to 12.11.2019.

As of 30.09.2019, the Company submitted 8 applications for intervention into the case of PJSC Vologdaenergosbyt bankruptcy (without the application submitted by the Company on 16.04.2018 to declare PJSC Vologdaenergosbyt bankrupt and include the claims in the creditor's register for the total amount of RUB 457 mln, where RUB 406 mln is the principal amount, and RUB 51 mln is the penalty. The Arbitration Court of Karachay-Cherkessia considered 8 applications of the Company and included them in PJSC Vologdaenergosbyt creditor's register. The Company also filed the ninth claim in the amount of RUB 0.08 mln, which was satisfied upon consideration within the framework of the bankruptcy administration on 30.01.2020.

On 19.11.2019, PJSC Vologdaenergosbyt was deemed bankrupt, and a bankruptcy procedure was initiated against it – bankruptcy administration with A.S.Solomonov appointed as insolvency administrator. The court hearing of the report on bankruptcy administration results is scheduled for 29.04.2020.

FINANCIAL REPORT

IFRS consolidated financial reporting for 2019

Accounting (financial) reporting of PJSC IDGC of the North-West for 2019. Audit report on the accounting (financial) reporting of PJSC IDGC of the North-West for the period from 01 January to 31 December 2019

ABOUT THE REPORT

About the Report and materiality

Report overview

[GRI 101]

Reporting cycle	Annual, for the period from 01.01.2019 to 31.12.2019 [GRI 102-50, GRI 102-52]
Report format	Integrated annual report of PJSC IDGC of the North-West
International reporting standards	 Sustainable development reporting standards GRI Sustainability Reporting Standards [GRI 102-54] (Core option, the compliance chart in shown in the section “Standards compliance charts”).  Sector supplement GRI G4 for the power industry, The Electric Utilities Sector Disclosures.  International integrated reporting standard The International <IR> Framework (the compliance chart in shown in the section “Standards compliance charts”).  Standard for interaction with stakeholders AA1000 Stakeholder Engagement Standard (2015).
Russian reporting standards and regulatory requirements	<p>Regulation on Information Disclosure by Issuers of Equity Securities approved by the Bank of Russia on 30.12.2014 No.454-P).</p> <p>Corporate Governance Code recommended by the Bank of Russia (letter dated 10.04.2014 No.06-52/2463).</p>
PJSC Rosseti requirements to its subsidiaries' reporting	Annual Report 2019 guidelines for S&A of PJSC Rosseti.
Date of the previous report	June 2019 [GRI 102-51]
Scope of the Report	<p>The Report shows the performance of PJSC IDGC of the North-West, its branches, subsidiaries and affiliates.</p> <p>The Report discloses operational and financial results, as well as presents an overview of the corporate and social responsibility activities in 2019. Unless otherwise stated, the financial indicators of the Annual Report are provided and calculated on the basis of the IFRS consolidated financial reporting. The information on performance results in this document comprises consolidated data of the IDGC of the North-West Group.</p> <p>There were no restatements of the indicators against the previous year. [GRI 102-48]</p>

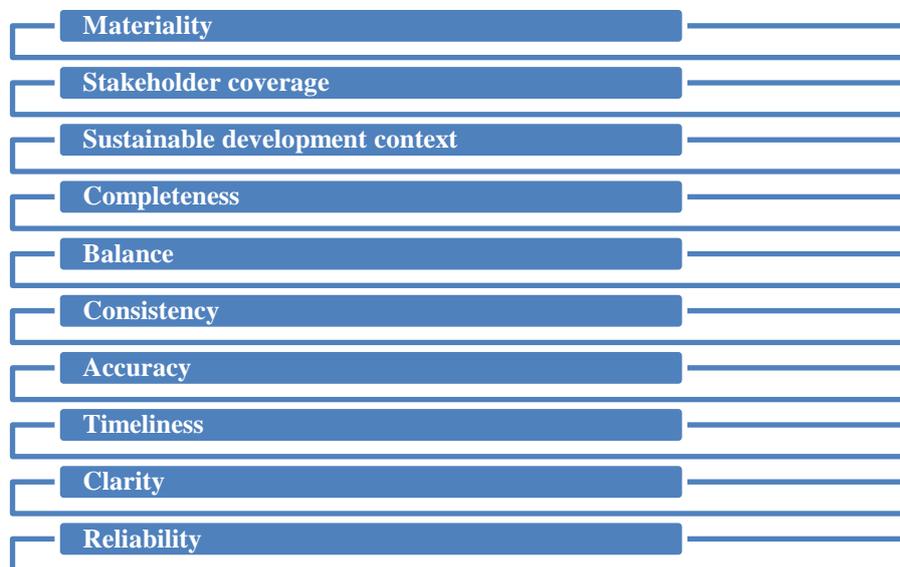
Reported information verification	<p>The reported information was verified by:</p> <ul style="list-style-type: none"> • Independent auditor LLC Ernst & Young, which validates the accounting (financial) reporting under RAS and the IFRS consolidated financial reporting. • Independent auditor FBK Grant Thornton, which confirms the compliance of the Report with the core option of GRI SRS Standards (the audit report of the independent auditor is provided in section “<i>About the Report</i>”) [102-56].
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Materiality definition

[GRI 102-46]

The Company shares and uses the key principles of international reporting on sustainable development shown in the scheme “Report content definition principles”.

Report content definition principles



[GRI 102-43; GRI 102-44]

In preparing this Report, the Company defined material topics for disclosure in the Report in cooperation with representatives of the major stakeholder groups. The representatives of the major stakeholder groups were surveyed by polling (11 external stakeholders and 18 internal stakeholders).

The respondents assessed the material topic by two parameters:

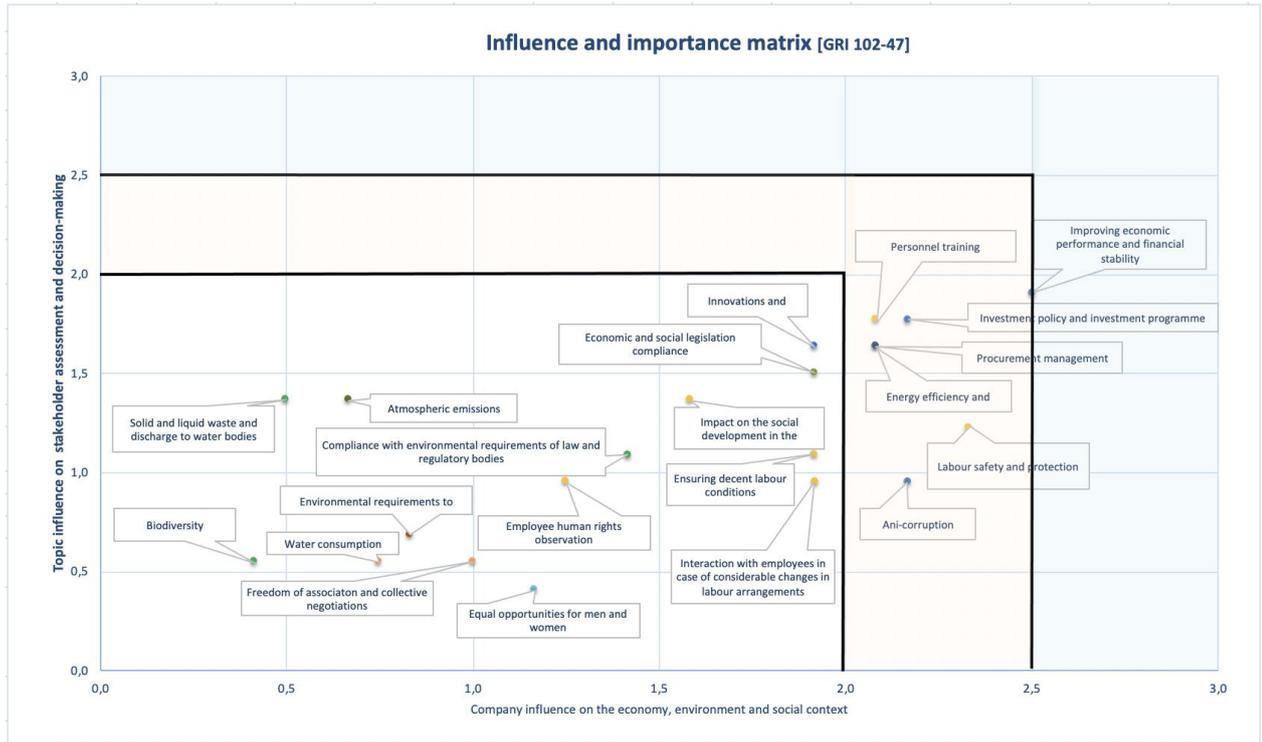
- the impact of the topic on stakeholders’ evaluations and decision-making;
- the Company’s impact on the economy, social context and the environment.

The findings of the survey served to build a materiality matrix. On the basis of the aggregated assessments the topics were divided into three groups by the degree of materiality:

- Group I – material topics, scoring over 2.5 points by at least one parameter;
- Group II – less material topics, scoring from 2.0 to 2.5 points by at least one parameter;
- Group III – immaterial topics, scoring under 2.0 points by both parameters.

The boundaries of the topics are PJSC IDGC of the North-West, including all branches and S&A [GRI 103-1]

There are no material changes regarding the scope and boundaries against the previous reports [GRI 102-49].



Responsibility for the Report

[GRI 102-32] The Report is approved by decisions of the Board of Directors (preliminarily) and Annual General Shareholders' Meeting of PJSC IDGC of the North-West.

Audit report on non-financial reporting

INDEPENDENT PRACTITIONER'S CONCLUSION ON THE LIMITED ASSURANCE ENGAGEMENT

Attn: the management of the

Public Joint-Stock Company Interregional Distribution Grid Company of the North-West

We carried out a limited assurance engagement regarding the appended 2019 Annual Report of the PJSC IDGC of the North-West⁶⁹ (hereinafter – the Report) for compliance with the requirements of the sustainable development reporting standards of the Global Reporting Initiative⁷⁰ (hereinafter – the Standards) for the core option.

The responsibility of the Public Joint-Stock Company IDGC of the North-West”

The Public Joint-Stock Company Interregional Distribution Grid Company of the North-West (hereinafter – PJSC IDGC of the North-West) is responsible for the preparation of the above Report in accordance with the requirements of the Standards to the core option. This responsibility includes development, introduction and maintenance of an internal control system applicable to preparation of the Report without any material misstatements due to fraud or error.

Our independence and quality control

We declare that we have complied with the independence requirement and other ethical requirements under the Rules on the Independence of Auditors and Auditing Organisations and the Code of Professional Ethics for Auditors, in line with the International Code of Ethics for Professional Accountants (including International Independence Standards) developed by the International Ethics Standards Board for Accountants, based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and we have performed other duties in accordance with the requirements of professional ethics.

The auditing organisation follows International Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” and, therefore, implements systemic quality control, including documented policy and procedures for compliance with ethical requirements, professional standards and applicable legislative and regulatory requirements.

Our responsibility

Our responsibility is to provide a conclusion on the limited assurance engagement regarding the Report for compliance with the requirements of the Standards for the core option on the basis of the procedures performed and evidence obtained. We have performed our limited assurance engagement in accordance with International Standard on Assurance Engagements (revised) 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. According to this standard, the engagement was planned and performed so as to obtain limited assurance that the Report is free from material misstatement.

A limited assurance engagement performed in accordance with this standard involves an assessment of the Report compliance with the requirements of the Standards to the core option.

A limited assurance engagement involves a considerably lower scope of work than a reasonable assurance engagement, regarding both the procedures of risk assessment, including internal control system analysis, and the procedures in response to the assessed risks.

The procedures we have performed were based on our professional judgement and included requests, document inspection, analytical procedures, assessment of the adequate quality of

⁶⁹ The Report includes information on the activities of PJSC IDGC of the North-West, its branches, subsidiaries and affiliates.

⁷⁰ GRI Sustainability Reporting Standards.

measurement methods and reporting policy, as well as agreement or reconciliation with the relevant data.

Considering the conditions of the engagement, to perform the above procedures we:

- interviewed and received documentary evidence from the management and employees of PJSC IDGC of the North-West;
- studied the data available on the website of PJSC IDGC of the North-West regarding the sustainable development related activities;
- studied the official third-party statements on the economic, environmental, social aspects of the PJSC IDGC of the North-West business to verify the validity of the claims in Report;
- analysed non-financial reporting of companies in a comparable market segment for the purposes of benchmarking;
- selectively studied documents and data on the effectiveness of the PJSC IDGC of the North-West systems used to manage economic, environmental and social aspects of sustainable development;
- studied the current processes of collection, processing, documentation, verification, analysis and selection of the data to be included in the Report;
- analysed the Report information for compliance with the requirements of the Standards to the core option.

The procedures were performed solely regarding the data for 2019.

The reliability assessment for the Report information on effectiveness applied to compliance with the requirements to the core option of the Report in accordance with the Standards and the information referred to in the Report section “GRI Index”. Concerning this information we assessed the correspondence of the disclosed data to the external and internal reporting documents provided to us.

The procedures did not cover forward-looking statements; opinions, convictions or intentions of PJSC IDGC of the North-West to perform certain future actions; as well as the disclosures where the Report cites professional judgement as sources.

The procedures were performed for the Russian-language version of the Report containing information subject to publication both in print and in the electronic form on the website of PJSC IDGC of the North-West.

We did not have an opportunity to verify the preliminary approval of the Report by the Board of Directors, approval of the Report by the Annual General Shareholders’ Meeting, Report upload to the PJSC IDGC of the North-West website, as well as notification of the Global Reporting Initiative of the Standards use in the Report preparation, as the date of signing this conclusion preceded the scheduled dates for these procedures.

The procedures performed within the limited assurance engagement are different in nature and have a lower scope than those involved in a reasonable assurance engagement. Therefore, the level of certainty achieved in the limited assurance engagement is much lower than that which would be possible in a reasonable assurance engagement. Therefore, we do not express an opinion of reasonable assurance for the Report in all material aspects in accordance with the requirements of the Standards to the core option.

Grounds for the qualified conclusion on the findings of the limited assurance engagement

Reporting item 102-8 of the Standards is presented in the Report without breaking down the number of employees by the employment contract (including by gender and region) and by employment type (including by gender).

Qualified conclusion on the findings of the limited assurance engagement

On the basis of the procedures performed and the evidence obtained, with the exception of the circumstances described in the section “Grounds for the qualified conclusion on the findings

of the limited assurance engagement” of the current conclusion, no facts have come to our attention that would lead us to believe that the Report was not in all material respects prepared in accordance with the requirements of the Standards to the core option.

Limited liability company “Financial and
Accounting Consultants”
Practitioner
Partner

V.Yu.Skobarev

subject to power of attorney No. 76/18 of 17 December 2018
Moscow, Russian Federation, 10 April 2020

Standards compliance charts

GRI index

[GRI 102-55]

GRI indicator	Information disclosure in the Report	Report section / number of Annex to the Report	Excluded information / comments
GRI 101	Foundation 2016	Report overview, p.241	
GRI 102 General disclosures 2016			
1. Organisation profile			
GRI 102-1	Name of the company	Addresses and contacts, p.262	
GRI 102-2	Activities, brands, products, and/or services	Key performance indicators, p.18; Modern single brand architecture, p.22	Core businesses include power transmission and technological connection of consumers to grids, as well as sales of electric power to end users in the north-western region of Russia.
GRI 102-3	Location of headquarters	Addresses and contacts, p.262	3A Konstitutsii Sq., Saint Petersburg, 196247, Russia, office 16H
GRI 102-4	Geographical footprint	The Company's geographical footprint, p.19	
GRI 102-5	Ownership and legal form	Addresses and contacts, p.262	
GRI 102-6	Markets served	The Company's geographical footprint, p.19 Production results, p.48, 52	
GRI 102-7	Scale of the organisation	Key performance indicators, p.12; The Company's geographical footprint, p.19; Production results, p.48; Financial performance analysis, p.79, Personnel headcount and breakdown, p.112. Capital structure is shown on p.11 of the IFRS consolidated financial reporting for 2019	
GRI 102-8	The Company's staff and employees	Human resources and social policy, p.111	
GRI 102-9	Supply chain	Supply chain, p.21	
GRI 102-10	Significant changes to the scope of the organisation and its supply chain		Since 01 January 2019, the Company has stopped performing the functions of power supplier of last resort in the Vologda Region (Order of the Russian Ministry of Energy of 29.11.2018 No. 110). There were no other material changes in the Company structure (incl. share capital structure). There were no material changes in the supply chain in the reporting period.

GRI 102-11	Precautionary principle or approach		<p>In accordance with the precautionary principle, PJSC IDGC of the North-West aims to avoid any anticipated environmental damage, even in the absence of any scientifically proven data that a certain activity causes such damage. The stage of design documentation development for construction / renovation of power grid facilities involves assessment of the environmental impact of their operation; and design arrangements are made to prevent or mitigate any possible negative impact.</p>
GRI 102-12	Charters, principles or other initiatives which the organisation has joined or supported		<ul style="list-style-type: none"> • International standard ISO 9001-2015 (GOST ISO 9001-2015) – Quality Management Systems. Requirements • International standard ISO 14001:2015 – Environmental management systems. Requirements with guidance for use • Global Reporting Initiative recommendations (GRI Standards) • International Integrated Reporting (IR) Standard recommendations • Anti-Corruption Charter of the Russian Business.
GRI 102-13	Membership of the organisation in associations, industry and / or national and international organisations for protection of interests		<ul style="list-style-type: none"> • ANO Strategic Partnership of the North-West • Association Non-Commercial Partnership of Territorial Power Grid Organisations • Association Non-Commercial Partnership – Market Council for Organising Efficient System for Wholesale and Retail Trade in Electric Energy and Capacity • Non-Commercial Partnership – Research and Development Council of the Unified Power System • Non-Commercial Partnership – Union of Power Industry Auditors and Energy Service Companies • Union Energostroy Self-Regulated Organisation – Interregional Industry Union of Employers, Association of Organisations Involved in Construction, Renovation and Overhauls of Power Facilities, Grids and Substations • Non-Commercial Partnership Energoproekt – Association of Organisations Preparing Design Documents for Power Facilities, Grids and Substations

			<ul style="list-style-type: none"> • Self-Regulated Organisation Association – Non-Commercial Partnership EnergoProfAudit. • Self-Regulated Organisation Association – Saint Petersburg Builders Union • Interregional Industrial Association of Employers of the Power Sector of Russia (RaEI).
2. Strategy			
GRI 102-14	Statement from senior decision-maker in the organisation	Address by the General Director, p.8	
3. Ethics and good business practice			
GRI 102-16	Values, principles, standards, and norms of behaviour	Responsible business, p.136; Overview of the Company's corporate governance, p.148	
GRI 102-17	Mechanisms for advice and concerns about ethics		Under p. 13.3 of the Code of Corporate Ethics and Executive Conduct for Employees, approved by the BoD of the Company on 03.05.2017 (Minutes No.240/31), if an employee is uncertain of further actions in a complicated situation described therein, or faces a situation involving a breach of the rules stipulated by the Code, he or she can seek consultation, advice or assistance from : - the immediate superior; - the unit performing the functions of preventing corruption and other violations.
4. Corporate governance			
GRI 102-18	Corporate governance structure	Overview of the Company's corporate governance, p.148	
GRI 102-22	Composition of the highest governance body and its committees	Composition of the Board of Directors, p.164, 165 Committees of the Board of Directors, p.174, 176, 177, 179, 181	
GRI 102-23	Chair of the highest governance body	Composition of the Board of Directors, p.166	
GRI 102-25	Conflicts of interest	The system for conflict of interest prevention and insider information, p.229	
GRI 102-26	Role of highest governance body in setting	Board of Directors, p.157 Strategy Committee, p.177	

	purpose, values, and strategy		
GRI 102-28	Evaluating the highest governance body's performance	Independent assessment of the Board of Directors performance, p.170	
GRI 102-30	Effectiveness of risk management processes	Risk management system, p.198	
GRI 102-32	Highest governance body's role in sustainability reporting	Responsibility for the Report, p.243	
GRI 102-35	Remuneration policies	The Company remuneration system, p.189	
GRI 102-36	Process for determining remuneration	Remuneration system for members of the Board of Directors, p.189; Remuneration system for members of the Board of Directors Committees, p.193; Remuneration system for the General Director and members of the Management Board, p.194	
5. Stakeholder interaction			
GRI 102-40	List of stakeholders	Stakeholder interaction, p.105	
GRI 102-41	Collective agreements	Current standards of sustainable development, p.17	The collective agreement is valid for all employees of IDGC of the North-West.
GRI 102-42	Identifying and selecting stakeholders for interaction	Stakeholder interaction, p.103	
GRI 102-43	Approach of the organisation to stakeholder engagement	Stakeholder interaction, p.104 Materiality definition, p.242	
GRI 102-44	Key topics and concerns raised by each group of stakeholders	Stakeholder interaction, p.104 Materiality definition, p.242	

6. Report overview			
GRI 102-45	List of legal entities whose reporting was included in the consolidated financial reporting		The consolidated financial reporting includes performance indicators of PJSC IDGC of the North-West, including all branches, JSC Pskovenergoagent, JSC Pskovenergosbyt, JSC Energoservis Severo-Zapada and OJSC Lesnaya Skazka. The material topics of these companies are also covered by the Sustainable Development Report
GRI 102-46	Methodology of defining the report contents	Materiality definition, p.242	
GRI 102-47	List of material topics	Materiality definition, p.243	
GRI 102-48	Restatements of information	Report overview, p.242	
GRI 102-49	Changes regarding the scope, boundaries or measurement methods used in the report	Materiality definition, p.243	
GRI 102-50	Reporting period	Report overview, p.241	
GRI 102-51	Date of the previous report	Report overview, p.241	
GRI 102-52	Reporting cycle	Report overview, p.241	
GRI 102-53	Contact point for questions regarding the report	Addresses and contacts, p.263	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	Report overview, p.241	
GRI 102-55	GRI content index	GRI index, p.247	
GRI 102-56	External assurance	Report overview, p.242	The choice of independent non-financial auditor is made under an open procurement procedure, in accordance with the Procurement Plan approved by the Board of Directors of the Company. The Annual Report is compiled following the order of the General Director "On preparation of the Annual Report 2019 of PJSC IDGC of the North-West". No external public verification was carried out.
GRI 103. Management approach 2016			

GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p.243	
GRI 103-2	The management approach and its components	Specified individually for each material topic	
GRI 103-3	Evaluation of the management approach	Specified individually for each material topic	
Material topics (Group I at the materiality matrix)			
Improvement in economic efficiency and financial stability			
GRI 201. Economic performance 2016			
GRI 103-2	The management approach and its components	Strategic priorities and development prospects, p.30	
GRI 103-3	Evaluation of the management approach	Strategic priorities and development prospects, p.32	
GRI 201-3	Defined benefit plan obligations and other retirement plans		The information of the IDGC of the North-West Group's defined-benefit retirement programme obligations is provided in Note 27 to the IFRS consolidated financial reporting for 2019 at http://www.mrsksevzap.ru/id_1yearfinreport#tab2
GRI 201-4	Financial assistance received from government	Financial performance analysis, p.89 Capital structure, p.230	In the reporting year, the Company also received and fully repaid public budgetary funds financing preventive measures to reduce occupational injury rate and professional diseases in the amount of RUB 11,007 thous. Subsidiaries of the Company did not receive material public subsidies.
Less material topics (Group II at the materiality matrix)			
Investment policy and investment programme implementation			
GRI 203. Indirect economic impacts 2016			
GRI 103-2	The management approach and its components	Investment activities, p.40	
GRI 103-3	Evaluation of the management approach	Investment activities, p.41, 42	
GRI 203-1	Infrastructure investments and services supported	Priority investment projects completed in 2019, p.47	
Procurement management			
GRI 204. Procurement practices 2016			

GRI 103-2	The management approach and its components	Procurement activities, p.137	
GRI 103-3	Evaluation of the management approach	Procurement activities, p.140	
GRI 204-1	Proportion of procurement spending on local suppliers	Supply chain, p.21	
Anti-corruption management			
GRI 205. Anti-corruption 2016			
GRI 103-2	The management approach and its components	Anti-corruption policy, p.141	
GRI 103-3	Evaluation of the management approach	Anti-corruption policy, p.143	
GRI 205-1	Operations assessed for risks related to corruption		No identification and assessment of corruption risks was carried out regarding operational units in 2019. The Company is to continue implementation of the requirements outlined in PJSC Rosseti Order of 19.01.2018 No.11r “On approval on the standard corruption risk methodology at PJSC Rosseti in 2020”.
Energy efficiency and energy saving			
GRI 302. Energy 2016			
GRI 103-2	The management approach and its components	Power transmission and losses, p.50	
GRI 103-3	Evaluation of the management approach	Power transmission and losses, p.50-51 Annex 30. Data on the amount of energy resources used in 2019	
GRI 302-1	Energy consumption within the organization	Annex 30. Data on the amount of energy resources used in 2019	
GRI 302-4	Reduction of energy consumption	Power transmission and losses, p.50-51	2018 – base year.
Occupational health and safety			
GRI 403. Occupational health and safety 2016			
GRI 103-2	The management approach and its components	Occupational health and safety, p.124	

GRI 103-3	Evaluation of the management approach	Occupational health and safety, p.124-126	
GRI 403-4	Coverage of the health and safety issues in official agreements with trade unions	Annex 18. Labour safety report	<p>The Company's obligations regarding personnel health are additionally stipulated by the collective agreement of PJSC IDGC of the North-West. The collective agreement of PJSC IDGC of the North-West contains an article on labour safety.</p> <p>The S&A conducting operations with the average staffing number of over 10 persons (JSC Pskovenergosbyt, JSC Pskovenergoagent) have their own collective agreements, including labour safety articles.</p>
Personnel development			
GRI 404. Training and education 2016			
GRI 103-2	The management approach and its components	Personnel training and development, talent pool, p.113	
GRI 103-3	Evaluation of the management approach	Personnel training and development, talent pool, p.113	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Personnel training and development, talent pool, p.113	
Immaterial topics (Group III at the materiality matrix)			
Biodiversity conservation			
GRI 304. Biodiversity 2016			
GRI 304-2	Significant impacts of activities, products, and services	Environmental policy, p.135	
Interaction with employees under considerable changes in labour management relations			
GRI 402. Labour-management relations 2016			
GRI 402-1	Minimum notice periods regarding operational changes, its specification in the collective agreement		<p>Under Article 74 of the RF Labour Code (RF LC) regarding changes of labour conditions and Article 75 of the RF LC regarding change in the organisation's property owner, the minimum length of advance notice of the employees and their elected representatives of the implementation of the material operational changes which can considerably impact them is 2 months.</p> <p>Section 4 "Employment" of the collective agreement stipulates that in case the Company is reorganised, the</p>

			Employer is obliged to notify PTUO representatives of the future reorganisation and provide them with information on the reorganisation decision made by the Shareholders' Meeting, within 20 days from the date of the decision.
Impact on the social development in the operations area			
GRI 413. Local communities 2016			
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Highlights of the year, p.18 Public, government and media relations, p.109	
GRI 413-2	Operations with significant actual and potential negative impacts on local communities		In 2019, there were no operations with significant actual and potential negative impacts on local communities.
Socioeconomic compliance			
GRI 419. Socioeconomic compliance 2016			
GRI 419-1	Non-compliance with laws and regulations in the social and economic area		In the reporting period no material fines or non-financial penalties were imposed for failure to comply with the social or economic legislation requirements. RF Federal Taxation Service Interdistrict Tax Inspectorate Decision No.4 on major taxpayers, upon on-site tax audit for 2013-2015, in 2018, additional property tax was charged in the amount of RUB 66,179 thous. The Company accrued and paid the amount; currently it is disputing the decision of the tax authority in court.

Standard elements of the sector supplement

GRI indicator	Information disclosure in the Report	Report section / number of Annex to the Report	Excluded information / comments
EU4	Length of transmission and distribution lines by type	Company overview, p.10 Annex 2. Data on the key production assets in 2017–2019.	
G4-DMA (previously EU8)	Research and development conducted for the increase of power supply reliability and sustainable	Innovative development, p.75	

	development of the company				
EU12	Power losses during power transmission and distribution as percentage of total volume of the power transmitted	Key performance indicators, p.12 Power transmission and losses, p.50			
		Indicator	Indicator value		
			total	by voltage level	
				HV and MV1	distributing grids (MV2 and LV)
Power output to grid (generating losses), mln kWh	34,594	25,082	9,511		
Actual (reported) line power losses, mln kWh	2,156	978	1,179		
Actual (reported) power losses as percentage of the power output to grid, %	6.23%	3.90%	12.39%		
EU28	Power outage frequency	Improving power supply efficiency, reliability and quality, p.63			
EU29	Average power outage duration	Improving power supply efficiency, reliability and quality, p.63			

International Integrated Reporting (IR) Standard compliance chart

Reflection of the fundamental concepts of the IR Standard in the Report

Fundamental concepts	Used / not used
Value creation for the organisation and its stakeholders	Used
Capitals	Used
Value creation process	Used

Compliance of the Report with the guiding principles of the IR Standard

Guiding principles	Complies / does not comply
Strategic focus and future orientation	Complies
Connectivity of information	Complies
Stakeholder responsiveness	Complies
Materiality	Complies
Conciseness	Partially complies*
Reliability and completeness	Complies
Consistency and comparability	Partially complies**

* The presentation version of the Report complies with the principle.

** In 2018, the Company started using the GRI Standards, in 2019 – the Integrated Reporting Standard.

Availability of the IR content elements in the Report

Content elements	Report section	Page number
Company overview and operating context	Company overview, Market overview	10-11, 24-29
Governance	Corporate governance	146
Business model	Business model	20
Risks and opportunities	Risk management system	198
Strategy and resource allocation	Strategic development guidelines, Key performance indicators	30-32, 38-40
Performance	Key performance indicators, Business model	12-18, 20
Future outlook	Strategic development guidelines, Company development prospects, Investment activities, Production results	30-32, 34, 43-46, 48, 50, 51

Terms and abbreviations

Abbreviation, term	
JSC	joint-stock company
ANO	autonomous non-profit organisation
OL	overhead (power) line
HEI	higher education institution
AGSM	Annual General Shareholders' Meeting
HPP	hydroelectric power plant
S&A	subsidiaries and affiliates
UNPG	unified national power grid
IP	investment programme
IT	information technologies
CDP	comprehensive programmes of power grids development
KPI	key performance indicators
PL	power line
MICEX	Public Joint-Stock Company Moscow Exchange MICEX-RTS
IDGC	interregional distribution grid company
SMB	small and medium businesses
IFRS	International Financial Reporting Standards
MUE	municipal unitary enterprise
EMERCOM	RF Ministry for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters
FAS of Russia	Federal Antimonopoly Service
VAT	value-added tax
R&D	research and development
NSPF	non-state pension fund
RDB	Research and Development Board
AWP	autumn and winter period
PJSC	public joint-stock company
D&S	design and survey
PTUO	primary trade union organisation
SS	substation
RAS	Russian accounting standard
RTS	Russian Trading System
RF	Russian Federation
PDZ	power distribution zone
ICS	internal control system
RMS	risk management system
BoD	Board of Directors
NWFD	North-Western Federal District
SSIW	self-supporting insulated wire
DS&P	power industry development schemes and programmes of the Russian constituent entities
media	the mass media
OAMS	operation assets management system
LGC/TGK	local generating company
TR&R	technical re-equipment and renovation

M&R	maintenance and repairs
LGO	local grid operator
FES	fuel and energy sector
FTS Russia	of Federal Tariff Service
EBITDA	earnings before interest, taxes, depreciation, and amortization
IR	investor relations
CU	conventional unit
OS	organisational standard
PU	production unit
PEI CPE	private educational institution of continuing professional education
QMS	quality management system
TC	technological connection
IP	investment project
CL	underground cable line
ACRA	Analytical Credit Rating Agency
AR	accounts receivable
CR	company regulation
LLC	limited liability company
RAD	regulatory administrative document
PJSC	public joint-stock company
RF CC	Criminal Code of the Russian Federation
RAB	regulatory asset base
GRR	gross revenue requirement
CG	corporate governance
SLR	power supplier of last resort
RTD	research and technology documentation
CMIS	corporate management information system
APMS	automated process management systems
RPA	relay protection and automation
CJSC	closely-held joint-stock company
CCLCMF	centre for construction of large-capacity marine facilities
Cont.	contract
SG	switchgear
DCTS	data collection and transfer system
AMIS EPFM	automated measuring and information system for electric power fiscal metering
UAV	unmanned aerial vehicles
SIU	situational information unit
FL	fault locators
AERD	automated emergency response devices
DCTD	data collection and transfer device
DPC	data processing centre
GCC	grid control centre
Measurement units	
A	ampere. Electric current measurement unit
ha	hectare. Area measurement unit
Gcal	gigacalorie. Heat energy measurement unit
kV	kilovolt. Electric voltage measurement unit
MVA	megavolt-ampere. Measurement unit of apparent power

kWh	kilowatt hour. Electric power measurement unit
kW, MW	kilowatt, megawatt. Active power measurement units
km	kilometre. Length measurement unit
RUB mln	million roubles
RUB bln	billion roubles

Addresses and contacts

1. Company details: [GRI 102-1; GRI 102-3; GRI 102-5]

Full name:	Public Joint-Stock Company Interregional Distribution Grid Company of the North-West
Short name:	PJSC IDGC of the North-West
Ownership and legal form	Joint private and foreign property, public joint-stock company
Address (location) of the Company:	3A Konstitutsii Sq., Saint Petersburg, 196247, Russia, office 16H
Phones, fax:	phone +7 (812) 305-10-00, fax +7 (812) 305-10-98
E-mail:	post@mrsksevzap.ru
Internet address:	www.mrsksevzap.ru
Bank details:	Tax ID 7802312751, KPP code 781001001, OGRN code 1047855175785 OKPO code 74824610 current account 40702810855000000024 at the North-Western Bank of PJSC Sberbank Saint Petersburg correspondent account 30101810500000000653 BIC 044030653

2. Registrar of PJSC IDGC of the North-West:

Full name:	Joint Stock Company R.O.S.T. Registrar
Short name:	JSC R.O.S.T. REGISTRAR
Location:	18 bldg 13, Stromynka St., 107996, Moscow
Mailing address:	PO box 9, 18 Stromynka St., 107996, Moscow
Phones:	+7 (495) 771-73-38, 771-73-39
Internet address:	http://www.rrost.ru/
Bank details:	Bank: JSC Alfa-Bank, Moscow, current account: 40701810399929300006, BIC: 044525593, correspondent account: 30101810200000000593 Tax ID: 7726030449

3. JSC R.O.S.T. Registrar standalone branch in Saint Petersburg:

Full name:	North-Western Branch of Joint-Stock Company R.O.S.T. Registrar
Location:	6 Belovodsky Lane, 194044, Saint Petersburg
Mailing address:	6 Belovodsky Lane, 194044, Saint Petersburg
Phones:	+7 (812) 401-63-13, 401-63-14
Internet address:	http://www.rrost.ru/
E-mail:	rrost-spb@rrost.ru

4. Auditor of PJSC IDGC of the North-West:

Full name:	Ernst & Young Limited Liability Company
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Short name:	LLC Ernst & Young
Location:	77 bldg 1 Sadovnicheskaya Emb., Moscow, 115035 Russia
Mailing address:	77 bldg 1 Sadovnicheskaya Emb., Moscow, 115035 Russia
Phones:	+7 495 755-97-00, +7 495 755-97-01
Internet address:	ey.com/ru/ru
E-mail:	moscow@ru.ey.com

4.1. Saint Petersburg branch of Ernst & Young Limited Liability Company

Location:	23 Malaya Morskaya St., Saint Petersburg, 190000 Russia
Mailing address:	23 Malaya Morskaya St., Saint Petersburg, 190000 Russia

5. Hotlines on power supply issues:

Branch/IDGC	Hotline number
Arkhangelsk branch of PJSC IDGC of the North-West	8-800-333-02-52
Vologda branch of PJSC IDGC of the North-West	8-800-333-02-52 and 8 (8172) 76-85-00
Karelia branch of PJSC IDGC of the North-West	8-800-333-02-52 and 8 (8142) 78-32-28
Murmansk branch of PJSC IDGC of the North-West	8-800-333-02-52 and 8 (81553) 68-353
Komi branch of PJSC IDGC of the North-West	8-800-333-02-52 and 8-800-250-17-00
Novgorod branch of PJSC IDGC of the North-West	8-800-333-02-52 and 8(8162) 700-230
Pskov branch of PJSC IDGC of the North-West	8-800-333-02-52 and 8(8112) 59-79-99
Universal for the responsibility area	8-800-333-02-52 and 8-800-220-0-220

6. Shareholder and Investor Relations Department contacts: [GRI 102-53]

Full name	Position	Phone, e-mail
Vasinuyk Ludmila Viktorovna	Head of the department	+7 (812) 305-10-34 vasinyuklv@mrsksevzap.ru
Peresvetova Irina Mikhaylovna	Principal specialist	+7 (812) 305-1010 ext. 560 peresvetova@mrsksevzap.ru
Bogatyreva Ellina Fayruzovna	Principal specialist	+7 (812) 305-1010 ext. 437 bogatyrevaef@mrsksevzap.ru

Annexes

- Annex 1. Data on PJSC IDGC of the North-West participation in subsidiary entities
- Annex 2. Data on the key production assets in 2017–2019.
- Annex 3. Data on the key projects of PJSC IDGC of the North-West
- Annex 4. Report on the capital construction quality control
- Annex 5. Production results for 2019 broken down by PJSC IDGC of the North-West branches
- Annex 6. Description of the technological connection process
- Annex 7. Demand level for technological connection and demand response
- Annex 8. Information on the technical guidance documents developed by the Company in the reporting period in the field of technical regulation
- Annex 9. Report of the Research and Development Board for 2019
- Annex 10. Revenue and expenses breakdown of PJSC IDGC of the North-West under the RAS
- Annex 11. Data on sales of non-core assets in 2019
- Annex 12. Regulatory documents stipulating the Company’s tariff setting
- Annex 13. Report on regulated activities, broken down by the Company branches
- Annex 14. TC fees in 2017-2019
- Annex 15. Cash flow from the technological connection contracts monitoring
- Annex 16. The changes in business process efficiency indicators in 2017-2019
- Annex 17. Report on the results of ensuring the human performance reliability
- Annex 18. Labour safety report
- Annex 19. List of regulatory documents covering procurement activities of PJSC IDGC of the North-West
- Annex 20. Report on compliance with the guidelines and recommendations of the RF Corporate Governance Code
- Annex 21. Participation of the members of the PJSC IDGC of the North-West Board of Directors in meetings held in 2019
- Annex 22. The register of decisions of the Board of Directors of PJSC IDGC of the North-West on defining the Company’s priority areas
- Annex 23. The composition of the Board of Directors elected at the Annual General Shareholders’ Meeting of PJSC IDGC of the North-West on 07.06.2018
- Annex 24. The composition of the Board of Directors Committees of PJSC IDGC of the North-West and involvement of the Committees members in the period from 01.01.2019 to re-election in the composition effective as of 31.12.2019
- Annex 25. Key material issues considered by the Company Board of Directors Committees in 2019
- Annex 26. Data on members of the Management Board of PJSC IDGC of the North-West in 2019
- Annex 27. Information on management and control bodies of the PJSC IDGC of the North-West subsidiaries
- Annex 28. Description of the internal control contributors
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- Annex 30. Data on the amount of energy resources used in 2019