



**ENERGY
FOR DEVELOPMENT**

Report overview

The present 2018 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 subsidiaries. The terms “we”, “IDGC of the North-West Group” and “the Group” in various forms refer in this Annual Report to PJSC IDGC of the North-West, its branches and subsidiaries. The terms “PJSC IDGC of the North-West”, “the Company” and “the Issuer” refer to PJSC IDGC of the North-West.

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 key focus of the Report is “Energy for development”. We aim to present IDGC of the North-West as a young cutting-edge company. A company providing convenient up-to-date services

highly demanded during implementation of advanced economic projects. A company relying on innovative business processes and using breakthrough technical achievements.

The 2018 Report of IDGC of the North-West complies with the principles of the International Integrated Reporting Standard. It takes into account the requirements of the Russian legislation (the Regulation on Information Disclosure, the Corporate Governance Code recommended by the Central Bank of the Russian Federation), as well as the requirements of PJSC Rosseti for preparation of the subsidiaries’ reporting.

Non-financial reporting for 2018 is disclosed using the Global Reporting Initiative standards (hereinafter – GRI Standards) in its general version and the GRI sector supplement for electric utilities companies. Moreover, the Report tackles activities aimed at reaching the UN Sustainable Development Goals.

Additional information on non-financial indicators is provided in the GRI Content Index on page 208.

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 July 2006.

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

Table of content

STRATEGIC REPORT

18	Company overview
20	Key performance indicators
26	Address by the Chairman of the Board of Directors
28	Address by the Director General
30	The Company structure and geographical footprint
32	Business model
34	Supply chain
36	Market overview
41	Strategic development guidelines
52	Investment activities
58	Production results
78	Financial performance analysis

SUSTAINABLE DEVELOPMENT REPORT

98	Sustainable development management
100	Quality Management System
100	Stakeholder interaction
106	Human resources and social policy
118	Environmental responsibility
122	Responsible business
128	Social responsibility

CORPORATE GOVERNANCE REPORT

132	Overview of the Company’s corporate governance
138	General Shareholders’ Meeting
140	Company Board of Directors
142	Report of the Board of Directors on priority areas of activity
154	Committees of the Company Board of Directors
163	Corporate Secretary
164	Executive management bodies of the Company
170	The Company remuneration system
177	Subsidiaries management system
178	Supervisory bodies and risk management
198	Information for investors and shareholders

ADDITIONAL INFORMATION

207	Materiality definition
208	Standards correspondence tables
215	Terms and abbreviations
217	Addresses and contacts

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



Energy of the modern comfort

PJSC IDGC of the North-West is a cutting-edge company providing ready-made solutions to individuals, small and medium businesses. The Company ensures simple connection and high-quality service. We have developed electronic and mobile services helping to minimise client visits to the Company.



Client satisfaction and loyalty level*

4.82 points
4.83 points
4.82 points

for completeness of information presented in service offices

for professionalism

for goodwill of employees

* on a five-point scale

The interaction between the client and the grid company is based on:

the Internet services via the personal account

the Internet reception office at the company's web site

6.0 thous

In 2018, PJSC IDGC of the North-West received e-requests for technological connection, which is 130% more than 2017.



CONSUMER DIALOGUE

Our task is to build loyalty by increasing availability and quality of services, as well as satisfaction of the clients' short-term and long-term needs.

CLIENT INTERACTION IN 2018, APPLICATIONS:

TO SERVICE OFFICES



BY PHONE



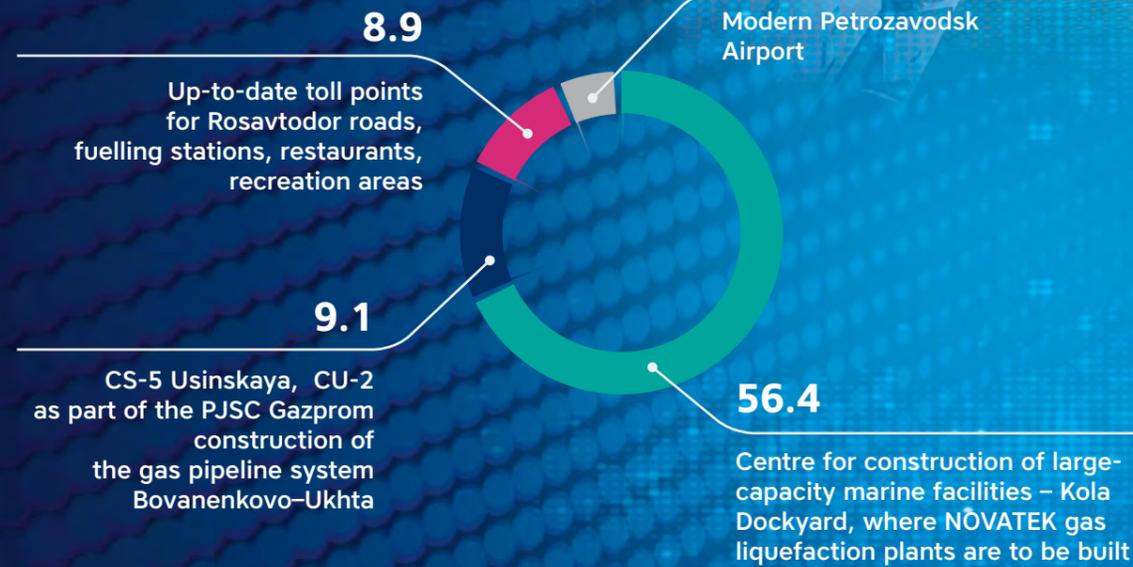
VIA THE INTERNET



Energy of the modern business

LARGE BUSINESSES CHOOSE PJSC IDGC OF THE NORTH-WEST TO IMPLEMENT THEIR PROJECTS

CAPACITY INSTALLED, MW



01 ENERGY FOR DEVELOPMENT

Centre for construction of large-capacity marine facilities (CCLCMF – Kola Dockyard), where NOVATEK gas liquefaction plants are to be built

02 ENERGY FOR FLIGHT

Modern Petrozavodsk Airport

03 ENERGY FOR THE FUTURE

CS-5 Usinskaya, CU-2 as part of the PJSC Gazprom construction of the gas pipeline system Bovanenkovo-Ukhta

04 ENERGY TO MOVE

Up-to-date toll points for Rosavtodor roads, fuelling stations, restaurants, recreation areas



Digital transformation 2030

Digital technologies have already become an integral part of our life. We strive to use all the achievements. The Company is guided by the new Development Strategy of PJSC Rosseti for 2018–2022 with an outlook to 2030. The technological core is transition to a digital grid with the distributed intelligent system of automation and management. It will serve to reduce the costs of infrastructure development and maintenance, technological process, finance and operations management.

EFFECT OF THE POWER GRIDS DIGITAL TRANSFORMATION 2030

SYSTEMIC:

- up to 10% reduction in peak capacity consumption in the transition to a horizontal power system, more adaptive to consumer requirements
- reduction in operating costs

TECHNOLOGICAL

- double improvement of the system average interruption duration index (SAIDI)
- technological connection duration reducing 1.5 times
- consumer energy efficiency management, processing metering data for our clients, development of the quality market, electric vehicles charging, reserves storage

ECONOMIC

- reduction in manageable operating expenses
- decreased investment need
- power losses reduction

Digital transformation means a shift in the process logic and a transition to risk-oriented management of the power grid facilities based on digital technologies organised in 3 stages of 4-5 years each

Stage 1:

enhancing grid observability and manageability, introduction of equipment for transfer of the required technological information to processing and analysis centres

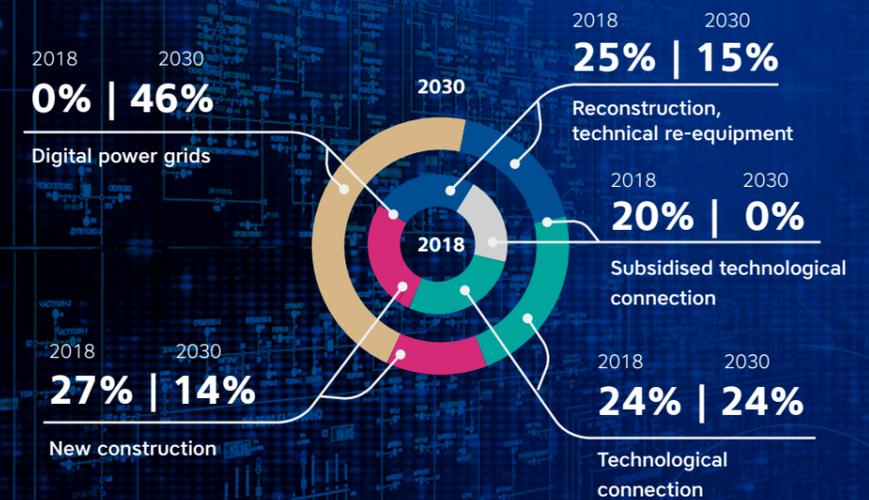
Stage 2:

comprehensive automation of the processes of control, monitoring and bottleneck identification

Stage 3:

introduction of artificial intelligence and machine learning based on BIGDATA technologies

DIGITAL STRATEGY 2030



DIGITALISATION CONCEPT

Technology implementation programme on three stages of digitalisation



- Metering devices
- Teleautomation
- Digital SS, grid elements control
- Management systems
- Communications, cybersecurity

Advanced technologies in action

The technologies implemented as part of the concept of the digital transformation, as well as comprehensive re-engineering of business processes ensure the company's adaptability to the new objectives and challenges, enhance its efficiency, consumer power supply and availability of the grid infrastructure, allow to develop its talent pool and new competencies at a higher level, and diversify the company's business by additional services.

THERE IS A CONSISTENT TREND IN REDUCING THE VALUES OF SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX (SAIFI) AND SYSTEM AVERAGE INTERRUPTION DURATION INDEX (SAIDI)

8.1% Reduction in power losses against 2016

SAIFI AND SAIDI



POWER LOSSES



USE OF NEW TECHNOLOGIES AND MATERIALS



UNMANNED AERIAL VEHICLES PERFORMING AERIAL PHOTOGRAPHY FOR THE PL MONITORING serve to reduce the operating costs, accelerate finding the damage location, enhance personnel safety, decrease the downtime



TABLET DEVICES FOR THE OPERATING PERSONNEL enhance labour efficiency, ensure access to electronic document exchange, enter the required data in software in the real-time mode, control staff movement



VIDEO CAMERAS TO RECORD OPERATING SWITCHING, INSTRUCTION, ON-SITE WORKS ensure boosting the quality of work and personnel safety



INSTALLATION OF RECLOSERS AND SHORT CIRCUIT INDICATORS IN 6-20 KV GRIDS provide an opportunity for prompt localisation the damaged parts of grids, reduce the number and duration of consumer power supply disturbances



AUTOMATION OF TRANSFORMER SUBSTATIONS ON THE BASIS OF MEK 61850 PROTOCOL serves to ensure grid observability, automated operation of grid modes, reduce the time needed to find technological disturbances



SMART METERING DEVICES WITH AUTOMATED DATA COLLECTION AND TRANSFER AND SOFTWARE THERETO support operating cost and power losses reduction, enhance grid observability



UP-TO-DATE OPERATIONAL DISPATCH UNIT WITH DMS/OMS FUNCTIONS enables transition to a more advanced level of grid and operating personnel management, as well as consumer interaction



Responsible attitude to the environment

The Company's core business – power transmission and grid distribution – has a little impact on the environment. At the same time, we strive to organise our activities so as to minimise any unfavourable environmental impact.

IN 2018

804
items

of bird protection devices

21.5
RUB mln

environmental protection expenses and investments

DYNAMICS OF PAYMENTS FOR NEGATIVE ENVIRONMENTAL IMPACT, RUB THOUS.



ENVIRONMENTAL PRACTICES

- ⊙ shutdown of the equipment containing polychlorinated biphenyls;
- ⊙ replacement of oil break switches with vacuum and sulfur-hexafluoride ones, 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;
- ⊙ transfer of hazard class 1-4 waste to specialised organisations;
- ⊙ analytical monitoring of air pollutant emissions from stationary sources with instrumental gauging;
- ⊙ equipment of overhead power lines of 35+ kV with bird protection devices;
- ⊙ construction and renovation of 0.4-10 kV OL, replacing uninsulated wire with self-supporting insulated wires to prevent bird injury and death in their habitat.



Our employees' potential

PERSONNEL DEVELOPMENT IS

a key element of the Company's HR and Social Policy. Currently, the Company is focused on more highly qualified jobs for employees with knowledge and skills in new digital technologies. Our employees are no longer just electricians, but professionals with expertise in automation of operations processes and information technologies able to face complicated challenges.



83.3%

of employees took part in full-time training over the year



1,132

persons in the talent pool



15,627

persons was the average staffing number in 2018

In 2018 The staffing levels of PJSC IDGC of the North-West have been consistently growing over the recent three years to reach

97.5%

(▲ 0.27 p.p. from 2016)



KEY RESULTS

LABOUR EFFICIENCY GROWTH



* Without regard to assuming the functions of the electric power supplier of last resort in the Arkhangelsk Region (from 01.01.2018) and the Vologda Region (from 01.04.2018) and an increase in the average staffing number by 967.6 persons

The main priority of IDGC of the North-West in its activities is to protect the lives and health of its employees, as well as ensure safe working conditions.

0.07

The rate of fatalities decreased 2 times

THE LEVEL OF ACTIVE STAFF TURNOVER HAS BEEN SUFFICIENTLY STABLE IN THE RECENT THREE YEARS, NOT EXCEEDING ALLOWABLE RATES, AND AMOUNTS TO 4.08%



RUB **1,146** mln

net profit under the IFRS

1,642 km

of power lines were built in 2018

↑ **26%** against 2017

1 Strategic report

- 18 Company overview
- 20 Key performance indicators
- 26 Address by the Chairman of the Board of Directors
- 28 Address by the Director General
- 30 The Company structure and geographical footprint
- 32 Business model
- 34 Supply chain
- 36 Market overview
- 41 Strategic development guidelines
- 52 Investment activities
- 58 Production results
- 78 Financial performance analysis



Company overview

HISTORICAL BACKGROUND

The Company was established in 2004 under the Russian energy industry reform. PJSC IDGC of the North-West became one of the 14 interregional grid companies. A key feature of its business is a stable consumer demand in operational area. The main shareholder is PJSC Rosseti (55.38%). For more details on the Company's history see the official web site of the Company: <http://www.mrsksevzap.ru/abouthistory>

A RELIABLE SUPPLIER OF ELECTRIC POWER

The Interregional Distribution Grid Company of the North-West is a leading power grid company in the North-Western Federal District of Russia. The core business is to render services of power transmission and technological connection to power grids.

A NATURAL MONOPOLY

The Company is a natural monopoly controlled and regulated by the state authorities. The Federal Antimonopoly Service and regional energy commissions establish tariffs and quality standards of the services individually for each constituent entity of the Federation, protecting consumer interests.

GEOGRAPHIC FOOTPRINT

PJSC IDGC of the North-West covers the territory of seven regions of the Russian Federation with the total area of 1,409,726 sq. km (8.23% of the Russian territory) and the population of approximately 5.7 mln people (4% of the Russian population).

EU4 KEY ASSETS



74%
share in the power transmission market within its footprint totals

176.4 thousand km length of power lines

26,509 MW transformer capacity

1,176 substations (> 35 kV)

SHAREHOLDER CAPITAL STRUCTURE OF PJSC IDGC OF THE NORTH-WEST AS OF 31.12.2018, %

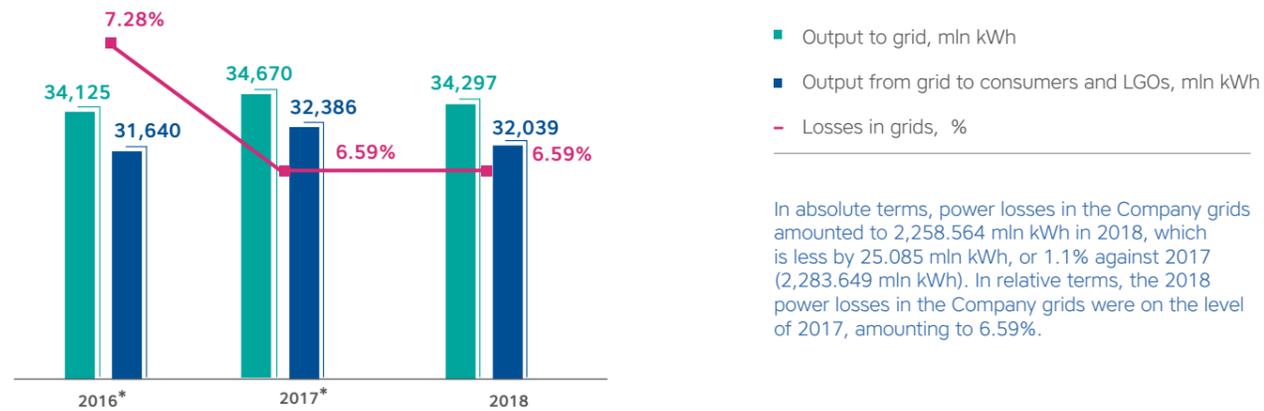
- 55.38% PJSC Rosseti
- 14.41% ENRGYO SOLUTIONS RUSSIA (CYPRUS) LIMITED
- 30.21% Other

TODAY IDGC OF THE NORTH-WEST IS MORE THAN 176,000 KM OF ELECTRIC GRIDS, 1,176 SUBSTATIONS OF 35 KV AND HIGHER TOTAL CAPACITY OF ABOUT 20,000 MVA, THE TOTAL AMOUNT OF ELECTRICAL NETWORKS OVER 1 MLN C. U.

Key performance indicators

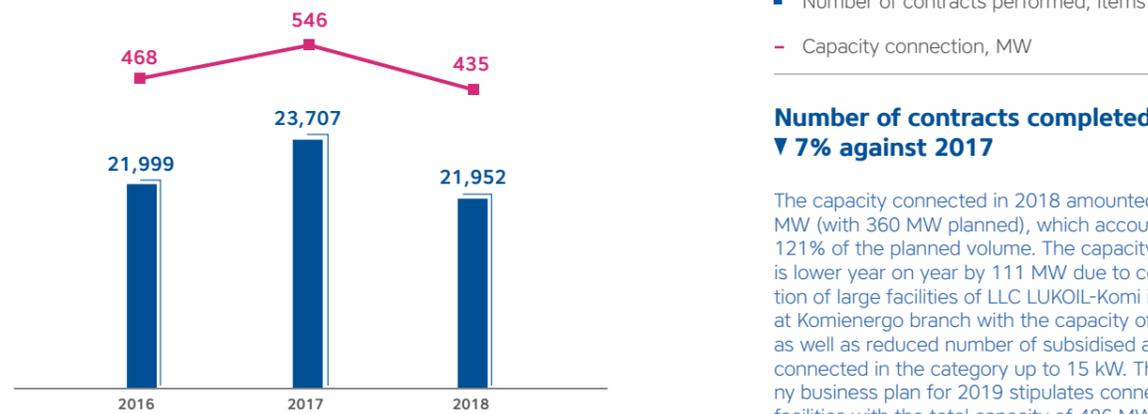
Key indicators of the year

EUI2 POWER TRANSMISSION AND LOSSES



* In 2016 and 2017, the indicators are presented in the conditions comparable with 2018 (estimated net of the volumes of the last mile facilities in 2016 and the first half of 2017).

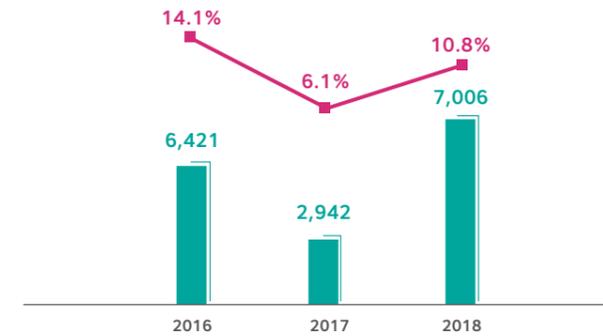
TECHNOLOGICAL CONNECTION



Number of contracts completed:
▼ 7% against 2017

The capacity connected in 2018 amounted to 435 MW (with 360 MW planned), which accounts for 121% of the planned volume. The capacity indicator is lower year on year by 111 MW due to connection of large facilities of LLC LUKOIL-Komi in 2017 at Komienergo branch with the capacity of 60 MW, as well as reduced number of subsidised applicants connected in the category up to 15 kW. The Company business plan for 2019 stipulates connection of facilities with the total capacity of 486 MW.

EBITDA, EBITDA MARGIN

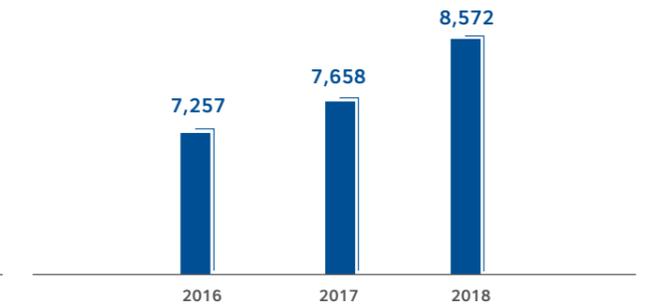


EBITDA:
▲ 138% against 2017

EBITDA margin:
▲ 4.7 p.p. against 2017

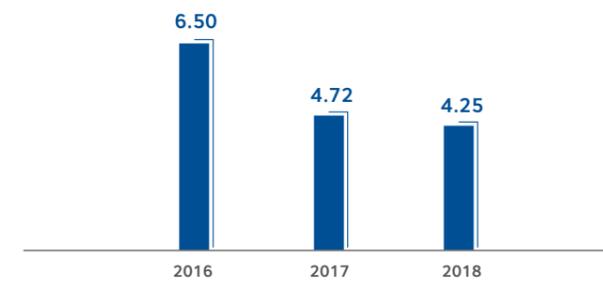
■ EBITDA, RUB mln
■ EBITDA margin, %

TAXES AND INSURANCE PAYMENTS TO THE BUDGET, RUB MLN



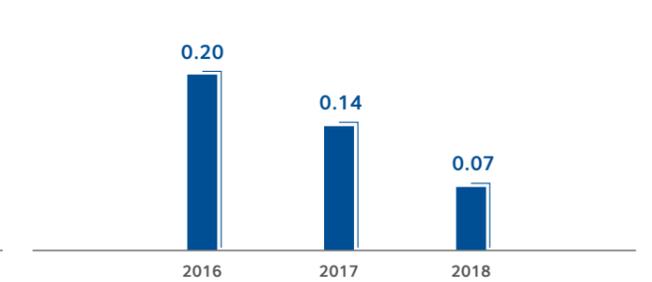
▲ 12% against 2017

ACCIDENT RATE PER UNIT



▼ 10% against 2017

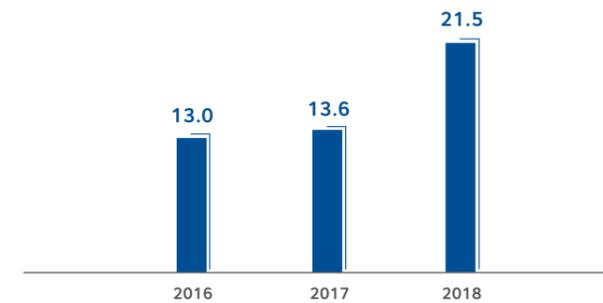
FATAL INJURY RATE*



▼ 2 times against 2017

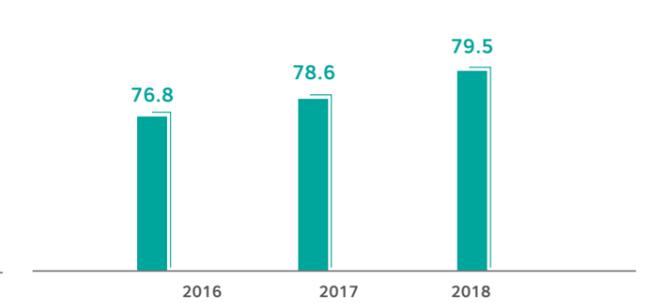
* per 1,000 employees

ENVIRONMENTAL EXPENSES AND INVESTMENTS, RUB MLN



▲ 58% against 2017

LABOUR EFFICIENCY, C.U./PERSON*



▲ 1% against 2017

* Without regard to assuming the functions of the electric power supplier of last resort in the Arkhangelsk Region (from 01.01.2018) and the Vologda Region (from 01.04.2018) and an increase in the average staffing number by 967.6 persons.

Highlights of the year

01

Investment projects

In 2018, the Company completed construction of 110 kV OL and 110/6.3/6.6 kV SS Sinega in the Komi Republic to supply electricity to JSC Vorkutaugol mines, as well as construction of four substations of 110/10 kV in the Novgorod Region to ensure power supply for the infrastructure of Moscow – St. Petersburg high-speed motorway.



03

Power employees exercise Karelia-2018

For three months, from 22 September to 22 December 2018, PJSC IDGC of the North-West conducted a large-scale hands-on training session in the Republic of Karelia. The exercise engaged staff from all the Company branches, as well as its contractors. In total, over 2,000 persons and 470 units of special-purpose machinery were involved. Approximately 5,000 km of power lines were repaired within the framework of the exercise, 3,318 ha of forest PL corridors were cleared, 1,220 ha of PL corridors were expanded. Over 65 km of self-supporting insulated wires were installed. The measures are to bring about considerable reduction in the fault rate of Karelenargo power grids and decrease the time needed to restore power supply interrupted by natural disasters.

Effect of the exercise



30%

reduction in the time required to restore power supply after the impact of natural disasters



11%

lower emergency rate in Karelenargo power grids

02

Changes in the Company business configuration

GRI 102-10

Starting 1 January 2018,

under Order of the RF Ministry of Energy dated 22.12.2017 No. 1202, PJSC IDGC of the North-West acquired the status of supplier of last resort (SLR) in the Arkhangelsk Region. From 1 October 2018, by Order of the RF Ministry of Energy dated 14.09.2018 No. 763, the SLR functions have been transferred to LLC TGC-2 Energosbyt.

Starting 1 April 2018,

under Order of RF Ministry of Energy dated 23.03.2018 No. 178, PJSC IDGC of the North-West acquired the status of supplier of last resort in the Vologda Region. From 1 January 2019, by Order of the RF Ministry of Energy dated 24.11.2018 No. 1110, the SLR functions have been transferred to LLC Severnaya Sbytovaya Kompania.



04

Organisation of regional power sector investment conferences

In 2018, in cooperation with ANO Strategic Partnership of the North-West, regional authorities, with the support of the Russian President's plenipotentiary envoy to the NWFD, the Company continued implementing its project to hold power industry investment conferences. The format of the events enables direct communication of investors and energy representatives on effective and mutually beneficial technological connection and optimisation of the power infrastructure use. During the year, six regional conferences were held, 58 agreements with investors were signed. The prospective capacity for connection amounted to 131 MW.



05

Corporate governance

Annual report 2017 of IDGC of the North-West received awards of the Moscow Exchange, ARC, MarCom Awards, LACP.

RAEX rating agency confirmed the corporate governance rating of PJSC IDGC of the North-West as A++ GQ (top-level governance quality).

Upon assessment of the Company's Board of Directors activities by the independent advisor JSC VTB Registrar, the corporate governance system was deemed generally compliant with the best practices of leading Russian companies.

MARCOM AWARDS LACP

RAEX AWARDS ARC AWARDS

MOSCOW EXCHANGE

Future development

In the period of 2019–2025, the Company is to implement 21 priority investment projects in six regions of its operations with the total value of RUB 10.21 bln including VAT.

Priority areas include 21 projects for renovation and technical re-equipment of substations, construction of 2 new substations and 301 km of high-voltage overhead lines.

Within the framework of the Long-Term Investment Programme for 2019–2025, the Company intends to launch the total of 8,420 km of power lines and over 1,725 MVA of substation capacity. The Investment Programme financing is planned as RUB 42 bln including VAT.

Key targets of the Investment Programme for 2019–2025 include:

01 Construction of line and 110/10 kV substation Olkhovey

The largest project with the total value of over RUB 2 bln, implemented within the framework of the technological connection agreement with PJSC Gazprom regarding the facility CS-5 Usinskaya, CU-2 as part of the construction of the gas pipeline system Bovanenkovo-Ukhta. Entry into operation is scheduled for 2021.

02 Construction of 150 kV line to 150 kV substation Belokamenka for technological connection of LLC Kola Dockyard

The project is implemented to supply power to the largest project of Novatek company – construction of the centre for construction of large-capacity marine facilities (CCLCMF – Kola Dockyard) in Belokamenka, western shore of the Kola Bay. The value of the line construction project is RUB 772 mln net of VAT. Entry into operation is scheduled for December 2019.

03 Construction of two 10 kV lines with installation of two-transformer substation and two 6 kV cable lines in Petrozavodsk and the Prionezhsky District within the framework of the technological connection of the state-financed entity of the Republic of Karelia Petrozavodsk Airport

The project is implemented to develop aviation service in the Republic of Karelia in line with instructions of the RF Government of 20.07.2018. The project value is RUB 86 mln including VAT, entry into operation is scheduled for 2019.

06

ACRA credit rating AA+(RU), outlook stable

On 6 August 2018, Analytical Credit Rating Agency (ACRA) assigned PJSC IDGC of the North-West credit rating AA+(RU), outlook stable.

Address by the Chairman of the Board of Directors

DEAR SHAREHOLDERS, PARTNERS AND COLLEAGUES!

PJSC IDGC of the North-West holds a major place in the PJSC Rosseti Group, ensuring efficient management of the distribution grid system in seven constituent entities of the Russian Federation within the North-Western Federal District of Russia.

2018 Highlights

In 2018, the Board of Directors of IDGC of the North-West particularly focused on ensuring reliability; strategic, financial and economic development; achieving the target production and financial indicators; measures to reduce the Company's overdue accounts receivable.

In 2018, IDGC of the North-West met the operation goals, showed a growth in economic efficiency and investment attractiveness, maintained a balance in the interests of the Company, all its shareholders and other stakeholders.

In the reporting period, the Company provided consumers with reliable power supply in the operations area, which is shown in the indicators reached by all its branches in the field of

reliability and quality of the services rendered, as set by the regulatory bodies, and consistent trends in reducing the values of System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI).

Another major achievement of the year was enhanced financial stability – the Company made net profit against the loss of 2017. It amounted to RUB 1,146 mln under the International Financial Reporting Standards.

The increase in the financial and economic stability is also confirmed by external assessment. In 2018, Analytical Credit Rating Agency (ACRA) first assigned the Company credit rating AA+(RU), outlook stable.

Corporate Governance

In 2018, the Company continued improving its corporate governance. The Annual General Shareholders' Meeting and meetings of the Company management bodies were held using electronic services (Shareholder's Personal Account and Personal Account of a Management Body Member).

Independent advisor JSC VTB Registrar assessed the activities of the Board of Directors.

The results of the survey are presented in the Annual Report and will be taken into consideration in further work of the Board of Directors. The quality of the work performed was confirmed by the rating agency RAEX (Expert RA) in 2018, which assigned the A++gq (top-level governance quality) rating to the Company's governance.

Strategic development – digital transformation

It is worth noting that the Company is facing ambitious goals of digital transformation in its strategic development.

To this end, in December 2018, the PJSC Rosseti Board of Directors adopted the concept of Digital Transformation 2030, currently joined by IDGC of the North-West.

Grid digitalisation is of paramount importance for stable economic development, energy security and environmental solutions, considerably boosting the efficiency of all business processes in energy companies, power industry and the whole economy.

Therefore, in the short-term, the Board of Directors is going to focus on introduction of new digital solutions in the Company, working out a Digital Transformation Programme for PJSC IDGC of the North-West to implement the Digital Transformation 2030 concept.

I am confident that joint efforts of the Board of Directors and the management will ensure robust development of the Company and achievement of its goals.

Sincerely,

**Chairman of the Board of Directors of
PJSC IDGC of the North-West**

O.A.SERGEEVA

Address by the Director General

DEAR SHAREHOLDERS!

PJSC IDGC of the North-West is one of the largest infrastructural companies in the North-Western Federal District of Russia. Its purpose is to ensure reliable and high-quality power supply to consumers in seven regions of Russia.

Production Overview

In 2018, implementation of operational programmes enabled us to reduce the average length of power supply interruptions by 35% year on year; unit fault rate in grids was de-

creased by 10%. The Company completed overhauls of over 10,400 km of power lines, cleared 19,800 ha of power line routes.

Investment projects

Investment activities of the Company were oriented at upgrading facilities and introducing new capacity to meet the needs of the regions. In 2018, the capital investment financing amounted to RUB 9 bln: 1,642 km of PL were built with the voltage of 0.4-110 kV, as well as 267 MVA of the new transformer capacity. The most important projects include: construction of 110 kV OL and 110/6.3/6.6 kV SS Sinega in the Republic of Komi to ensure power supply to

JSC Vorkutaugol mines; the first stage of building 150 kV OL for technological connection of LLC Kola Dockyard in the Murmansk Region; the first stage of renovating 110 kV OL Shek-sninskaya 1,2 in the Vologda Region; construction of four substations of 110/10 kV in the Novgorod Region to ensure power supply for the infrastructure of Moscow – St. Petersburg high-speed motorway.

Financial results

In 2018, net profit of PJSC IDGC of the North-West under IFRS was RUB 1,146 mln. The total 2018 revenue amounted to RUB 64,854 mln, which is RUB 16,985 mln (35%) higher against 2017. Net Debt/EBITDA was 2.2. The Compa-

ny's performance results show a trend to improve its key financial and economic indicators and stable overall financial and economic position.

Plans for 2019

A major focus for PJSC IDGC of the North-West in 2019 will be implementation of innovative projects within the framework of Digital Transformation 2030 concept. We aim at a dramatic shift in the process logic and a transition to risk-oriented management of the power grid facilities based on introduction of digital technologies and big data analysis. It will further enable us to ensure general reduction of grid disturbance rate, accelerate mitigation of power system disturbances and considerably increase grid reliability. However, digitalisation is impossi-

ble without complete verification of information in the current databases. And now our Company is carrying out Clean Data pilot project. In cooperation with the Federal Test Centre we are conducting system audit and developing the methodology for collecting standardised data and their verification. Transparency and availability of unbiased information is fundamental to efficient decision-making, including drawing up a balanced tariff policy taking into account both the consumer interests and the needs to finance infrastructure development.

Sincerely,

Director General of
PJSC IDGC of the North-West

A.YU.PIDNIK

The Company structure and geographical footprint

BRANCHES

CORE BUSINESS:

- Power transmission and distribution
- Technological connection

KOLENERGO

MURMANSK REGION

Area of the region 144.9 thous. sq.m
Population 748 thous. persons



KARELENERGO

REPUBLIC OF KARELIA

Area of the region 180.5 thous. sq.m
Population 617.9 thous. persons



PJSC IDGC OF THE NORTH-WEST

EXECUTIVE BODIES



PSKOVENERGO

PSKOV REGION

Area of the region 55.4 thous. sq.m
Population 629.7 thous. persons



NOVGORODENERGO

NOVGOROD REGION

Area of the region 54.5 thous. sq.m
Population 600 thous. persons



VOLOGDAENERGO

VOLOGDA REGION

Area of the region 144.5 thous. sq.m
Population 1,167.8 thous. persons



KOMIENERGO

REPUBLIC OF KOMI

Area of the region 416.8 thous. sq.m
Population 830 thous. persons



ARKHENERGO

ARKHANGELSK REGION

Area of the region 413.1 thous. sq.m
Population 1,100 thous. persons



SUBSIDIARIES

OJSC ENERGOSERVICE OF THE NORTH-WEST

Leningrad Region

ENERGY SERVICE

Share of participation 100%

Core business: Power facilities servicing

OJSC PSKOVENERGOAGENT

Pskov Region

POWER SALES

Share of participation 100%

Core business: Agent's services for power sales

OJSC PSKOVENERGOSBYT

Pskov Region

POWER SALES

Share of participation 100%

Core business: Power sales

OJSC LESNAYA SKAZKA

Republic of Karelia

OTHER ACTIVITIES

Share of participation 97.96%

Core business: Renting property for health and recreation services



Length of power lines



Substation capacity



Share of the personnel

* For more details on PJSC IDGC of the North-West participation in subsidiary entities and other organisations see Annex 3 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

** For information on the key production assets see Annex 4 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Business model --

OUR RESOURCES

FINANCIAL CAPITAL

EQUITY CAPITAL RUB **19,345** mln

BORROWED CAPITAL RUB **15,544** mln

PRODUCTION CAPITAL

PL LENGTH **176.4** thous. km

SUBSTATIONS (OVER 35 KV) **1,176** items

TRANSFORMER CAPACITY

26,509 MW

INTELLECTUAL CAPITAL

INTANGIBLE ASSETS RUB **31.6** mln

R&D INVESTMENT RUB **12.47** mln

HUMAN CAPITAL

EMPLOYEES, AVERAGE HEADCOUNT **15,627** persons

INCLUDING WITH PROFESSIONAL EDUCATION **13,517** persons (86.5%)

NATURAL CAPITAL

AREA OF OPERATIONS **1.4** mln sq. km

PUBLIC REPUTATION CAPITAL

ACRA CREDIT RATING **AA+(RU)** outlook: stable

LEVEL OF CLIENT SATISFACTION

4.8

STRATEGIC PRIORITIES

HOW WE CREATE VALUE FOR OUR STAKEHOLDERS

SHAREHOLDERS' INTERESTS

- Profit-making
- Capitalisation growth

COMPETITIVE PERFORMANCE INTERESTS

- Ensuring safe and reliable high-quality power supply to consumers, ongoing quality improvement and increasing availability of services
- Energy efficiency, increasing level of environmental safety, and mitigation of environmental impact
- Prevention of any growth in the number of occupational injuries
- Efficient performance of staff

DEVELOPMENT INTERESTS

- Development of a single management model (based on unified approaches, methodologies and principles) across business processes to the level of power distribution zones
- Building an efficient system of the Company's resources use
- Efficient investment activities

WE PERFORM POWER TRANSMISSION VIA INTERREGIONAL LINES AND RENDER SERVICES OF TECHNOLOGICAL CONNECTION TO POWER GRIDS*

TECHNOLOGICAL CONNECTION

The revenue from technological connection is hard to forecast due to regular changes in the applicants' plans. RUB 2,423 mln – technological connection revenue

OUR KEY CONSUMERS INCLUDE:

- individuals,
- industrial companies,
- governmental and social facilities.

POWER TRANSMISSION

The bulk of our revenue is formed by power transmission tariffs. RUB 40,427 mln – power transmission revenue

HOW WE MANAGE OUR BUSINESS

OCCUPATIONAL SAFETY

Decrease in the occupational injury rate on every stage of operations is a top priority of the Company.

For details see page 116.

ENVIRONMENTAL PROTECTION

We do whatever is necessary to minimise the adverse impact on the environment.

For details see page 118.

RISK MANAGEMENT

We constantly monitor the risks inherent in our business.

For details see page 178.

STAKEHOLDER INTERACTION

To ensure mutual interests are advanced. We carry out ongoing interaction with stakeholders.

For details see page 100.

PERSONNEL TRAINING AND DEVELOPMENT

We encourage professional development of our employees to boost operational efficiency and motivation.

For details see page 107.

CORPORATE GOVERNANCE

We strive to adhere to high standards of corporate governance based on best international practices.

For details see page 130.

CORPORATE VALUES

Our corporate values motivate employees to achieve results without sacrificing safety, environment or ethical principles.

For details see page 122.

ENSURING VALUE FOR STAKEHOLDERS

COMPETITIVE EDGE

- HIGH LEVEL** of power supply reliability
- LOW LEVEL** of power losses
- GROWTH** in capacity connected
- INCREASED** labour efficiency
- STABLE GROWTH** in financial performance

SHAREHOLDERS

- 6.6% capitalisation growth
- RUB 1,146 mln IFRS net profit
- 6.59% power loss level
- 79.5 c.u./person – labour efficiency** (▲1.1%)

CONSUMERS

- 1,642 km of OL launched (▲26%)
- 32,039 mln kWh – productive power supply from grids
- 22 thous. contracts performed
- 435 MW connected capacity

FINANCIAL ORGANISATIONS

- RUB 1,235 mln loan interest paid

SUPPLIERS AND CONTRACTORS

- 1,866 purchases made
- RUB 20,501.25 mln the total purchase value

EMPLOYEES

- RUB 10,299.55 mln – payroll expenses
- RUB 235.23 mln – social spending

GOVERNMENTAL AUTHORITIES AND LOCAL COMMUNITIES

- RUB 5,701 mln taxes and insurance payments to budgets and non-budget funds of all levels
- RUB 668 mln investment in social infrastructure
- RUB 3.13 mln environmental projects spending

CONTRIBUTION TO ACHIEVEMENT OF THE UN SUSTAINABLE DEVELOPMENT GOALS



* Apart from the core businesses, the Company renders other power-related services.

** Without regard to assuming the functions of the electric power supplier of last resort in the Arkhangelsk Region (from 01.01.2018) and the Vologda Region (from 01.04.2018) and with an increase in the average staffing number by 967.6 persons.

GRI 102-9
Supply chain

SUPPLIERS*

Power facilities construction and expansion

230 purchases
4,192,236.35 RUB thous (20.4%)

Power facilities renovation and technical re-equipment

514 purchases
3,146,648.48 RUB thous (15.3%)

Repair and maintenance

584 purchases
2,670,878.76 RUB thous (13.0%)

IT purchases

162 purchases
848,499.59 RUB thous (4.1%)

Other purchases (including advisory services)

376 purchases
9,642,981.87 RUB thous (47.0%)

The supply chain scheme of PJSC IDGC of the North-West shows the key groups of purchased goods, works and services, the number of purchases, annual expenses on them and the share in the Company's procurement expenses in 2018.

In 2018, the Company carried out 1,866 purchases in the amount of RUB 20,501,245 thous. including VAT**.

COMPANY'S BUSINESS

POWER TRANSMISSION

TECHNOLOGICAL CONNECTION

CONSUMERS

01 LOCAL GRID OPERATORS

02 DIRECT CONSUMERS

03 SUPPLIERS OF LAST RESORT (power suppliers), transmitting the power to end users

04 NEW CONSUMERS

* Details of the Company's procurement are shown in "Procurement Activities".

** The calculation does not include the purchases of power transmission services, power purchase to make up for the losses and other inevitable purchases from the single supplier (land rent, heat / water/ power / gas supply, emergency response).

Market overview

Macroeconomic performance in 2018 and projections to 2036

In 2018, the macroeconomic situation was characterised by a certain economic growth. According to the Russian Federal State Statistics Service, GDP growth accelerated in 2018 to 2.3% against 1.6% in the previous year. The increase in GDP growth rate is largely due to temporary factors, and it is not stable.

According to the baseline forecast of the RF Ministry of Economic Development, in 2019–2024, GDP growth rate will amount to 2.7%, increasing in 2025–2030 to 3.2%, and declining in 2031–2036 to 3.0%.

The industrial output grew at quite a steady pace last year. As of the year-end, positive trends were characteristic of all major industry groups.

The RF Ministry of Economic Development projects annual increase in the industrial output of 3.0% for 2019–2030, and 2.8% for 2031–2036.

Inflation amounted to 4.3% in 2018, escalating from 2.5% in 2017.

The RF Ministry of Economic Development estimates that the annual CPI growth is expected on the level of 4.0% in 2019–2036.

BASELINE SCENARIO OF THE RUSSIAN FEDERATION SOCIAL AND ECONOMIC DEVELOPMENT FORECAST UP TO 2036*

	2019-2024	2025-2030	2031-2036	2036 to 2018
Consumer price index as of the year-end, %	4.0	4.0	4.0	—
Industrial production index, %	3.0	3.0	2.8	1.7 times
GDP growth rate, %	2.7	3.2	3.0	1.7 times

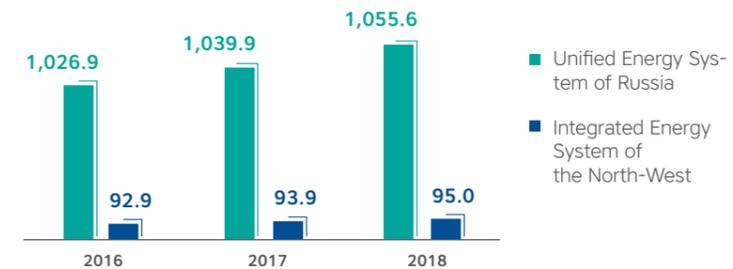
Source: The Russian Federation social and economic development forecast up to 2036 (the RF Ministry of Economic Development).

* % year on year.

Electric power consumption in the industry and forecasted demand for power

The dynamics of power consumption in 2018 is determined by growth in the major indicators of social and economic development. Power consumption volume within the Unified Energy System of Russia amounted to 1,055.6 bln kWh in 2018, which is 1.5% higher year on year. The integrated energy system of the North-West also showed power consumption growth by 1.2% (95.0 bln kWh) in 2018 against 2017.

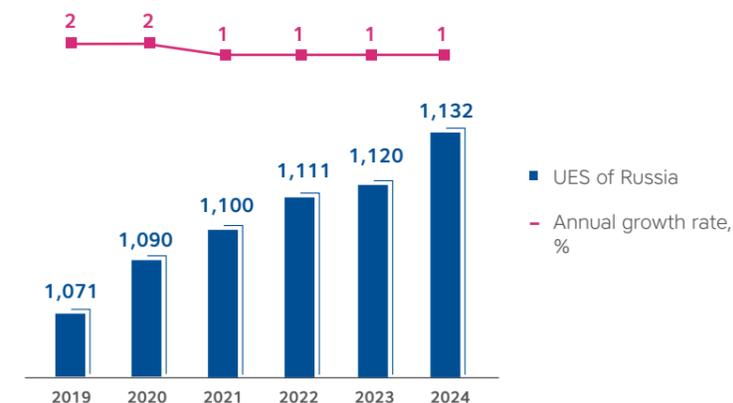
POWER CONSUMPTION TRENDS, BLN KWH



Source: JSC System Operator.

The power demand in the Unified Energy System of Russia is estimated by the end of the projection period 2024 as 1,131.7 bln kWh, which is more than the power consumption of 2018 by 76.1 bln kWh. The increase against the 2018 level will amount to 7.2% in 2024 given the average annual growth of 1.22% over the period.

PROJECTED POWER DEMAND IN THE UES OF RUSSIA TO 2024, BLN KWH



Source: Development Scheme and Programme of the Unified Energy System of Russia for 2018–2024 (approved by Order of the RF Ministry of Energy of 28.02.2018 No. 121).

The forecast comparatively higher growth rates in demand for power in the Unified Energy System of Russia in 2019–2020. A considerable driver of power consumption growth in these years 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 the projection period given the average annual growth rates of 1.15%.

Tariff indexation up to 2036

According to the plans of the Ministry of Economic Development of Russia tariff policy will be pursued in accordance with the long-term principles of tariff regulation which stick to the priority of restricting the growth rates for the prices of services rendered by natural monopolies to the inflation rate.

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 2019–2036. The Russian average indexation of grid companies' tariffs for individuals will be 3.3% (net of VAT) in 2019. To reduce the amount of cross-subsidisation in the power grid system, tariffs of grid companies for individuals are to be indexed at 5% annually in 2020–2036.

ELECTRIC POWER GENERATION GROWTH (REDUCTION) *

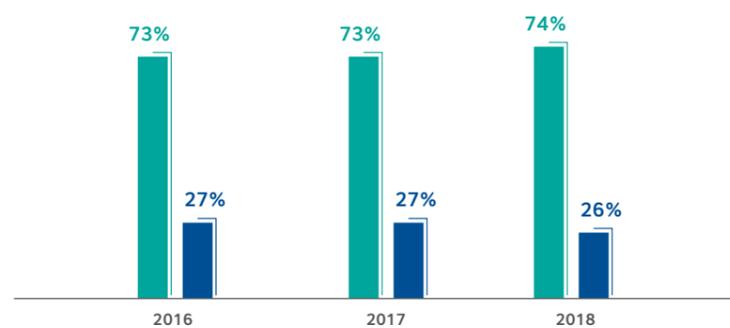


Source: The Russian Federation social and economic development forecast up to 2036 (RF Ministry of Economic Development).

* % year on year.

Market position of the Company

SHARE OF IDGC OF THE NORTH-WEST*, %



■ IDGC of the North-West

■ Other LGOs

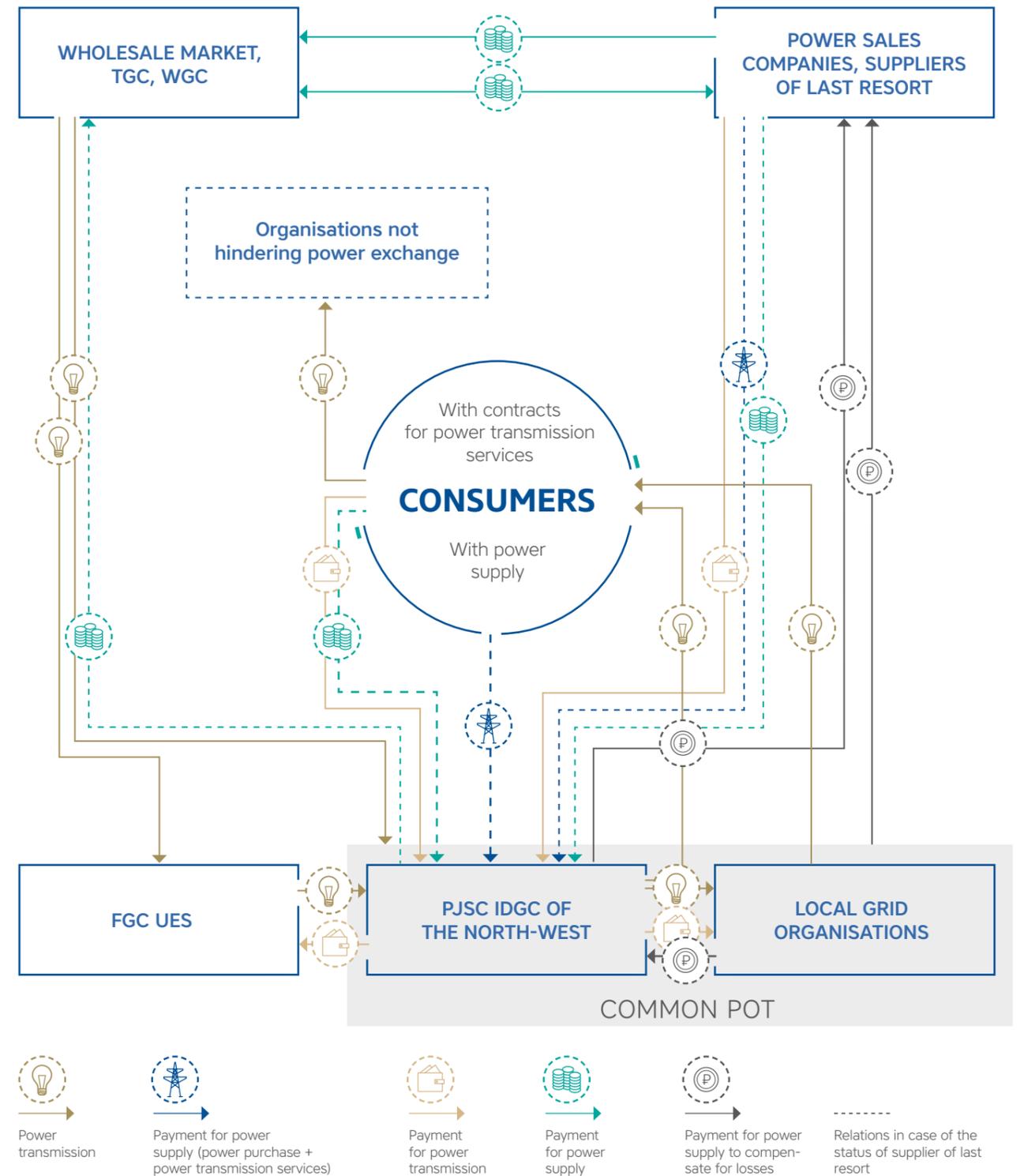
PJSC IDGC of the North-West operates in seven regions of the North-Western Russian Federation, being the largest grid company in the operations area.

The Company's core business is electric power transmission. In accordance with the FTS of Russia decision (Order of 3 June 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.

POSITION OF PJSC IDGC OF THE NORTH-WEST IN OPERATIONAL AND FINANCIAL FLOW DISTRIBUTION



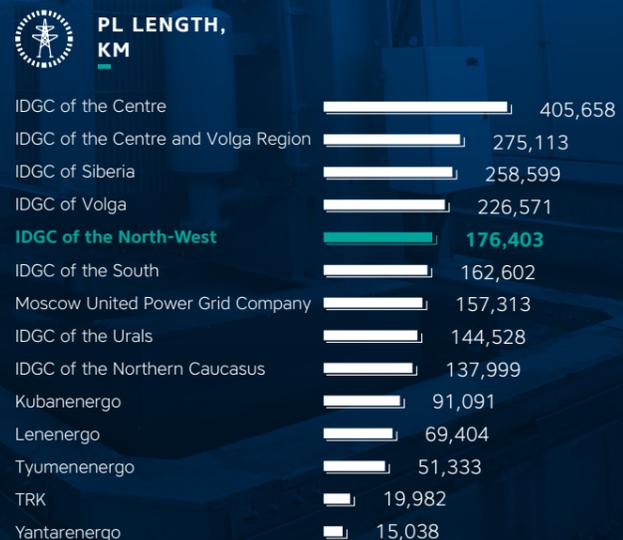
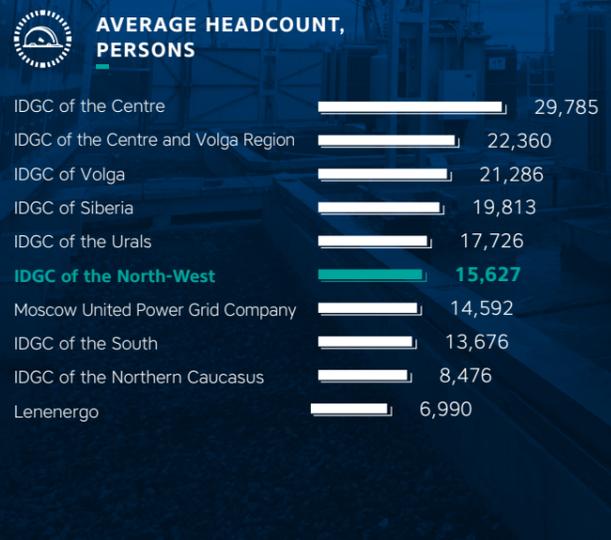
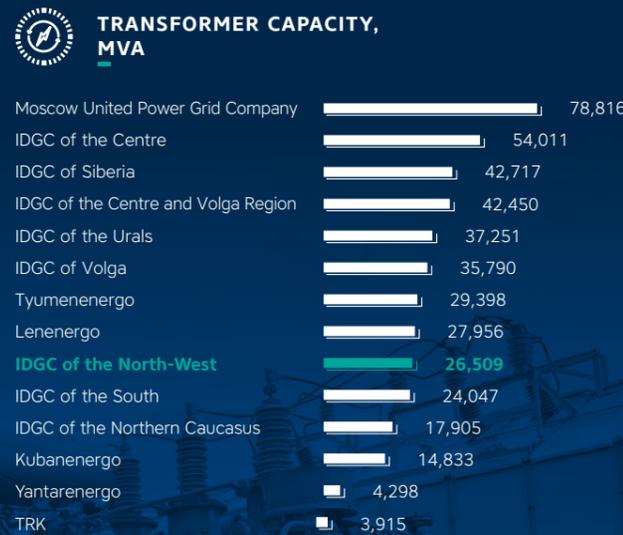
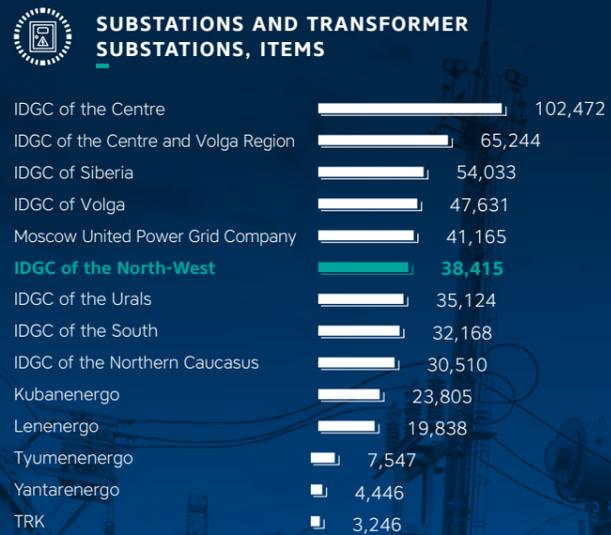
The current model of the Russian power industry was developed in the 2000s upon the reform of RAO UES of Russia – a single structure responsible for power and capacity generation, transmission and sales.

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 nega-

tive 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).



Strategic development guidelines

The mission:

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.

In accordance with OS 01.17 – 2016 “Target-setting system. Procedure of strategic priorities and goals development, approval and control of achievement”, the top of the target-setting hierarchy in the Company are strategic priorities. The Company adopted the following strategic priorities (approved by Order of the Company of 31.01.2018 No. 59):



Strategic priorities of the Company are based on the requirements of comprehensive industry 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 Innovative Development, Energy Saving and Energy Efficiency Policy of PJSC Rosseti;
- the Development Strategy of the Russian Power Grid System (approved by order of the RF Government of 03.04.2013 No.511-r in the version of RF Government Orders of 18.07.2015 No.1399-r, of 29.11.2017 No. 2664-r);
- the Quality Policy of PJSC IDGC of the North-West, the Environmental Policy of PJSC IDGC of the North-West etc.

SHAREHOLDERS'
INTERESTS

COMPETITIVENESS
GROWTH

DEVELOPMENT
INTERESTS

STRATEGIC PRIORITIES

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Profit-making | <ul style="list-style-type: none"> • Ensuring reliable, high-quality and safe power supply to consumers, as well as continuous improvement of the quality and availability of services • Energy efficiency, increasing level of environmental safety, and mitigation of environmental impact • Prevention of an increase in the number of accident victims • Efficient performance of staff | <ul style="list-style-type: none"> • Development of a single management system (based on unified approaches, methodologies and principles) across business processes to the level of PDZs • Building an efficient system of the Company's resources use • Efficient investment activities |
|---|---|--|

TOP-LEVEL TARGETS

- | | | |
|--|---|---|
| <ul style="list-style-type: none"> • Net profit in the amount no less than stipulated by the Company's 2018 business plan | <ul style="list-style-type: none"> • Reduction in the number of equipment failures resulting in power system disturbance by 3% against 2017 • Year-on-year increase in efficiency of labour in monetary terms by at least 2% in 2018 • Achievement of the economic effect from competitive procurement procedures against the initial (maximum) price of the contract (bid) of at least 7% | <ul style="list-style-type: none"> • Reduction in the time of receivables turnover for power transmission services from 83 days in 2017 to 75 days in 2018 |
|--|---|---|

KPI

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> • Consolidated operating profit (EBITDA) • Consolidated net debt/EBITDA • Consolidated net cash flow • Implementation of the plan to reduce the Company's accounts receivable | <ul style="list-style-type: none"> • No growth in the number of major accidents • Reaching the reliability level of the services rendered • Meeting the technological connection deadlines • Decrease in unit operating expenses (costs) • Increase in the power grid equipment capacity utilisation • No growth in the number of accident victims • 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 |
|--|---|--|

RISKS

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> • Financial risks • Reputational risks | <ul style="list-style-type: none"> • Industry risks • Compliance risks • Company-specific risks | <ul style="list-style-type: none"> • Country-specific and region-specific risks • Strategic risks |
|---|--|---|

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:



Key performance indicators

Achievement of the Company's priority development goals is assessed using the key performance indicators (KPI)¹ system. 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 Director General'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 Director General".

Under the above decision of the Company Board of Directors, in 2018 the following set and the following target values of the key performance indicators were identified:

QUARTERLY INDICATORS

Indicators	Results achieved in 2017	Target value for 2018	Results achieved in 2018
Consolidated operating profit (EBITDA)	Quarter 1 – 8.7% Quarter 2 – 12.3% Quarter 3 – 5.8% Quarter 4 – 9.4%	for Quarter 1, 6 and 9 months of the reporting year ≥ 0 ; for the whole year $\geq 3.0\%$	Quarter 1 – 62.5% Quarter 2 – 74.3%
Consolidated net debt/EBITDA	Quarter 1 – 2.1 Quarter 2 – 2.1 Quarter 3 – 2.1 Quarter 4 – 2.3	Quarter 1,2,3,4 ≤ 3.0	Quarter 1 – 1.8 Quarter 2 – 1.6
Implementation of the plan to reduce the Company's accounts receivable	Quarter 1 – 162.4% Quarter 2 – 292.5% Quarter 3 – 181.0% Quarter 4 – 162.7%	$\geq 100.0\%$	Quarter 1 – 435.0% Quarter 2 – 198.3%
No growth in the number of major accidents	No growth	No growth	Quarter 1, 2 – No growth
No growth in the number of accident victims	No growth	No growth	Quarter 1, 2 – No growth

¹ 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 assessment procedures of KPI achievement.

ANNUAL INDICATORS

Indicators	Results achieved in 2017	Target value for 2018
Consolidated net cash flow	RUB 301.5 mln	\geq RUB -694.9 mln
Decrease in unit operating expenses (costs)	-26.8%	$\geq 2.0\%$
Increase in the power grid equipment capacity utilisation	achieved	achieved
Power losses level	6.09%	$\leq 6.86\%$
Reduction in unit investment costs	0.97	≤ 1.00
Labour efficiency improvement	8.03%	$\geq 2.00\%$
Innovation activities efficiency	173%	$\geq 90\%$
Compliance with the commissioning schedule	79%	$\geq 90\%$
Meeting the technological connection deadlines	1.0	≤ 1.1
Reaching the reliability level of the services rendered	0.50	≤ 1.00

Actual values of the key performance indicators in Quarters 3, 4 of 2018 and the year 2018 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. In Quarters 1 and 2 of 2018, the KPIs were achieved.

Comparison of the 2018 values with those of 2017 is shown in the tables.



Strategic development guidelines in action

Innovative development

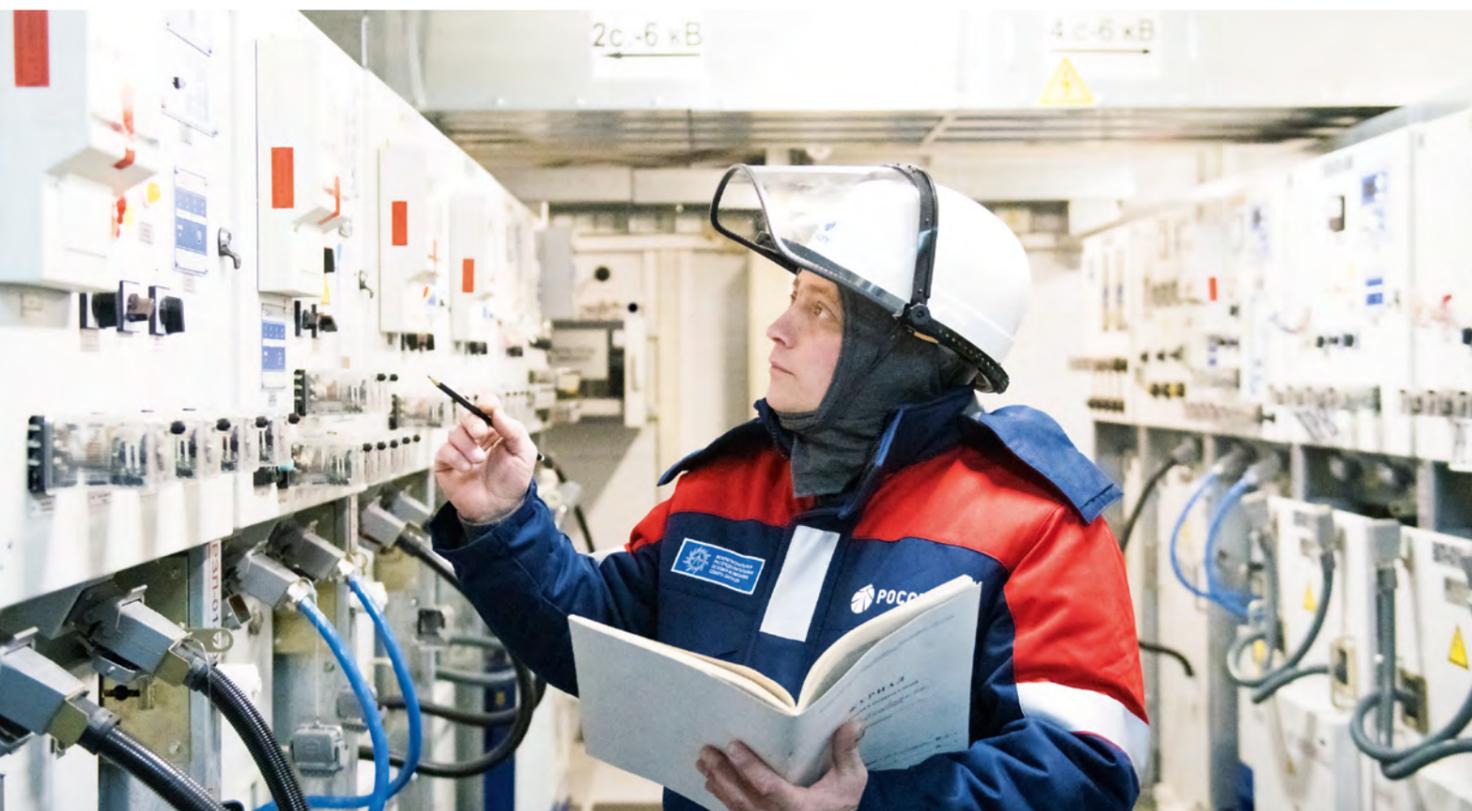
In 2018, the Company continued upgrading its power grids by introducing innovative technologies building the intellectual core of the power industry technological infrastructure. These activities are performed under the approved Innovative Development Programme for 2016–2020 with an outlook up to 2025 (minutes of the Company Board of Directors of 31.03.2017 No. 235/26)

taking into account the priorities of the Innovative Development Policy of PJSC Rosseti.

The Programme aims at transition to a power grid of the new technological setup, featuring breakthrough parameters of reliability, efficiency, availability, manageability and client focus of the power grid system.

KEY AREAS OF THE COMPANY'S INNOVATIVE DEVELOPMENT IN 2018

- 01** The project “Development of an automated information system of technological management in the distribution power grid system”.
- 02** The pilot project “Development of a comprehensive system for automation of distribution power grids of 6/10 kV in Valday and Borovichi PDZ of Novgorodenergo branch of PJSC IDGC of the North-West”.



Implementation of these projects will enable the Company to enhance reliability of consumer power supply, ensure full grid observability for efficient management, availability for technological connection, and reduction of power losses.

For more details on innovation activities of the Company see section Innovative development.

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 for grid infrastructure.

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. When the resources are limited, 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.

Moreover, a high-priority method for power grid facilities consolidation is a development of joint projects with regional executive authorities stipulating consolidation of the regional and municipal power grids, as well as abandoned power grid facilities. As of today, the cooperation agreements on consolidation of the power grid system have been signed with the executive bodies of the Republics of Karelia and Komi, the Arkhangelsk, Murmansk, Novgorod and Pskov Regions. The agreement on cooperation with the Vologda Region government is currently under reconciliation with the regional executive authorities.

The spending of PJSC IDGC of the North-West on power grid assets consolidation measures in 2018 amounted to approximately RUB 12 mln, including RUB 0.003 mln on power assets purchase, RUB 12 mln on rent.

CONSOLIDATION OF THE POWER GRID ASSETS MONITORING

PJSC IDGC of the North-West	2016			2017			2018		
	MVA	km	units	MVA	km	units	MVA	km	units
TOTAL	92	1,127	3,317	73	661	1,973	86	546	1,910
Power grid assets purchase	10	43	122	2	16	53	1	5	24
Power grid assets rent	82	1,084	3,195	71	645	1,921	85	541	1,886

MAJOR PROJECTS FOR CONSOLIDATION OF THE POWER GRID ASSETS IMPLEMENTED IN 2018

PJSC IDGC of the North-West	PL, km	Transformer substations, MVA	units
Rent of grid facilities of MU UM Vorkuta	8.5	34	342
Rent of grid facilities of JSC Mondi SLPK	7.2	4	56
Rent of grid facilities of PJSC Megafon	2	1	44

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

Power industry development planning in the Russian regions is regulated by Order of the Russian Federation Government of 17.10.2009 No. 823 "On the power industry development schemes and programmes" (hereinafter – ORFG), which sets the "Rules of working out and approving power industry development schemes and programmes".

In accordance with ORFG, the executive authorities in cooperation with the system operator and grid organisations work out and approve 5-year power industry development schemes and programmes for the Russian Federation regions (hereinafter – DS&P) every year before 1 May. DS&P is a key document defining the contents of the PJSC IDGC of the North-West Investment Programme (hereinafter – IP), and DS&P approval within the timeframe set by the ORFG is a prerequisite for endorsement of an IP project by the RF Ministry of Energy.

Representatives of PJSC IDGC of the North-West are included in coordinating bodies supervising the DS&P development, and participate in the operations of investment activities committees under the regional administrations.

To boost the quality of power grid development planning, ensure efficient use of the current grid capacity, increase the load and reduce grid infrastructure development costs, 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 IP, working out DS&P and programmes of technical re-equipment of power grid facilities.

In 2018, in accordance with the above mentioned procedures, all input data and CDP were sent to RF regions in due time. In all the regions, DS&P were approved within the schedule set by the ORFG (before 01.05.2018) and under the procedures stipulated by the ORFG (endorsed by the system operator, approved by the head of the region).

APPROVED SCHEMES AND PROGRAMMES OF THE POWER INDUSTRY DEVELOPMENT IN THE RF REGIONS IN 2018

RF region	DS&P implementation period	Details of the document adopting the DS&P of the RF region
Arkhangelsk Region	2018-2022	Decree of the Arkhangelsk Region Governor of 28.04.2018 No.39-u
Vologda Region	2019-2023	Order of the Vologda Region Governor of 26.04.2018 No.97
Republic of Karelia	2018-2022	Instruction of the Head of the Republic of Karelia of 27.04.2018 No.221-r
Murmansk Region	2019-2023	Instruction of the Murmansk Region Governor of 26.04.2018 No.70-RG
Republic of Komi	2018-2022	Instruction of the Head of the Republic of Komi of 24.04.2018 No.90-r
Novgorod Region	2018-2022	Decree of the Novgorod Region Governor of 27.04.2018 No.157
Pskov Region	2018-2022	Decree of the Pskov Region Governor of 28.04.2018 No.30-UG

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

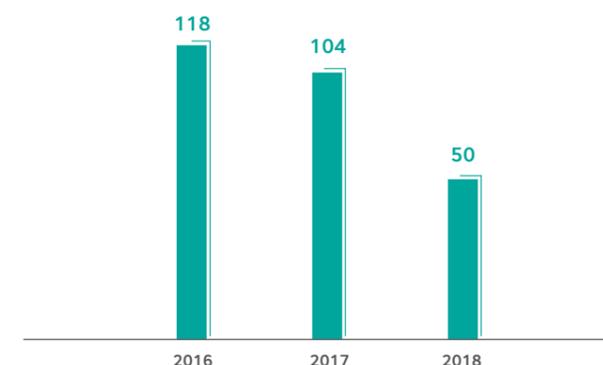
supply centres. The system contains information about the power supply centres and grid structure – the automatically processed information enables to understand future changes of load at the power supply centres and to obtain a comprehensive view. The electronic map shows parameters of the power facilities: overloads, available capacities and planned renovation.

Power capacity shortage reduction

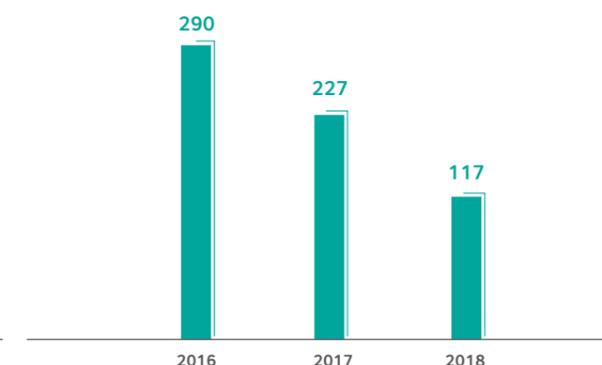
An important area of future development for PJSC IDGC of the North-West, as well as other distribution grid companies, remains solution to the issue of power capacity shortage, which emerges, inter alia, due to the presence of power supply centres with technological connection restrictions in the Company's operating regions – power substations where the equipment is 100% loaded. Maintenance or emergency disconnection of a single transformer at such substations causes overload of the remaining facilities, the need to transfer load to other substations or scheduling power supply limitations for consumers. It also prevents the Company from connecting new consumers and from carrying out repair and maintenance of such substations.

The Company makes efforts to reduce the number of shortage-ridden power supply centres. As a result, as of 31.12.2018, the number of 35+ kV power supply centres with technological connection restrictions is 50 (4.4% of the total), the capacity shortage amounts to 117 MVA². Since 2014, due to implementation of the projects of the Company's Investment Programme, the number of such power supply centres has been consistently declining. By 2023, the Company plans to reduce the number of shortage-ridden power supply centres to 43 (14% fewer than in 2018).

SHORTAGE-RIDDEN POWER SUPPLY CENTRES, ITEMS



CAPACITY DEFICIT, MVA



² Since Quarter 4 of 2018, the Company has used the new Methodological Instructions on Identifying Capacity Reserves at the Power Supply Centres approved by the Board of Directors of PJSC IDGC of the North-West of 19.09.2018 (minutes No.296/9).

Reduction of power losses

The Company makes systemic efforts to reduce power losses, which can be broken down into three key aspects:

01

Implementation of projects aimed at developing automated smart systems of power metering, including the following:

- **By attracting private investment**

From 2019 to 2020, the Company plans to attract RUB 3.3 bln in investment on the terms of energy service contracts to install power metering systems for 145 thousand power delivery points at the parts of distribution grids managed by the Company's branches with high losses level. Upon implementation of the energy service contracts, the current level of losses in the branch distribution grid is to be reduced by 356.1 mln kWh in 3–7 years.

- **Within the Company's investment activities (tariff-based sources)**

The Long-Term Investment Programme of the Company for 2019-2023 stipulates financing sources for the projects of automated smart systems of power metering installation at 24,200 delivery points of transformer substations of 6-10/0.4 kV and commercial connections in the amount of RUB 686 mln net of VAT. The planned loss reduction is 35.5 mln kWh.

02

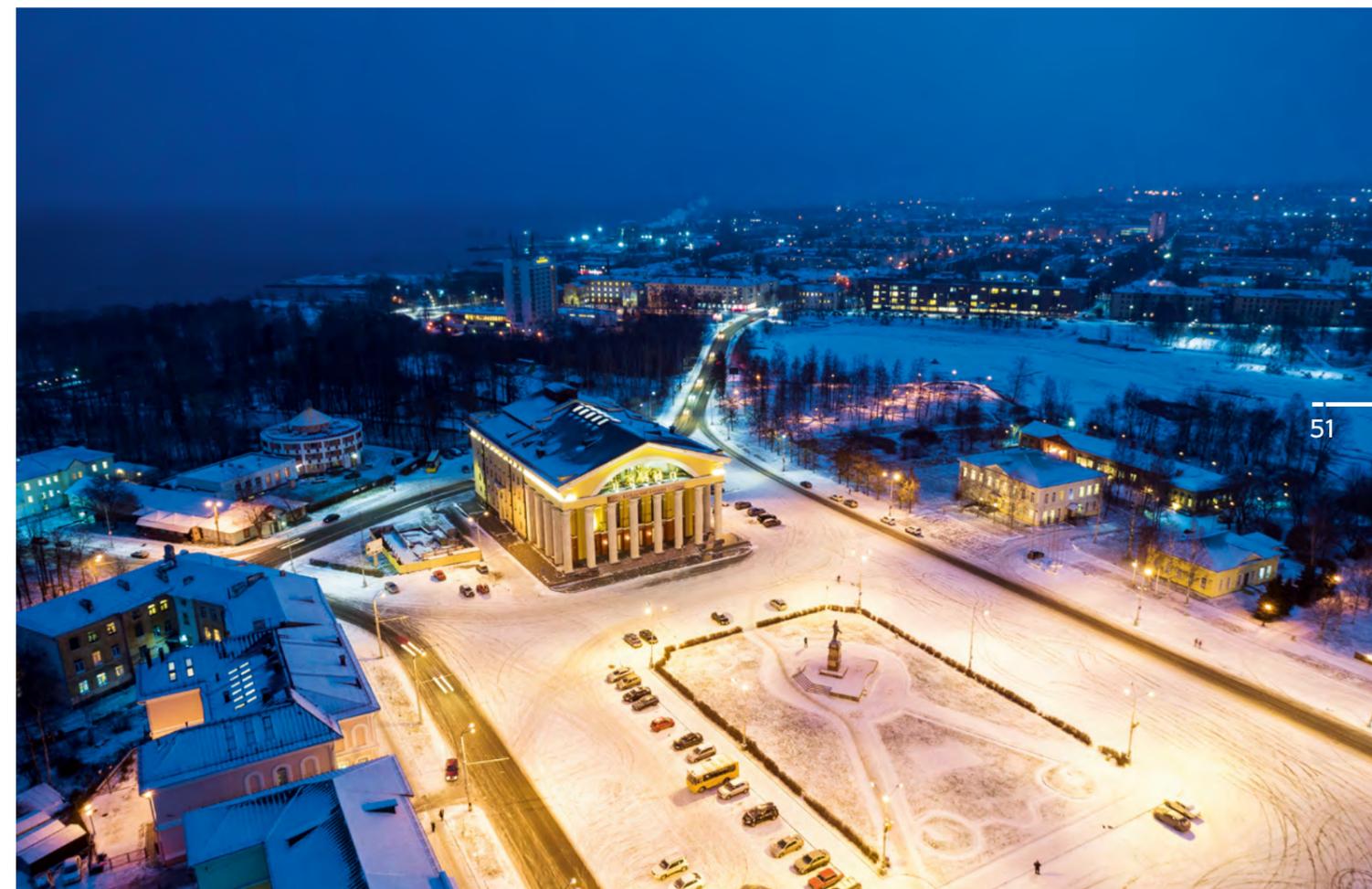
IT infrastructure upgrade and development of technological automated informational and analytical systems to determine the volume of power transmission and analyse power balances (systems "AIS Power Transport" and top-level computer system based on the platform "Piramida Seti"), including:

- Implementation of new technologies in planning, quality control and processing performance in servicing power metering systems using the mobile version of "AIS Power Transport" (dispatcher workstation, controller workstation);
- Integration with the consumer's personal account (CPA) regarding its functions of receiving metering data from consumers or applications for verification, installation and authorisation of metering devices.
- Integration with external systems (asset management system, technological connection system) regarding prompt update of consumer databases and grid layout.

03

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

- PJSC IDGC of the North-West is constantly improving the competence level of the operational staff in power metering. We have developed and now carry out staff training programmes, regularly hold professional skills contests for power metering employees.
- As smart power metering technologies are developing, so are the techniques of power theft used by dishonest consumers. The Company is constantly monitoring them, analysing and implementing advanced methods of counteracting "charged meters".³
- Introduction of mobile tablet devices, new models of power metering units for control of the correctness of switching and precision of metering devices into power loss operations, as well as new models of smart devices for metering, data collection and transmission requires ongoing improvement of the personnel's theoretical knowledge and practical skills of using advanced technical equipment and applications.



³ A charged meter is a metering device which was subjected to deliberate modifications in its construction unauthorised by the manufacturer for the purpose of distorting the power volume data.

Investment activities

GRI 103-2



The 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.

52

Parameters of investment activities

The 2018 Investment Programme of PJSC IDGC of the North-West was developed considering the goals and tasks of the Unified Technical Policy in the Power Grid System and approved by Order of the Ministry of Energy of the Russian Federation No. 26@ dated 21.12.2018.

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.

GRI 103-3 **COST AND PHYSICAL PARAMETERS OF INVESTMENT ACTIVITIES IN 2018**

SPENDING

6,322
RUB mln (net of VAT)

LAUNCH OF NEW FIXED ASSETS

6,098
RUB mln (net of VAT)

FINANCING

9,034
RUB mln (incl. VAT)

CAPACITY PUT INTO OPERATION

266.9
MVA

CAPACITY PUT INTO OPERATION

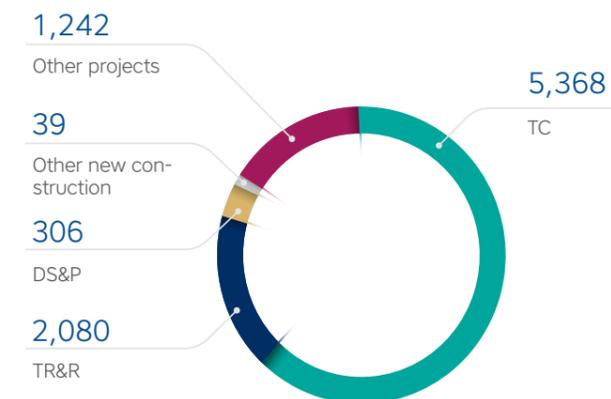
1,641.6
km

CAPITAL INVESTMENTS FINANCING BREAKDOWN FOR 3 YEARS, RUB MLN INCL. VAT

	2016	2017	2018
TOTAL	4,949	7,042	9,034
Technological connection	2,764	3,560	5,368
Renovation, modernisation, technical re-equipment	1,502	2,448	2,080
Investment projects conditioned by the power industry long-term development schemes and programmes	242	49	306
Other new construction of power grid facilities	94	59	39
Purchase of land plots for the purposes of investment projects implementation	-	0.2	-
Other investment projects	377	927	1,242

Overall, the total financing of PJSC IDGC of the North-West increased in 2018 by 28% against 2017. The growth was due to performance under the technological connection contracts with GC Rosavtodor, LLC Magistral Dvukh Stolits, LLC Kola Dockyard and CJSC Yamalgazinvest.

BREAKDOWN OF CAPITAL INVESTMENT FINANCING IN 2018, RUB MLN INCL. VAT



53

In the total financing, 59% accounted for technological connection projects, 23% – for technical re-equipment and renovation, 14% – other IP projects, and 3% – investment projects whose implementation is conditioned by long-term development schemes and programmes for the power industry and 1% – other new power grid facilities construction.

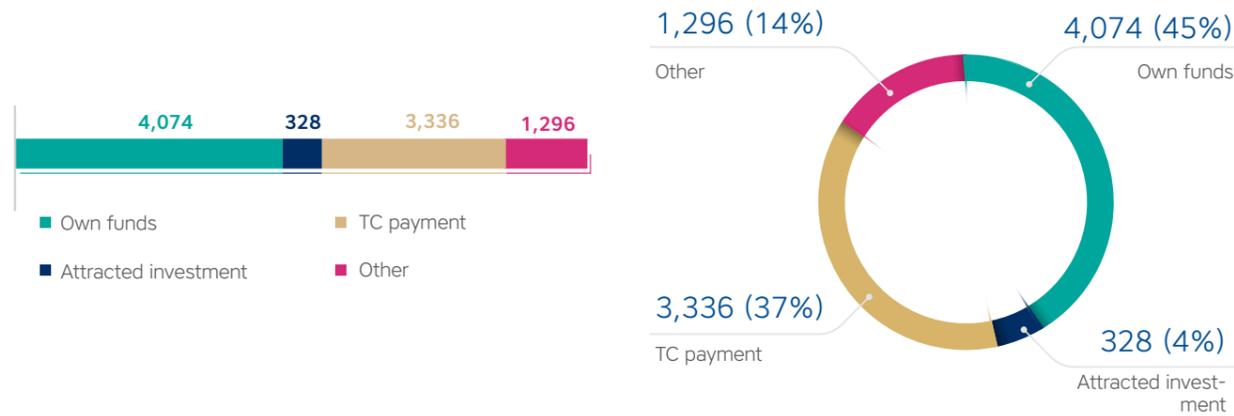
The total amount of the Company financing having increased in 2018 by 28%, the share of financing allocated to technological connection projects also increased: from 50% to 59%. In absolute terms, the amount of financing allocated to technological connection projects grew by 51% year on year, which is due to the implementation of technological connection contracts with GC Rosavtodor, LLC Magistral Dvukh Stolits, LLC Kola Dockyard and CJSC Yamalgazinvest. The share of financing allocated to technical re-equipment and renovation projects (hereinafter – TR&R) in 2018 decreased year on year from 35% to 23%; in absolute terms financing reduced by 15%. There was an increase in the share of other IP projects financing from 13% to 14% in 2018 against the previous period. At the same time, in absolute terms, financing of

other projects grew by 34%, being driven by a need of vehicle fleet renewal and purchase of emergency recovery equipment and machinery. The year 2018 also saw an increase from 1% to 3% in 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). In absolute terms, IP DS&P financing grew by 524% due to the need to implement a Kolenergo branch project of constructing two 150 kV OL from 150 kV SS No. 53 to 330 kV SS Murmanskaya and access lines 150 kV OL No. L-172, L-179 to 330 kV SS Murmanskaya (OL 150 – 22 km).

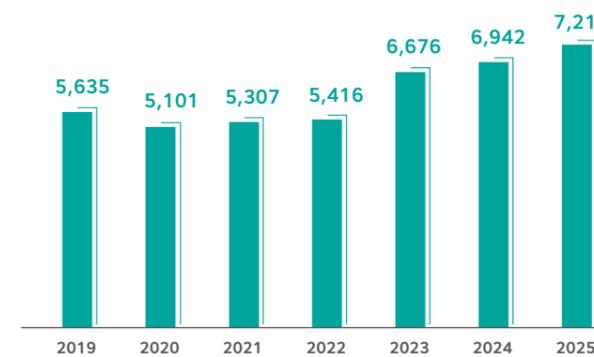
The Company has no investment projects implemented with contributions from the federal budget in its Investment Programme.

Information on the results achieved in 2018 through the implementation of measures included in the investment program, in accordance with the order of the Ministry of Energy of Russia dated 12/21/2018 No. 26, is presented in the full version of the Annual Report on the Company's website <http://www.mrsksevizap.ru/shareholdersmeetinginfo>.

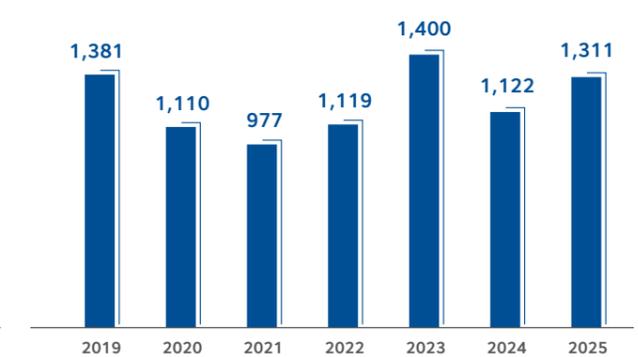
SOURCES OF INVESTMENT PROGRAMME FINANCING IN 2018, RUB MLN INCL. VAT



DYNAMICS OF FINANCING VOLUME FOR THE PERIOD OF 2019-2025, RUB MLN INCL. VAT



DYNAMICS OF POWER LINES COMMISSIONING FOR 2019-2025, KM



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 21.12.2018 No. 26@. The adopted Investment Programme was developed for the period of 2016-2025⁴.

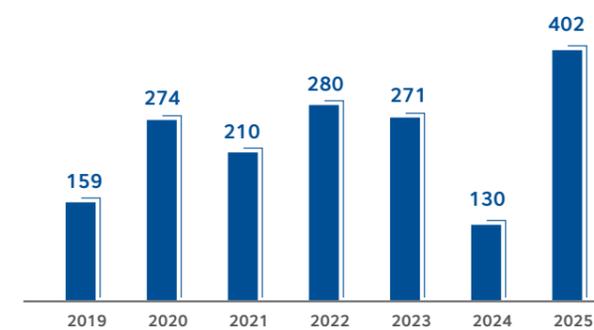
Capital investment dynamics

In 2019, Investment Programme financing has been increased due to implementation of the investment project (hereinafter – IP) of constructing 150 kV OL from L-160 and from L-219 to 150 kV SS Belokamenka for technological connection of LLC Kola Dockyard and implementation of the IP to build 35/10 kV SS Potok and 35/10 kV SS Balaton with PJSC Gazprom.

Gradual increase in financing sources in 2020-2025 is conditioned by including new large projects in the Investment Programme aimed at renovation and technical re-equipment of lines and substations.

Increased launch of power lines in 2019 is due to the commissioning of the IP for construction of 110 kV OL No.103 Vorkutinskaya CHPP No.2 – 110/10 kV SS Olkhovey (163 km of PL), IP for renovation of distribution grids of Borovichi PDZ PU BPG (75 km of PL), IP for construction of 150 kV OL from L-160 and from L-219 to 150 kV SS Belokamenka (56 km of PL). The increase in the length of power lines for commissioning in 2023 is due to the implementation of the IP for wire replacement with SSIW.

DYNAMICS OF CAPACITY COMMISSIONING FOR 2019-2025, MVA

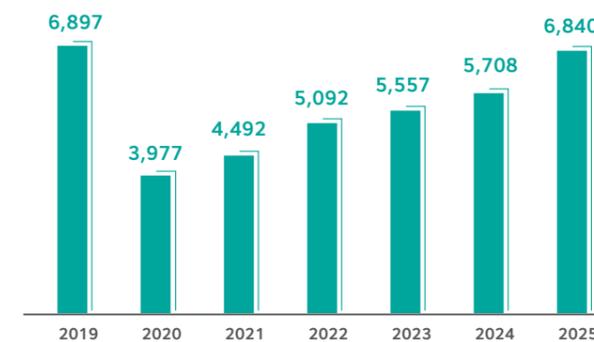


Considerable increase in the transformer capacity for commissioning in 2025 is conditioned by launch of the following IP:

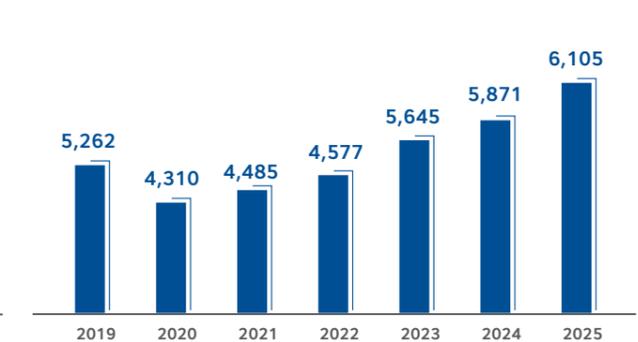
- Technical re-equipment of 150/10 kV SS No.11A (70 MVA).
- Renovation of 110/35/6 kV SS Veliky Ustyug (32 MVA).
- Technical re-equipment of 110/35/10 SS Pestovo (25 MVA).
- Renovation of 110/10 kV SS Podberezye (20 MVA).
- Renovation of 110/6 SS kV Ananyino (20 MVA).
- Technical re-equipment of 110/10 kV SS Chikshino (20 MVA).

Increased entry into operation in 2019 is attributable to large investment projects, implemented to perform obligations under the TC contracts signed with LLC Kola Dockyard, PJSC Gazprom, CJSC Yamalgazinvest (within the framework of building the gas pipeline system Bovanenkovo-Ukhta), Department of the Russian Defence Ministry.⁵

DYNAMICS OF COMMISSIONING VOLUMES FOR THE PERIOD OF 2019-2025, RUB MLN NET OF VAT



DYNAMICS OF FINANCED PROJECTS IMPLEMENTATION FOR THE PERIOD OF 2019-2025, RUB MLN NET OF VAT



⁴ For more details on the key projects of PJSC IDGC of the North-West see Annex 5 to the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

⁵ Detailed information about the objects introduced is presented in the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Priority investment projects completed in 2018⁶

45%

THE COVERAGE OF THE CAPITAL CONSTRUCTION FACILITIES UNDER THE INVESTMENT PROGRAMME OF THE COMPANY BY INDEPENDENT CONSTRUCTION COMPLIANCE MONITORING IN 2018.

GRI 203-1 Implementing Order of the Russian Government of 21.06.2010 No. 468 "On the procedure for 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.

In accordance with the Investment Programme of the Company, the following key projects were implemented in 2018:

56



CONSTRUCTION

of 110/10 kV SS Bor
for power supply to technological connection facilities of GC Rosavtodor

59.33 km of PL
8 MVA of transformer capacity



CONSTRUCTION

of 110/10 kV SS Dorozhnaya
for power supply to technological connection facilities of GC Rosavtodor

100.36 km of PL
12.6 MVA of transformer capacity



CONSTRUCTION

of 110/10 kV SS Magistralnaya
for power supply to technological connection facilities of LLC Magistral Dvukh Stolits

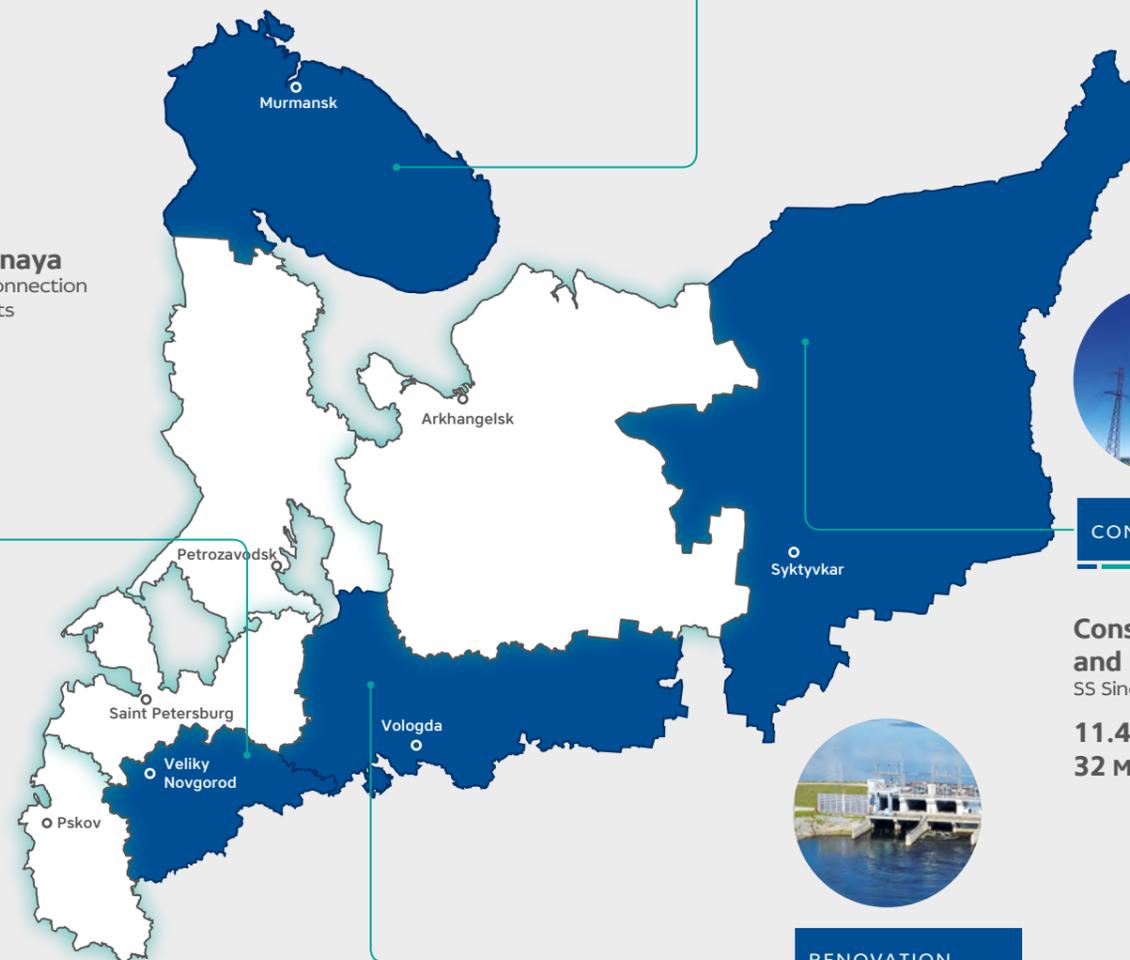
6.38 km of PL
5 MVA of transformer capacity



CONSTRUCTION

of 110/10 kV SS Vargusovo
for power supply to technological connection facilities of GC Rosavtodor

47.97 km of PL
8 MVA of transformer capacity



CONSTRUCTION

of 150 kV OL from L-160
for technological connection of LLC Kola Dockyard

2.109 km of OL



CONSTRUCTION

Construction of two 150 kV OL from 150 kV SS No. 53 to 330 kV

SS Murmanskaya and access lines of 150 kV OL No. L-172, L-179 to 330 kV SS Murmanskaya

Substations:
SS No. 53 and SS No. 6 (primary equipment installation)



CONSTRUCTION

Construction of 110 kV OL and 110/6.3/6.6 kV
SS Sinega in Vorkuta:

11.48 km of OL
32 MVA of transformer capacity



CONSTRUCTION

Construction of power line 110 kV OL No. 105, OL No. 106

for technological connection of 110/10 kV SS at the technical area of facilities 5560 and 4097 in Vorkuta

32.65 km of OL



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

3.5 km of OL

⁶ Report on the capital construction quality control is presented in Annex 6 to the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

57

Production results



Power transmission and losses⁷

ACROSS THE COMPANY IN 2018:

OUTPUT TO GRID

34,297

mln kWh

OUTPUT FROM GRID

32,039

mln kWh

POWER LOSSES

6.59%

Power transmission services volume⁸

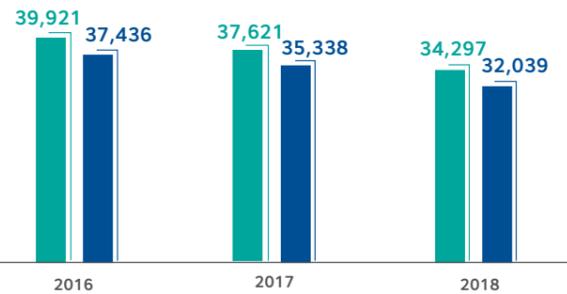
In 2018, the volume of power output from grid to consumers and related LGOs within the balance and operational responsibility amounted to 32,039 mln kWh, which is 3,299 mln kWh (9.34%) less year on year (35,338 mln kWh in 2017).

The decrease in power transmission services by 2,952 mln kWh, or 8.35%, resulted from

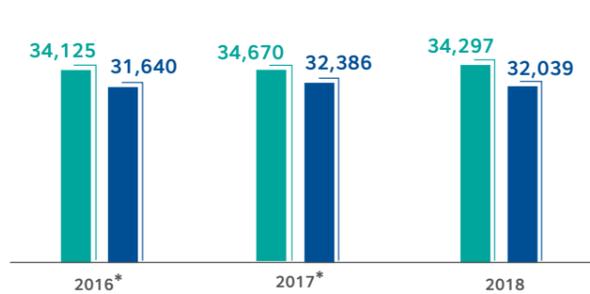
the consumers of the last mile leaving from 01.07.2017 at Vologdaenergo and Karelenergo branches.

The reduction of other volumes by 347 mln kWh, or 1.1%, was caused by Komienergo and Novgorodenergo consumers' transition to their own generation.

ACTUAL VOLUMES OF POWER TRANSMISSION SERVICE SALES, MLN KWH



VOLUMES OF POWER TRANSMISSION SERVICE SALES IN THE GIVEN CONDITIONS, MLN KWH

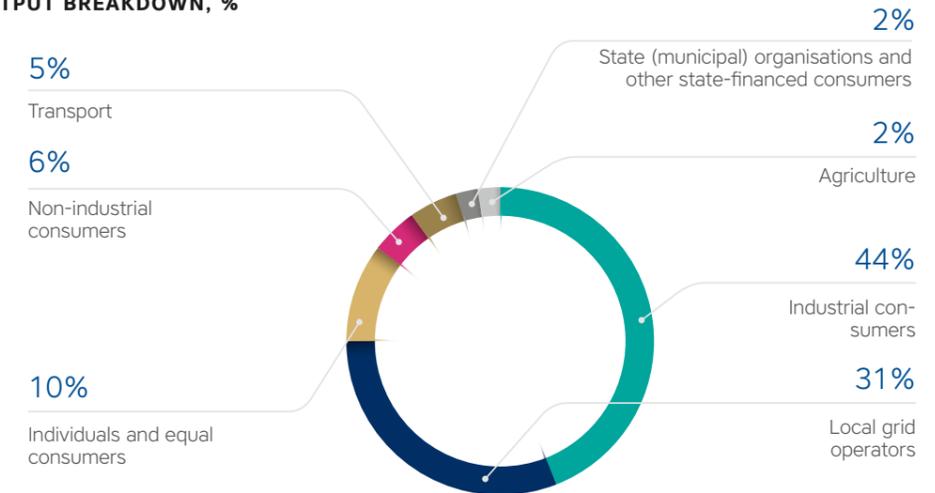


* In 2016 and 2017, the indicators are presented in the conditions comparable with 2018 (estimated net of the volumes of the last mile facilities in 2016 and the first half of 2017).

⁷ Production results broken down by branch are shown in Annex 7 to the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>.

⁸ The regulatory base for power transmission services is presented at the Company's web site: <http://clients.mrsksevzap.ru/regulations>.

EU3 POWER OUTPUT BREAKDOWN, %



Largest consumers and LGOs

LARGEST INDUSTRIAL CONSUMERS AND TRANSPORT

Company name	2016, mln kWh	2017, mln kWh	2018, mln kWh
LLC Rusenergosbyt	2,068	2,128	2,141
LLC Khibinskaya Energosbytovaya Kompaniya	1,741	1,796	1,751
JSC SUAL	1,205	1,252	1,249
PJSC Akron	965	1,016	986
LLC EvroKhimEnergo	777	806	796
LLC Rusenergoresurs	857	791	833
PJSC Severstal	2,451	1,440	383

LARGEST LGOS

Company name	2016, mln kWh	2017, mln kWh	2018, mln kWh
JSC KKT	1,439	1,444	1,297
JSC Murmanskaya Oblastnaya Elektrosetevaya Kompania	1,088	1,091	1,055
JSC Novgorodoblektro	1,092	1,075	1,037
JSC Vologdaoblenergo	960	926	1,019
MUE Elektroset	332	340	294

⁹ Before 01.03.2016, LLC Respublikanskaya Setevaya Kompania and LLC Energotreid.
¹⁰ Before 25.03.2016, JSC Vologodskaya Oblastnaya Energeticheskaya Kompania.

EUI2



Power losses

Power losses in 2018 remained on the level of 2017 and amounted to 6.59%.

GRI 103-2
GRI 103-3

LOSS REDUCTION ACTIVITIES

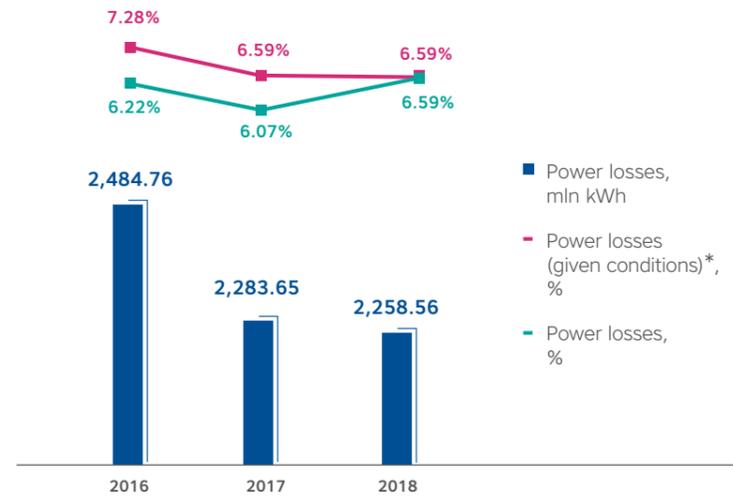
As a priority, PJSC IDGC of the North-West carried out a set of measures aimed to optimise (reduce) the level of losses.

The implementation of the Power Loss Reduction Programme in 2018 resulted in saving 78.898 mln kWh (RUB 330.6 mln) due to:

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

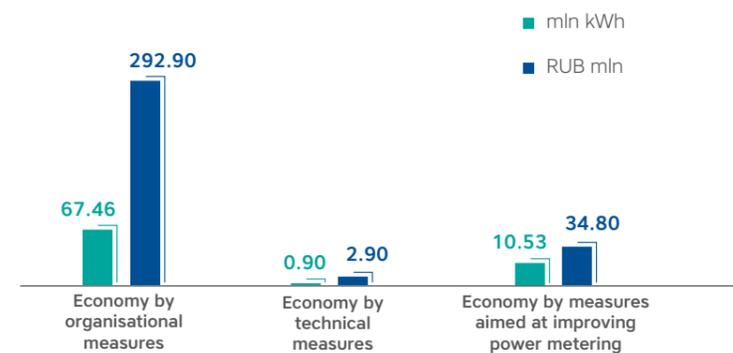
GRI 302-4

POWER LOSSES DYNAMICS



* % of losses is calculated in relation to the output to the Company grid, net of the volumes of the last mile facilities in 2016 and the first half of 2017.

EFFECT FROM THE POWER LOSS REDUCTION PROGRAMME IN 2018



Technological connection¹¹



ACROSS THE COMPANY IN 2018:

CONTRACTS COMPLETED

21,952

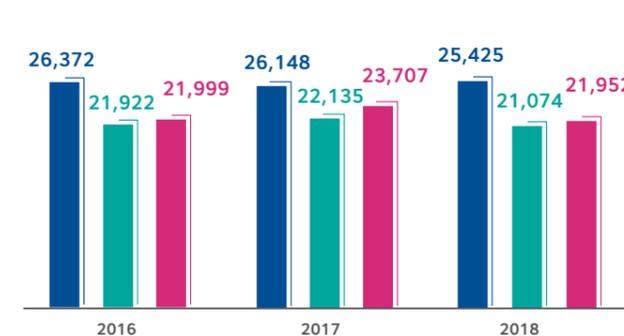
CAPACITY CONNECTED

435

MW

The Company provides comprehensive services for connection of consumers' power receivers, energy production facilities and electrical grid facilities to PJSC IDGC of the North-West power grids. 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 certificate.¹³

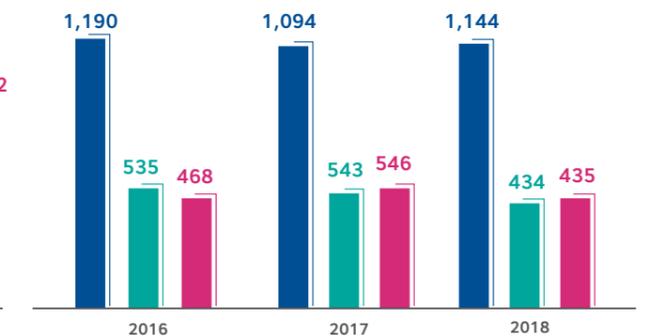
DYNAMICS OF TC CONTRACTS IMPLEMENTATION*



- Number of applications filed, items
- Number of contracts signed, items
- Number of contracts performed, items

* Net of power generating facilities.

TC APPLICATIONS FULFILMENT



- Contracted capacity, MW
- Maximum capacity for the contracts concluded, MW
- Capacity connected, MW

Overall, the total number of technological connection applications received and contracts concluded in 2018 remained at the same level against 2017. The number of technological connection contracts performed in 2018 was 7.4% lower year on year.

By year-end 2018, the ratio of contracts performed to contracts concluded was 1.04, which implies no growth in accrued liabilities.

¹¹ The methodology of tariff regulation regarding the technological connection services is shown on the company's website: http://clients.mrsksevzap.ru/gc_commoninfo

¹² The regulatory base of technological connection is shown on the company's website: http://clients.mrsksevzap.ru/gc_regulations

¹³ A description of the technological connection process is available in Annex 8 to the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

THE AVERAGE PERIOD OF TECHNOLOGICAL CONNECTION ACTIVITIES FOR SMALL AND MEDIUM BUSINESSES

72
days

To introduce 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 2018 the Company:

- held "power industry investment conferences", "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 LARGEST SOCIALLY SIGNIFICANT FACILITIES CONNECTED IN 2018

Arkhenenergo

Technological connection of SFHI Arkhangelsk City Clinical Hospital No.4 with the capacity of 340 kW.

Technological connection of comprehensive school with a focus on arts for 240 students in Yertsevo with the capacity of 175 kW.

Vologdaenergo

Technological connection of MSFEI Timoshino Comprehensive School with the capacity of 15 kW.

Technological connection of a pumping station in Veliky Novgorod with the capacity of 425 kW.

Karelenergo

Technological connection of a social service centre of the Belomorsk District with the capacity of 35 kW.

Technological connection of a boiler station in Segezha with the capacity of 120 kW.

Komienergo

Technological connection of the Komi Republican Boarding School for Gifted Children from Rural Areas with the capacity of 140 kW.

Technological connection of SFHI RK Usinskaya Central Republican Hospital with the capacity of 80 kW.

Novgorodenergo

Technological connection of a youth recreation centre with a café in Valday, the Novgorod Region with the capacity of 149 kW.

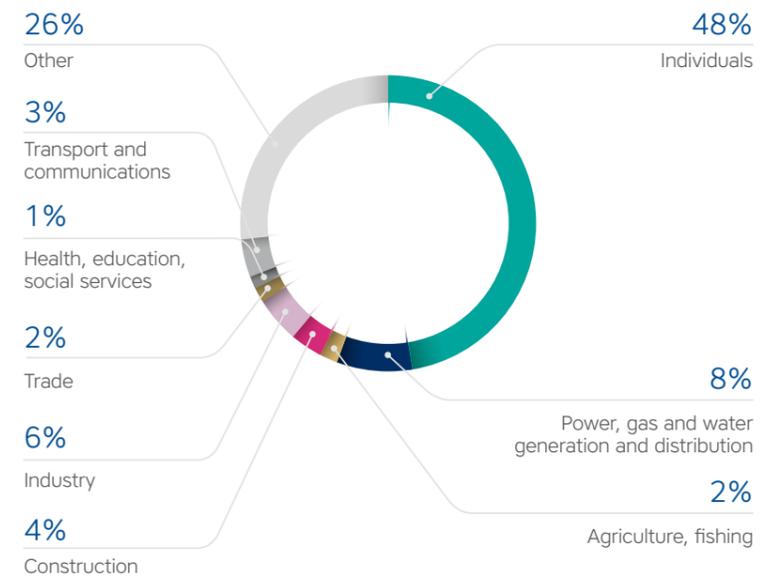
Pskovenergo

Technological connection of a nursery school in Velikiye Luki (Pervomayskaya St.) with the capacity of 60 kW.

CAPACITY CONNECTED BY APPLICANT CATEGORY, MW



CAPACITY CONNECTED BY INDUSTRY, %



The largest applicants of the Company in 2018

State Company Avtodor

power supply facilities for Moscow – St. Petersburg high-speed motorway

LLC Magistral Dvukh Stolits

power supply facilities for Moscow – St. Petersburg high-speed motorway

JSC Vorkutaugol

- power supply facilities for Zapolyarnaya mine;
- JSC Vorkutaugol –power supply facilities for Severnaya mine.

APPLICATIONS BREAKDOWN IN 2016-2018 (INCLUDING POWER GENERATING FACILITIES)¹⁴

	2016		2017		2018	
	total capacity, MW	items	total capacity, MW	items	total capacity, MW	items
Individuals	244	21,515	243	21,719	220	20,873
Legal entities	1,203.6	4,863	921	4,435	978	4,583
TOTAL	1,447.5	26,378	1,164	26,154	1,198	25,456

The total number of applications received in 2018 reduced by 2.7%.

¹⁴ TC demand volumes and its satisfaction are shown in Annex 9 to the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

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 divisions conduct on-site customer communication in 20 offices for 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 marketed services.

To promote interactive services, consumer workplaces were arranged at branch customer offices in 2018, where client enjoy open access to PJSC IDGC of the North-West website and an opportunity to scan documents. In 2019, workplaces are to be installed in all customer offices.

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.

The Company has a 24/7 hotline number 8-800-333-02-52; the calls are toll-free throughout 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.

THE WEBSITE OF PJSC IDGC OF THE NORTH-WEST IS AN EFFICIENT REMOTE SERVICE FOR CONSUMERS OFFERING THE FOLLOWING INTERACTIVE TOOLS:

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

THE HOTLINE PHONE NUMBER

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

INTERNET RECEPTION OFFICE

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.

CONSUMER'S PERSONAL ACCOUNT

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

In 2018, the following measures were taken to enhance the consumer service quality:

O1

The official web site 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.mrsk-sevzap.ru/poweroutage>.

O2

To enhance quality monitoring for the services rendered, ensure prompt response to consumer notifications on power system disturbances from 03.12.2018 PJSC IDGC of the North-West has been running a pilot version of the portal "The Light Country" in its operations area.

O3

Subject to Federal Law of 22.05.2003 No.54-FZ "On the use of cash register equipment for settlements in the Russian Federation", the Company introduced the function of sending electronic receipts to consumers' phone numbers or e-mails indicated by them before the settlements, as well as a mechanism for printing cash register receipts in hard copy by downloading them from the automated system of consumer technological connection at customer service offices.

O4

To improve consumer interaction and boost the level of consumer satisfaction with the quality of on-site servicing, over the year the Company carried out the contest of "The best customer service office" across its offices, as well as assessed the quality of office employee performance and efficiency of their operations.

O5

To increase availability of the services, a consumer service office was opened at Vologdaenergo branch in Veliky Ustyug in July 2018.

In 2019, 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, the Company performs other activities: heat and power generation, property rent, relocation of power grid facilities etc. The share of other services accounts for 1% of the total revenue.



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 System¹⁵ approved by the Board of Directors of PJSC Rosseti (minutes of 22.02.2017 No. 252).

GRIDS OF 6 KV AND ABOVE

Across PJSC IDGC of the North-West, year on year:

- the number of accidents reduced by 8% (from 5,332 in 2017 to 4,894 in 2018);
- specific accident rate reduced by 10% (from 4.72 in 2017 to 4.25 in 2018);
- power undersupply to consumers caused by technological disturbances increased by 32% (from 2,898,800 kWh in 2017 to 1,936,100 kWh in 2018);
- financial damage from technological disturbances increased by 35% (from RUB 55,501,800 in 2017 to RUB 75,167,700 in 2018).

GRIDS OF 6-20 KV

Analysis of statistics for the period from January to December 2018 indicates reduction in the number of power system disturbances by 8% year on year (in 2017 – 4,171, in 2018 – 3,858).

GRIDS OF 35 KV AND ABOVE

The number of power system disturbances was reduced year on year by 11% (in 2017 – 1,159, in 2018 – 1,036).

¹⁵ The regulation on Unified Technical Policy in the Power Grid System is presented in the web site <http://www.mrsksevzap.ru> in the section About the Company/Charter and internal documents / Policies.

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

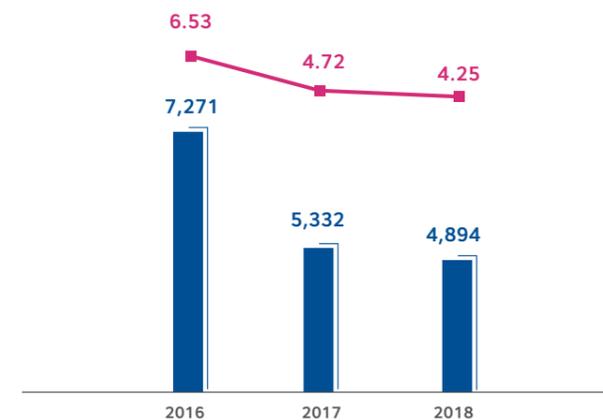
- inconsistency of the adopted corridor (clearing) widths of 6-110 kV OL with the modern operation requirements, fall of trees from outside the security territory with the height significantly exceeding the clearing widths, long period of operation for the majority of OL (44% OL have been in operation over 35 years) are the main reasons for technological disturbances on 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 33% (1,600 cases) of the total number of disturbances in 2018;
- high physical depreciation of the equipment, where the operation period exceeds the stan-

ard 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 18% (879 power cuts) of the total disturbances in 2018;
- disturbances connected with thunderstorms (344 disturbances) in the period from May to September account for 7% of the total number of disturbances in 2018.

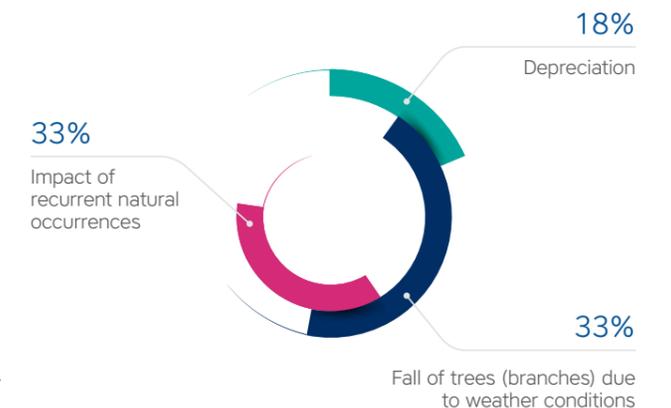
Dynamics in technological power system disturbances

DYNAMICS IN THE NUMBER OF ACCIDENTS



- Number of accidents, items
- Unit emergency rate (number of accidents per 1,000 conventional units)

MAJOR CAUSES OF ACCIDENTS, %



To reduce the number of emergency power outages caused by breakdown of the equipment with expired service life, the Company drafted a programme for upgrade (renovation) of its power grid facilities for the period of 2018–2026 (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 and above OL was developed to increase efficiency, reliability and safety of power generation and reduce the number of disturbances caused by falling trees.

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 occurrences, 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 37 mobile crews and 92 units of machinery are ready for 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 83 agreements were signed with contractors on interaction during emergency recovery, which allows involving 1,270 persons in 175 crews and 498 units of machinery in restoring power supply.

PJSC IDGC of the North-West has 269 reserve sources of electric power supply with the total capacity of 42.1 MW.

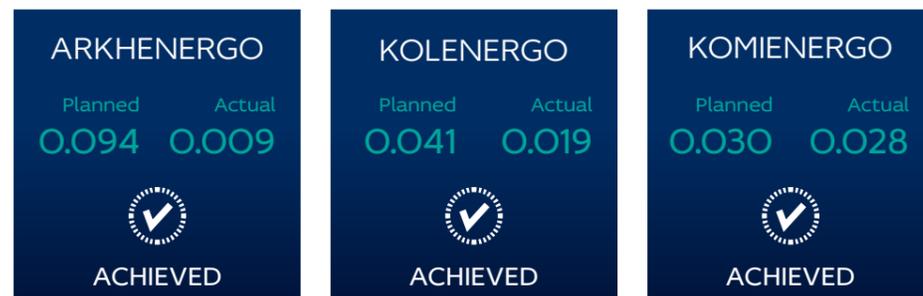
Subject to Order of PJSC Rosseti dated 01.06.2018 No. 89, PJSC IDGC of the North-West worked out a multiannual (up to 2022) programme for purchasing reserve power supply sources (RPSS) in the volumes endorsed by PJSC Rosseti.

In 2018, PJSC IDGC of the North-West sent assistance to restore power supply to consumers of PJSC MOESK and PJSC IDGC of the Centre: 126 employees within 26 crews and 25 units of machinery, including crew vehicles. Mitigation of large-scale power system disturbances at power grids of PJSC MOESK and PJSC IDGC of the Centre involved employees from three branches of the Company.

Achieving the average power supply interruption duration indicator set by tariff regulating authorities

Analysis of the actual indicators of reliability and services level by Company branch in 2018 shows that:

- Arkhenergo and Kolenergo branches achieved the indicator of reliability and services level with a major improvement;
- at Komienergo branch, the reliability and services level indicator was reached taking into account the tolerable deviation rate.



Indicators of reliability and services level System Average Interruption Duration Index per point of delivery (SAIDI) and System Average Interruption Frequency Index per point of delivery (SAIFI)

Analysis of the actual indicators of reliability and services levels of the Company branches in 2018 shows that in Vologdaenergo, Kareleenergo, Novgorodenergo and Pskovenergo, the indicator System Average Interruption Duration Index per point of delivery (SAIDI) was achieved with a major improvement.



Analysis of the actual indicators of reliability and services levels of the Company branches in 2018 shows that:

- in Vologdaenergo, Kareleenergo, Novgorodenergo and Pskovenergo, the indicator System Average Interruption Frequency Index per point of delivery (SAIFI) was achieved with a major improvement;
- in Kareleenergo, Novgorodenergo and Pskovenergo, the target reliability and services level indicator System Average Interruption Frequency Index per point of delivery (SAIFI) was reached taking into account the tolerable deviation rate.



Average Interruption Frequency and Duration

Data shows that the Company overall shows a stable trend of reducing the values of System Average Interruption Frequency Index per point of delivery (SAIFI) and System Average Interruption Duration Index per point of delivery (SAIDI).

	2016	2017	2018
System Average Interruption Frequency Index per point of delivery (SAIFI), items	2.051	1.599	1.401
System Average Interruption Duration Index per point of delivery (SAIDI), hours	6.594	4.182	2.730

Reaching the reliability level of the services rendered

In 2018, the indicators of reliability and services 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 (the overall SQ index being higher than or equal to zero).

Branch	Indicator	2018		Overall index of service reliability and quality, SQ
		Planned	Actual	
Arkhenenergo	reliability level	0.0925	0.0089	0.65
	quality level	0.8975	0.8934	
	TC quality level	1.4582	1.0306	
Vologdaenergo	average interruption duration per point of delivery	5.1708	2.9336	0.6
	average interruption frequency per point of delivery	2.4337	1.5851	
	quality level	not set	-	
	TC quality level	1.0247	1.0483	
Karelenergo	average interruption duration per point of delivery	9.356	5.9210	0.3
	average interruption frequency per point of delivery	2.195	2.2527	
	quality level	not set	-	
	TC quality level	1.000	1.1273	
Kolenergo	reliability level	0.0412	0.0189	0.65
	quality level	0.8975	0.9413	
	TC quality level	1.4514	1.0319	
Komienergo	reliability level	0.0297	0.0281	0
	quality level	0.8975	0.9677	
	TC quality level	1.1407	1.0257	
Novgorodenergo	average interruption duration per point of delivery	7.7976	3.5537	0.3
	average interruption frequency per point of delivery	1.789	1.6335	
	quality level	Not set	-	
	TC quality level	1.0580	1.0437	
Pskovenergo	average interruption duration per point of delivery	5.1469	2.1529	0.3
	average interruption frequency per point of delivery	1.5471	1.2002	
	quality level	Not set	-	
	TC quality level	1.0400	1.0258	

Prevention of an increase in the number of accident victims¹⁶

The Company's activities are subject to high risk related to impact of dangerous and hazardous operational factors, emergencies and the human factor. This aspect is of paramount importance for the Company, its employees and other stakeholders. Unfortunately, in 2018 the Company suffered 6 accidents, 1 of which resulted in death. No group accidents were registered.

Indicator	Quarter 1 2018	Quarter 2 2018	Quarter 3 2018	Quarter 4 2018
Prevention of an increase in the number of accident victims	0	3	2	1

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 2018, IDGC of the North-West fully completed the scheduled maintenance and repair activities.

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 in PJSC IDGC of the North-West within the technical repairs and maintenance plan.

Implementation of the technical repairs and maintenance plan accounted for RUB 4,839.49 mln (RUB 4,125.93 mln planned), or 117%.

Works	2016	2017	2018
Overhaul of OL, km	9,500	10,166	10,410
OL routes clearing, ha	16,805	16,563	19,824
Switching units repair, items	2,763	2,798	2,566
Actual maintenance and repair, RUB mln	3,515.20	3,800.76	4,839.49

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. Organisational and executive 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 commission's work, acts were obtained regarding operational readiness for the 2018 high-water period, the 2018-2019 autumn and winter period (AWP). By decision of the RF Ministry of Energy (Order of 14.11.2018 No. 1031), the Company received a Certificate of Operational Readiness for the AWP. Full completion of the organisational and technical measures enabled it to ensure reliable power supply to consumers in special operation periods.

¹⁶ For more information on work-related injuries see section "Occupational health and safety".

Power supply safety

In accordance with the regulations for implementing the uniform communications policy of PJSC IDGC of the North-West (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.



Technical policy¹⁷

Technical solutions implemented and currently under implementation in the projects of new construction and renovation included in the Investment Programme of PJSC IDGC of the North-West for 2018 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).

In 2018, PJSC IDGC of the North-West branches carried out replacement of outmoded equipment of 0.4-110 kV showing significant physical depreciation with up-to-date devices with improved technical specifications and high degree of factory readiness.



ARKHENERGO



PROJECT NAME

- Construction of 35/10 kV SS
- Renovation of 35 kV OL Tsiglomen-2
- Renovation of 35 kV OL Zaostrovye with construction of a side line in the Primorsky District of the Arkhangelsk Region

PROJECT NAME

- 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

KOLENERGO



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.

KARELENERGO



PROJECT NAME

- Installation of communications channels and teleautomatics system APMS at 110 kV SS No. 57 Sosnovy, No. 58 Kestenga, No. 59 Sofporog, No. 54 Keba, No. 56 Pyaozero; 35 kV SS No.36 K Bely Porog and 10 kV SS No. 11K Kostomuksha

IMPLEMENTATION OF THESE AND OTHER SIGNIFICANT PROJECTS ENABLED ENHANCING POWER SUPPLY RELIABILITY AND QUALITY FOR THE SOCIALLY SIGNIFICANT AND OTHER CRUCIAL FACILITIES.

A key project of PJSC IDGC of the North-West employing advanced technical solutions in its development was the project of comprehensive renovation of 35/10 kV SS Molochnoye in Molochnoye village of the Vologda Region. The substation project performed in 2018 provides for full compliance of the facility with the Digital Transformation 2030 concept approved by decision of the Board of Directors of PJSC Rosseti of 21.12.2018. This includes organisation of two independent communication buses

(the process bus and the substation bus), use of relay terminals with the function of state monitoring, use of quality control and power metering devices on all points of connection, implementation of the function of remote control for all the primary equipment, ensuring the opportunity of escalating all data from the substation to a higher management level. The renovation of 35/10 kV SS Molochnoye is to be completed in 2019.

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 (R&D) 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 2018, 4 RDB meetings were held, where 6 issues were tackled¹⁸.

¹⁷ Information on the technical guidance documents in the field of technical regulation is shown in Annex 10 to the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

¹⁸ More details of the Report of the Research and Development Board for 2018 are shown in Annex 11 to the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>



Innovative development



The 2016-2020 Innovative Development Programme with the outlook until 2025 taking into account the top-priority areas outlined in the Innovative Development Policy of PJSC Rosseti was launched by decision of the Company's Board of Directors of 31.03.2017 (minutes No. 235/26).



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

(with the possibility of regular revision in case external or internal factors change significantly):

- 01** Transition to and large-scale introduction of digital substations of varying voltage classes 35-110(220) kV.
- 02** Transition to digital active-adaptive grids with the distributed intelligent automation and management system.
- 03** Transition to comprehensive efficiency of business processes and automation of management systems.
- 04** Usage of new technologies and materials in the power industry.

Main comprehensive innovative projects developed in 2018:

Transition to digital substations of varying voltage classes 35-110(220) kV

The key objects of innovation development for PJSC IDGC of the North-West in 2018 are renovations of 35/10 kV SS Molochnoye in the Vologda District and 110/35/10 kV SS Vostochnaya in Vologda.

As a result, these substations are to become substations with high technological process control automation levels, they will be equipped with advanced informational, technological and controlling systems and devices, where all the

processes of information exchange among substation elements and external systems, as well as substation operations control will be digitalised on the basis of the MEK 61850 data exchange protocol.

In 2018, design and survey were performed for these projects. Renovation and commissioning of 35/10 kV SS Molochnoye are scheduled for 2020, 110/35/10 kV SS Vostochnaya – for 2021.

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

Within the framework of the project "Development of an automated information system of technological management in the distribution power grid system" the Company is carrying out a project to introduce a single target top-level software system "Piramida-Seti".

Within the framework of building active-adaptive grids the Company installed / upgraded metering points with automated data collection, gaining the benefits of operating costs reduction (power losses decrease – 10.33 mln kWh) in the amount of RUB 32.34 mln.

In 2018, the Valday and Borovichi PDZ of Novgorodenergo branch launched the pilot project "Development of a comprehensive system for automation of distribution power grids of 6/10 kV in Valday and Borovichi PDZ of Novgorodenergo branch of PJSC IDGC of the North-West".

The project involves upgrade of the situational information unit of control centres – the SCADA system on the level of power grid district with 100% integration of the automatic and display of all non-automatic switching units providing an opportunity to control the operation of 6(10) kV grids in the district on the whole and sepa-

rate feeders to manage emergency and repair works in the grid. Owing to the integration of reclosers in the system of dispatching control, a control engineer on the level of PDZ can record damage and arrange targeted call of a response crew.

The project implementation will serve to perfect the innovation technologies of power transmission and distribution grid management for their further deployment across other branches of the Company.

In 2018, the Company completed implementation of the investment project "Upgrade of SIU GCC and reclosers installation. First stage" (Novgorodenergo branch). It performed design and survey, construction and installation works and commissioned the facility. This involved:

- renovation of power supply centres;
- automation of overhead lines;
- deployment of the SCADA system in the Valday PDZ control unit;
- organisation of the energy monitoring system;
- technological video monitoring at the substations.

Usage of new technologies and materials

Within the framework of implementation of the project "Construction of two 150 kV OL from 150 kV SS No. 53 to 330 kV SS Murmanskaya and construction of access lines 150 kV OL No. L-172, L-179 to 330 kV SS Murmanskaya", the Company partially installed the innovation SENILEK wire. Its advantages are:

- increased reliability of power lines;
- 1.5–2 times enhanced transmission capacity of power lines, as well as
- reduced costs of construction and particularly renovation of power lines.

In 2018, the project "Technical re-equipment of OL-110-150 kV L-163/164, L-171/172, L-141 and setting up units of rime deposition control (the system of icing loads telemetrics of PL "MIG")" was launched.

Further implementation of the project of monitoring the routes of using unmanned aerial vehicles (UAV) took place in branches of PJSC IDGC of the North-West. The aerial photography-based monitoring of overhead lines routes state enables the Company to quickly locate the spots of trees falling on the lines, broken wires, collapse or damage of poles and insulators, identify and assess potentially dangerous situations.

In 2018, 26 line crews of the Company branches were equipped with UAV.

In cooperation with contractors, 4,781.3 km of 35-110 kV OL were surveyed.

R&D

A key priority within the innovative development of the power grid system is implementing the R&D Programme, including measures to develop breakthrough technologies designed to create revolutionary solutions and methods, as well as application-specific areas ensuring improvement of the existing technologies and products.

In 2018, the R&D projects were carried out for the creation of a hardware-software system to perform continuous monitoring of NLVS condition under operating voltage, which allows to identify in due time both unexpected breakdowns of their work and gradual deterioration of technical parameters.

The economic advantage is substantiated by the reduction of spending on regular control (diagnostics) of NLVS technical condition. The use of the remote NLVS condition monitoring system

will allow transition from periodic diagnostics to ongoing monitoring.

Also carried out R&D on development of the methodology for personnel training in safe operations at live electrical installations using virtual teaching aids.

The implementation of the hardware and software system is to reduce occupational injury rate and the costs of staff training, as well as reduction of the risk of damage to the Company arising from disturbances of power supply to consumers owing to decrease in the number of technological power system disturbances through the fault of the Company's employees.

For more information about R & D, see the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

THE IMPLEMENTATION COSTS OF THE 2016-2020 INNOVATIVE DEVELOPMENT PROGRAMME WITH THE OUTLOOK UNTIL 2025 AMOUNTED TO

406.39

RUB mln

PLANNED AND ACTUAL COSTS BY KEY AREAS OF INNOVATIVE DEVELOPMENT

Key areas, RUB mln (net of VAT)	2018 planned	2018 actual	Deviation	
			absolute	%
INNOVATION, INCLUDING:	426.49	406.39	-20.1	-4.7
Transition to digital substations of varying voltage classes 35-110(220) kV	9.00	5.65	-3.35	-37.2
Transition to digital active-adaptive grids with the distributed intelligent system of automation and management	343.87	370.14	26.3	7.6
Transition to comprehensive efficiency of business processes and automation of management systems	10.62	14.20	3.58	33.7
Usage of new technologies and materials in the power industry	63.00	16.40	-46.6	-74.0

More details on the implementation of Innovative Development Program of PJSC IDGC North-West, see the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Information technologies

The performance of PJSC IDGC of the North-West greatly depends on information technology and automation. Development of this area in 2018 was in line with the information technolo-

gies, automation and telecommunications strategy of the Company, approved by the Board of Directors.



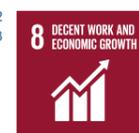
Results of the APMS development in 2018

- The teleautomatics development was based on implementation of the programme for minimum observability of the grid.
- The works completed ensured full observability of the Company's facilities.

Results of the communications system and IT-infrastructure development in 2018

- 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 analog ones.

Financial performance analysis



In 2018, IDGC of the North-West Group demonstrated stable financial performance. The positive financial results of 2018 were largely ensured by profits from technological connection and power supply.

Key financial and economic indicators of the Company under RAS

KEY FINANCIAL AND ECONOMIC INDICATORS, RUB MLN¹⁹

Indicator	2016	2017	2018
Revenues from sales of products (services), including:	42,433	44,307	61,123
from power transmission	40,583	42,710	40,427*
from technological connection	1,123	810	2,423
from power sales	0	0	17,541
from other activities	726	787	732
Cost of goods (services) sold	38,177	39,925	54,358
Gross profit	4,255	4,383	6,765
Administrative expenses	1,104	1,231	1,247
Selling expenses	56	45	1,091
Sales profit (loss)	3,095	3,106	4,427
Interest receivable	54	40	45
Interest payable	1,622	1,408	1,105
Profit from participation in other organisations	11	5	11
Other profit	1,467	2,107	1,480
Other losses	2,260	6,684	3,793
Profit (loss) before tax	745	-2,833	1,067
Profit tax and other payments	-288	391	-467
Net profit (loss)	457	-2,441	599
EBITDA**	6,619	3,003	6,782

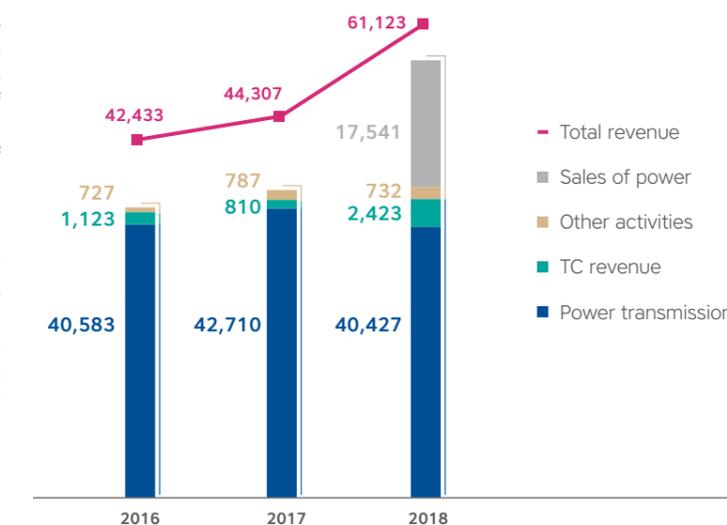
* The indicator is presented in accordance with accounting statements, net of internal business volume stemming from the function of the supplier of last resort.

** 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

¹⁹ The breakdown of PJSC IDGC of the North-West revenue and expenses under RAS is shown in Annex 12 to the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Revenues from sales of products (services) amounted to RUB 61,123 mln in 2018, which is RUB 16,816 mln, or 38%, higher than 2017. The substantial year-on-year revenue growth was primarily connected to performing the function of power supplier of last resort from 01.01.2018 by the branches Arkhenergo (RF Ministry of Energy Order of 22.12.2017 No.1202) and Vologdaenergo (RF Ministry of Energy Order of 23.03.2018 No.178). The total revenue from sales of power in 2018 amounted to RUB 17,541 mln, including Arkhenergo branch – RUB 8,515 mln, Vologdaenergo – RUB 9,025 mln. The revenue from technological connection was RUB 2,423 mln in 2018, which is RUB 1,613 mln, or 3 times higher year on year, owing to completion of large-scale technological connection contracts in the reporting period, including power supply facilities of Moscow – St. Petersburg high-speed motorway.

SALES REVENUE DYNAMICS, RUB MLN



SALES REVENUE TRENDS IN 2016–2018, RUB MLN

Indicator	2016	2017	2018
Power transmission*	40,583	42,710	40,427
TC revenue	1,123	810	2,423
Other activities*	726	787	732
Power sales *	0	0	17,541
TOTAL REVENUE	42,433	44,307	61,123

* 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 2018 amounted to RUB 56,696 mln, which is 15,495 mln and 38% higher against 2017. The year-on-year growth in the costs is due to assuming the function of supplier of last resort in the Arkhangelsk and Vologda Regions.

In 2018, the sales profit amounted to RUB 4,427 mln, which is RUB 1,321 mln higher against 2017. The Company received net profit of RUB 599 mln in 2018 against the loss of RUB 2,441 mln in 2017. The major reason for

the 2017 loss is the creation of bad debt provision for PJSC Arkhangelskaya Sbytovaya Kompaniya in the amount of RUB 3,270 mln as it was deprived of its status as a subject of wholesale electric power and capacity market and excluded from the registry of wholesale market participants, PJSC IDGC of the North-West receiving the status of supplier of last resort in the Arkhangelsk Region from 01.01.2018 (by Order of RF Ministry of Energy of 22.12.2017 No. 1202).

Data on cash flow management reports are presented in the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Operational Efficiency Improvement and Cost Reduction Programme

Operational Efficiency and Cost Reduction Programme of PJSC IDGC of the North-West was approved by the Company Board of Directors (minutes of 27.12.2017 No. 261/16). The activities stipulated by the programme are taken into account in the business plan, Investment Programme, Energy Saving and 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 results of the Operational Efficiency and Cost Reduction Programme of the Company are given in the full version of the Annual Report on the Company's website: <http://www.mrsk-sevzap.ru/shareholdersmeetinginfo>

Income from sales of non-core assets

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 of 26.02.2018 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 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.

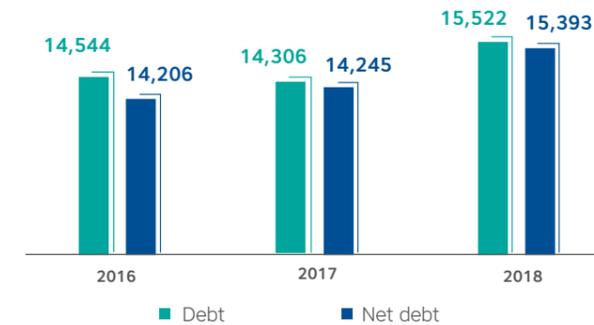
Decision of the Board of Directors of PJSC IDGC of the North-West of 23.11.2018 (minutes of 26.11.2018 No. 301/14) approved the register of non-core assets of PJSC IDGC of the North-West as of 30.09.2018 under the requirements of the Programme. A brief version of the Register is available at the Company's web site: <http://www.mrsksevzap.ru/property>.

The income from sales of non-core assets in 2018 amounted to RUB 0.14 mln.

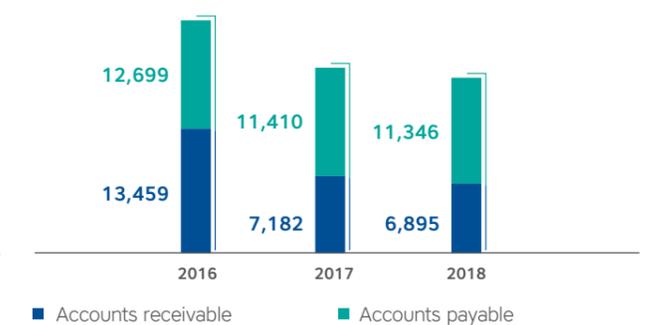


Debt liabilities

DEBT AND NET DEBT DYNAMICS, RUB MLN



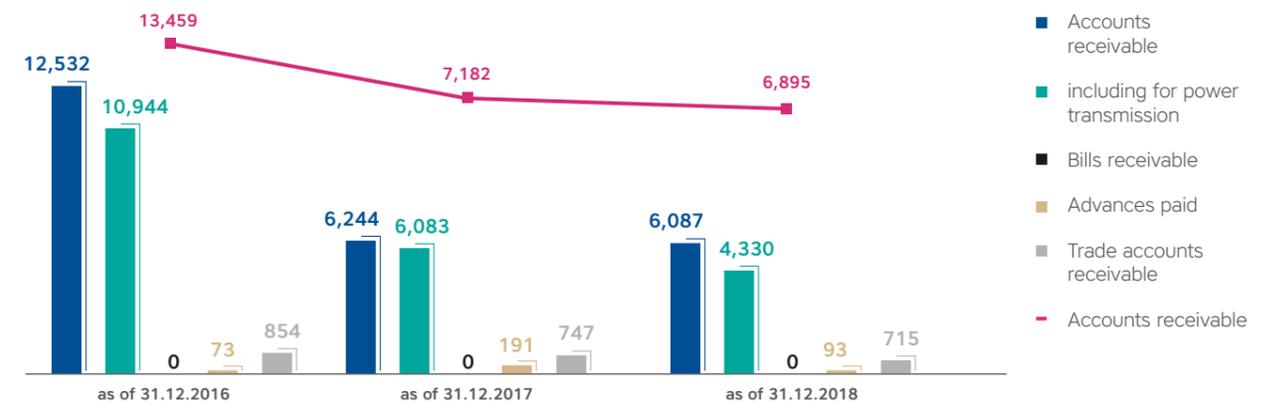
CORRELATION OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE, RUB MLN



In 2018, the growth rates of accounts receivable and accounts payable were lower than one, which shows their reduction against 2017.

Accounts receivable

ANALYSIS OF CHANGES IN ACCOUNTS RECEIVABLE*, RUB MLN



The amount of accounts receivable of PJSC IDGC of the North-West as of the beginning of the reporting period was RUB 7,182 mln, as of 31.12.2018 – RUB 6,895 mln. The decrease was due to reduction in the receivables from power transmission services by RUB 1,753 mln (from RUB 6,083 mln to RUB 4,330 mln) and increase in the debt of end consumers due to performing the function of supplier of last resort by RUB 1,448 mln.

Trade accounts receivable as of 31.12.2018 amounted to RUB 6,087 mln, which is RUB 157 mln lower than that as of 31.12.2017. The reduction was due to the efforts in recovering overdue accounts receivable of the consumers for power transmission and provisions made for accounts receivable of PJSC Arkhenergosbyt and PJSC Vologdaenergosbyt, which

were deprived of the status of wholesale electric power and capacity supplier and underwent bankruptcy proceedings; at the same time, accounts receivable from power sales increased due to performing the functions of supplier of last resort.

Advanced paid as of the end of 2018 decreased by RUB 98 mln.

The changes in other accounts receivable are insignificant. In 2018, the reduction amounted to RUB 32 mln.

The bulk (63%) of the Company's accounts receivable resulted from the payments for power transmission services rendered.

* The indicators are shown in accordance with the Company's accounting statements for 2018.

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 13.04.2018 No. 232 (hereinafter – the Regulation).

In line with the schedules set by the Regulation, in 2018 the Company sent 688 lawsuits for the total amount of RUB 5,033 mln, conducted negotiations with debtors.

As a result of the Company’s claims activities to recover overdue accounts receivable for the power transmission services in 2018, the court sustained 710 lawsuits in the total claimed amount of RUB 7,592 mln (including the penalties of RUB 678 mln), dismissed the claims for 54 lawsuits in the total amount of RUB 59 mln (including the penalties of RUB 43 mln). The share of Company’s lawsuit requirements sustained amounted to 99.2%.

SUSTAINED 710 LAWSUITS

in the total claimed amount of RUB 7,592 mln (including the penalties of RUB 678 mln).

DISMISSED THE CLAIMS FOR 54 LAWSUITS

in the total amount of RUB 59 mln (including the penalties of RUB 43 mln).

In 2017, upon considering the lawsuits on overdue accounts receivable recovery for the power transmission services, the court ruled in favour of the Company for the total amount of **RUB 7,656 mln** (including the penalties of **RUB 722 mln**).

Dismissed the claims for 20 lawsuits in the total amount of RUB 37 mln (including the penalties of **RUB 8 mln**).

UNDER THE ENACTED COURT DECISIONS

IN 2018

Warrants of execution were issued in the amount of

RUB 4,401.4 mln

Were settled

RUB 1,623.1 mln

or **37%**

IN 2017

Warrants of execution were issued in the amount of

RUB 6,671.8 mln

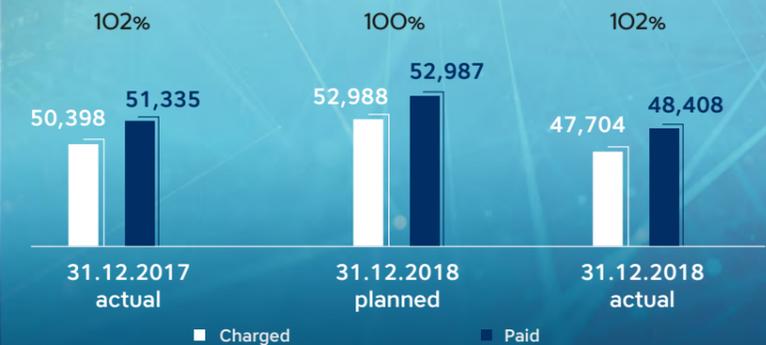
Were settled

RUB 5,581.1 mln

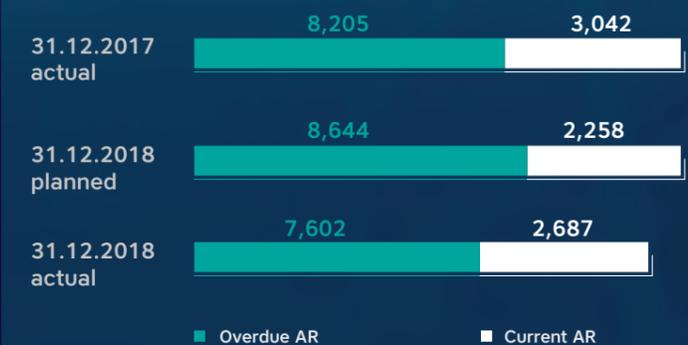
or **83.6%**

The coverage of the overdue accounts payable with activities aimed at its reduction has been consistently high, amounting to **99.3%** as of 31.12.2018.

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

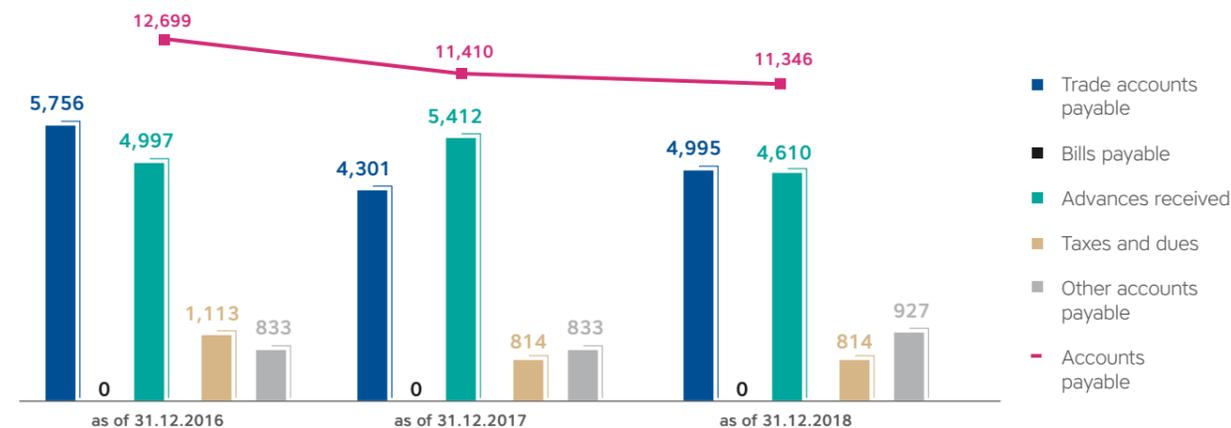


Accounts receivable from power transmission services, RUB mln



Accounts payable

ANALYSIS OF CHANGES IN ACCOUNTS PAYABLE*, RUB MLN



* The indicators are shown in accordance with the Company's accounting statements for 2018, including the sum of balance sheet line codes "Other liabilities" 1450 and "Accounts payable" 1520.

Changes in accounts payable

Accounts payable reduced in 2018 by RUB 64 mln against 2017 and amounted to RUB 11,346 mln as of 31.12.2018.

The following changes were noted:

Trade accounts payable increased by RUB 694 mln, including:

- Payables to materials suppliers increased by RUB 103 mln;
- Payables to repair contractors increased by RUB 50 mln;
- Payables for power purchased increased by RUB 558 mln;
- Payables to local grid organisations (LGOs) increased by RUB 258 mln;
- Payables for investment activities reduced by RUB 301 mln.

Advances received amounted to RUB 4,610 mln, which is RUB 802 mln (14.8%) lower year on year. The bulk of advances come from technological connection services prepayment. The decrease is conditioned by settlement of advances received from:

- LLC Magistral Dvukh Stolits in connection with the 2016 contract on technological connection of power receivers to ensure power supply for Moscow – St. Petersburg high-speed motorway (stage 7 within the operations area of Novgorodenergo branch);
- State Company Avtodor (technological connection of power receivers for power supply for the facilities of Moscow – St. Petersburg high-speed motorway, the Novgorod Region);
- JSC Vorkutaugol (technological connection for power supply to Zapolyarnaya and Severnaya mines).

Bonds

Data on issues with all securities repaid

Bond issue, bonds of BO-01 series (ID of the issue and date of its assignment: 4B02-01-03347-D of 12.03.2014)

Type of securities	exchange-traded bonds
Number of securities issued, items	5,000,000
Face value, RUB	1,000
Volume of securities issued at face value, RUB	5,000,000,000
Average annual interest of the credit (loan), %	12.42
Actual date of repayment	25.05.2018
Grounds for repayment of the securities in the issue	Decision of the Board of Directors on the purchase of the non-convertible interest-bearing certified exchange-traded bonds in bearer form of the series BO-01 issued by PJSC IDGC of the North-West (minutes of 28.04.2018 No.278/33). Decision of the issuer's authorised management body (Order of the acting Director General of PJSC IDGC of the North-West of 23.05.2018 No. 335).

Data on unplaced issues of exchange bonds

Bond issue, bonds of BO-02 series (ID of the issue and date of its assignment: 4B02-02-03347-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	3640th day from the beginning of placement

Bond issue, bonds of BO-03 series (ID of the issue and date of its assignment: 4B02-03-03347-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	3640th day from the beginning of placement

Bond issue, bonds of BO-04 series (ID of the issue and date of its assignment: 4B02-04-03347-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	3640th day from the beginning of placement

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

On 6 August 2018, Analytical Credit Rating Agency (ACRA) assigned PJSC IDGC of the North-West credit rating AA+(RU), 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 2018–2020 to 1.5x FFO before net interest payments;
- growth in the Company's return on business in 2019–2020 to 20% FFO before interest and tax payments.

Credit rating components		Weight
Industry risk profile	Very low risk	10%
Operational risk profile	a+	45%
Market position	Very strong	
Business profile	Average	
Geographic diversification	Average	
Corporate governance	High level	
Financial risk profile	a-	45%
Size	Average	
Rate of return	High	
Leverage	Low	
Debt servicing	High coverage	
Liquidity	Strong	
Cash flow	Average	
SCA	a+	
Analytical adjustments	0	
Final SCA	a+	
Support	3	
Governmental support	0	
Group support	3	
Foreign support	0	
Credit rating	AA+(RU)	
Outlook	Stable	

Key financial and economic indicators of the Group under IFRS

The revenue of the Group under the International Financial Reporting Standards (IFRS) increased by RUB 16,985 mln, or 35%, mostly due to the growth in revenue from power sales. EBITDA of the Group for 2018 increased by RUB 4,075 mln, or 139%. The profit received by IDGC of the North-West Group in 2018 is RUB 1,146 mln.

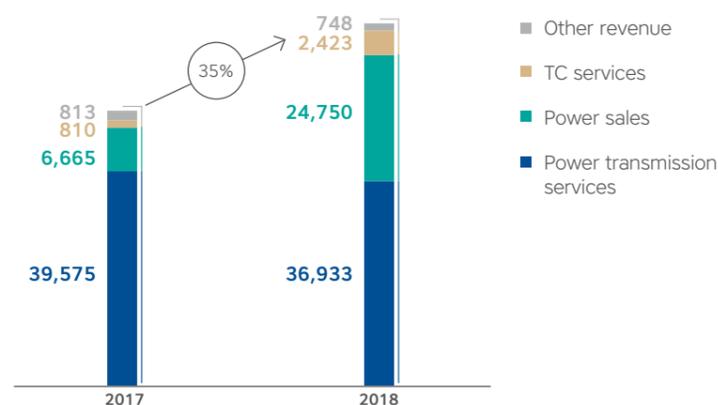
KEY PERFORMANCE RESULTS OF THE GROUP, RUB MLN

	2016	2017	2018
Return	45,546	47,869	64,854
Operating expenses, including:	44,324	50,368	62,811
Variable costs	21,936	22,771	35,075
Fixed costs*	18,398	23,489	23,430
Depreciation and amortisation	3,990	4,109	4,306
State subsidies	5	6	0
Net other income	1,210	1,333	717
Operating profit	2,432	-1,167	2,760
Profit before tax	761	-2,612	1,573
Profit over period	585	-2,172	1,146
EBITDA**	6,393	2,932	7,007
EBITDA margin	14.04	6.13	10.8
Net debt	14,432	14,249	15,393
Return on total assets (ROA)	1.44	-5.4	3.07
Return on capital	9.1	10.9	11.4

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

Revenue

REVENUE BREAKDOWN, RUB MLN



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 Federal Antimonopoly Service 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.

In 2018, the Group revenue grew by RUB 16,985 mln, or 35% against 2017. The considerable year-on-year growth in revenue was mainly due to PJSC IDGC of the North-West performing the function of supplier of last resort from 01.01.2018 by Arkhenergo (Order of the RF Ministry of Energy of 22.12.2017 No. 1202) and Vologdaenergo (Order of the RF Ministry of Energy of 23.03.2018 No. 178) branches.

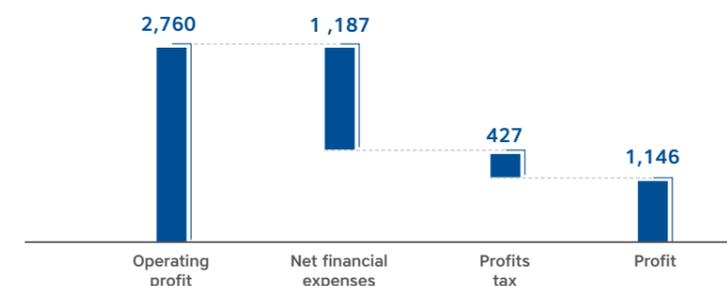
Profit before tax

The Group recorded profit before tax in the amount of RUB 1,573 mln in 2018 and loss before tax in the amount of RUB 2,612 mln in the year ended on 31 December, 2017.

Financial performance over the period

As a result of the above factors, the Group recorded the profit of RUB 1,146 mln and the loss of RUB 2,172 mln for the years ended 31 December 2018 and 31 December 2017 respectively.

PROFIT COMPOSITION IN 2018, RUB MLN



State subsidies

The Group has no state subsidies to compensate for low power tariffs. As of 31.12.2017, the revenue includes other state subsidies in the amount of RUB 6,021 thousand. As of

31.12.2018, the Group reviewed the method of recording other state subsidies and included them in other income in the amount of RUB 6,668 thousand.

Net other income

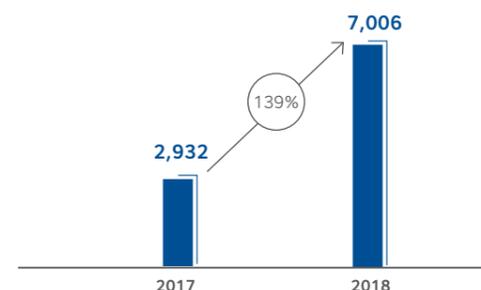
Net other income includes proceeds from uncontracted power consumption, incomes from fines, penalties and forfeits under operational contracts, loss from asset sale, accounts payable relief, insurance proceeds. The amount of net other income was RUB 717 mln, which is RUB 616 mln, or 46% lower year on year. The difference is mainly due to the

2018 reduction in income from fines, penalties and forfeits under operational contracts against 2017 by RUB 659 mln, or 51%. The largest ratio is attributable to income from fines, penalties and forfeits from JSC Vologodskaya Oblastnaya Energeticheskaya Kompania and from LLC TNS Energo Veliky Novgorod.

EBITDA

EBITDA indicator amounted to RUB 7,007 mln, having increased by RUB 4,075 mln (139%) year on year. The main reason for EBITDA growth was reduction in the amount of provision for expected credit losses by RUB 4,131 mln against 2017. The large volume of provision for expected credit losses accrued in 2017 was due to creation of a bad debt provision in the amount of RUB 3,270 mln equal to the accounts receivable from PJSC Arkhenergosbyt as it was deprived of its status as a subject of wholesale electric power and capacity market and excluded from the registry of wholesale market participants, PJSC IDGC of the North-West receiving the status of supplier of last resort in the Arkhangelsk Region from 01.01.2018 (by Order of the RF Ministry of Energy of 22.12.2017 No. 1202).

EBITDA, RUB MLN



Compression plant Baydaratskaya. Gas pipeline system Bovanenkovo-Ukhta.
Photo courtesy of PJSC Gazprom

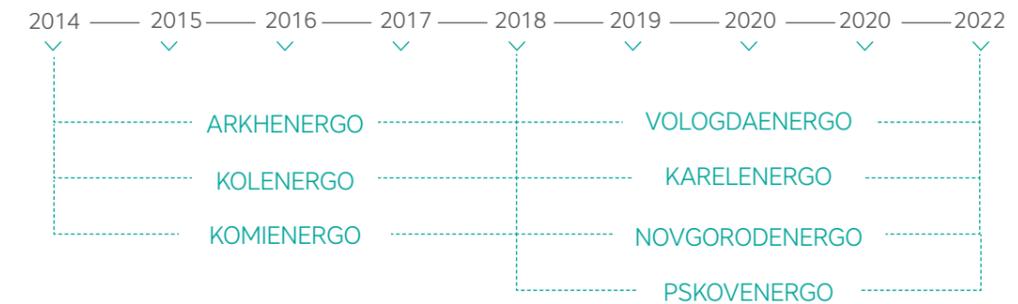
Tariff regulation²⁰

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)²¹. Maximum rates of power transmission tariffs are set by the FAS of Russia.

Distribution grid power transmission services activity of JSC IDGC of the North-West is regulated at the regional level by executive bodies of the constituent entities of the Russian Federation²².

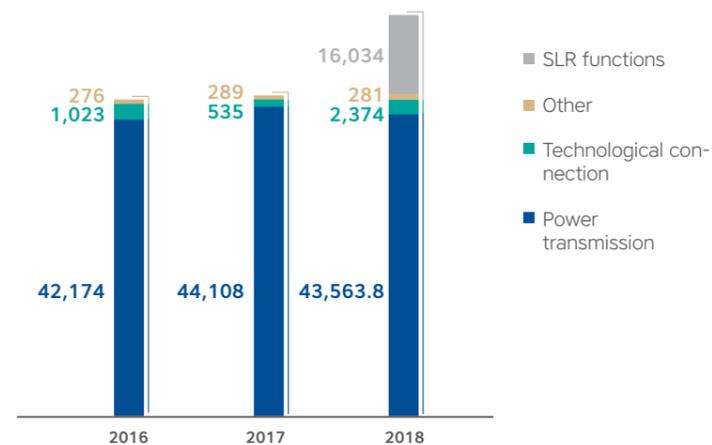
Power transmission services tariffs across the branches of PJSC IDGC of the North-West were based in 2018 on the long-term parameters. The Company branches are regulated as follows:

NGP long-term indexation



Power transmission tariffs

DYNAMICS OF PJSC IDGC OF THE NORTH-WEST REVENUE IN 2016-2018, RUB MLN



In 2018, the established tariffs enabled the Company to receive revenue of RUB 62.2 bln for its services, which is 38.5% higher year on year, while the power transmission revenue reduced by 1.2%. The revenue growth was due to performing the functions of supplier of last resort in Arkhangelsk and Vologda Regions in 2018.

In 2018, a new long-term period started for Vologdaenergo, Kareleenergo, Novgorodenergo and Pskovenergo. Before 2018, these branches were regulated under the regulatory asset base (hereinafter – RAB) method. New long-term parameters were set for these branches. For the others, 2018 is the last year of the current long-term period. The Company performed annual mandatory adjustment of all its branches' necessary gross proceeds stipulated by the effective legislation in the area of state tariff regulation.

Over 2018 the Company also revised the necessary gross proceeds approved for 2018 due to the following factors:

- subject to FAS of Russia Order of 20.04.2018 No. 525/18 on the abolishment of common pot tariffs in the Arkhangelsk Region due to exceeding the tariff limits in the second half of 2018 at the rate of power grid maintenance and flat-rate tariffs, and establishment of loss compensation rate below the tariff limits, which contradicts the provisions of p.81 of the "Pricing guidelines";
- subject to Order of the Russian Federation Government of 19.01.2018 No. 29 on including the Republic of Karelia in the list of regions purchasing power at the wholesale market at regulated prices;

- subject to FAS of Russia Decision of 20.06.2018 No. SP/45637/18 on partial satisfaction of the requirements put forward in the claim of JSC ORES-Petrozavodsk;

- subject to Decision of the Supreme Court of the Russian Federation of 01.11.2018 on case No. 75-APG18-7 on including undocumented depreciation expenses in the necessary gross proceeds for power grid maintenance of PJSC FGC UES branch – Karelskoye PMES for 2018;

- subject to FAS of Russia Order of 20.04.2018 No. 524/18 (including amendments of 28.04.2018 No. 564/18) on the abolishment of common pot tariffs in the Murmansk Region due to exceeding the tariff limits in the second half of 2018 at the rate of power grid maintenance, which contradicts the provisions of p.81 of the "Pricing guidelines";

- subject to FAS of Russia Order of 20.04.2018 No. 527/18 on the abolishment of common pot tariffs in the Pskov Region due to exceeding the tariff limits in the second half of 2018 at the rate of power grid maintenance, which contradicts the provisions of p.81 of the "Pricing guidelines";

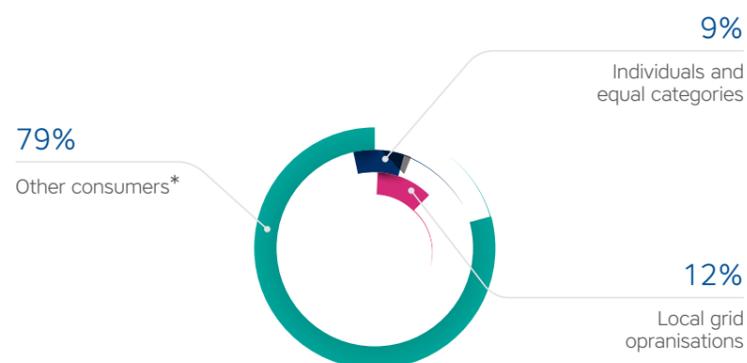
The total NGP changes upon these revisions amounted to RUB -260 mln.

²⁰ Key regulatory documents stipulating the power transmission tariff setting are shown in Annex 13 to the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

²¹ 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".

²² The report on regulated activities broken down by Company branches is shown in Annex 14 to the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

PJSC IDGC OF THE NORTH-WEST REVENUE BREAKDOWN FOR THE POWER TRANSMISSION SERVICES RENDERED IN 2018 BY CONSUMER GROUP, %



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 Severstal (6% in the revenue of Vologdaenergo), PJSC Akron (28% in the revenue of Novgorodenergo), OJSC Kondopoga (11% in the revenue of Karelenenergo), LLC SUAL (8% in the revenue of Kolenergo), JSC Vorkutaugol (12% in the revenue of Komienergo).

The major share of group "Population and similar consumer groups" accounts for the branches Pskovenergo (23%), Karelenenergo (13%), Komienergo (8%).

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

TRENDS IN NECESSARY GROSS PROCEEDS FROM POWER TRANSMISSION SERVICES, RUB MLN

TOTAL IDGC OF THE NORTH-WEST

Year	Total	Own
2016	42,174	21,480
2017	44,108	22,978
2018	43,564	24,945

The total necessary gross proceeds of the Company reduced by -1.2%, own NGP grew by 8.6%. The deviation in the growth of the total NGP from own NGP was due to the fact that the loss-related expenses reduced by -2.6%, expenses for local grid operators' services reduced by -9.5%, payment for the services of PJSC FGC UES reduced by -19.7%. It was brought about by the cancellation of the last mile facilities rent con-

tracts from 01.07.2017 and a reduction in the paid capacity used in paying for the services of PJSC FGC UES to the level of the actual capacity in 2018-2027, subject to the schedule of gradual decrease in the contracted capacity of PJSC Rosseti S&A. The largest growth in LGO services expenses is shown by Novgorodenergo branch due to the changes in NGP of LGO by including additional economically feasible expenses.

Necessary gross proceeds structure

In the reporting year, own necessary gross proceeds (NGP) grew by 8.6% 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" and a -19.7% decrease in payment for the services of PJSC FGC UES, due to the cancellation of the last mile facilities rent contracts and, correspondingly, the decline in the capacity paid for. Additional effect in this area was ensured by a reduction in the paid capacity used in paying for the services

of PJSC FGC UES to the level of the actual capacity in 2018-2027, subject to the schedule of gradual decrease in the contracted capacity of PJSC Rosseti S&A. The -9.5% reduction in expenses for local grid operators' services in 2018 was mostly brought about by changes in the schemes and amounts of settlements between LGOs within the region. Loss-related expenses decreased by -2.6%, which was caused by a reduction in the total volume of losses and lower price for power purchase to compensate for losses at Arkhenergo and Karelenenergo.

ANALYSIS OF CHANGES IN THE AVERAGE TARIFFS FOR POWER TRANSMISSION SERVICES, RUB/ KWH

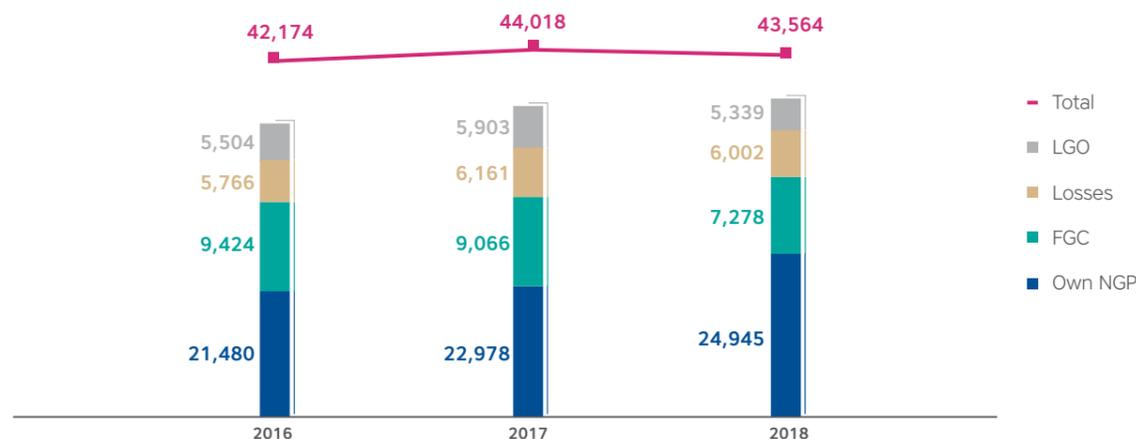
IDGC OF THE NORTH-WEST

Year	Value	Growth
2016	1,196	
2017	1,319	Growth 10%
2018	1,375	Growth 4%

Power transmission services tariffs in 2018 considerably differed by regions within the responsibility area of PJSC IDGC of the North-West. Such strong differentiation is due to varying breakdowns of consumers by voltage levels. The branches where low-voltage grids prevail, such as: Arkhenergo, Karelenenergo and Pskovenergo, 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: Vologdaenergo, Kolenergo, Novgorodenergo.

The information on the dynamics of the NVB and the change in the average tariff for electric power transmission services in the context of branches is presented in the full version of the Annual Report on the Company's website <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

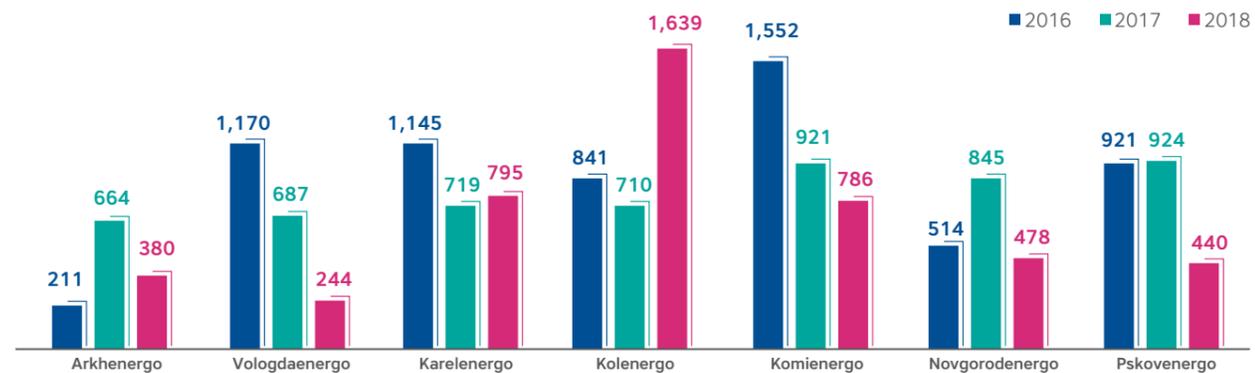
NGP STRUCTURE DYNAMICS FOR POWER TRANSMISSION BY PJSC IDGC OF THE NORTH-WEST, RUB MLN



Technological connection tariffs^{23,24}

In 2018, the tariff set by the Company allowed it to receive revenue from technological connection services in the amount of RUB 2,423.3 mln, which is 56% higher against 2017.

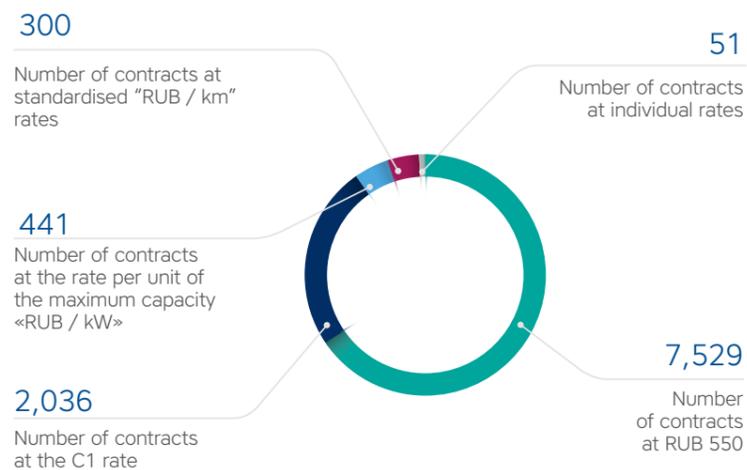
DYNAMICS OF THE AVERAGE C1 RATE (RUB / KW) BY COMPANY BRANCH, 2016-2018



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.

For information on setting tariffs for technological connection, see the full version of the Annual Report on the Company's website <http://www.mrsksevizap.ru/shareholdersmeetinginfo>

THE VOLUME OF TC CONTRACTS, INCLUDING TEMPORARY TC AS OF 31.12.2018, ITEMS



Availability of the approved standardised technological connection fees enabled the Company to reduce the number of contracts based on individual fees. The number of 2018 applications where contracts were based on individual rates amounted to 51 across the Company. The total number of technological connection contracts signed is 10,357. The largest share of the contracts signed represents subsidised technological connection up to 15 kW with the fee of RUB 550.

The amount of technological connection fees for the current contracts was RUB 28 mln net of VAT. The capital investment of 2018 for technological connection of the power units belonging to benefit holders was RUB 815 mln.

Monitoring of existing contracts for technological connection under preferential contracts can be found in the full version of the Annual Report on the Company's website: <http://www.mrsksevizap.ru/shareholdersmeetinginfo>

²³ TC fees for 2016-2018 are shown in Annex 15 to the full version of the Annual Report on the Company's website <http://www.mrsksevizap.ru/shareholdersmeetinginfo>
²⁴ Cash flow from the TC contracts monitoring is presented in Annex 16 to the full version of the Annual Report on the Company's website <http://www.mrsksevizap.ru/shareholdersmeetinginfo>



RUB **21.5** mln

total environmental expenses

↑ **58%** against 2017

0.07

Fatality frequency rate

↓ **2 times decrease** against 2017

2 Sustainable development report

- 98 Sustainable development management
- 100 Quality Management System
- 100 Stakeholder interaction
- 106 Human resources and social policy
- 118 Environmental responsibility
- 122 Responsible business
- 128 Social responsibility



Sustainable development management

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".

98

GRI 102-11

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 2018
3 GOOD HEALTH AND WELL-BEING	HUMAN RESOURCES AND SOCIAL POLICY	Development of the occupational safety management system, risk management system, ensuring safety by on-site regular inspections at workplaces by immediate supervisors and executive officers of branches and executive administration of the Company within the framework of the Occupational Safety Day. The Occupational Safety Day is held monthly by all units. Development of the system of financial aid to employees.
4 QUALITY EDUCATION	HUMAN RESOURCES AND SOCIAL POLICY	Ongoing vocational training for the employees – 13,010 employees 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.
7 AFFORDABLE AND CLEAN ENERGY	PRODUCTION RESULTS	Registration of 25,452 applications, 21,074 contracts signed, 21,952 technological connection contracts completed. Reduction in the weighted average period of applicant's power receivers connection: from 170 days to 153 days. Participation in the RES development in the operations area.
8 DECENT WORK AND ECONOMIC GROWTH	HUMAN RESOURCES AND SOCIAL POLICY	Observance of the employee rights – availability of a collective agreement. Creation of new jobs for the population. Cooperation with higher education institutions on employment of students and graduates.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	INNOVATIVE DEVELOPMENT	Support of innovation designs – RUB 406.39 mln allocated. Development of active-adaptive grids with the intelligent system of automation and management.
11 SUSTAINABLE CITIES AND COMMUNITIES	PRODUCTION RESULTS	Actual capital investment for technological connection of socially important facilities amounted to RUB 389 mln. Timely prevention of emergency, preparation for the AWP, emergency response and mitigation.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	ENVIRONMENTAL RESPONSIBILITY	Lean operation programme development. Participation in promoting resource and energy saving issues – participation in the festival "Brighter Together".
15 LIFE ON LAND	ENVIRONMENTAL RESPONSIBILITY	Protection of biodiversity – bird protection from electric shock, the cost of equipment amounted to RUB 968 thousand net of VAT (804 bird protection devices at 35 kV and above OL).

99

Quality Management System²⁵

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 general management system. It is designed to ensure high quality of the services rendered in accordance with requirements of the regulatory 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 the 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 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 2018, the Company successfully passed QMS recertification audit carried out by an independent external auditor in accordance with the new version of the standard ISO 9001:2015 (GOST R ISO 9001-2015), which involves implementation of risk-oriented thinking in management practice.

Overall, the functioning of the Quality Management System was successful in the reporting year²⁶.

For more details on certificates of the QMS compliance with ISO 9001, GOST ISO 9001 see the full version of the Annual Report on the Company’s website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Stakeholder interaction

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.

The Company aims to build fruitful trust-based and mutually beneficial long-term partner relations with stakeholders – shareholders and investors, customers and consumers, employees and trade unions, business partners and contractors, state regulatory bodies, local authorities, the mass

media, residents of the operations area and non-profit public organisations.

A balanced system of efficient communication based on the principles of openness, mutual respect, responsible attitude

encourages further development of the Company’s business areas.

In identifying stakeholder groups, we proceeded from the following major principles:

- shared interests and expectations towards the Group’s companies;

- the nature of their influence on achievement of the strategic goals set for the Group’s companies;

- instruments used by the Company for communication with the stakeholders.

Stakeholders	Interests	Interaction instruments
Shareholders and investors	<ul style="list-style-type: none"> • Increase in shareholder value • Dividend policy • Financial and operational performance • Investment programmes 	<ul style="list-style-type: none"> • General Shareholders’ Meetings • Corporate reports • Corporate web site, press releases and presentations for investors • Interaction within the framework of the Board of Directors • Individual meetings with shareholders and investors • Receiving and maintaining corporate governance practice ratings
Customers and consumers	<ul style="list-style-type: none"> • Reliable and seamless power supply • Timely and affordable technological connection • Open and flexible interaction with customers/ consumers 	<ul style="list-style-type: none"> • Contracts for 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
Employees and trade unions	<ul style="list-style-type: none"> • Providing employment and the rate of remuneration • Social and medical benefits • Professional growth and career opportunities 	<ul style="list-style-type: none"> • Collective labour contract • Negotiations with the trade union • Meetings with the personnel • A system of corporate media • Education and development systems for employees
Business partners, contractors	<ul style="list-style-type: none"> • Reduction in technological connection fees • Clear rules and transparency in procurement • Use of the market pricing mechanism • Compliance with the standards of business ethics in interaction 	<ul style="list-style-type: none"> • Development of mutually beneficial relations in the form of competitive bidding • Interaction under regional power-industry fairs • Corporate presentation day of PJSC IDGC of the North-West • Meetings, congress and exhibition activities, forums, workshops
State regulatory bodies	<ul style="list-style-type: none"> • Compliance with the requirements of the Russian legislation 	<ul style="list-style-type: none"> • Interaction with the state regulatory bodies • Receipt of the Certificate of Operational Readiness for the autumn and winter period • Passing inspections
Local authorities	<ul style="list-style-type: none"> • Infrastructure development • Implementation of social programmes • Tax payment • Creation of jobs • Receipt of information on the Company’s development prospects 	<ul style="list-style-type: none"> • Cooperation agreements • Social and charitable programmes • Public reporting
Mass media	<ul style="list-style-type: none"> • Transparency of business processes • Prompt access to information on the Company’s activities 	<ul style="list-style-type: none"> • Prompt communication of information • Arrangement of press conferences, briefings etc. • Response to media requests and applications • Coverage of the Company’s activities at the Company’s official pages in the social media: VK.com, Facebook, Twitter, Instagram
Residents of the operations area and non-profit public organisations	<ul style="list-style-type: none"> • Receiving information on the projects planned • Development of the social infrastructure • Creation of jobs • Implementation of social programmes • Mitigation of the negative impact on the environment 	<ul style="list-style-type: none"> • Social and charitable programmes • Public hearings • Media coverage

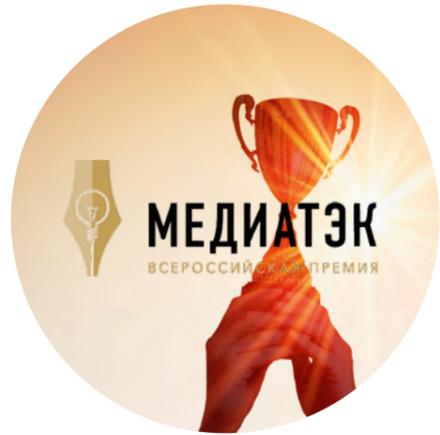
GRI 102-40
GRI 102-43
GRI 102-44

101

²⁵ The Quality Management Policy is available at the Company’s web site <http://www.mrsksevzap.ru/policyquality>

²⁶ The dynamics of business process efficiency indicators in 2016–2018 are shown in Annex 17 to the full version of the Annual Report on the Company’s website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Social communications and media interaction



The main award as “The best press service of federal companies in fuel and energy industry” at the Pan-Russian contest MediaTEK 2018.

PJSC IDGC of the North-West communications policy is based on the principles of openness, accuracy, swiftness and availability, implementing the Unified Communications Policy of the Rosseti Group.

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.

According to an independent monitoring survey of the information activities²⁷, in 2018 PJSC IDGC of the North-West was among the top five companies most frequently mentioned in the media among the power grid companies of PJSC Rosseti. The official web site www.mrsksevizap.ru published over 1,000 press releases; 15,260 publications were made in the regional and federal mass media.

The official accounts of PJSC IDGC of the North-West in social networks publish not only operations-related content, but also edutainment and useful information. Direct communication with the audience is ensured by discussions, polls and other interactive formats.

The total number of subscribers to the Company’s official accounts was 11,600 in 2018. The total exposure was 650,000 unique users.

Implementation of the communications policy by PJSC IDGC of the North-West was highly appraised by the professional community. It received the main award as “The best press service of federal companies in fuel and energy industry” at the Pan-Russian contest MediaTEK 2018 held under the auspices of the Russian Ministry of Energy.



Social PR projects

KEY AREAS IN 2018

Power safety

Development of the power safety and energy efficiency culture, power injury prevention.

Risk group:

- children
- fishermen
- drivers
- air sports lovers

Power theft is unlawful

Development of the civilised power consumption culture, promotion of the advantages of proper connection to power grids and the idea of inevitability of punishment for power theft.

Information on power injury and power theft prevention is presented in as much detail as possible on specialised media portals:

MEDIA PORTALS



Friends with electricity

<https://electrofriend.mrsksevizap.ru>



For fishermen and captains

<https://clients.mrsksevizap.ru/powersafetyfishing>



For extreme athletes and pilots

<https://clients.mrsksevizap.ru/powersafetyextreme>



Power theft

<https://clients.mrsksevizap.ru/powersafetytheft>



Power safety for adults

<https://clients.mrsksevizap.ru/powersafetyadult>



For car drivers

<https://clients.mrsksevizap.ru/powersafetydriver>

TOOLS:

Media publications

Social networks

Media projects:

- Online portals
- Information graphics

Social advertising:

- Videos
- Brochures
- Leaflets
- Posters

Educational programmes:

- Lessons
- Quizzes
- Lectures
- Colouring books
- Educational films

Theme-based events:

- Contests
- Tours
- Open days
- Theatrical productions

IN 2018:

670
lessons were held

25 thous.
participated in interactive programmes

120 thous.
promotion and education materials were distributed

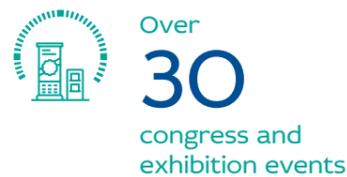
²⁷ The findings of information activities monitoring were provided by Gortis research centre.

²⁸ Read about the key information topics are shown in the full version of the Annual Report on the Company’s website: <http://www.mrsksevizap.ru/shareholdersmeetinginfo>

Interregional cooperation, congress and exhibition activities in 2018

Congress and exhibition activities are one of the key forms of business communication for PJSC IDGC of the North-West. In 2018, the Company's employees participated in more than 30 congresses and exhibitions, including scientific and practical conferences, trade shows of the fuel and energy industry, economic and investment forums.

IN 2018:



PJSC IDGC of the North-West, SEVERNY KABEL and Skolkovo sign a cooperation agreement

At the international forum Power Grids, PJSC IDGC of the North-West, LLC Severny Kabel and Skolkovo Foundation signed a tripartite agreement on implementation of a comprehensive pilot project "Reliable distribution grids". The strategic partnership is aimed at development of innovative projects ready for implementation and adjusted to the nature of the Russian power grid industry.

Corporate Presentation Days

The Company continued the traditional CORPORATE PRESENTATION DAYS OF PJSC IDGC OF THE NORTH-WEST. For many years it has been a venue for dialogue with the leading manufacturers of electric equipment (<http://www.mrsksevzap.ru/corporatepresentationday>). In 2018, corporate presentation days of the Company brought together approximately 150 participants, and over 30 projects were presented at the forum.

Power Industry Investment Conference

In 2018, PJSC IDGC of the North-West continued developing a system of its own forums and seminars engaging the authorities and business, partners, equipment suppliers.

In cooperation with ANO Strategic Partnership of the North-West, regional authorities, with the support of the Russian President's plenipotentiary envoy to the NWFD, the Company held 6 regional power industry investment conferences (<http://www.mrsksevzap.ru/energofair>). The format of the events enables direct communication of investors and energy representatives on effective and mutually beneficial technological connection and optimisation of the power infrastructure use.

Russian Investment Forum

The Company presented its experience in building a digital grid at the Russian investment forum and St. Petersburg International Economic Forum, providing the example of the digital PDZ at Novgorodenergo

IN 2018:



Comprehensive customer servicing

Client orientation is currently a core indicator of a company's effective governance system. A client-oriented approach means building it 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.

The website of PJSC IDGC of the North-West (www.mrsksevzap.ru) is an efficient remote service for consumers offering the following interactive tools:

Consumer's personal account

Enables clients to track all stages of their technological connection application from the date of submission up to actual connection and signing of the technological connection act.

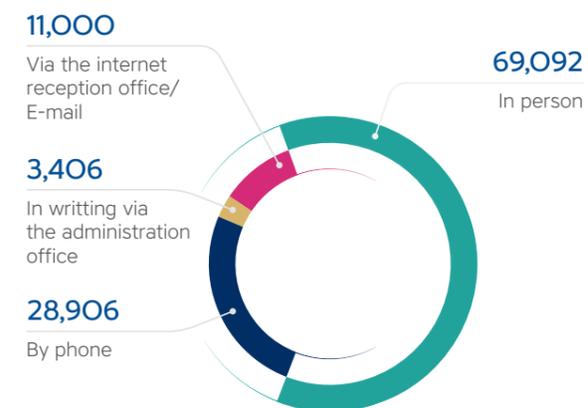
Internet reception office

Enables clients to submit applications/intents for technological connection, applications for additional services, to file requests, to fill in consumer questionnaires; to find answers to the most frequently asked questions.

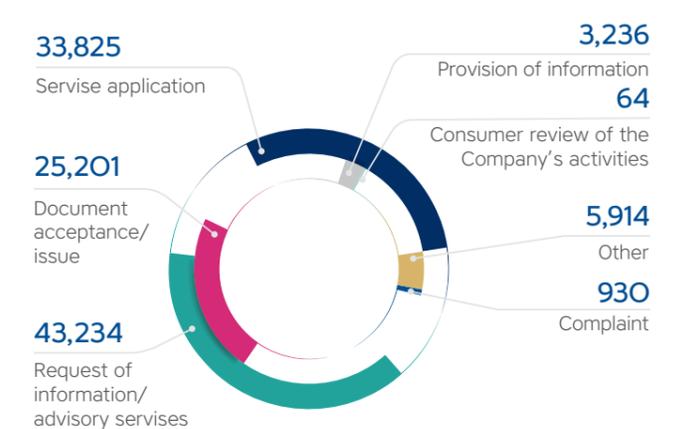
PLANS FOR 2019

- To comply with the target of increasing the share of applications for technological connection submitted via the Internet services to 70%, all consumer service offices will be equipped with automated consumer workplaces with open access to the Company web site and an opportunity to scan documents.
- The Consumer's personal account at the Company site will be upgraded for the applicant to pay for the grid company services

APPLICATION DISTRIBUTION BY TYPE



APPLICATION DISTRIBUTION BY CATEGORY



Human resources and social policy

GRI 103-2



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:

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 or personnel activities (personnel motivation);
- in social benefits and social security;
- in promoting safety of operations and work culture.
- 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

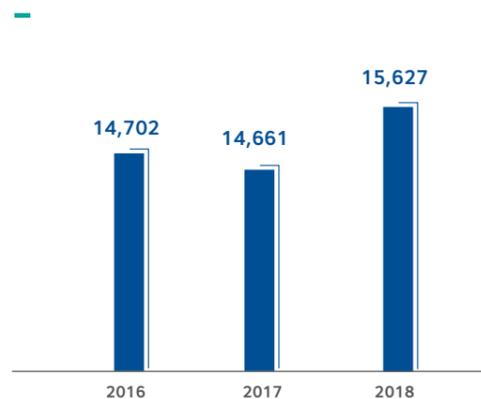


Staff headcount and breakdown

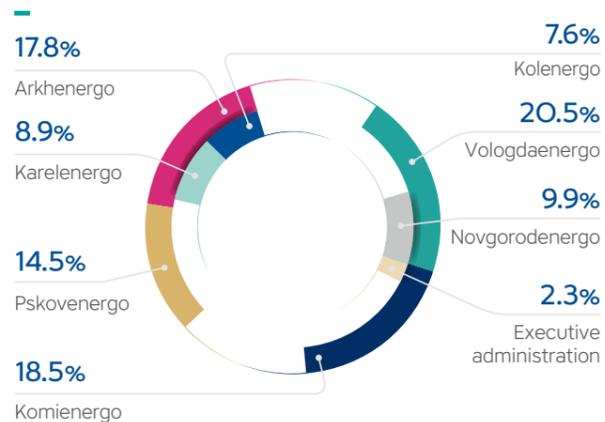
The average staffing number of PJSC IDGC of the North-West in 2018 amounted to 15,627 persons, which is 6.6% higher year on year. The increase in the average staffing number of PJSC IDGC of the North-West was due to recruiting operational staff to the operational units of Arkhenergo branch as it received the status of supplier of last resort in the Arkhangelsk Region by Order of the Russian Ministry of

Energy of 22.12.2017 No. 1202 (the functions have been transferred since 01.10.2018 to the limited liability company TGK-2 Energosbyt) and Vologdaenergo branch as it received the status of supplier of last resort 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).

AVERAGE STAFFING NUMBER OF PJSC IDGC OF THE NORTH-WEST DYNAMICS IN 2016–2018, PERSONS



BREAKDOWN OF THE AVERAGE STAFFING NUMBER IN 2018, %



The staffing levels of PJSC IDGC of the North-West have been consistently growing over the recent three years to reach 97.5% in 2018 (+0.8 p.p. from 2016).

The average age of the Company's employees in 2018 remained on the level of 2017 as 42 years, active staff turnover amounted to 4.1% in 2018.

In the recent three years, the share of employees from 50 years old to the retirement age

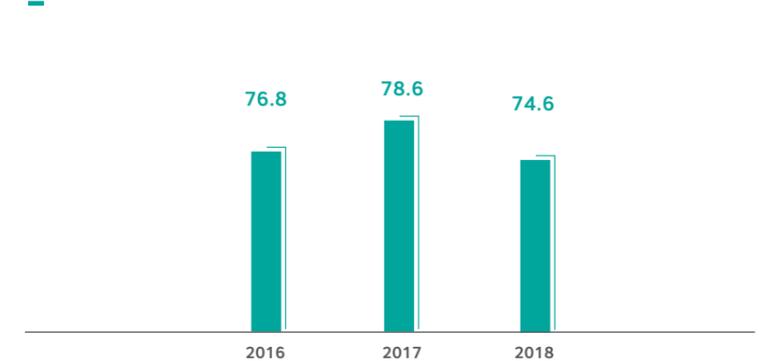
has reduced (-1.1 p.p.), as well as the share of employees working after retirement (-0.9 p.p.) as the share of the employees aged from 25 to 50 increased (+2.1 p.p.).

PJSC IDGC of the North-West employees possess considerably high qualification – 86.5% of them have received professional education. This indicator increased by 2.0 p.p. in the last three years.

Labour efficiency improvement

A vital indicator of personnel efficiency improvement at the Company is labour efficiency. At the same time, in 2018 the Company's labour efficiency reduced by 5% against 2017, due to assuming the functions of the electric power supplier of last resort in the Arkhangelsk Region (from 01.01.2018) and the Vologda Region (from 01.04.2018) and with a resulting increase in the average staffing number by 967.6 persons. But for this factor, labour efficiency in 2018 is 79.5 c.u./person (+1.1% against 2017).

LABOUR EFFICIENCY, C.U./PERSON



Labour efficiency in 2018 is 79.5 c.u./person (+1.1% against 2017).

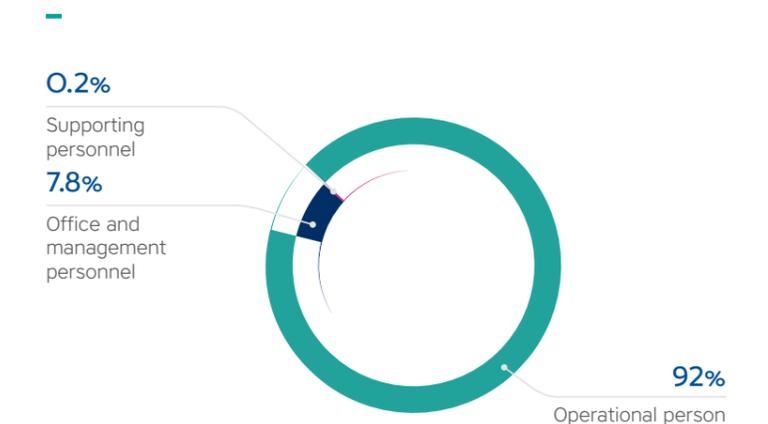
Personnel training and development, talent pool

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 83.3% (13,010 persons) in the reporting year, which is by 26.0 p.p. (4,631 persons) higher year on year.

The largest share of the employees trained is attributable to operational personnel – 92% (11,970 persons). In 2017, this indicator amounted to 92% (7,699 persons).

STAFF WHO TOOK PART IN TRAINING EVENTS



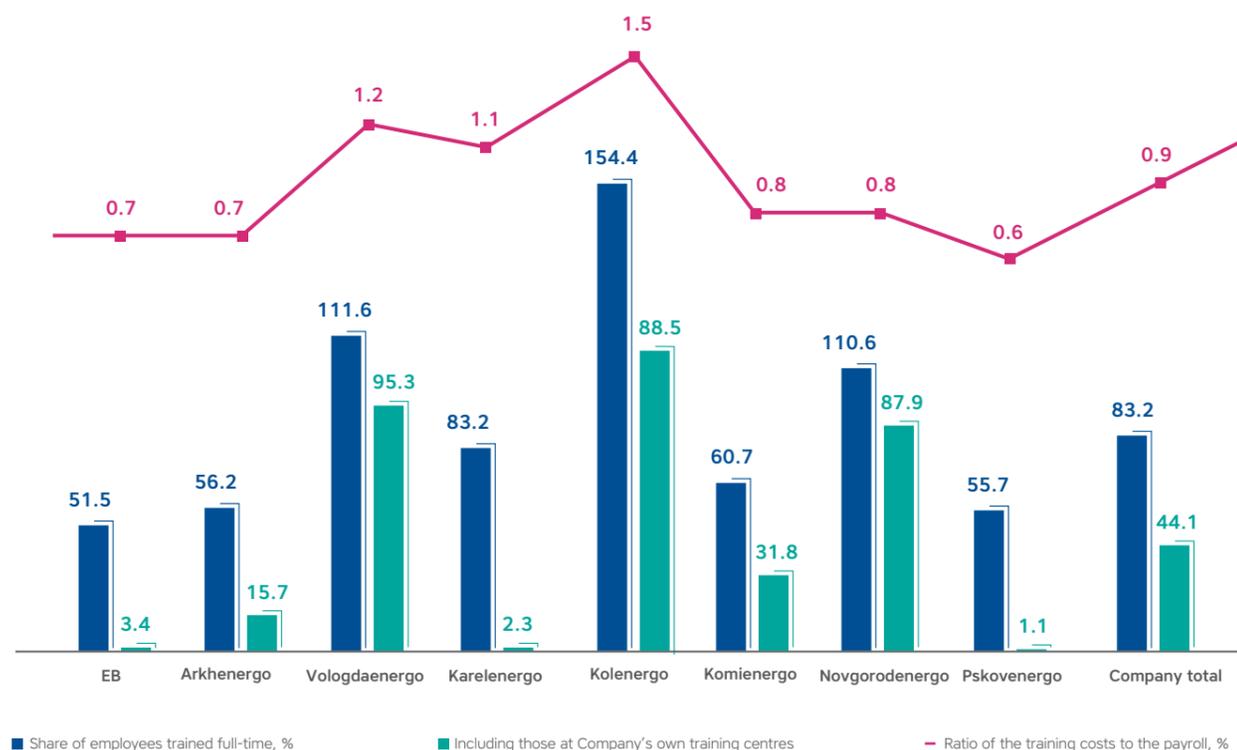
GRI 103-2
GRI 103-3

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 Kolenergo branch in Murmashi of the Murmansk Region.

For more details on actual costs of personnel training see the full version of the Annual Report on the Company's website: <http://www.mrsksevizap.ru/shareholdersmeetinginfo>

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

- Education and training centre for the personnel of Kolenergo branch
- Standalone division of the private vocational education centre Energetik in Arkhangelsk (opened 01 December, 2017)
- Private vocational education centre Energetik Vologda
- Standalone division of the private vocational education centre Energetik in Petrozavodsk (opened 01 December, 2017)
- Standalone division of the private vocational education centre Energetik in Veliky Novgorod (from 16 November, 2016)

Participation of the Company in the corporate and national WorldSkills championships

In 2018, PEI CPE TS Energetik (Vologda) hosted PJSC Rosseti open corporate championship of vocational skills under the WorldSkills methodology in the following skill areas: "Operation of cable power lines", "Maintenance and repair of relay protection and automation equipment", "Smart systems of power metering".

Employees of the Company were second in the "Smart systems of power metering" and in the "Operation of cable power lines" skill areas.

Participation of the Company in WorldSkills movement

Within the framework of agreement on cooperation (a joint project of Arkhenergo branch of PJSC IDGC of the North-West and Peter the Great Technological College of FSAEI HE Lomonosov Northern (Arctic) Federal University) an examination was held on electric installation in the WorldSkills format. The practice exam was held twice, in June and December 2018. Arkhenergo branch was represented by 3 trained experts.

College of FSAEI HE Lomonosov Northern (Arctic) Federal University. They discussed issues of organising programmes of further vocational training based at the College for workers, professionals and managers of the power grid system.

For more details on cooperation with relevant higher and professional education institutions see the full version of the Annual Report on the Company's website: <http://www.mrsksevizap.ru/shareholdersmeetinginfo>

Employees of the Arkhenergo branch of PJSC IDGC of the North-West participated in the round-table discussion "Application of WorldSkills Russia standards in training qualified personnel for the region's companies" organised by the Peter the Great Technological

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 2018, PJSC IDGC of the North-West continued its management of talent pool for administrative staff, youth, and key positions.

- 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.

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.

For more details on talent pool management see the full version of the Annual Report on the Company's website: <http://www.mrsksevizap.ru/shareholdersmeetinginfo>

Youth talent pool is built:

- to create opportunities for professional and personal growth of the young employees of the Company;

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.

In 2018, the Company held 44 such events in the operations area of its branches, involving 684 schools. The total coverage of the target audience was over 6 thousand persons (energy quests on electric safety; discussions on the profession of electrician; All-Russian Olympiad

of School Students organised by PJSC Rosseti; career guidance tours, open days, career fairs for students of grades 9–11 to the operational facilities; regional contest on fire and electric safety; electric safety contests; first-aid treatment lessons).

For more details on interaction with schoolchildren, students and young professionals see the Annual Report on the Company's website: <http://www.mrsksevizap.ru/shareholdersmeetinginfo>

Social policy towards the Company employees²⁹

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

Aware of its responsibility towards the country, the society and employees, 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).

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.



²⁹ Report on the results of ensuring the human performance reliability and special assessment of the working conditions in shown in Annex 18 to the Annual Report on the Company's website: <http://www.mrsksevizap.ru/shareholdersmeetinginfo>

Key principles of the social policy are:



The 2018 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 2018 in the following target areas:

- non-state pension provision;
- support of maternity and childcare;
- sports and health activities;
- provision of housing;
- credits to employees, etc.

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 2018, employees of the Company enjoyed over 230 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 2018, employees of the Company took part in competitions in skiing, volleyball, indoor football, basketball, swimming.

For more details on employee participation in corporate sports events see the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Cultural and educational events³⁰

In 2018, approximately 840 events were held to promote the Company's corporate culture with the participation of approximately 30 thousand persons.

During the reporting year, the Company held 162 themed entertainment events and over 40 excursions for the employees engaging over 12 thousand people, as well as 20 exhibitions of creative works by power industry employees and their children.

The Company organised over 160 events aimed at attracting and retaining young qualified workers and professionals at the power grid facilities, with participation of over 5.5 thousand students of the region and young employees of the Company.

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. 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.

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.

Awards

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.

Over 2018, employees of the Company with the best record of contribution to the power industry development received 1,829 awards.

AWARDS BREAKDOWN OF PJSC IDGC OF THE NORTH-WEST IN 2018, ITEMS



³⁰ See more information in full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

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 2018 grew by 5.9% against 2017.

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.

Protection of employees' interests and rights

DYNAMICS OF GROWTH IN THE EMPLOYER'S SPENDING ON IMPLEMENTATION OF THE SOCIAL POLICY, RUB MLN



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 61% of the Company's employees (9,032 persons).

The year-on-year growth in spending on implementation of the Social Policy in 2018 was due to increase in the minimal monthly base wage rates for first-grade industrial and operational employees.

For more details on social policy implementation see the full version of the Annual Report on the Company's website: <http://www.mrsk-sevzap.ru/shareholdersmeetinginfo>

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 in the breakdown into three- and six-month periods of 2018. The NSP programme for the first quarter of the year was approved by Decision of the Company's Board of Directors of 22.03.2018 (minutes No. 272/27). The NSP programme for the second quarter was approved by Decision of the Company's Board of Directors of 30.05.2018 (minutes No. 285/40). The NSP programme for the second half of the year was approved by Decision of the Board of Directors of PJSC IDGC of the North-West of 21.08.2018 (minutes No. 294/7). 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 2018, the Company

continued its cooperation with JSC Non-State Pension Fund of the Electric Power Industry (hereinafter – the NSPF of the Electric Power Industry) towards the implementation of the non-state pension provision programmes for employees

Over 2018, 3,707 retired employees received non-state pensions. The size of non-state pensions primarily depends 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.

For more details on NSP Programme implementation see the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

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 safety³¹

GRI 103-2



In accordance with the Occupational Safety Policy of the Rosseti Group³², 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 of 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 cre-

ating conditions to perform the commitments made in this Policy.

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 "Conscious safety culture" aimed to improve qualifications and involvement of the employees in the process of occupational safety and protection.

The Company's obligations in the area of personnel health protection are additionally stipulated by the Collective Agreement with PJSC IDGC of the North-West. The Collective Agreement of PJSC IDGC of the North-West includes a separate section on occupational safety.

Occupational injuries

In 2018, there were 6 accidents in the Company, where 6 persons were injured, including 1 fatal accident. The year-on-year number of accidents increased by 3 cases. There is a reduction in fatal injury rate: from 2 persons in 2017 to 1 in 2018. No group accidents took place. One case of work-related disease was recorded (electric and gas welder, the cause being imperfection of the welding technological process).

Most frequent occupational injury causes are as follows:

- inadequate organisation of works;
- violation of the labour and operational discipline;
- other causes.

116

GRI 403-4

GRI 103-3
GRI 403-2

OCCUPATIONAL INJURIES

Indicator	2016	2017	2018
Total number of people injured in accidents, persons	5	3	6
Total number of fatalities, persons	3	2	1
Total occupational injury frequency rate (per 1,000 employees)	0.34	0.20	0.40
Fatality frequency rate (per 1,000 employees)	0.20	0.14	0.07

To increase the responsibility of the Company management for accidents, the system of remuneration for the Director General and top management of the Company includes the quarterly indicator "No growth in the number of accident victims".

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 2018, 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 developed and implemented Organisational standard OS 01.011-2017 "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 now include sections "Compliance with the requirements of occupational safety".

EU25

GRI 103-3

Occupational safety spending³³

The costs of occupational safety amounted to RUB 498,246.225 thousand in 2018, which accounts for 0.92% 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 "Financing of the conditions and occupational safety improvement shall account for no less than 0.2% of the cost of goods (works, services) sold.

OCCUPATIONAL SAFETY SPENDING

	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
2016	386.2	17.7	79.9	8.2	280.4
2017	443.2	23.5	96.2	9.8	313.7
2018	498.2	33.3	97.6	8.5	358.8

³¹ The Labour Safety Report is available in Annex 19 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>
³² 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".

³³ Unit costs of occupational safety per employee are shown in the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

117

Environmental responsibility

The Company's core business – power transmission and grid distribution – has an little impact 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 pro-

tection and ensuring high level of environmental safety in the power grids operation and construction as its priority areas.

ation and enables it to manage proactively the adverse implications of its operations.

In 2018, the Company pursued development and introduction of the environmental man-

agement system and prepared it for certification in accordance with the requirements of ISO 14001:2015. In 2019, it plans to obtain a certificate for the environmental management system correspondence with ISO 14001:2015.

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 2018:

- 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 and above with 804 bird protection devices.

USE OF NEW TECHNOLOGIES FOR ENVIRONMENTAL PROTECTION

		2016	2017	2018
35 kV vacuum circuit breakers	items	314	342	345
3-20 kV vacuum circuit breakers	items	6,474	6,821	7,157
SSIW for OL of 0.4 kV	km	6,833	7,703	8,323
SSIW for OL of 6-20 kV	km	6,098	6,464	7,254

Environmental policy

In 2017, 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 areas of the Environmental Policy implementation are described in the full version of the Annual Report on the Company's website: <http://www.mrsksevizap.ru/shareholdersmeetinginfo>

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.

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 at 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 oper-



GRI 103-3 **Environmental protection expenses and investments**

The Company finances activities aimed at environmental protection. The current environmental spending in 2018 amounted to RUB 21.49 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

	2016	2017	2018
Total environmental expenses by type of costs, RUB mln:	12.99	13.57	21.49
current costs, RUB mln, including:	12.99	13.57	21.49
protection of water resources	4.53	4.36	4.97
protection of atmospheric air	1.93	0.99	2.48
protection of environment from waste	6.53	8.22	10.74
remediation of disturbed lands	-	-	-
Introduction of the environmental management system	-	-	3.30

Fines and non-financial penalties imposed on the Company for non-compliance with the requirements of environmental legislation

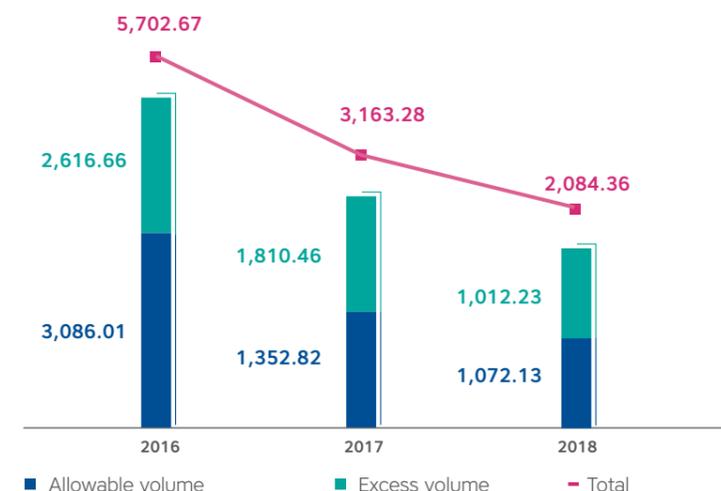
Fines and non-financial penalties imposed on the Company were due to exceeding the established standards of pollutants discharge to water bodies and exceeding the established standards of air pollution.

	2016	2017	2018
Number of non-financial penalties imposed, items	29	25	3
Total amount of fines, RUB thous.	210	100	10

TRENDS IN PAYMENTS FOR ADVERSE ENVIRONMENTAL IMPACT, RUB THOUS.

	2016	2017	2018
Total, including	5,702.67	3,163.28	2,084.36
allowable volume	3,086.01	1,352.82	1,072.13
excess volume	2,616.66	1,810.46	1,012.23
DISCHARGE TO WATER BODIES, INCLUDING	256.59	5.92	4.16
allowable volume	142.59	0.005	0.004
excess volume	113.99	5.91	4.16
AIR POLLUTION, INCLUDING	754.85	260.10	250.18
allowable volume	52.65	19.84	19.58
excess volume	702.20	240.26	230.60
WASTE PLACEMENT, INCLUDING	4,691.23	2,897.26	1,830.02
allowable volume	2,890.77	1,332.97	1,052.55
excess volume	1,800.46	1,564.29	777.47

DYNAMICS OF PAYMENTS FOR NEGATIVE ENVIRONMENTAL IMPACT, RUB THOUS.



Payments for the adverse impact on the environment tend to decrease as the Company obtains environment-related permits in accordance with the requirements of the environmental legislation.

Biodiversity conservation

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 2018, technical bird protection measures were taken: installation of 804 bird protection devices at 35 kV and above power lines.

Power lines of some branches of the Company go through the territory of the Russky Sever National Park (Kirillovsky District of the Vologda Region), Darwin Nature Reserve (Cherepovetsky District of the Vologda Region), Kivach Nature Reserve (Republic of Karelia). The land plots occupied by the power lines are rented.

For more details on PL length within the protected natural areas see the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>



Installation of 804 bird protection devices at 35 kV and above power lines in 2018

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.

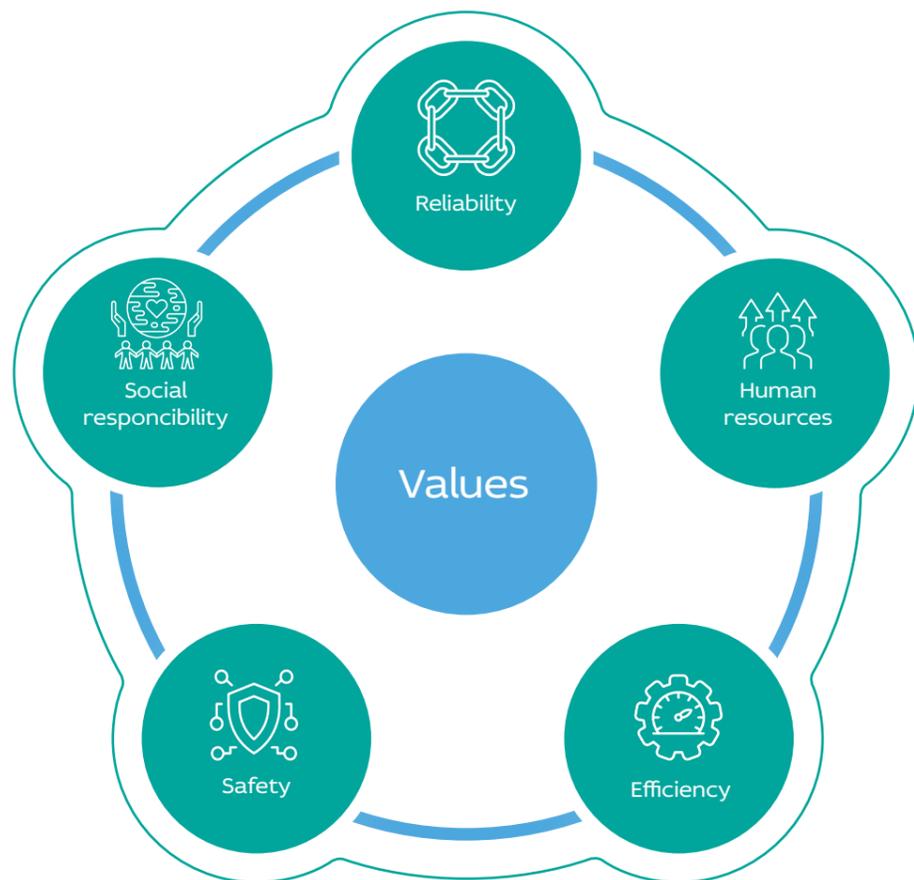
122

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, approved by the Board of Directors of PJSC IDGC of the North-West on 03.05.2017 (minutes No. 240/31). Its provisions are the baselines for all the Company's subsidiaries and affiliates.

The Company never compromises its values for the sake of profit, considering them as a bridge for all its activities and expects the same from its business partners. We appreciate our corporate values, and therefore uphold the high level of corporate culture. The Code of Corporate Ethics and Executive Conduct stipulates the core values:



Procurement activities



GRI 103-2

The Company procurement was carried out in 2018 in line with the Unified Procurement Standard of PJSC Rosseti (Procurement Regulation), approved by Decision of the Company Board of Directors of 29.12.2015 (minutes No. 195/10), endorsed by Decision of the Board of Directors of PJSC Rosseti (minutes of 30.10.2015 No. 206 (in the minutes version of 19.08.2016 No. 239, of 08.11.2016 No. 244, of 16.12.2016 No. 247, of 19.05.2017 No.265, of 31.05.2017 No. 269, of 05.10.2018 No. 324).

Procurement activities of PJSC IDGC of the North-West are based on the following principles³⁴:

- 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;
- information openness;
- equality, fairness, prevention of discrimination or unreasonable restrictions of competition towards the procurement parties;
- compliance with the standards of the effective legislation regulating procurement procedures, as well as the anti-corruption legislation, including the Anti-corruption standard of procurement activities.

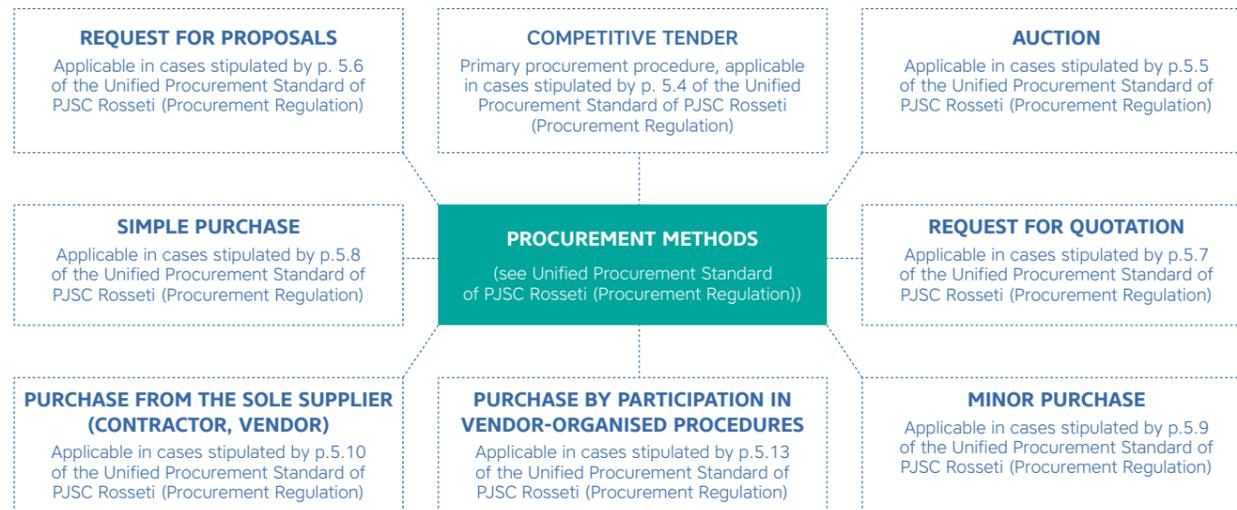
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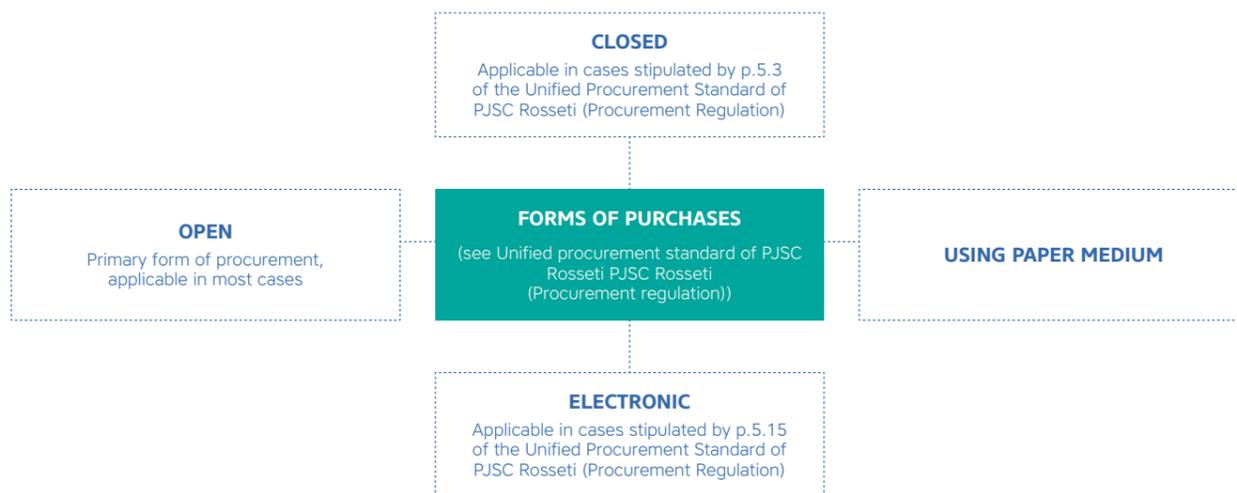
³⁴ For details on regulation and principles of procurement Annex 20 to the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

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 Unified Procurement Standard of PJSC Rosseti (Procurement Regulation) stipulates the following forms of purchase and special procedures.



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.

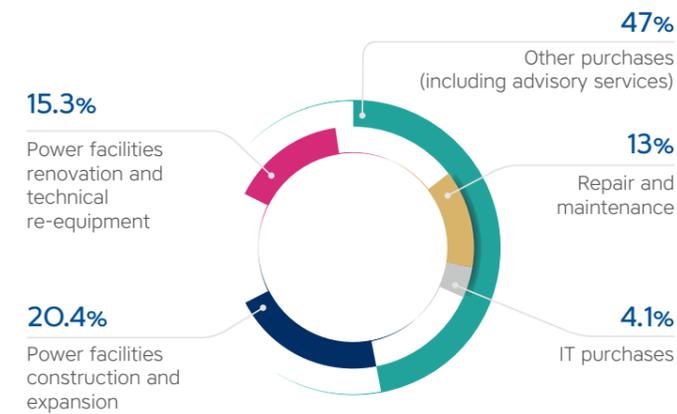
Procurement breakdown

GRI 103-3

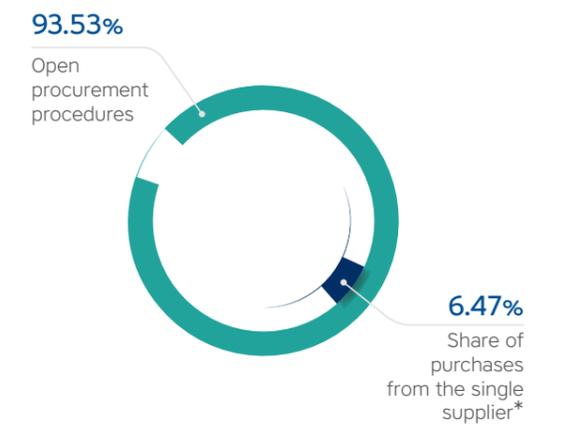
In 2018, the Company held 1,866³⁵ procurement procedures for the total amount of RUB 20.5 bln. The cost efficiency achieved by these procedures was RUB 1.3 bln including VAT, or 6.55% of the planned declared value of competitive purchases.

Purchasing via e-commerce facilities (electronic trading platforms) accounted for 1,596 cases for the amount of RUB 19.15 bln including VAT (99.5% of the total procurement number, 99.85% of the total procurement volume³⁶ in monetary terms).

PURCHASING DISTRIBUTION BY TYPE OF ACTIVITY, %

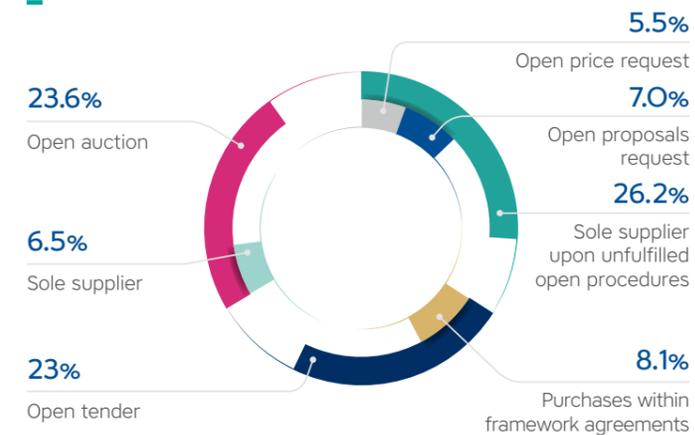


PROCUREMENT TRANSPARENCY, %



* 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).

BREAKDOWN BY PROCUREMENT TYPE, %



³⁵ 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).

³⁶ Net of purchasing from the sole supplier.

Purchasing from small and medium businesses

Purchasing from small and medium businesses accounted for RUB 10.5 bln including VAT (1,561 purchases), or 76.19% of all the purchasing (85.21% 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 4.9 bln including VAT (931 purchases), or 35.28% of the actual volume (50.82%³⁷ in number).

In 2018, there were 19 purchases which match the criteria for classifying goods, works and services as innovative and (or) high-tech products for the actual amount of RUB 428.36 mln including VAT.

The share of procurement allocated to purchases from local suppliers in the Company's operations area accounts for RUB 3,028.67 mln including VAT (or 13.95% of the actual amount (36.88% in number).

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.

In 2018, 1,314 inspections of financial and business activities were arranged and held, which revealed 784 violations by employees of the Company units and other individuals and entities; 142 employees were held responsible: 6 persons were dismissed, 23 employees were subject to disciplinary action. One application was submitted to law enforcement authorities, whereby one criminal case was initiated. The financial damage reimbursed amounted to over RUB 130.602 mln, the damage prevented was RUB 43.181 mln.

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.

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.

In 2018, the Company received 8 communications from informers (employees, contractors of PJSC IDGC of the North-West and other individuals and legal entities) on allegations of corruption in PJSC IDGC of the North-West. All the requests were considered, facts were checked, internal investigations were carried out. Replies to the informers were sent in due time in the manner convenient for them (by e-mail/registered mail). In 7 cases, no facts of corruption were revealed by the inquiry. Subject to 1 communication an internal investigation was conducted, upon which the Company employee resigned voluntarily.

GRI 204-1

126

Anti-corruption policy³⁸

GRI 103-2

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.

PJSC IDGC of the North-West aims to build its relations with subsidiaries, partners and third parties in line with the anti-corruption principles, informs all stakeholders on its anti-corruption policy, pursues it in its business 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.

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:

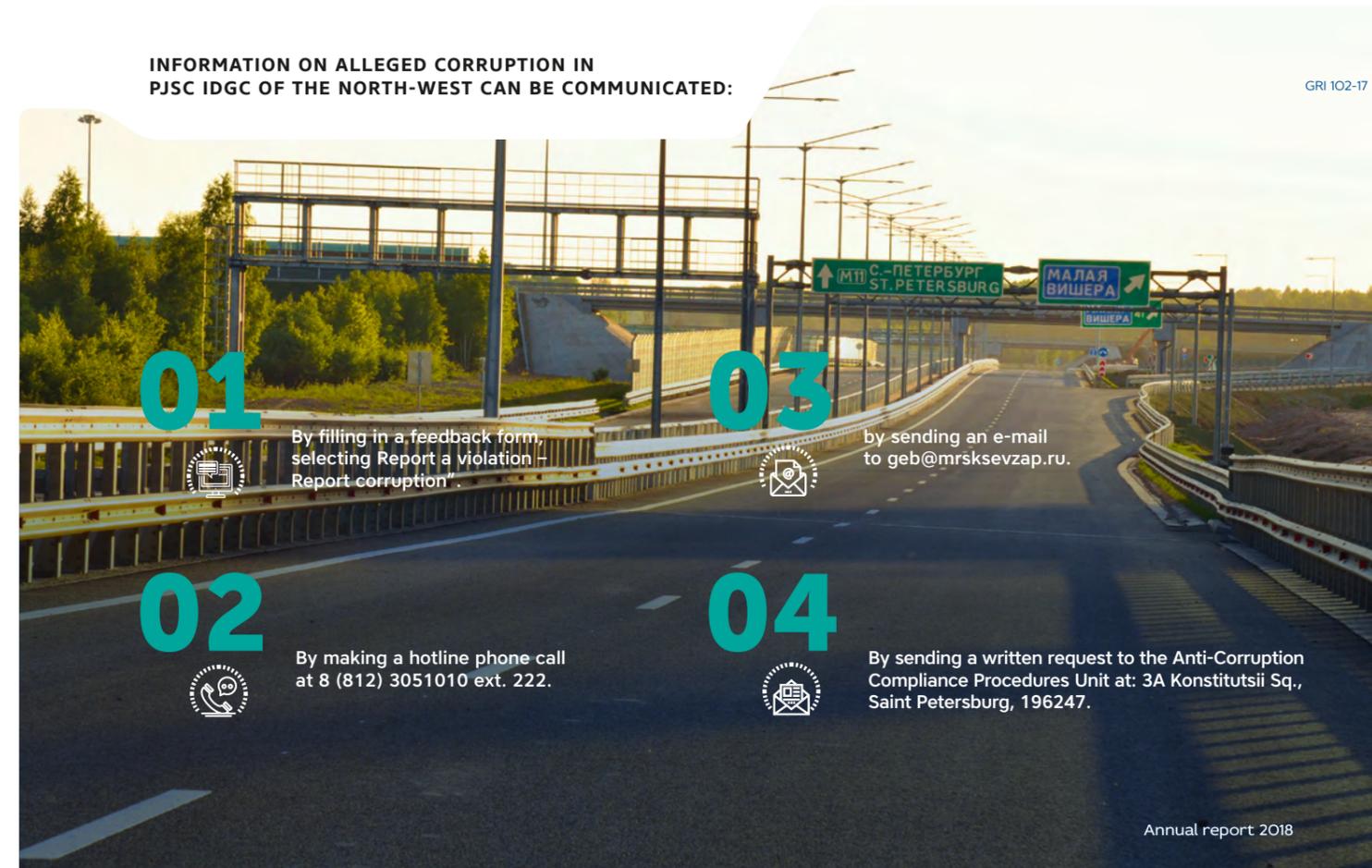
- The section on anti-corruption policy was created and updated on the official web site of PJSC IDGC of the North-West;
- Information on anti-corruption policy implementation activities is published in the corporate periodical;
- Anti-corruption review of the regulatory and administrative documents and their drafts is carried out;
- Internal control was organised and implemented;
- Qualification requirements are imposed on candidates for vacancies, with due verification of the data they provide.

³⁷ The data are compiled subject to the requirements of the RF Government Order of 11.12.2014 No. 1352.

³⁸ The legal and methodological foundations of the anti-corruption policy are shown at the Company's web site: <http://www.mrsksevzap.ru/aboutcorruptionpolicy#tab1>

INFORMATION ON ALLEGED CORRUPTION IN PJSC IDGC OF THE NORTH-WEST CAN BE COMMUNICATED:

GRI 102-17



GRI 103-3

127

GRI 103-3

GRI 205-2

Social responsibility

GRI 103-3

GRI 103-2 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.

128



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.

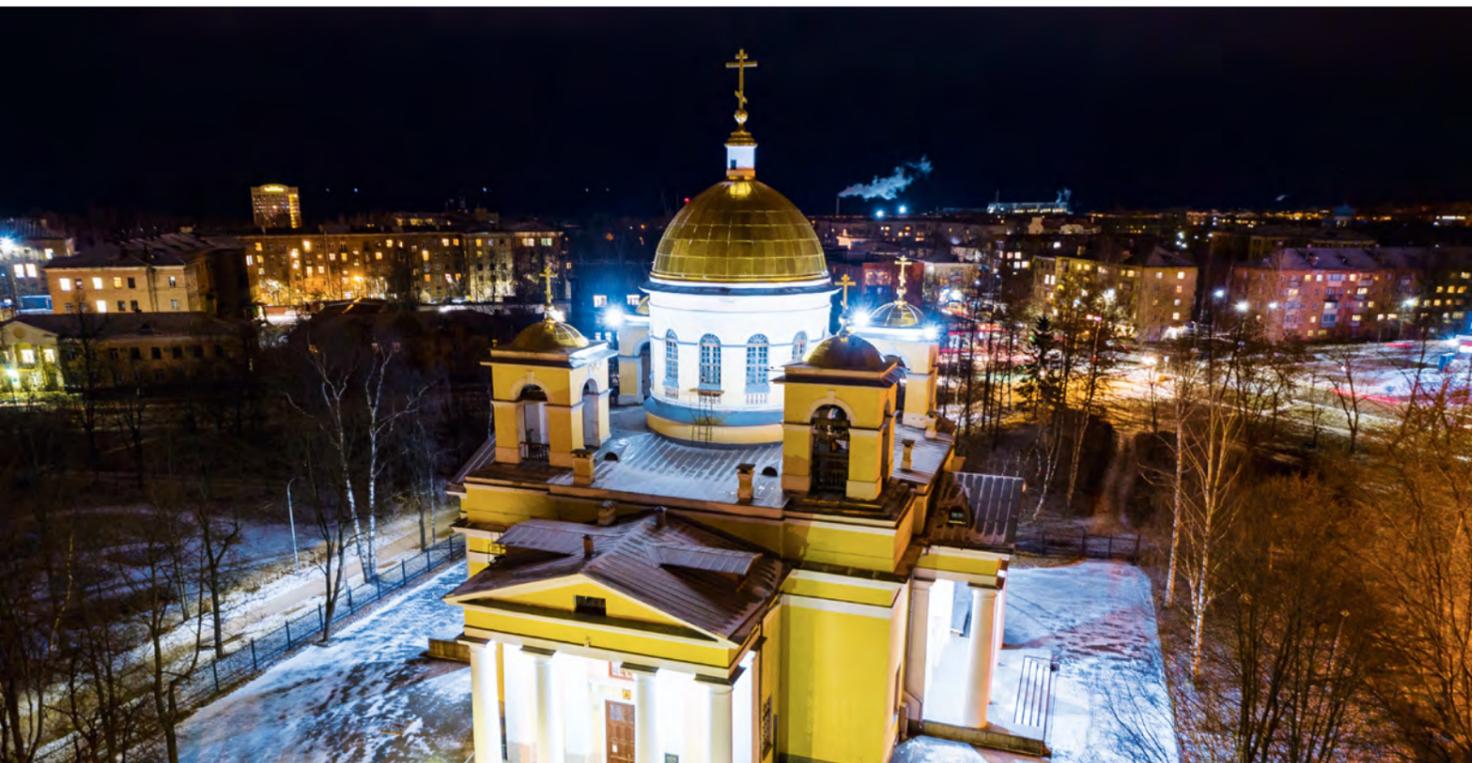


Support of retired employees

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.

GRI 103-3



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.

Charity projects

A vital component of the charitable activities are joint educational events – the power industry professionals regularly hold edutainment classes, workshops and fun sports races. In June 2018, employees of Arkhenergo visited state-financed entity JSC Tsiglomen Orphanage. 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. 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 Com-

pany 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 military burials maintenance, visit historic and memorial places, maintain the war obelisks.

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.

129

Volunteering programmes

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". 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.

Employees of PJSC IDGC of the North-West are volunteers of regional search parties. In 2018, "Luch" team of Komienergo 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 during the Second World War. The team managed to recover 29 bodies of Soviet soldiers.

Moreover, employees of PJSC IDGC of the North-West regularly take part in donor initiatives and environmental volunteering.

The value of the Company's shares increased by

6.6%

96%

percentage of recommendations of the Corporate Governance Code fully or partially fulfilled by the Company

3 Corporate governance report

- 132** Overview of the Company's corporate governance
- 138** General Shareholders' Meeting
- 140** Company Board of Directors
- 142** Report of the Board of Directors on priority areas of activity
- 154** Committees of the Company Board of Directors
- 163** Corporate Secretary
- 164** Executive management bodies of the Company
- 170** The Company remuneration system
- 177** Subsidiaries management system
- 178** Supervisory bodies and risk management
- 198** Information for investors and shareholders

LLC Ernst & Young

PJSC Moscow Exchange

AK&M

Bank of Russia

JSC IRC – R.O.S.T.

JSC NSD

JSC Expert RA

JSC VTB Registrar

JSC Interfax

Overview of the Company's corporate governance

The governance system of the Company complies with the current legislation of the Federation, the Company Charter, as well as the Corporate Governance Code.

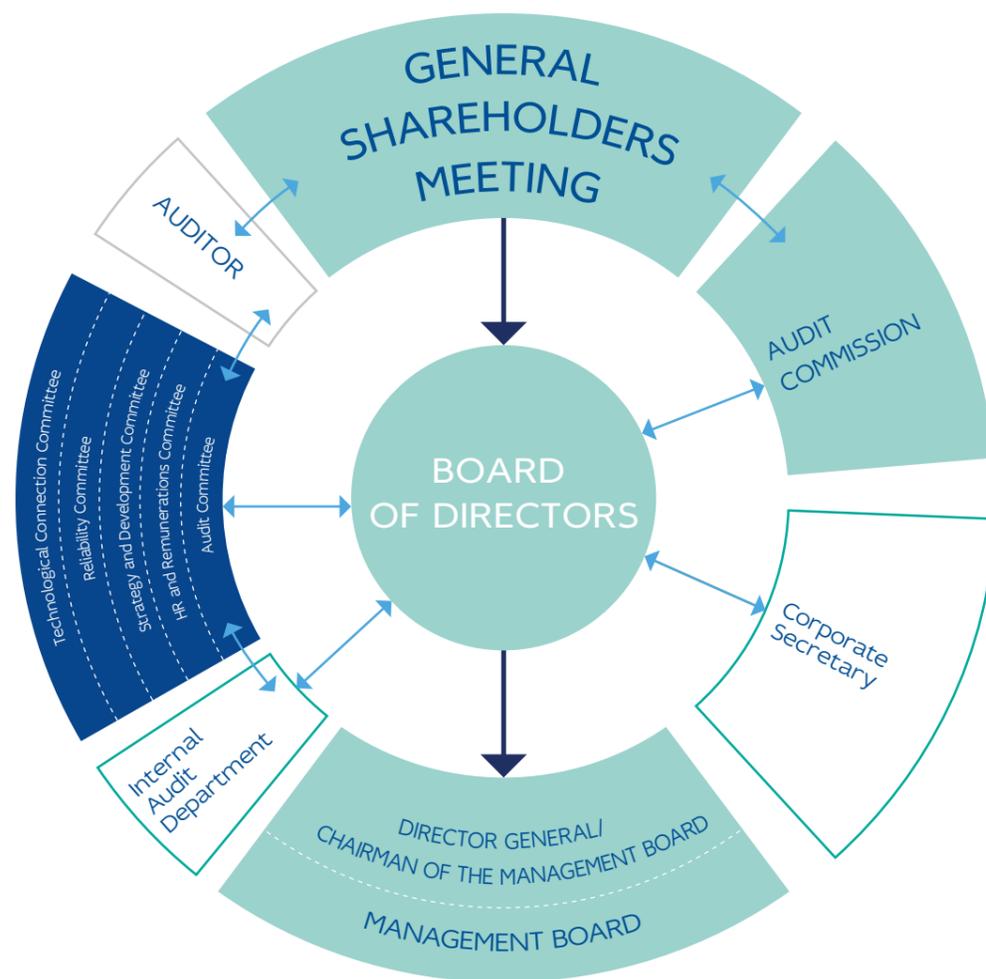
Internal documents regulating the principles, practice and specific procedures of the corporate governance are available at the Company's web site (<http://www.mrsksevzap.ru/charterinternaldocuments>)



132

133

GRI 102-18 CORPORATE GOVERNANCE SYSTEM STRUCTURE



- Management and control bodies of the Company
- Committees of the Company's Board of Directors
- Executives and units reporting to the Company's Board of Directors
- Non-Company unit

General Shareholders' Meeting – the supreme management body of PJSC IDGC of the North-West.

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.

Director General – 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, a member of a self-regulatory auditor organisation, 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.

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.

BD committees – 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 in the area of the corporate governance efficiency

The Company carried out internal corporate governance efficiency assessment in accordance with the methodology stipulated by Order of the Company of 31.10.2017 No.764, based on the recommendations of the Corporate Governance Code and the requirements of PJSC Moscow Exchange listing rules. However, in 2019, Order of the Company of 07.02.2019 No. 63 approved a new methodology of corporate governance assessment to replace it.

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".

Under the assessment, in 2017, the Company received 451.5 points out of 551 (82%), which enabled the Internal Audit Department to conclude that the corporate governance of the Company is "efficient, but improvements could be made on a minor number of issues".

The Company will maintain the practice of assessing corporate governance efficiency. The 2018 assessment is scheduled for the third quarter of 2019.

The Company strives to improve the quality of corporate governance, including activities based on the assessment findings analysis.

UNDER THE ASSESSMENT, IN 2017, THE COMPANY RECEIVED

451.5 points **82%**

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 2018 Annual Report of the Company". It is presented in Annex 21 to the full version of the Annual Report on the

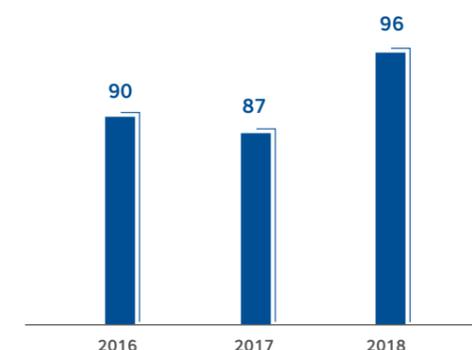
Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

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 2018.

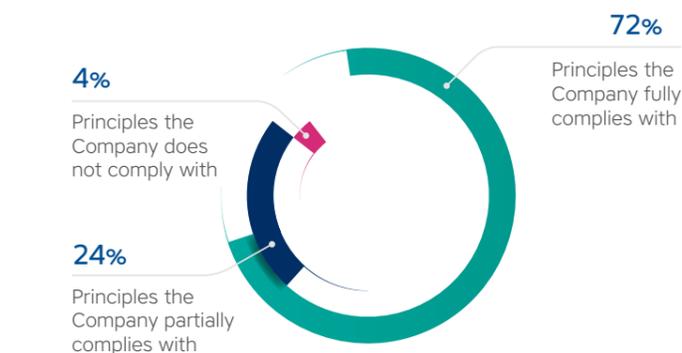
STATISTICS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES

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	24	11	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	7	3	-
Risk management and internal control system	6	6	-	-
Company information disclosure, information policy of the Company	7	5	2	-
Major corporate actions	5	1	3	1
TOTAL	79	57	19	3

SHARE OF THE CODE RECOMMENDATIONS FULLY OR PARTIALLY MET BY PJSC IDGC OF THE NORTH-WEST OVER 3 YEARS, %



COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES, %



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).

Corporate governance improvement in 2018

Key measures aimed at improvement of the corporate governance practice in 2018 include:

Approval by the Annual General Shareholders' Meeting of the Charter of PJSC IDGC of the North-West in the new version. The new version of the Company Charter⁴⁰ contains the following amendments and additions:

- It identifies the documents to be stored by the Company, and the procedure for Company information provision to shareholders in accordance with the new version of Article 89 of the Federal Law "On joint-stock companies".
- Opportunities are provided for the shareholders to vote remotely (in an electronic form) at the Annual General Shareholders' Meeting of the Company.
- The frame of reference of the Company Board of Directors was adjusted to define the position on approval of business plans and reviewing reports on their execution only for the core-business S&A, or for the S&A with the revenue exceeding 1% of the Company revenue.
- The frame of reference of the Company Board of Directors was extended to the right of preliminary approval of the Director General's decision on appointment, dismissal (except at the initiative of the employee) and disciplinary punishment of the head of Internal Audit.
- The frame of reference of the Company Board of Directors was extended to decisions on offers (acceptance) of purchasing additionally issued shares of the Company placed by public offering upon the end of the validity period of the pre-emptive right.

Approval by the Annual General Shareholders'

Approval by the Annual General Shareholders' Meeting of the Regulation on the Board of Directors and Regulation on the Management Board of PJSC IDGC of the North-West in the new version.

- The new versions of the Regulation on the Board of Directors and Regulation on the Management Board of the Company⁴¹ take into account the changes in the RF legislation and the Company Charter, as well as the changes aimed to improve the procedures of the Company Board of Directors meetings, to provide an opportunity for using up-to-date software in arranging and holding the meetings of the Board of Directors and the Management Board of the Company.

The Company's Charter and internal documents were updated to ensure:



Electronic (remote) shareholder voting

at the Annual General Shareholders' Meeting of the Company



Use of up-to-date software

at the meetings of the Board of Directors and the Management Board of the Company

Meeting of the Regulation on the Remuneration and Compensation Payment to Members of the Audit Commission of the Company⁴² in the new version, including editing-based changes and specification of the schedule of remuneration payments to members of the Company Audit Commission.

Approval by the Board of Directors of the Regulation on the Dividend Policy of the Company in the new version⁴³.

- The changes involve specification of the dividend calculation procedures at the end of the financial year and for the interim dividends, as well as conditions and grounds for interim dividend payments.

Approval by the Board of Directors of the Regulation on Insider Information of the Company in the new version⁴⁴.

- The amendments involved the procedure of providing document copies at the request of shareholders, a provision for the shareholder to sign a non-disclosure agreement (confidentiality letter) as a prerequisite for obtaining confidential information (business secret) etc. Moreover, the scope of information additionally disclosed at the official web site of the Company was expanded, the list of methods to disclose information was complemented, a register of means ensuring shareholder's access to information and documents was defined, including setting up a shareholder forum to discuss issues on the agenda of the General Shareholders' Meeting; the section "Confidential and insider information" was included and the Director General was obliged to draft a report on compliance with the Regulation on the Information Policy of the Company and present it for the Board of Directors' consideration.

Approval by the Board of Directors of the Regulation on Insider Information of the Company in the new version⁴⁵. The new version expands the list of insider information:

- on decision-making by authorised bodies of the issuer regarding suspension of the issuable securities placement, refusal from the issuable securities placement of an emission (additional issue) of the issuer.
- on provisional measures subject to decision of a court, commercial court, enforcement executive body regarding cash or other property owned by the issuer, its controlling entity, an entity controlled by it or having substantial significance to it, comprising 10 or more percent of the asset balance of such entities;
- on initiation of criminal proceeding (as communicated to the issuer by the preliminary investigation agencies or inquiry bodies) against a member of the Board of Directors of the issuer, sole executive body of the issuer, its controlling entity, an entity controlled by it or having substantial significance to it.

PLANS FOR 2019

In 2019, 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.

⁴⁰ Approved on 07.06.2018 by the Annual General Shareholders' Meeting of PJSC IDGC of the North-West (minutes No. 13).
⁴¹ Approved on 07.06.2018 by the Annual General Shareholders' Meeting of PJSC IDGC of the North-West (minutes No. 13).

⁴² Approved on 07.06.2018 by the Annual General Shareholders' Meeting of PJSC IDGC of the North-West (minutes No. 13).
⁴³ Minutes of 02.02.2018 No. 265/20, Minutes of 15.08.2018 No. 293/6.
⁴⁴ Minutes of 29.03.2018 No. 274/29.
⁴⁵ Minutes of 05.06.2018 No.286/41.

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;
- Regulation on the General Shareholders' Meeting of PJSC IDGC of the North-West.

The Board of Directors, the Management Board, the CEO and the Audit Commission report to the General Shareholders' Meeting.

The procedure of holding the General Shareholders' Meeting ensures equal opportunities for shareholders of the Company to participate 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-West⁴⁶.

SHAREHOLDERS' MEETINGS

Annual General Shareholders' Meeting of PJSC IDGC of the North-West
07.06.2018

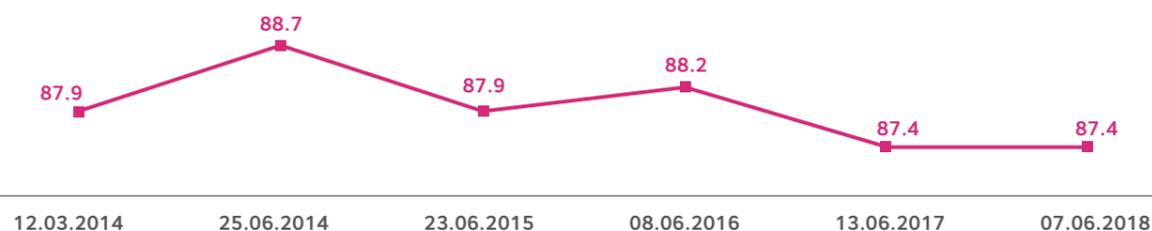
In the form of joint attendance
(minutes No. 13 of 07.06.2018)

Information on the General Shareholders' Meetings in 2018

The following issues were considered:

- approval of the Company's Annual Report, the annual accounting (financial) reporting of the Company for 2017;
- allocation of the Company's profit (including payment (declaration) of dividends) and loss at the end of 2017;
- election of the Company Board of Directors members;
- election of the Company Audit Commission members;
- approval of the Company Auditor;
- approval of the Company Charter in the new version;
- approval of the Regulation on the Company Board of Directors in the new version;
- approval of the Regulation on the Management Board of the Company in the new version;
- approval of the Regulation on the Remuneration and Compensation Payment to Members of the Audit Commission of the Company in the new version.

GSM QUORUM, %



⁴⁶ Approved on 13.06.2017 by the Annual General Shareholders' Meeting of PJSC IDGC of the North-West (minutes No. 12).

RATINGS

Rating of A++

On 27.12.2018, Expert RA rating agency reviewed the rating of the Company's governance quality under the new methodology and assigned the rating of A++.GQ (highest level of governance quality).

The positive influence on the rating assessment was exercised by a strong and elaborate strategy. There are no evident signs of excessive concentration of the operating activities at the key top managers.

Elaboration of the strategy

RISK MANAGEMENT SYSTEM

01 The company has a risk management system, regular quarterly reports across the risk map are submitted to the Management Board for consideration, the Director General's report is considered by the Strategy and Development Committee of the Board of Directors on a 6-month basis and the Board of Directors on a yearly basis. The level of regulation and efficiency of risk management are highly appreciated, which is a positive contribution to the rating level.

INFORMATION DISCLOSURE

02 The level of financial and non-financial information disclosure at the web site of the Company is very high and it strictly adheres to the information disclosure schedule, following the established regulations and the Unified Information Policy.

CORPORATE GOVERNANCE SYSTEM

03 The rights of owners and other stakeholders are well-protected under the current corporate governance system. Shareholder structure is characterised by a large share of free float (30.21%). The Company implements a Dividend Policy, while the activities of the General Shareholders' Meeting are strictly regulated.

THE AUDIT COMMISSION AND THE INTERNAL AUDIT FUNCTION

04 The Company also has the Audit Commission and the Internal Audit function, which, according to the agency, reduced the risk of conflict of interest from possible interference of individuals with the internal process of decision-making avoiding the existing management facilities.

THE CORPORATE SECRETARY

05 The agency additionally marked a high level of interaction among the company management bodies: the position of the Corporate Secretary, whose activities are regulated by the respective instructions.

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-West⁴⁷.

The key functions of the Company Board of Directors⁴⁸ 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.

Independent assessment of the Board of Directors performance

In 2018, an independent appraisal of the Board of Directors of PJSC IDGC of the North-West was performed for the 2017–2018 corporate year by an independent external advisor (JSC VTB Registrar).

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.

practices, fully 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 practice of corporate governance implemented by leading Russian companies.

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

The external advisor developed recommendations for the Board of Directors, Chairman of the Board of Directors and the committees.

Board of Directors report

In 2018, 41 meeting of the Company Board of Directors were held, including 3 in the form of joint attendance⁴⁹.

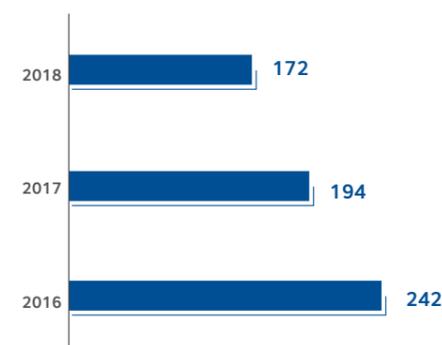
PARTICIPATION OF THE BOARD OF DIRECTORS MEMBERS IN MEETINGS⁵⁰

Full name	Number of meetings attended by the BD member, in person/in absentia	% participation	Full name	Number of meetings attended by the BD member, in person/in absentia	% participation
FROM 01.01.2018 TO 07.06.2018 (TOTAL NUMBER OF MEETINGS HELD – 23)			FROM 08.06.2018 TO 31.12.2018 (TOTAL NUMBER OF MEETINGS HELD – 18)		
Mangarov, Yu.N. (Chairman)	1/22	100	Sergeeva, O.A. (Chairman)	2/16	100
Akopyan, D.B. (Deputy Chairman)	1/20	91.30	Akimov, L.Yu.	2/16	100
Bogomolov, N.V.	1/22	100	Akopyan, D.B.	2/16	100
Zharikov, A.N.	1/22	100	Zharikov, A.N.	2/16	100
Lavrova, M.A.	1/22	100	Pelymsky, V.L.	2/16	100
Letyagin, A.V.	1/15	69.57	Stepanova, M.D.	2/16	100
Stepanova, M.D.	1/22	100	Fedorov, O.R.	2/15	94.44
Fedorov, O.R.	1*/22	100	Filkin, R.A.	2/16	100
Filkin, R.A.	1/22	100	Shagina, I.A.	2/16	100
Shvankova, M.M.	1/22	100	Shvankova, M.M.	2/16	100
Shevchuk, A.V.	1/22	100	Shevchuk, A.V.	2/16	100

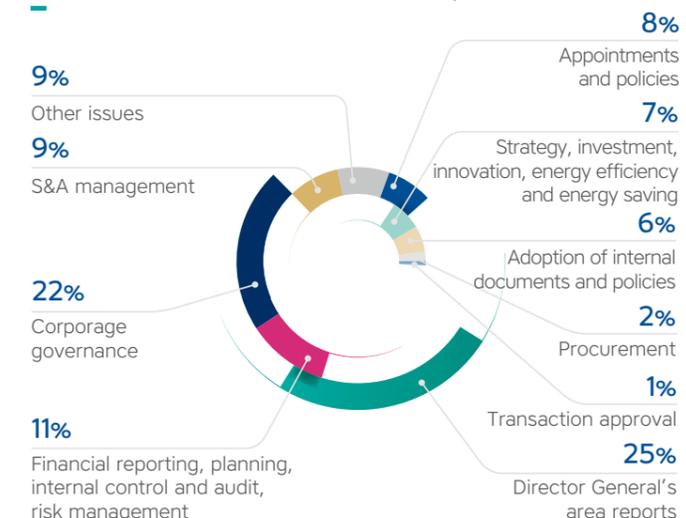
* The member of the Board of Directors presented opinions in the written form (as a questionnaire) on the items of the agenda when the Board of Directors meeting was held in the mixed in person and in absentia form.

⁴⁷ Notifications of the material facts disclosed in 2018 are published on the Company's web site: <http://www.mrsksevzap.ru/statementsmaterialfacts#tab1>
⁴⁸ The frame of reference for the Board of Directors of PJSC IDGC of the North-West is stipulated by the Company Charter <http://www.mrsksevzap.ru/charterinternaldocuments>
⁴⁹ 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.
⁵⁰ More details on participation of the members of the PJSC IDGC of the North-West Board of Directors in meetings held in 2018 are shown in Annex 22 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

NUMBER OF ISSUES DISCUSSED BY THE BOARD OF DIRECTORS IN 3 YEARS, ITEMS



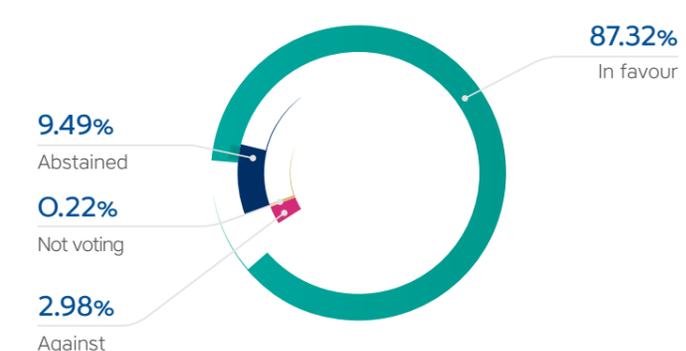
BREAKDOWN OF ISSUES DISCUSSED BY THE BOARD OF DIRECTORS IN 2018, %



VOTING AT THE MEETINGS OF THE BOARD OF DIRECTORS IN 2018, %



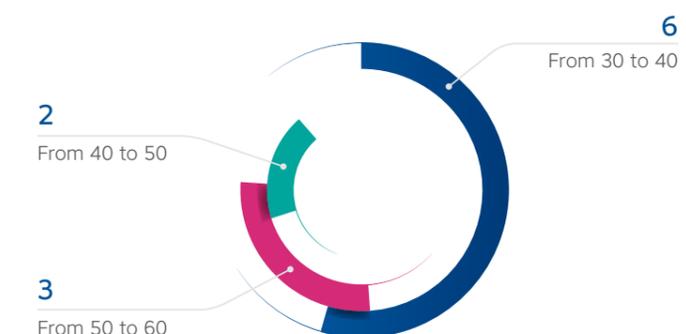
BREAKDOWN OF VOTES AT THE BOARD OF DIRECTORS MEETINGS IN 2018, %



BOARD OF DIRECTORS MEMBERS BY GENDER, %



BOARD OF DIRECTORS MEMBERS BY AGE, PERSONS



Report of the Board of Directors on priority areas of activity

Major development plans of PJSC IDGC of the North-West are defined by the Development Strategy of the Power Grid System of the Russian Federation, approved by Order of the Russian Government 03.04.2013 No. 511-r.

Under decisions of the Board of Directors, the most important activity areas of the Company, including those aimed at the Strategy implementation, are classified as priorities.

The Company Board of Directors particularly focused in the reporting year on the reliability of consumer power supply and enhancing availability of the power grid infrastructure for

individuals and businesses, power grid system safety.

Information on the issues considered by the Company Board of Directors for implementation of the Company's priority areas of activity in 2018 is shown below.



PROFITABILITY

1 DECREASE IN THE ACCOUNTS RECEIVABLE

- 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 01.01.2018 (decision of 29.03.2018, minutes No. 274/29); as of 01.04.2018 (decision of 05.06.2018, minutes No. 286/41); as of 01.07.2018 (decision of 04.09.2018, minutes No. 295/8); as of 01.10.2018 (decision of 20.12.2018, minutes No. 302/15).
- 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.

- It issued an instruction to ensure settlement of RUB 2,922 mln overdue accounts receivable in 2018 from the amount as of 01.01.2018, with quarterly reporting on the progress made (decision of 29.03.2018, minutes No. 274/29 in the decision version of 05.06.2018, minutes No. 286/41).

2 DECREASE IN THE TECHNOLOGICAL CONSUMPTION (LOSSES) OF POWER

- A report was reviewed on the 2017 implementation of the Programme of additional measures to reduce power losses in the grids of PJSC IDGC of the North-West in the period of 2017-2018 (decision of 30.05.2018, minutes No. 285/40). In 2017, all 16 orders scheduled for the period were fulfilled. As a result, stimulating values of the power losses were achieved, actual losses decreased against the volumes stipulated by the Company business plan approved by the Board of Directors.

- Regulation on the Development of Energy Saving and Energy Efficiency Programmes of PJSC IDGC of the North-West was approved (decision of 20.12.2018, minutes No. 302/15).

► Priority areas of the Company⁵¹

- Key issues considered by the Board of Directors in 2018, and decisions made

⁵¹ The register of decisions of the Board of Directors of PJSC IDGC of the North-West on defining the Company's priority areas is shown in Annex 23 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>



COMPETITIVENESS

1 ENSURING THE RELIABILITY AND QUALITY OF THE SERVICES RENDERED

- Information was considered on the actual figures of the reliability level and the quality of services by Company branches in 2017: 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 18.05.2018, minutes No. 281/36).
- Due to the expiry of the long-term period of regulation, the Company's proposals were considered regarding planned indicators of the reliability level and the quality of services for Arkhenergo, Kolenergo and Komienenergo branches of PJSC IDGC of the North-West for the period of 2010-2023, instruction was made to submit the above proposals to executive authorities of the Russian regions in the area of the state tariff regulation (decision of 30.05.2018, minutes No. 285/40).
- Report on Compliance with the Operating Programme was considered: Maintenance and Repairs (M&R) Programme and Technical Re-Equipment and Renovation (TR&R) Programme for Quarter 4 of 2017 and the whole year 2017 (decision of 29.06.2018, minutes No. 290/3). The physical indicators of the M&R and TR&R Programmes in 2017 were achieved by 100% and more.
- Updates Power Grid Facilities Modernisation (Renovation) Programme of PJSC IDGC of the North-West for 2018–2026 was approved (decision of 25.12.2018, minutes No. 303/16).

2 KEY PERFORMANCE INDICATORS SYSTEM FOR THE DIRECTOR GENERAL AND TOP MANAGEMENT

- Target values of the key performance indicators for the Director General of PJSC IDGC of the North-West for 2018 were approved, "Methodology of calculating and estimating achievement of the key performance indicators (KPI)" was amended (decision of 05.06.2018, minutes No. 286/41).
- Reports on achieving target KPIs by the Director General of the Company were approved: for Quarter 4 of 2017 (decision of 11.10.2018, minutes No. 299/12) and 2017 (decision of 19.09.2018, minutes No. 296/9) actual KPIs were not fully achieved; in Quarter 1 of 2018 (decision of 25.12.2018, minutes No. 303/16) and in Quarter 2 of 2018 (decision of 25.12.2018, minutes No. 303/16) the target KPIs were achieved.
- Report on the achievement of the KPI "Innovation activities efficiency" by the Director General of the Company in 2017 was approved: the target indicator in the reviewed reporting period was achieved (decision of 25.12.2018, minutes No. 303/16).

3 ENSURING AVAILABILITY OF POWER INFRASTRUCTURE AND THE QUALITY OF TECHNOLOGICAL CONNECTION

- Under the quarterly report on the Company business plan implementation, the BD considered information on technological 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.
- 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 Quarter 1 of 2018 (decision of 15.08.2018, minutes No. 293/6) and six months of 2018 (decision of 23.11.2018, minutes No. 301/14). The schedule for completion of overdue TC contracts stipulates settlement of the overdue obligations for the TC of benefit holders before 30.06.2018 and other TC contracts before 31.12.2018. In 2018, the schedule was met.
- Methodological instruction were approved for identification of the capacity backup at the power supply centres, made inter alia to ensure availability of the power infrastructure (decision of 19.09.2018, minutes No. 296/9).



DEVELOPMENT

▶ INNOVATIVE DEVELOPMENT PROGRAMME

- 1** ■ Report on implementation of the Innovative Development Programme of PJSC IDGC of the North-West for 2016-2020 with an outlook up to 2025 was approved for 2017. Achievement of the

efficiency indicators of the Innovative Development Programme for 2017 was ensured (decision of 29.05.2018, minutes No. 284/39).

▶ CONSOLIDATION OF POWER GRID ASSETS

- 2** ■ Report on PJSC IDGC of the North-West achievements in power grid assets consolidation for 2017 was considered. An instruction was issued to monitor adjacent local grid organisations for compliance

with the power industry legislation and the tariff and balance decisions made for them to inform regulatory and supervisory bodies in case violations are found (decision of 18.05.2018, minutes No. 281/36).

▶ OPERATION ASSETS MANAGEMENT SYSTEM

- 3** ■ Director General's report was considered regarding the implementation of the operational assets management system (OAMS) development plan of PJSC IDGC of the North-West for 2016-2018 in 2017 (decision of 17.04.2018, minutes No. 276/31).

■ Operational assets management system (OAMS) development plan of PJSC IDGC of the North-West up to 2019 was approved (decision of 15.08.2018, minutes No. 293/6).

▶ IMPROVEMENT OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

- 4** ■ The BD reviewed the report of the PJSC IDGC of the North-West sole executive body on managing key operational risks in 2017. Instructions were issued to ensure implementation of the 2018 key operational risks management measures with particular focus on the risks with critical and significant materiality (decision of 18.05.2018, minutes No. 281/36).

■ Report of the Company's Internal Audit on assessment of the efficiency of the internal control, risk management and corporate governance systems of the Company for 2017 was considered. Instructions were made to implement a set of measures for improvement of the internal control, risk management and corporate governance systems, ensuring the maturity level for the internal control and risk management systems no lower than "optimal" in 2018, the efficiency of the corporate governance evaluation results – no lower than "efficient" (decision of 18.05.2018, minutes No. 281/36).

- Reports on organisation and functioning of the internal control system were considered, including information on the implementation of measures to improve the internal control and risk management systems in 2017, as well as on organisation, functioning and efficiency of the risk management system, information on the implementation of measures to improve the internal control and risk management systems in 2017 (decision of 18.05.2018, minutes No. 281/36).



SAFETY, INCLUDING ENVIRONMENTAL SAFETY, OF THE POWER GRID FACILITIES

▶ INJURY PREVENTION PROGRAMME FOR DGC

1

- Report on the implementation of the Company's comprehensive programme to reduce the risk of personnel and third persons injury rate at the power grid facilities of the Company in 2014–2017 for 2017 was considered (decision of 15.08.2018, minutes No. 293/6).

■ 2017 report on implementation of the scheduled plan for elimination of injury-causing equipment of PJSC IDGC of the North-West for 2017–2021 was considered (decision of 30.05.2018, minutes No. 285/40).

▶ PROGRAMME OF THE COMPANY'S ENVIRONMENTAL POLICY IMPLEMENTATION

2

- Report on the measures to implement the Environmental Policy of PJSC IDGC of the North-West for 2017–2019 was considered for 2017 (decision of 29.05.2018, minutes No. 284/39).

IMPORTANT ISSUES OF ACTIVITY

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, in 2018, 3 such meetings were organised and held, where 6 issues were discussed, including:

01

Director General's report on implementation of the Company business plan in 2017.

02

Review of the report on implementation of the Company's Investment Programme for Quarter 4 of 2017 and the year 2017.

03

Director General's report on implementation of the Company business plan in Quarter 1 of 2018.

04

On defining the stand of the Company's representatives on the item of the agenda of the OJSC Pskovenergoagent Board of Directors meeting, "On re-electing Director General of OJSC Pskovenergoagent".

05

Director General's report on implementation of the Company business plan in the first six months of 2018.

06

On approval of the scheduled plan of the PJSC IDGC of the North-West activities to reduce the overdue accounts receivable for the power transmission services and dispute settlement as of 01.07.2018.

Composition of the Board of Directors⁵²

The number of the Company Board of Directors members is stipulated by the Charter as 11 persons.

IN 2018, THERE WERE TWO COMPOSITIONS OF THE COMPANY BOARD OF DIRECTORS⁵³:

	From 13.06.2017 to 07.06.2018		From 07.06.2018 to present
1	Mangarov, Yu.N. – Chairman	1	Sergeeva, O.A. – Chairman
2	Akopyan, D.B.	2	Akimov, L.Yu.
3	Bogomolov, N.V.	3	Akopyan, D.B.
4	Zharikov, A.N.	4	Zharikov, A.N.
5	Lavrova, M.A.	5	Pelymsky, V.L.
6	Letyagin, A.V.	6	Stepanova, M.D.
7	Stepanova, M.D.	7	Fedorov, O.R.
8	Fedorov, O.R.	8	Filkin, R.A.
9	Filkin, R.A.	9	Shagina, I.A.
10	Shvankova, M.M.	10	Shvankova, M.M.
11	Shevchuk, A.V.	11	Shevchuk, A.V.

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.

BOARD OF DIRECTORS BREAKDOWN BY PERIOD OF OFFICE, PERSONS



⁵² Data on the positions held by the PJSC IDGC of the North-West Board of Directors members are shown as of 13.06.2017 (the date of the Annual General Shareholders' Meeting), see Annex 24 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

⁵³ Agreement of the BD members for the disclosure of personal information presented in the 2018 Annual Report of PJSC IDGC of the North-West was obtained.

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 for the Board of Directors with the independence criteria.

The Company assessed the independence of the Board of Directors members under the criteria set by the Moscow Exchange listing rules and the Code.

Upon such assessment, Decision of the Board of Directors of 15.08.2018 (minutes No.293/6) recognised A.V. Shevchuk as an independent director, despite the formal criterion of cohesion. Active participation in the Company Board of Directors and its committees shows his ability to take an independent stand, proving the autonomy of his 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.

To boost the level of corporate governance and ensure the Company's compliance with the CGC recommendations, A.V. Shevchuk was elected Senior Independent Director (minutes of the Board of Directors of 28.12.2018 No.305/18).

THE STATUS OF INDEPENDENT DIRECTORS

of the Company Board of Directors as of 31.12.2018

1. Fedorov, O.R. –

Member of the Supervisory Board of ALROSA (PJSC), independent director;

2. Shevchuk, A.V. –

Executive Director of the Association of Professional Investors, senior independent director.

2 Independent directors

were members of the Board of Directors during the reporting period

Biographies of the Board of Directors members



Sergeeva Olga Andreevna

Chairman of the Board of Directors
Non-executive director
First elected to the Board of Directors on 07.06.2018

Born in 1984.
Graduated from Plekhanov Russian University of Economics in 2006, majoring in Economics and Company Management. Construction, with the qualification of Engineer-Economist.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 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 – present – Deputy Director General – Head of the Administration of PJSC Rosseti;
- 2017 – present – Member of the Management Board of PJSC Rosseti.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Chairman of the Board of Directors of PJSC IDGC of South, PJSC Kubanenergo, JSC Upravlenie VOLS-VL, member of the Board of Directors of PJSC MOESK, PJSC Lenenergo, PJSC IDGC of the North Caucasus.

Personal information on members of the management bodies of PJSC IDGC of the North-West is presented upon their consent.

Biographies of the Company Board of Directors members acting from 13.06.2017 to 07.06.2018 are shown at the Company web site: <https://mrsksevzap17.downstream.ru/?ru/57-company-board-of-directors>

The list of affiliated persons of PJSC IDGC of the North-West as of 31.12.2018 is available at the Company web site: http://www.mrsksevzap.ru/id_affilalist#tab1

No transactions with the PJSC IDGC of the North-West shares were made by the members of the Board of Directors in 2018.

Over 2018, 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 2018.



Akopyan Dmitry Borisovich

Non-executive director
First elected to the Board of Directors on 13.06.2017

Born in 1967.
Graduated in 1993 from Krasnodar Polytechnic Institute in Industrial and Civil Construction, with the qualification of Civil Engineer; in 2007 graduated from Kuban Institute of International Entrepreneurship and Management in Banking and Finance, with the qualification of Economist.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2013 – 2014 – First Deputy Director of LLC Sevkaenergostroy.
- 2014 – 2016 – Deputy Director – Chief Engineer of LLC Lider.
- 2016 – 2018 – Director of the Investment Activities Department of PJSC Rosseti.
- 2018 – present – Deputy Director General – Director of PJSC IDGC of South branch Rostovenergo.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Member of the Board of Directors of PJSC IDGC of the North Caucasus, PJSC IDGC of Siberia, PJSC IDGC of the Urals, PJSC IDGC of the Centre..



Akimov Leonid Yurievich

Non-executive director
First elected to the Board of Directors on 08.06.2016

Born in 1965.
Graduated in 1989 from Bauman Moscow State Technical University majoring in Impulse-Forming Thermal Machines and receiving the qualification of Mechanical; in 1995 graduated from the Regional Open University in Law, with the qualification of Lawyer; in 2004 received a degree in Anti-Crisis Management from the Financial University under the Government of the Russian Federation. PhD in Law.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2013 – present – Director of the Legal Protection Department of PJSC Rosseti.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Member of the Board of Directors of PJSC IDGC of Volga.

PARTICIPATION IN THE COMPANY BOARD OF DIRECTORS COMMITTEES:

Chairman of the HR and Remunerations Committee, member of the Audit Committee.



Zharikov Alexey Nikolaevich

Non-executive director
First elected to the Board of Directors on 12.03.2014

Born in 1970.
In 1993, received a diploma of higher education upon graduation from S. Ordzhonikidze Moscow State Academy of Management majoring in Economy and Management in Fuel and Energy Industries.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2010 – present – Director for Corporate Policy and Shareholder Relations of JSC Elektrosentronaladka.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Member of the Board of Directors of PJSC Saratov Airlines.

PARTICIPATION IN THE COMPANY BOARD OF DIRECTORS COMMITTEES:

Member of the HR and Remunerations Committee.



Stepanova Maria Dmitrievna

Non-executive director
First elected to the Board of Directors on 23.06.2015

Born in 1982.
Graduated in 2004 from Lomonosov Moscow State University majoring in Government Administration in Economics.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2008 – 2016 – Head of the Department for Shareholder and Investor Relations at PJSC Rosseti.
- 2017 – present – Deputy Head of the Management Board and Board of Directors Procedures, Shareholder and Investor Relations Department of PJSC Rosseti; Head of the Shareholder and Investor Relations and Informational and Analytical Department of PJSC Rosseti.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Member of the Board of Directors of JSC Tyvaenergobyty.

PARTICIPATION IN THE COMPANY BOARD OF DIRECTORS COMMITTEES:

Member of the HR and Remunerations Committee, Audit Committee, Strategy and Development Committee.



Pelymsky Vladimir Leonidovich

Non-executive director
First elected to the Board of Directors on 07.06.2018

Born in 1972.
Graduated in 1995 from the Akmolinsk Agricultural Institute in Power Supply and Automation of Agriculture with the qualification of Electric Engineer.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2007 – 2016 – Director for Operations Management of OJSC FGC UES;
- 2016 – 2018 – Deputy Chief Engineer of PJSC Rosseti;
- 2018 – present – Director General of LLC TransneftElektrosetServis.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Member of the Board of Directors of PJSC IDGC of the Centre and the Volga Region.



Fedorov Oleg Romanovich

Independent director
First elected to the Board of Directors on 13.06.2017

Born in 1968.
In 1992, graduated from Lomonosov Moscow State University with the qualification of Mathematician.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2012 – 2014 – Advisor to the Head of the Federal Agency for State Property Management (Rosimushchestvo).
- 2013 – present – Member of the Supervisory Board of PJSC ALROSA.

PARTICIPATION IN THE COMPANY BOARD OF DIRECTORS COMMITTEES:

Member of the Strategy and Development Committee.



Filkin Roman Alexeevich

Non-executive director
First elected to the Board of Directors on 16.06.2011

Born in 1983.
In 2005, graduated from the Finance Academy under the Government of the Russian Federation majoring in Finance and Credit, and received the qualification of Economist.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2009 – present – Director of the Representative Office of Prosperity Capital Management (Russia) Ltd. Company (power industry, mechanical engineering).

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Member of the Board of Directors of PJSC IDGC of the Centre, PJSC IDGC of the Centre and the Volga Region, PJSC IDGC of South.

PARTICIPATION IN THE COMPANY BOARD OF DIRECTORS COMMITTEES:

Member of the Strategy and Development Committee.



Shvankova Maria Mikhaylovna

Non-executive director
First elected to the Board of Directors on 13.06.2017

Born in 1982.
In 2004, graduated from Institute of Management, Business and Law in Rostov-on-Don with the qualification of Economist and a major in Finance and Credit – Public and Municipal Finance.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2010 – 2014 – Head of the Treasury of CJSC RUSAL Global Management B.V.
- 2014 – Deputy Head of the Treasury Department of PJSC FGC UES.
- 2014 – 2015 – Head of the Analytical Department of LLC Glavmosstroy Corporation.
- 2015 – 2016 – Deputy Head of the Power Sales Department of PJSC OGK-2.
- 2016 – 2018 – Head of the Treasury Unit of the Treasury Department at PJSC Rosseti.
- 2018 – present – Head of the Treasury Operations of the Treasury Department at the Federal State Unitary Enterprise Russian Post.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Member of the Board of Directors of JSC Kalmenergosbyt.



Shagina Irina Aleksandrovna

Non-executive director
First elected to the Board of Directors on 07.06.2018

Born in 1979.
In 2001, graduate 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 in Law with the qualification of Lawyer.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2011 – 2015 – Deputy Head of the Power Industry Regulation Department at the FTS of Russia;
- 2015 – present – Head of the Tariff Setting Unit of the Tariff Policy Department, Director of the Tariff Policy Department at PJSC Rosseti.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Member of the Board of Directors of PJSC Kubanenergo, PJSC Tomsk Distributing Company.



Shevchuk Alexander Viktorovich

Senior independent director
First elected to the Board of Directors on 08.06.2016

Born in 1983.
In 2005, graduated from the Finance Academy under the Government of the Russian Federation majoring in Finance and Credit, and received the qualification of Economist.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2001 – 2014 – Expert, Deputy Executive Director at Association of Institutional Investors.
- 2014 – present – Executive Director at Non-Profit Organisation Association of Institutional Investors.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Member of the Board of Directors of OJSC IDGC of the Urals, PJSC IDGC of the Centre, PJSC IDGC of the Centre and the Volga Region, PJSC OGK-2, PJSC Detsky Mir.

PARTICIPATION IN THE COMPANY BOARD OF DIRECTORS COMMITTEES:

Chairman of the Audit Committee, member of the Technological Connection Committee.

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 and Development Committee;
- 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.

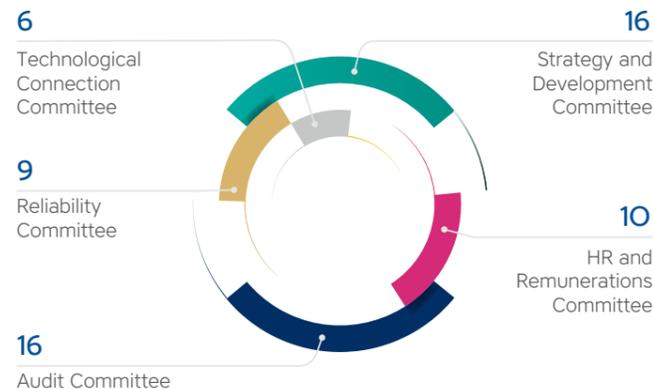
The activities of the Committees are stipulated by the Regulations on the Committees, covering their frame of reference, procedures for building their composition and functioning, rights and obligations of the Committee members.

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 2018, each Committee of the Board of Directors⁵⁴ included two sets of persons.

The acting compositions of the Audit and HR and Remunerations Committees of the Board of Directors were elected by the Company Board of Directors on 29.06.2018 (minutes No.291/4, No.292/5). The acting composition of the Reliability Committee was elected by the Board of Directors on 15.08.2018 (minutes No.293/6). The acting compositions of the Strategy and Development Committee and the Technological Connection Committee were elected by the Board of Directors on 21.08.2018 (minutes No. 294/7).

NUMBER OF BD COMMITTEES MEETINGS IN 2018, ITEMS



⁵⁴ Composition of the Board of Directors Committees of PJSC IDGC of the North-West and participation of the Committee members in the period from 01.01.2018 to 07.06.2018, are shown in Annex 25 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

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.

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 its 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 29.06.2018 (minutes No. 291/4), the headcount of the Audit Committee was defined as 3 persons, the same decision appointed the persons to work at the Committee. The position of the Committee Chairman was taken by

the independent director Shevchuk Alexander Viktorovich, who has the experience and knowledge in preparing, analysing assessment and auditing accounting (financial) statements. Members of the Audit Committee Akimov, L.Yu. and Stepanova, M.D. have a degree in finance, economics and management.

All members of the Audit Committee have the experience and qualification required for the Committee to work efficiently.

SUBJECTS OF ISSUES DISCUSSED IN 2018*, %



* The list of the issues considered by the Audit Committee of the Company Board of Directors in 2018 is shown in Annex 26 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

OVER 2018, THE AUDIT COMMITTEE OF THE COMPANY BOARD OF DIRECTORS

16 HELD meetings

7 INCLUDING meetings in the form of joint attendance

42 WERE DISCUSSED issues

PERSONAL DATA AND CONTRIBUTION OF THE ACTING MEMBERS OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Full name	Position ⁵⁵	Attendance ⁵⁶	% of participation
Audit Committee (includes only members of the Board of Directors)			
SHEVCHUK ALEXANDER VIKTOROVICH Chairman, senior independent director	Member of the Board of Directors of PJSC IDGC of the North-West, Executive Director of the Association of Institutional Investors	8	100
AKIMOV LEONID YURIEVICH	Member of the Board of Directors of PJSC IDGC of the North-West, Director of the Legal Protection Department of PJSC Rosseti	8	100
STEPANOVA MARIA DMITRIEVNA	Member of the Board of Directors of PJSC IDGC of the North-West, Deputy Head of the Management Board and Board of Directors Procedures, Shareholder and Investor Relations Unit at the Corporate Governance and Shareholder and Investor Relations Department of PJSC Rosseti	7	87.5

RESULTS OF OPERATIONS

Results of operations in 2018

Upon recommendations of the Audit Committee, the Company Board of Directors on 18.05.2018 (minutes No.281/36):

- took into account reports of the Director General and the Management Board of PJSC IDGC of the North-West on organisation and functioning of the internal control system, including information on the measures taken to improve the internal control and risk management systems, results of 2017 and on organisation, functioning and efficiency of the risk management system, including information on the measures taken to improve the internal control and risk management systems in 2017;
- approved the report of the Company's Internal Audit unit on assessing the efficiency of the internal control, risk management and corporate governance systems of the Company in 2017.

The information on the internal control system efficiency assessment at the Company in the reporting year is shown in section "Internal Control System" of this report.

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 In-

ternal Audit activities, including the self-assessment results of the Internal Audit performance in 2018, as well as compliance with the plan of activities to develop and improve the Internal Audit performance at the Company on 19.02.2019 (minutes No.10).

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), the Internal Audit of the Company was deemed "generally compliant" with the Internal Audit Policy of the Company in 2018.

The issue of assessing the efficiency of the external audit of the accounting (financial) statements of the Company for 2018 was studied at the Audit Committee meeting on 25.04.2019 (minutes No.15).

On 06.06.2018, the Board of Directors reviewed and took into consideration the report of the Audit Committee of the Board of Directors of PJSC IDGC of the North-West on its performance in 2017-2018 corporate year.

⁵⁵ The positions are indicated as of the date of the election of the BD Committee members.

⁵⁶ Information on participation in the Audit Committee is shown for the members of the acting Committee for the period from the election date – 29.06.2018 to 31.12.2018. Information on the contribution to the Committee's work made by its previous members from 01.01.2018 to 29.06.2018 is shown in Annex 22 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

HR and Remunerations Committee

The main purpose of the HR and Remunerations Committee, according to the Regulation on the HR and Remunerations Committee, 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.

In the reporting period, the HR and Remunerations Committee's activities were guided by 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 the Company on 22.08.2019 (minutes No.165/5).

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.

PERSONAL DATA AND CONTRIBUTION OF THE ACTING MEMBERS OF HR AND REMUNERATIONS COMMITTEE OF THE BOARD OF DIRECTORS

Full name	Position ⁵⁷	Attendance ⁵⁸	% of attendance
HR and Remunerations Committee (includes only members of the Board of Directors)			
AKIMOV LEONID YURIEVICH Chairman	Member of the Board of Directors of PJSC IDGC of the North-West, Director of the Legal Protection Department of PJSC Rosseti	7	100
ZHARIKOV ALEXEY NIKOLAEVICH	Member of the Board of Directors of PJSC IDGC of the North-West, Director for Corporate Policy and Shareholder Relations of JSC ETsN	7	100
STEPANOVA MARIA DMITRIEVNA	Member of the Board of Directors of PJSC IDGC of the North-West, Deputy Head of the Management Board and Board of Directors Procedures, Shareholder and Investor Relations Unit of the Corporate Governance and Shareholder and Investor Relations Department of PJSC Rosseti	7	100

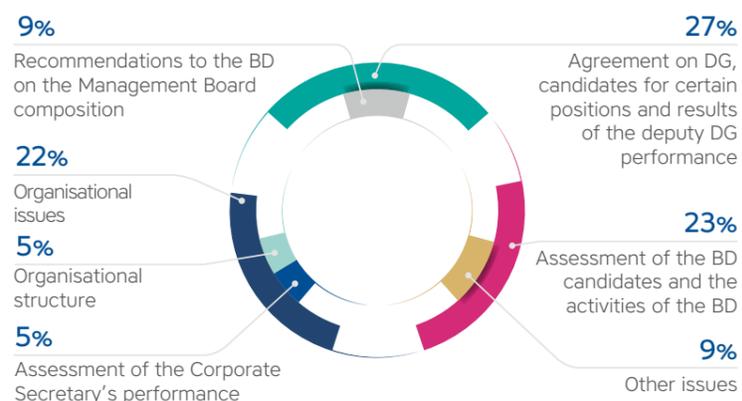
⁵⁷ The positions are indicated as of the date of the election of the BD Committee members.

⁵⁸ Information on participation in the HR and Remunerations Committee is shown for the members of the acting Committee for the period from the election date – 29.06.2018 to 31.12.2018. Information on the contribution to the Committee's work made by its previous members from 01.01.2018 to 15.06.2018 is shown in Annex 22 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Under Decision of the Board of Directors of 29.06.2018 (minutes No. 292/5), the head-count 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.

SUBJECTS OF ISSUES DISCUSSED IN 2018*, %



* The list of the issues considered by the HR and Remunerations Committee of the Company Board of Directors in 2018 is shown in Annex 26 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>.

OVER 2018, THE HR AND REMUNERATIONS COMMITTEE OF THE COMPANY BOARD OF DIRECTORS

10 HELD meetings
2 INCLUDING meetings in the form of joint attendance
22 WERE DISCUSSED issues

Strategy and Development Committee

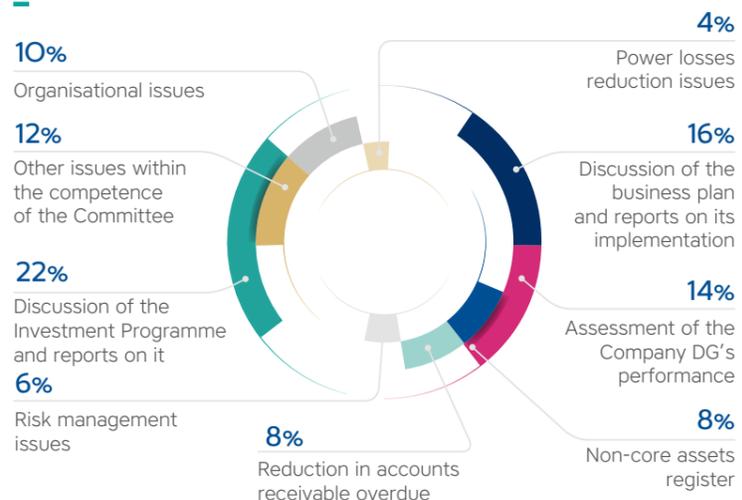
The key purpose of the Strategy and Development Committee is to ensure efficient operations of the Company Board of Directors regarding the issues within its frame of reference.

The Strategy and Development Committee's activities are stipulated by the Regulation on the Strategy and Development Committee of PJSC IDGC of the North-West, approved by Decision of the Company Board of Directors of 22.08.2008, with the amendments introduced by Decision of the Company Board of Directors (minutes of 31.03.2016 No. 200/15).

The Committee aims at working out and submitting recommendations (findings) to the Company Board of Directors on the following areas of its activities:

- identifying the Company's priority areas, strategic goals and main strategic development principles;
- boosting the Company's investment attractiveness, improving investment activities and making informed investment decisions;

SUBJECTS OF ISSUES DISCUSSED IN 2018*, %



* The list of the issues considered by the Strategy and Development Committee of the Company Board of Directors in 2018 is shown in Annex 26 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>.

- adjustment of the existing Company development strategy;
- control over the progress in carrying out the previously adopted programmes and projects;
- financial planning, formulation of the Company's dividend policy;
- assessment of Company's performance;
- control over the organisation and functioning of the risk management system.

The acting Strategy and Development Committee was elected by Decision of the Board of Directors of 21.08.2018 (minutes No. 294/7) and includes 10 persons.

Members of the Strategy and Development Committee have the knowledge of the Company's business required for them to perform their functions.

PERSONAL DATA AND CONTRIBUTION OF THE ACTING MEMBERS OF THE STRATEGY AND DEVELOPMENT COMMITTEE OF THE BOARD OF DIRECTORS

Full name	Position ⁵⁹	Attendance ⁶⁰	% of attendance
Strategy and Development Committee			
RAKOV ALEXEY VIKTOROVICH Chairman	Director of the Power Metering and Interaction with Power Industry Market Players Department of PJSC Rosseti	5	100
BALABAN FEDOR NIKOLAEVICH	Deputy Head of the Strategic Projects Unit at the Strategic Development Department of PJSC Rosseti	5	100
DRONOVA TATIANA PETROVNA	Deputy Director General for Strategy and Development of CJSC Investment Holding Energetichesky Soyuz	5	100
MOROZOV ANDREY VLADIMIROVICH	Legislative Director of the Association of Professional Investors	5	100
RAFALSKAYA INNA SERGEEVNA	Deputy Head of Tariff Dispute Settlement Unit of the Tariff Policy Department of PJSC Rosseti	5	100
SOFYIN VLADIMIR VLADIMIROVICH	Director of the Technological Development and Innovations Department of PJSC Rosseti	5	100
STEPANOVA MARIA DMITRIEVNA	Deputy Head of the Management Board and Board of Directors Procedures, Shareholder and Investor Relations Unit at PJSC Rosseti	5	100
FEDOROV VADIM NIKOLAEVICH	Deputy Director General for Development and Services of PJSC IDGC of the North-West	5	100
FEDOROV OLEG ROMANOVICH	Independent director, Member of the Supervisory Board of ALROSA (PJSC)	5	100
FILKIN ROMAN ALEXEEVICH	Director of the Representative Office of Prosperity Capital Management (Russia) Ltd. (power industry, mechanical engineering)	5	100

OVER 2018, THE STRATEGY AND DEVELOPMENT COMMITTEE

16 HELD meetings
2 INCLUDING meetings in the form of joint attendance
50 WERE DISCUSSED issues

⁵⁹ The positions are indicated as of the date of the election of the BD Committee members.
⁶⁰ Information on participation in the Strategy and Development Committee is shown for the members of the acting Committee for the period from the election date – 21.08.2018 to 31.12.2018. Information on the contribution to the Committee's work made by its previous members from 01.01.2018 to 15.06.2018 is shown in Annex 22 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Reliability Committee

The main aim of the Reliability Committee of the Board of Directors of PJSC IDGC of the North-West is to ensure efficient operations of the Company Board of Directors within the area of its competence.

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;
- expert review of the quality of investigation into the causes of technological power system disturbances (accidents);

- 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 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;

PERSONAL DATA AND CONTRIBUTION OF THE ACTING MEMBERS OF THE RELIABILITY COMMITTEE OF THE BOARD OF DIRECTORS

Full name	Position ⁶¹	Attendance ⁶²	% of attendance
Reliability Committee			
SEMENOV ROMAN ALEXEEVICH Chairman	Deputy Head of the Unit – Head of the Division for Automated Reserve Switching Organisation at the Department of Operations and Technological Management of PJSC Rosseti	3	100
BOGOMOLOV EDUARD VALERIEVICH	First Deputy Director of the branch of PJSC Rosseti – Centre for Technical Supervision	3	100
YAGODKA DENIS VLADIMIROVICH	First Deputy Director General – Chief Engineer of PJSC IDGC of the North-West	3	100
POLOVNEV IGOR GEORGIEVICH	Financial Director of the Association of Institutional Investors	3	100
SAVELIEV MAKSIM ILYICH	Director General of LLC Soyuz Invest	3	100

OVER 2018, THE RELIABILITY COMMITTEE

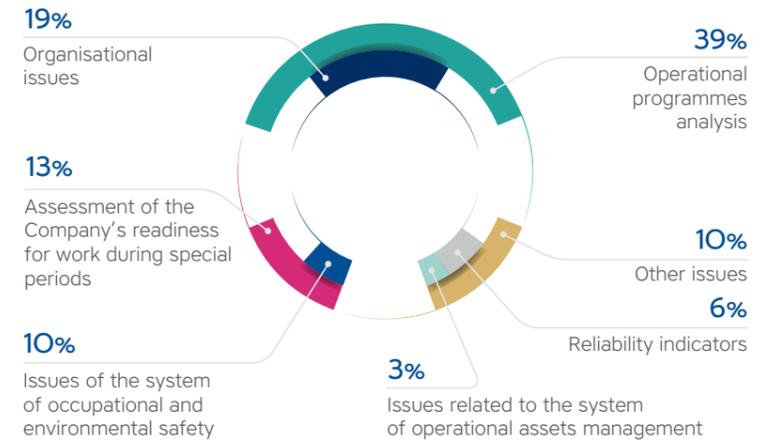
9 HELD meetings **31** CONSIDERING issues

⁶¹ The positions are indicated as of the date of the election of the BD Committee members.
⁶² Information on participation in the Reliability Committee is shown for the members of the acting Committee for the period from the election date – 15.08.2018 to 31.12.2018. Information on the contribution to the Committee's work made by its previous members from 01.01.2018 to 15.06.2018 is shown in Annex 22 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

- 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 15.08.2018 (minutes No. 293/6) as 5 persons.

SUBJECTS OF ISSUES DISCUSSED IN 2018*, %

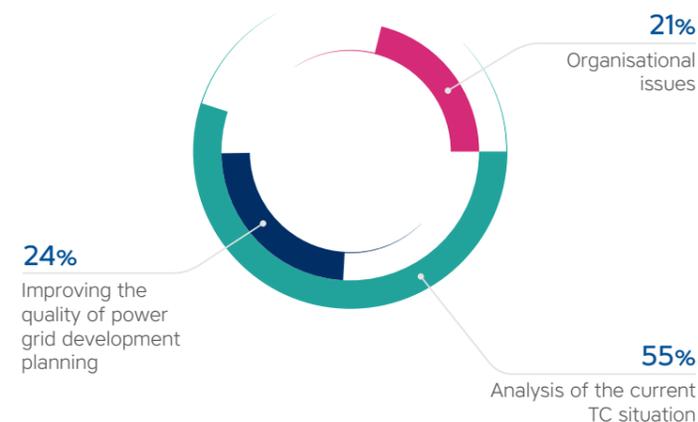


* The list of the issues considered by the Reliability Committee of the Company Board of Directors in 2018 is shown in Annex 26 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>.

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.

SUBJECTS OF ISSUES DISCUSSED IN 2018*, %



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 21.08.2018 (minutes No. 294/7) as 7 persons.

Members of the Technological Connection Committee have the knowledge of the Company's business required for them to perform their functions.

* The list of the issues considered by the Technological Connection Committee of the Company Board of Directors in 2018 is shown in Annex 26 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

PERSONAL DATA AND CONTRIBUTION OF THE ACTING MEMBERS OF THE TECHNOLOGICAL CONNECTION COMMITTEE OF THE BOARD OF DIRECTORS

Full name	Position ⁶³	Attendance ⁶⁴	% of attendance
Technological Connection Committee			
KORNEEV ALEXANDER YURIEVICH Chairman	Director of the Department for Long-Term Development of the Grids and Technological Connection of PJSC Rosseti	4	100
GAPLEVSKAYA DIANA VASILYEVNA	Deputy Head of the Tariff Setting Methodology Unit of the Tariff Policy Department at PJSC Rosseti	4	100
NESTERENKO VLADIMIR VALERIEVICH	Deputy Director General for Investment Activities of PJSC IDGC of the North-West	3	75
FEDOROV VADIM NIKOLAEVICH	Deputy Director General for Development and Services of PJSC IDGC of the North-West	4	100
POLOVNEV IGOR GEORGIEVICH	Financial Director of the Association of Institutional Investors	4	100
SAVELIEV MAXIM ILYICH	Director General of LLC Soyuzinvest	4	100
SHEVCHUK ALEXANDER VIKTOROVICH Senior independent director	Member of the Board of Directors of PJSC IDGC of the North-West, Executive Director of the Association of Institutional Investors	4	100

IN 2018, THE TECHNOLOGICAL CONNECTION COMMITTEE

6 HELD meetings
2 INCLUDING meetings in the form of joint attendance
29 WERE DISCUSSED issues

MEMBERS OF THE BOARD OF DIRECTORS ACTIVELY CONTRIBUTE TO THE COMMITTEES OF THE COMPANY BOARD OF DIRECTORS

Full name	Shareholder group nominating he respective director	Status at the Board of Directors	Audit Committee	HR and Remunerations Committee	Strategy and Development Committee	Technological Connection Committee
SERGEEVA, O.A.	PJSC Rosseti	Chairman of the BD, Committee				
AKIMOV, L.YU.	PJSC Rosseti	Member of the Committee				
AKOPYAN, D.B.	PJSC Rosseti	Senior independent director				
ZHARIKOV, A.N.	Energosouz Holdings Limited	Senior independent director				
PELYMSKY, V.L.	PJSC Rosseti	Senior independent director				
STEPANOVA, M.D.	PJSC Rosseti	Senior independent director				
FEDOROV, O.R.	ENERGYO SOLUTIONS RUSSIA (CYPRUS) LIMITED, Lancrenan Investments Limited	Independent director				
FILKIN, R.A.	Lancrenan Investments Limited	Independent director				
SHAGINA, I.A.	PJSC Rosseti	Senior independent director				
SHVANKOVA, M.M.	PJSC Rosseti	Senior independent director				
SHEVCHUKA, V.	ENERGYO SOLUTIONS RUSSIA (CYPRUS) LIMITED, Lancrenan Investments Limited	Independent director				

Chairman of the BD, Committee Member of the Committee Senior independent director Independent director Non-executive director

⁶³ The positions are indicated as of the date of the election of the BD Committee members.
⁶⁴ Information on participation in the Technological Connection Committee is shown for the members of the acting Committee for the period from the election date – 21.08.2018 to 31.12.2018. Information on the contribution to the Committee's work made by its previous members from 01.01.2018 to 15.06.2018 is shown in Annex 22 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Corporate Secretary

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, supports efficient activities of the Company Board of Directors and the operations of the Board of Directors Committees⁶⁵.



Nazarenko Lyudmila Yurievna

Corporate Secretary of PJSC IDGC of the North-West

Born in 1971. In 1993 graduated from Odessa Technological Institute of the Food Industry; 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.

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.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Member of the Board of Directors of OJSC Lesnaya Skazka.

PARTICIPATION IN THE AUTHORISED CAPITAL OF PJSC IDGC OF THE NORTH-WEST – 0.0026%.

The Corporate Secretary did not make any transactions with the Company's securities in 2018.

In 2018, 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.

The activities of the Corporate Secretary are stipulated by the Regulation on the Corporate Secretary of PJSC IDGC of the North-West⁶⁶, 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 Director General of the Company and/or Chairman 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.

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 and actively contributes to the professional community.

⁶⁵ 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.

⁶⁶ 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>

Executive management bodies of the Company

Director General

The sole executive body – Director General of PJSC IDGC of the North-West carries out day-to-day management of the Company and functions as the Chairman of the Management Board.

The Director General'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 Director General 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.

From 11 October 2018 Pidnik Artem Yurievich was elected Director General of PJSC IDGC of the North-West (Decision of the Board of Directors of 10.10.2018, minutes No. 298/11).

Biography of the Director General ⁶⁷



Pidnik Artem Yurievich

**Director General
Chairman of the Management Board**

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.

- 2013 – 2014 – Deputy Director for Development at CJSC Construction and Installation Unit No. 10 of Metrostroy.
- 2014 – 2018 – First Deputy Director General, Director General of LLC Sevkabel Group.
- 2018 – 2018 – Advisor of the Administrative Department, acting Deputy Director General for Economy and Finance of PJSC IDGC of the North-West.
- 2018 – present – Director General, Chairman of the Management Board of PJSC IDGC of the North-West.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

none.

Management Board

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

35 HELD meetings

4 INCLUDING meetings
in the form of joint attendance

180 WERE DISCUSSED issues

PARTICIPATION OF THE MANAGEMENT BOARD MEMBERS IN THE MEETINGS HELD IN 2018

Full name	Total number of meetings	Number of meetings with the attendance of the Management Board member	Share in the total number of meetings, %
Gusev, V.S.	35	25	71.43%
Letyagin, A.V.*	29	15	51.72%
Nesterenko, V.V.*	33	31	93.94%
Orlov, D.A.	35	32	91.43%
Pidnik, A.Yu.	6	6	100%
Savin, N.O.	2	2	100%
Fedorov, V.N.	35	32	91.43%
Shadrina, L.V.	2	2	100%
Shiryayev, P.V.*	24	13	54.17%
Yagodka, D.V.	2	2	100%

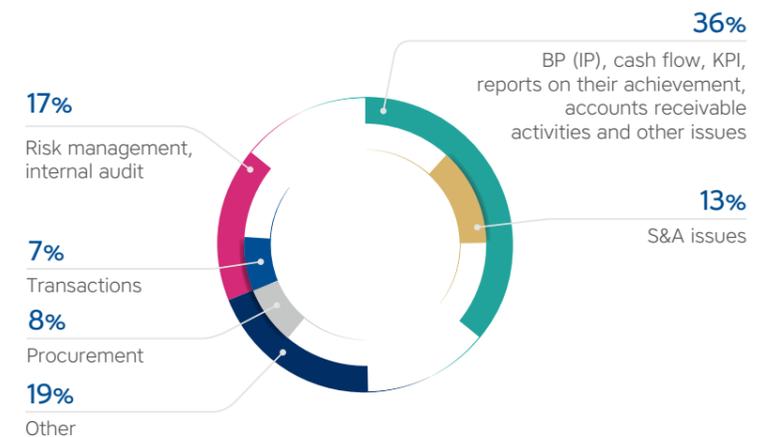
* removed from office.

No transactions with the PJSC IDGC of the North-West shares were made by the Director General or the members of the Management Board of the Company in 2018.

Over 2018, the Director General 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 Director General and the members of the Management Board did not own any shares of PJSC IDGC of the North-West in 2018.

SUBJECTS OF THE KEY ISSUES CONSIDERED BY ACTIVITY AREA IN 2018, %



⁶⁷ Data on the members of the Management Board of PJSC IDGC of the North-West in 2018 are shown in Annex 27 to the full version of the Annual Report on the Company's website: <http://www.mrsksevizap.ru/shareholdersmeetinginfo>

The Management Board is a collective executive body of PJSC IDGC of the North-West.

The Management Board's activities⁶⁸ 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 Director General.

In 2018, due to decisions on the personal composition of the Company Management Board, the following changes were made:

• under Decision of the Board of Directors of 15.08.2018, Management Board member Shiryaev Pavel Vyacheslavovich was removed from office;



7 persons
the Management Board of the Company

AS OF 31.12.2018

• under Decision of the Board of Directors of 10.10.2018, Chairman of the Management Board Letyagin Aleksandr Vyacheslavovich was removed from office;

• under Decision of the Board of Directors of 20.12.2018, Management Board member Nesterenko Vladimir Valerievich was removed from office.

Biographies of members of the Management Board ⁶⁹



Gusev Vladimir Sergeevich

Member of the Management Board,
Deputy Director General for Security
Date of election to the Management Board – 21.04.2015

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.

POSITIONS HELD IN THE RECENT FIVE YEARS:A.

- 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 Director General 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 – present – Deputy Director General for Security at PJSC IDGC of the North-West.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

none.

⁶⁸ 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>
⁶⁹ Data on the members of the Management Board of PJSC IDGC of the North-West in 2018 are shown in Annex 27 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>



Orlov Denis Alexandrovich

Member of the Management Board,
Deputy Director General for Corporate Governance
Date of election to the Management Board – 01.09.2014

Born in 1975.

In 1996, graduated from the Plekhanov Russian Academy of Economics majoring in Finance and Credit. Has a PhD degree in Economics. Speaks English and German.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2012 – 2014 – Deputy Chairman of the Economic Development and Investment Committee of the Leningrad Region Government.
- 2014 – 2014 – acting Deputy Director General for Corporate Governance of PJSC IDGC of the North-West.
- 2014 – 2018 – Deputy Director General for Corporate Governance of PJSC IDGC of the North-West.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Chairman of the Board of Directors of JSC Pskovenergosbyt.



Savin Nikolay Olegovich

Member of the Management Board,
Deputy Director General for Investment Activities
Date of election to the Management Board – 20.12.2018

Born in 1965.

In 1987, graduated from Kuybyshev Moscow Institute of Civil Engineering in Industrial and Civil Construction with the qualification of Civil Engineer.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2012 – 2017 – Deputy Vice President of PJSC Transneft.
- 2017 – 2018 – Director General of LLC Evolution Managing Company.
- 2018 – 2018 – Director of the Infrastructure Projects Department of JSC SKAD Tech.
- 2018 – 2018 – Advisor of the Administrative Department; acting Deputy Director General for Investment Activities of PJSC IDGC of the North-West.
- 2018 – present – Deputy Director General for Investment Activities of PJSC IDGC of the North-West.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

none.



Fedorov Vadim Nikolaevich

Member of the Management Board,
Deputy Director General for Development and Services
Date of election to the Management Board – 11.12.2015

Born in 1972.

In 1994, graduated from Novocherkassk Polytechnic Institute in Automated Management of Electric Power Systems with the qualification of Electric Engineer in Automation, in 2004 – from Chernyshevsky Saratov State University in Organisation Management with the qualification of Manager.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2013 – 2014 – Head of the Technical Development and Innovation Department, Head of the Innovation, Technical Policy and Energy Efficiency Unit at the Technological Development Department of OJSC Rosseti.
- 2014 – 2015 – Advisor of the Administrative Department of PJSC IDGC of the North-West.
- 2015 – 2015 – acting Deputy Director General for Development and Services of PJSC IDGC of the North-West.
- 2015 – 2019 – Deputy Director General for Development and Services of PJSC IDGC of the North-West.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Chairman of the Board of Directors of OJSC Pskovenergoagent.



Shadrina Ludmila Vladimirovna

Member of the Management Board,
Deputy Director General for Economy and Finance
Date of election to the Management Board – 20.12.2018

Born in 1973.

In 1999, graduated from Smolensk University of the Humanities in Finance and Credit with the qualification of Economist.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2014 – 2018 – Advisor of the acting Director for Finance, Deputy Director for Economy and Finance, Director for Finance at OJSC Klimov.
- 2018 – present – Deputy Chief Accountant of OJSC Klimov (on a part-time basis).
- 2018 – 2018 – Advisor of the Administrative Department (on a part-time basis), acting Deputy Director General for Economy and Finance of PJSC IDGC of the North-West.
- 2018 – present – Deputy Director General for Economy and Finance of PJSC IDGC of the North-West.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

none.



Yagodka Denis Vladimirovich

Member of the Management Board,
First Deputy Director General – Chief Engineer
Date of election to the Management Board – 20.12.2018

Born in 1979.

In 2001, graduated from Ivanovo State Power University in Power Supply (Industrial) with the qualification of Electric Engineer.

POSITIONS HELD IN THE RECENT FIVE YEARS:

- 2010 – 2014 – First Deputy Director – Chief Engineer of the branch Belgorodenergo, Deputy Director for Technical Issues – Chief Engineer of Belgorodenergo branch of OJSC IDGC of the Centre.
- 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.
- 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 Stroygaz-konsalting.
- 2017 – 2017 – Deputy Chief Engineer for Technological Development and Innovation – Head of the Department for Technological Development and Innovation, acting First Deputy Director General – Chief Engineer of PJSC IDGC of the North-West.
- 2017 – present – First Deputy Director General – Chief Engineer of PJSC IDGC of the North-West.

PARTICIPATION IN THE MANAGEMENT BODIES OF OTHER ORGANISATIONS:

Chairman of the Board of Directors of JSC Energoservis Severo-Zapada.

No transactions with the PJSC IDGC of the North-West shares were made by the Director General or the members of the Management Board of the Company in 2018.

Over 2018, the Director General 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 Director General and the members of the Management Board did not own any shares of PJSC IDGC of the North-West in 2018.

Biographies of the Management Board members acting in 2018 are shown at the Company web site: <https://mrsksevzap17.downstream.ru/?/ru/59-executive-management-bodies-of-the-company>

The Company remuneration system

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 are 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)⁷⁰.

The Regulation provides for the following payments:

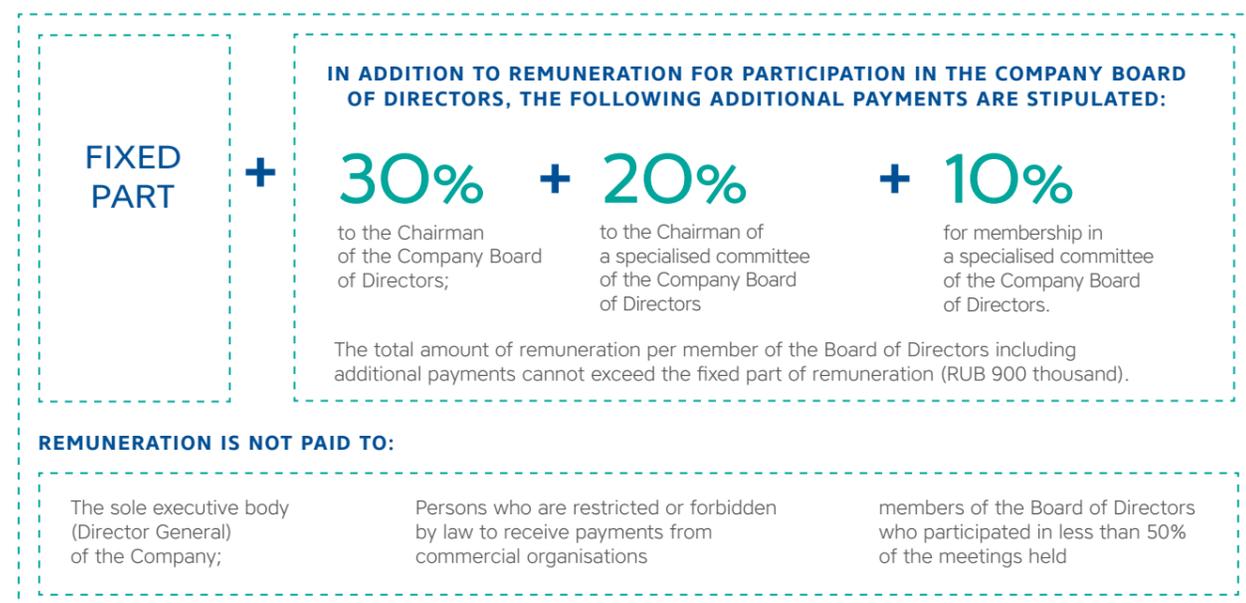
1. Remuneration for participation in the Board of Directors.

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 is RUB 900 thousand.

 **900** thous. RUB **THE TOTAL AMOUNT OF REMUNERATION PER MEMBER OF THE BOARD OF DIRECTORS INCLUDING ADDITIONAL PAYMENTS**



2. Additional remuneration from the net profit paid in case the Company's market capitalisation increases in the period of operations of the Board of Directors.

The amount of additional remuneration of each member of the Board of Directors is 0.0175% from 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.

In accordance with the effective Regulation, members of the Company Board of Directors in the composition elected by the Annual General Shareholders' Meeting on 07.06.2018, are to receive their remunerations in 2019, after the Annual General Shareholders' Meeting.

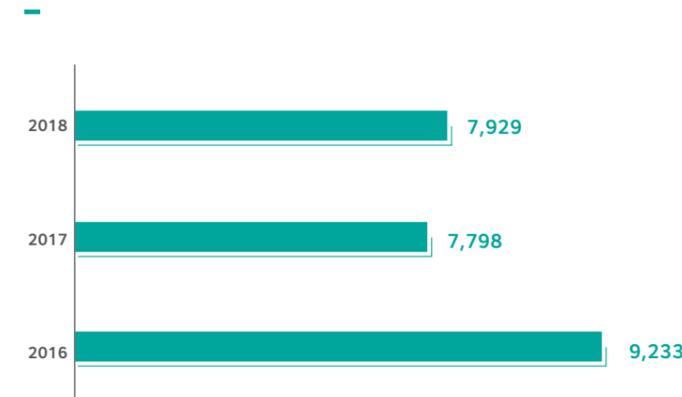
The Regulation does not provide for a system of long-term motivation of members of the Board of Directors, nor dismissal payments upon termination of their service.

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 are the sole executive body of the Company, members of the Management Board of the Company, government officials.

DYNAMICS OF REMUNERATION PAID TO MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS IN 2016-2018, RUB THOUS.



COMPENSATIONS OF THE EXPENSES PAID TO MEMBERS OF THE COMPANY BOARD OF DIRECTORS IN 2016-2018, RUB

Item	2016	2017	2018
Compensation of expenses related to performing the functions of members of the Board of Directors	856,894	236,777	157,552

⁷⁰ 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>

REMUNERATION PAID TO MEMBERS OF THE COMPANY BOARD OF DIRECTORS IN 2016-2018, RUB⁷¹

Full name	Position	For participation in the meetings of the Board of Directors	Additional payments for chairmanship at the Board of Directors, chairmanship/membership in Committees of the Board of Directors	For increase in the Company's market capitalisation	Total
Paid in 2016		6,144,231	1,629,807	1,458,972	9,233,010
Paid in 2017		6,211,541	1,586,535	-	7,798,076
PAID IN 2018 TO THE BOARD OF DIRECTORS ELECTED BY THE AGSM ON 13.06.2017, INCLUDING:		6,890,110	1,038,462	-	7,928,571
Mangarov, Yu.N.	Chairman of the Board of Directors, member of the HR and Remunerations Committee	692,308	207,692	-	900,000
Akopyan, D.B.	Member of the Board of Directors	659,341	0	-	659,341
Bogomolov, N.V.	Member of the Board of Directors	692,308	0	-	692,308
Zharikov, A.N.	Member of the Board of Directors, member of the HR and Remunerations Committee	692,308	69,231	-	761,538
Lavrova, M.A.	Member of the Board of Directors, Chairman of the HR and Remunerations Committee, member of the Audit Committee, member of the Strategy and Development Committee	692,308	207,692	-	900,000
Letyagin, A.V.	Member of the Board of Directors, Director General of the Company before 10.10.2018, member of the Strategy and Development Committee	-	-	-	-
Stepanova, M.D.	Member of the Board of Directors, member of the Audit Committee	692,308	69,231	-	761,538
Fedorov, O.R.	Member of the Board of Directors, member of the Audit Committee, member of the Technological Connection Committee	692,308	138,462	-	830,769
Filkin, R.A.	Member of the Board of Directors, member of the Strategy and Development Committee	692,308	69,231	-	761,538
Shvankova, M.M.	Member of the Board of Directors, member of the Audit Committee	692,308	69,231	-	761,538
Shevchuk, A.V.	Member of the Board of Directors, Chairman of the Audit Committee, member of the Strategy and Development Committee	692,308	207,692	-	900,000
Effective Board of Directors elected by the AGSM on 07.06.2018		-	-	-	-

Remuneration system for members of the Board of Directors Committees

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 25.08.2009⁷² (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.

⁷¹ Hereinafter in the Annual Report, the amounts of remuneration paid to management and control bodies are shown without deduction of the personal income tax.
⁷² 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's web site at: <http://www.mrsksevzap.ru/remunerationcompensationregulation>

Under the Regulations, in case the Chairman 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 BD Committee.

The amount of remuneration paid to the Chairman of the Committee (Deputy Chairman) for each meeting where the functions of the Chairman were performed increases by 50%.

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 (Director General) of the Company;
- persons who are restricted or forbidden by law to receive payments from commercial organisations.

For participation in the meeting of the Board of Directors Committee held in absentia

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.

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 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.

REMUNERATIONS PAID TO MEMBERS OF THE BOARD OF DIRECTORS COMMITTEES IN 2016-2018.^{73, 74}

Audit Committee		
2016	2017	2018
-	-	-

HR and Remunerations Committee		
2016	2017	2018
-	22,296	-

Strategy and Development Committee		
2016	2017	2018
1,953,910	1,527,646	925,038

Reliability Committee		
2016	2017	2018
406,319	423,228	379,631

Technological Connection Committee		
2016	2017	2018
298,193	287,163	239,817

Total remuneration paid for participation in meetings of the Board of Directors Committees		
2016	2017	2018
2,658,422	2,260,333	1,544,487

⁷³ 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.

⁷⁴ In 2018, the following MMWRs were used to calculate the remunerations for participation in the meetings of the Company Board of Directors Committees: from 01.01.2018 – RUB 7,772; from 01.07.2018 – RUB 7,935.

Remuneration system for the Director General and members of the Management Board

The system of motivation for the Company Director General is stipulated by the labour contract and the Regulation on Remunerative Incentives for the Director General 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 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 DIRECTOR GENERAL 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 Director General 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.



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.



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).

The introduction and implementation of the Company's remunerations policy is controlled by the HR and Remunerations Committee of the Board of Directors.



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.

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, RUB

Remuneration	2016	2017	2018
Salary	34,736,143	36,053,658	34,890,308
Remuneration for performing the functions of the Management Board member	2,828,075	2,780,884	2,336,280
Bonuses	45,011,607	49,969,437	49,566,278
including annual incentives	24,188,791	25,611,739	24,381,359
Other payments	1,326,946	2,534,794	3,659,420
Severance package	3,406,481	1,348,827	8,551,678
TOTAL REMUNERATION	87,309,252	92,687,600	99,003,964

Bonus payments are aimed to increase the motivation of the Director General and members of the Management Board to pursue priority tasks of the Company by achieving key performance indicators (KPI)⁷⁵.

The KPIs used to assess the performance of the Director General and the specific weight of each KPI in the quarterly and the annual bonuses of the Director General are established by the Company Board of Directors. The KPIs for the top management are set by the Director General 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.

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 Director General in the reporting period are considered by the Strategy and Development Committee of the Board of Directors and approved by De-

cision 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 Director General.

Director General 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 Director General 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.



⁷⁵ The system of key performance indicators is described in the Section "Key performance indicators (KPI)" of the Annual Report.

The KPIs set for the purposes of motivation (defining the amount of remuneration) of the Director General and members of the Management Board in 2018



Set by



the Company Board of Directors

on 31.03.2017 (minutes No. 235/26)

- Consolidated operating profit (EBITDA)
- Consolidated net debt/EBITDA
- Implementation of the plan to reduce the Company's accounts receivable
- No growth in the number of major accidents
- No growth in the number of accident victims

the Director General of the Company

(Order of 15.06.2017 No. 411 with amendments introduced by Orders of 12.09.2017 No. 643 and of 26.09.2018 No. 646)

- Efficiency of investment activities: compliance with the quarterly schedules of project implementation and commissioning of fixed assets under the Investment Programme
- Compliance with the plan of maintenance and repairs
- Limit of operating costs
- Power losses level in grids of all voltage levels
- Power losses level in grids of 0.4-20 kV
- Compliance with the deadlines of technological connection
- Zero violations of the current RF legislation, the Charter and internal documents of the Company in the corporate events organisation and conducting
- Quality of control over the progress of performing the instructions inherent in orders and regulations of the superior organisations
- 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
- Zero penalties for failure to submit reporting to tax authorities in due time or violation of the procedure for statistics presentation
- Ensuring performance of the obligations to pay for the services of power transmission in the grids of a branch

Quarterly KPIs

Annual KPIs

- Consolidated net cash flow
- Decrease in unit operating expenses (costs)
- Increase in the power grid equipment capacity utilisation
- Power losses level
- Reduction in unit investment costs
- Labour efficiency improvement
- Innovation activities efficiency
- Compliance with the commissioning schedule
- Meeting the technological connection deadlines
- Reaching the reliability level of the services rendered

- Compliance with the schedule of capacity launch and the plan to implement the Investment Programme
- Increase in the efficiency of power grids servicing
- Implementation of the personnel training plans
- Ensuring performance of the obligations to pay for the services of power transmission in the grids of the Company
- Ensuring reliability of accounting and timely presentation of accounting, tax, IFRS and statistical statements
- Sales of non-core assets

Subsidiaries management system

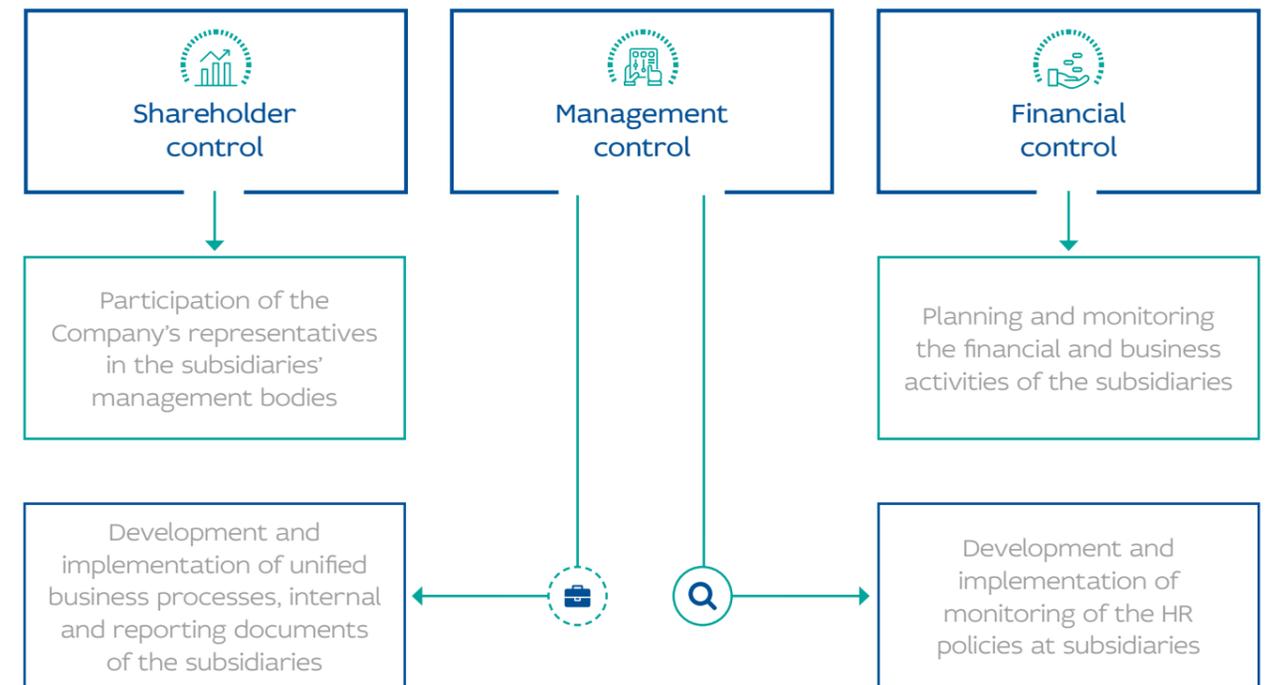
PJSC IDGC of the North-West, being a shareholder of its subsidiary entities (hereinafter – SE), interacts with the latter using corporate governance methods subject to requirements of the Russian Federation legislation, the Charter, the procedure for PJSC IDGC of the North-West interaction with the organisations 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;
- SE Audit Commission.

Additional information is shown in Annex 14 to the Annual Report. Information on management and control bodies of the PJSC IDGC of the North-West subsidiaries is presented in Annex 28 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>.

FORMS OF SE CORPORATE GOVERNANCE



Supervisory bodies and risk management⁷⁵

Risk management system

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.

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.

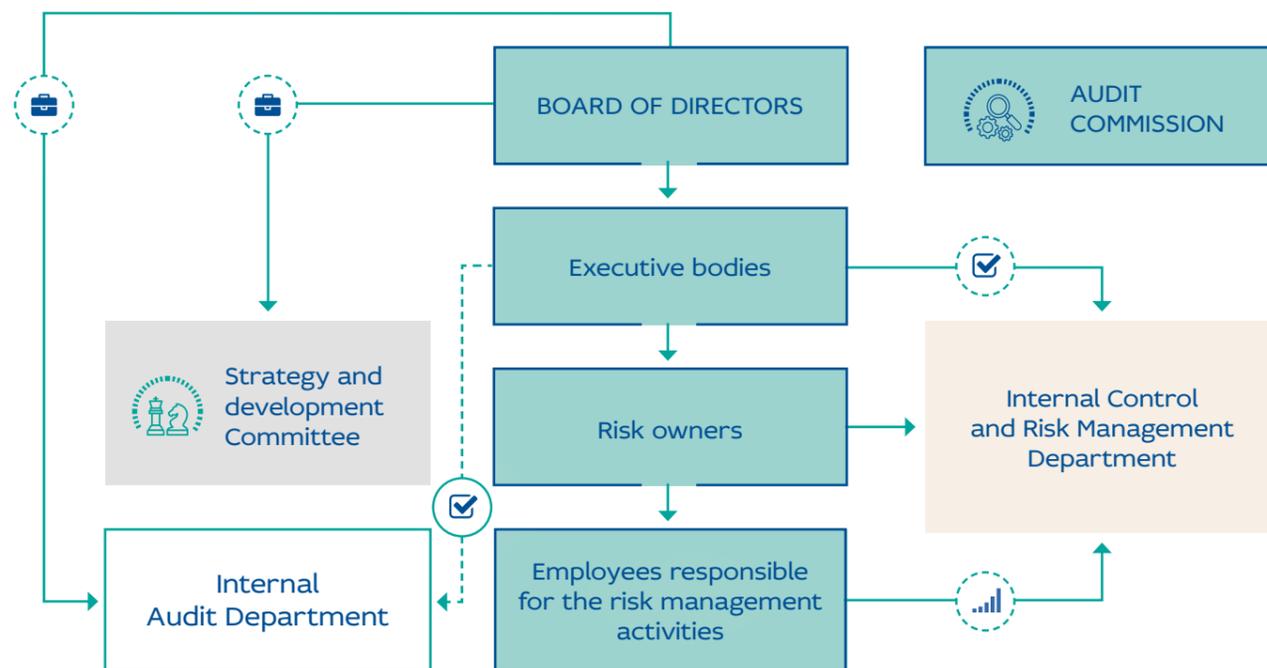
The Company's risk management goals include:

- 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



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 the Strategy and Development Committee	<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 study 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	<ul style="list-style-type: none"> • Carries out preliminary study of the results of RMS efficiency assessment and compliance with the Regulations 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	<ul style="list-style-type: none"> • Drafts proposals /recommendations on the RMS improvement subject to the survey of the Audit Commission.
Executive bodies (Management Board, Director General)	<ul style="list-style-type: none"> • Establish requirements to the format and completeness of the information on the Company's risks, develop 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 regulating 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	<ul style="list-style-type: none"> • Are responsible for timely identification and/or mitigation of risks in line with the job instructions and the active regulating documents, as well as for performing 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 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	<ul style="list-style-type: none"> • 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 factors and risk significance assessment

To identify and manage risks, a systemic approach is used. Activities aimed to prevent and mitigate risks are developed and updated each quarter.

The significance of 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 dynamics are assessed by taking into account the existing risk certificates or by expert judgement in accordance with the following scale:

Significance	Trend indicator
Critical	Risk increased
Significant	Risk decreased
Moderate	Risk unchanged against the previous period

⁷⁵ Information on management and control bodies of the PJSC IDGC of the North-West subsidiaries is shown in Annex 28 to the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Risk	2016	2017	2018
INDUSTRY RISKS			
Increase in overdue accounts receivable for power transmission services	↓	○	↓
Decrease in the volume of power transmission services	↓	○	↓
The risk that the regional authorities may not recognize the full volume of the Company's expenses to be included in the tariff for power transmission services	↓	○	○
Non-compliance with the schedule for regulated procurement procedures in the reporting period of the current year	↓	↑	↓
Exceeding the procurement cost established in the Procurement Plan	↓	○	○
Lower procurement transparency	○	○	○
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			
Risks inherent in the political and economic situation in the country and in the region	○	○	○
Risks related to possible military conflicts, declaration of a state of emergency and strikes in the country and regions	○	○	○
Risks related to geographic features and climate of the country and the region	○	○	○
FINANCIAL RISKS			
Interest rate risks	↓	↓	↑
Foreign exchange risks	○	○	○
COMPLIANCE RISKS			
Changes in the tax legislation	↓	○	○
Appeal against major and interested-party transactions by the Company's shareholders	○	○	○
Changes in licensing requirements	↓	○	○
Changes in the court practice	↓	○	○
REPUTATIONAL RISKS			
Reputational risks	○	○	○
STRATEGIC RISKS			
Strategic risks	○	○	○
COMPANY-SPECIFIC RISKS			
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)	↓	↓	○
Fines in the area of the antimonopoly legislation of the Russian Federation related to technological connection of consumer receivers	↓	↓	○
Emergencies at power facilities	○	○	○
Increased expenses for power purchase to compensate for losses	↑	↑	↓

RISK SIGNIFICANCE BY THE RESULTS OF 2018 AND THE RESPECTIVE DYNAMICS COMPARED TO THE PREVIOUS YEAR

Possible implications	Measures taken	Strategic priorities connection
INDUSTRY RISKS		
Increase in overdue accounts receivable for power transmission services		
<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 its transmission services, lack of motivation for service consumers to make timely payments.</p> <p>The nature of the retail power market may 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. A considerable impact on the level of payment for the power transmission services was made 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.</p> <p>Accounts receivable from power transmission tend to decrease.</p> <p>The key defaulters and debtors are: PJSC Arkhenergosbyt (under bankruptcy procedures), LLC TNS energo Veliky Novgorod, LLC SK Tesla (under bankruptcy procedures), PJSC Vologdaenergosbyt (under bankruptcy procedures), JSC Intaugol Mine, JSC Intaugol (under bankruptcy procedures), LLC Vodokanal (Vorkuta) (under bankruptcy procedures), OJSC Murmansk Regional Grid Company, LLC Energotranzit Alfa.</p>	<ul style="list-style-type: none"> 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. Transition of the power transmission consumers to new terms of contract payments regarding the deadlines of payment settlement. Improvement of the interaction and signing cooperation agreements with the Bailiff Service at the stage of enforcement procedures. Entry into force of the new Regulation on managing the accounts receivable from transmission of the power recorded in the books of the Issuer. Participation in 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. Introduction of the power consumption limitation mode for direct consumers subject to the current legislation. Claims and lawsuits against the consumers violating contractual and legal provisions of payment. Provision of counter security to reduce the time span for receiving writs of execution. Performing the SLR functions by the Company from 01.01.2018 to 30.09.2018 in the Arkhangelsk Region. Performing the SLR functions by the Company from 01.04.2018 to 31.12.2018 in the Vologda Region. 	<ul style="list-style-type: none"> Profit-making Efficient performance of staff Development of a single management model (based on unified approaches, methodologies and principles) across business processes to the level of power distribution zones Building an efficient system of the Company's resources use
		<p>Risk changes ↓</p> <ul style="list-style-type: none"> Accounts receivable were reduced below the planned indicators of the Company Business plan. To prevent overdue accounts receivable (AR) growth, 15,147 non-paying consumers were disconnected in 2018. In 2018, there were 19 regional interagency commissions for monitoring the payment discipline. The Regulation for Processing AR from Power Transmission (pre-trial and lawsuit activities). Applications were sent to the Department of Internal Affairs, Prosecution Office, Russian Investigative Committee, interaction was maintained with the Bailiff Service of Russia. 20 warnings were issued under Article 315 of the RF CC "non-compliance with the court verdict, court decision or other act of court"; 12 applications were sent in accordance with the RF CC. Over 2018, 10 criminal cases were initiated. Working meetings were held with the regional Bailiff Service (twice a year and at the year-end, as well as reconciliation with the Bailiff Service on writs of execution). The Company participated in debriefing on collection (held as a videoconference at branches of the Bailiff Service of Russia. Applications were sent to the Department of Internal Affairs, Prosecution Office, Russian Investigative Committee, interaction was maintained with the Bailiff Service of Russia. (by electronic document exchange via the official web site of the Bailiff Service of Russia – the "Internet reception").

Possible implications	Measures taken	Strategic priorities connection
Decrease in the volume of power transmission services		
The risk stems from general power and capacity demand decline from large consumers due to optimisation of the schemes of external power supply by customers, development of their own generating facilities, as well as paying capacity decrease. In 2017, the volume of power consumption from the Issuer's grids reduced by 6% year on year. In 2018, the power consumption from the Issuer's grids reduced by 9.3% year on year, while in the comparable conditions it reduced by 1% net of last mile facilities.	Based on the macroeconomic statistics and behaviour of large consumers, the issuer aims at improving the reliability of forecasting the volume of electric power transmission services for pricing and business planning.	<ul style="list-style-type: none"> Profit-making Ensuring reliable, high-quality and safe power supply to consumers, as well as continuous improvement of the quality and availability of services Efficient performance of staff Development of a single management model (based on unified approaches, methodologies and principles) across business processes to the level of power distribution zones Building an efficient system of the Company's resources use
		Risk changes 
		The volume of power transmission services rendered in 2018 in comparable conditions (including the volume of power transmission services rendered within power supply contracts) is 0.4% higher than planned indicators. The reliability of forecasting the volume of electric power transmission services for pricing and business planning is high in 2018.
The risk that the regional authorities may not recognize the full volume of the Company's expenses to be included in the tariff for power transmission services		
The Issuer carries out activities subject to government regulation. The government's policy aims to contain the growth in power tariffs, which implies the risk of restricting the growth in maximum power tariffs. The risk implies impossibility of full compensation for the economically feasible expenses of the Issuer and limited investment of its own funds into the power grid facilities development.	<ul style="list-style-type: none"> Preparation and submission to regional regulatory bodies of applications with supporting materials for the establishment of economically justified tariffs that would compensate for all costs of the Company and ensure complete implementation of the Investment Programme. Implementation of a balanced costing policy. 	<ul style="list-style-type: none"> Profit-making Building an efficient system of the Company's resources use
		Risk changes 
		No changes.
Non-compliance with the schedule for regulated procurement procedures in the reporting period of the current year		
Late provision of technical specifications and draft contracts for the procurement procedures, lengthy period for coordination of the draft Procurement Plan and its amendments, and lengthy coordination of unscheduled purchases may lead to violation of the official schedules of procurement procedure declaration stipulated by the Procurement Plan and decisions of the central procurement body of the Company (for unscheduled purchasing), as well as deadlines of completing the procurement procedures set by the regulatory documents and procurement documentation.	<ul style="list-style-type: none"> Control of the periods 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 Company's regulatory documents. 	<ul style="list-style-type: none"> Profit-making Efficient performance of staff Development of a single management model (based on unified approaches, methodologies and principles) across business processes to the level of power distribution zones Building an efficient system of the Company's resources use Efficient investment activities
		Risk changes 
		No changes.
Exceeding the procurement cost established in the Procurement Plan		
The reasons include the nature of the calculation of the maximum (initial) procurement cost when developing the Procurement Plan.	<ul style="list-style-type: none"> Strict compliance with the administrative and regulatory documents regarding the calculation of the maximum (initial) procurement costs. Rebidding within procurement procedures in accordance with the Regulation on Procurement of PJSC Rosseti. 	<ul style="list-style-type: none"> Profit-making Efficient performance of staff Development of a single management model (based on unified approaches, methodologies and principles) across business processes to the level of power distribution zones Building an efficient system of the Company's resources use Efficient investment activities
		Risk changes 
		No changes.

Possible implications	Measures taken	Strategic priorities connection
Lower procurement transparency		
The risk is caused by changes in the ratio of the number and methods of procurement compared to the approved Procurement Plan.	<ul style="list-style-type: none"> Control of strict compliance with the Regulation on Procurement of goods, works and services for the company's needs. Control of the feasibility of purchasing from a single source. 	<ul style="list-style-type: none"> Profit-making Efficient performance of staff Development of a single management model (based on unified approaches, methodologies and principles) across business processes to the level of power distribution zones Building an efficient system of the Company's resources use Efficient investment activities
		Risk changes 
		No changes.
Risk of lack of the activities related to power grid renovation (development) in the Investment Programme of the Company		
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.	<ul style="list-style-type: none"> Inclusion of necessary activities to maintain the reliability of the system into the Investment Programmes, as well as renovation of the facilities for new applicants' connection. Providing information to the relevant executive authorities 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, as well as continuous improvement of the quality and availability of services Efficient performance of staff Development of a single management model (based on unified approaches, methodologies and principles) across business processes to the level of power distribution zones Efficient investment activities
		Risk changes 
		No changes.
COUNTRY-SPECIFIC AND REGION-SPECIFIC RISKS		
Risks inherent in the political and economic situation in the country and in the region		
The Issuer's 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.	Measures to mitigate the consequences of macroeconomic risks for power transmission services are listed under "Industry Risks".	Ensuring reliable, high-quality and safe power supply to consumers, as well as continuous improvement of the quality and availability of services
		Risk changes 
		No changes.
Risks related to possible military conflicts, declaration of a state of emergency and strikes in the country and regions		
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.	<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, as well as continuous improvement of the quality and availability of services Prevention of an increase in the number of accident victims Efficient performance of staff
		Risk changes 
		No changes.

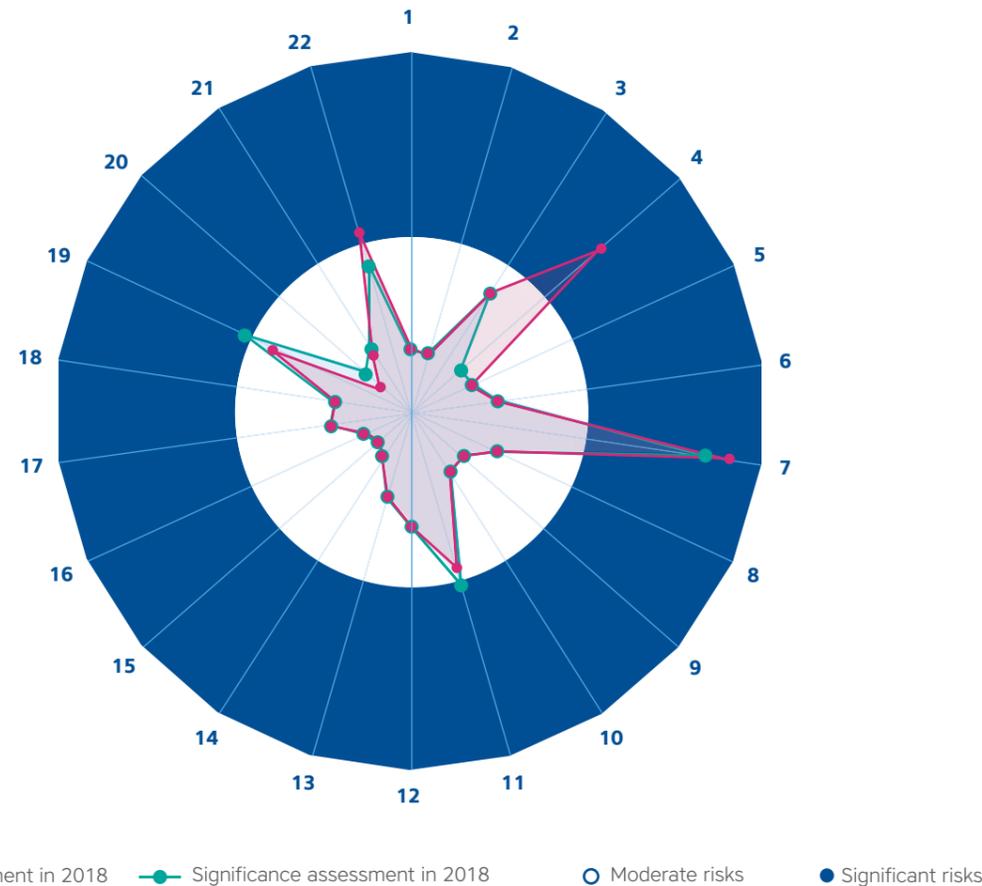
Possible implications	Measures taken	Strategic priorities connection
Risks related to geographic features and climate of the country and the region		
<p>The Company operates in a broad territory with two climate zones (subarctic and temperate zones). There is a possibility of natural disasters (hurricanes, torrential rains, floods, icy rains, etc.), which may entail disruptions of power supply and transport connection.</p> <p>The Company assesses the risks related to increased hazard of natural disasters as minimal.</p>	<p>Detailed information on operational and technical risk management aimed at timely mitigation of the consequences of natural disasters is provided under "Company-specific risks".</p>	<ul style="list-style-type: none"> Ensuring reliable, high-quality and safe power supply to consumers, as well as continuous improvement of the quality and availability of services Energy efficiency, increasing level of environmental safety, and mitigation of environmental impact. Prevention of an increase in the number of accident victims Efficient performance of staff <p>Risk changes </p> <p>No changes.</p>
FINANCIAL RISKS		
Interest rate risks		
<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 an increase in the Bank of Russia's key rate from 17.09.2018 by 0.25 percentage points to 7.50% annually, from 17.12.2018 by 0.25 percentage points to 7.75% annually, in Quarter 4 of 2018, interest rates for the newly attracted loans increased, as well as the rates for a part of loan indebtedness.</p>	<p>In case the interest rates keep growing, the Company is to diversify its credit portfolio by credit product, bank and credit period.</p>	<ul style="list-style-type: none"> Profit-making Building an efficient system of the Company's resources use <p>Risk changes </p> <p>No changes.</p>
Foreign exchange risks		
<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, the Issuer 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 will result in a rise in the price for such equipment and the project on the whole.</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>	<ul style="list-style-type: none"> Profit-making Building an efficient system of the Company's resources use <p>Risk changes </p> <p>No changes.</p>
COMPLIANCE RISKS		
Changes in the tax legislation		
<p>The practice of the tax legislation enforcement creates significant tax risks. 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. 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 based on such changes. Preliminary legal analysis is obligatory for the transactions made regarding the grounds for the respective corporate procedures stipulated by the RF law and/or the Company Charter.</p>	<p>Building an efficient system of the Company's resources use</p> <p>Risk changes </p> <p>No changes.</p>

Possible implications	Measures taken	Strategic priorities connection
Appeal against major and interested-party transactions by the Company's shareholders		
<p>Currently the Company is not facing such risks, except for cases when such transactions are concluded without due approval by the Company's Board of Directors or the General Shareholders' Meeting in accordance with the procedure stipulated by the effective legislation.</p>	<p>The contract procedures of the Company stipulate a mandatory requirement of preliminary legal analysis of potential transactions to identify the existence of grounds for conducting appropriate corporate procedures required by the legislation of the Russian Federation and/or the Company Charter.</p>	<p>Profit-making</p> <p>Risk changes </p> <p>No changes.</p>
Changes in licensing requirements		
<p>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 when the Company is not able to meet the requirements set for renewal of a license or activity subject to licensing.</p>	<p>In case the requirements for licensing are changed, the Company will take all necessary measures to obtain appropriate licenses and permits.</p>	<p>Profit-making</p> <p>Risk changes </p> <p>No changes.</p> <p>As of 31.12.2018, the Issuer had no risk related to inability to extend the license for an activity or use of the facilities that are limited in circulation, for the purposes of compliance with the environmental legislation.</p>
Changes in the court practice		
<p>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.</p>	<p>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.</p>	<p>Efficient performance of staff</p> <p>Risk changes </p> <p>No changes.</p>
REPUTATIONAL RISKS		
<p>The Company carries out its activities so as to completely fulfil its obligations to customers and contractors. The risk is related to the possible failure to fulfil the obligations to customers and contractors fully.</p>	<p>Maintaining reliably and seamless power supply to consumers, improving the quality of the services rendered and growth in customer focus – achievement of the goals defined by the Strategy for Power Grid Facilities Development.</p>	<ul style="list-style-type: none"> Ensuring reliable, high-quality and safe power supply to consumers, as well as continuous improvement of the quality and availability of services Energy efficiency, increasing level of environmental safety, and mitigation of environmental impact. Efficient performance of staff Efficient investment activities <p>Risk changes </p> <p>No changes.</p> <p>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 seem unlikely due to an impact of negative reputational factors.</p>

Possible implications	Measures taken	Strategic priorities connection
STRATEGIC RISK		
Promising 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.511 r.	<ul style="list-style-type: none"> Control over compliance with decisions and orders of external bodies / superior organizations / management of the Company. Increasing the efficiency of the Company's management 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"> Profit-making Ensuring reliable, high-quality and safe power supply to consumers, as well as continuous improvement of the quality and availability of services Energy efficiency, increasing level of environmental safety, and mitigation of environmental impact Efficient performance of staff Efficient investment activities
		Risk changes 
		No changes.
COMPANY-SPECIFIC RISKS		
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)		
There can be risks related to legal proceedings as a result of third parties' default on their contractual obligations to the Company in core activities of the Issuer (power transmission services, technological connection services), including those resulting from the current economic situation.	<ul style="list-style-type: none"> 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 judicial practice on controversial issues. The Company makes necessary efforts (pre-trial settlement of disputes, appropriate negotiations) to minimise the above risks and possible property damage for the Company. 	Efficient performance of staff
		Risk changes 
		No changes.
Fines in the area of the antimonopoly legislation of the Russian Federation related to technological connection of consumer receivers		
A fine does not exempt the Company from fulfilling its obligations on technological connection of applicants. Fulfilment of the Company's obligations in the absence of the approved financing sources 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 subsidised applicants.	<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: <ol style="list-style-type: none"> preparation and submission of contracts to applicants; 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. 	<ul style="list-style-type: none"> Profit-making Efficient performance of staff
		Risk changes 
		No changes.

Possible implications	Measures taken	Strategic priorities connection
Emergencies at power facilities		
Adverse natural phenomena (hurricane wind, heavy snow, ice, low air temperatures) can occur in the Issuer's operations area due to geographic and climatic characteristics of the North-Western region of the country.	<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. Carrying out preparations for emergency response, creation of emergency supply of the materials and equipment. 	<ul style="list-style-type: none"> Ensuring reliable, high-quality and safe power supply to consumers, as well as continuous improvement of the quality and availability of services Energy efficiency, increasing level of environmental safety, and mitigation of environmental impact. Prevention of an increase in the number of accident victims Efficient performance of staff
		Risk changes 
		No changes.
Increased expenses for power purchase to compensate for losses		
Commercial power losses, unlike the technological ones, constitute direct financial loss for the grid companies. 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. The nature 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.	<ul style="list-style-type: none"> Diagnostics of the electric power balances and identification of a number of factors potentially causing this growth. Approval and implementation of the Power Loss Reduction Programme for the period until 2020. 	<ul style="list-style-type: none"> Profit-making Energy efficiency, increasing level of environmental safety, and mitigation of environmental impact. Efficient performance of staff Building an efficient system of the Company's resources use Efficient investment activities
		Risk changes 
		<ul style="list-style-type: none"> The main reason for reduction in the costs of power losses purchase against the plan for 2018 was the reduction in the average price for losses throughout the Company by RUB 329 / thous. kWh (13%), mainly due to fulfilling the functions of the supplier of last resort in Arkhenergo and Vologdaenergo (the losses are calculated as the average price of power purchase at the wholesale market for electricity and power including capacity, without the sales mark-up and infrastructure component). The risk of increase in expenses for power purchase to compensate for losses depends on the growth in the volume of losses and on the rise in the price for power purchase to compensate for losses. The Company is unable to influence the risk of growth in price for purchasing power needed to compensate for losses.

RISK MAP



- | | | |
|--|---|--|
| 1. Increase in overdue accounts receivable for power transmission services | related to power grid renovation (development) in the Investment Programme of the Company | 15. Changes in licensing requirements |
| 2. Decrease in the volume of power transmission services | 8. Risks inherent in the political and economic situation in the country and in the region | 16. Changes in the court practice |
| 3. The risk that the regional authorities may not recognize the full volume of the Company's expenses to be included in the tariff for power transmission services | 9. Risks related to possible military conflicts, declaration of a state of emergency and strikes in the country and regions | 17. Reputational risks |
| 4. Non-compliance with the schedule for regulated procurement procedures in the reporting period of the current year | 10. Risks related to geographic features and climate of the country and the region | 18. Strategic risks |
| 5. Exceeding the procurement cost established in the Procurement Plan | 11. Interest rate 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) |
| 6. Lower procurement transparency | 12. Foreign exchange risks | 20. Fines in the area of the antimonopoly legislation of the Russian Federation related to technological connection of consumer receivers |
| 7. Risk of lack of the activities | 13. Changes in the tax legislation | 21. Emergencies at power facilities |
| | 14. Appeal against major and interested-party transactions by the Company's shareholders | 22. Increased expenses for power purchase to compensate for losses |

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 regulatory acts, 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.

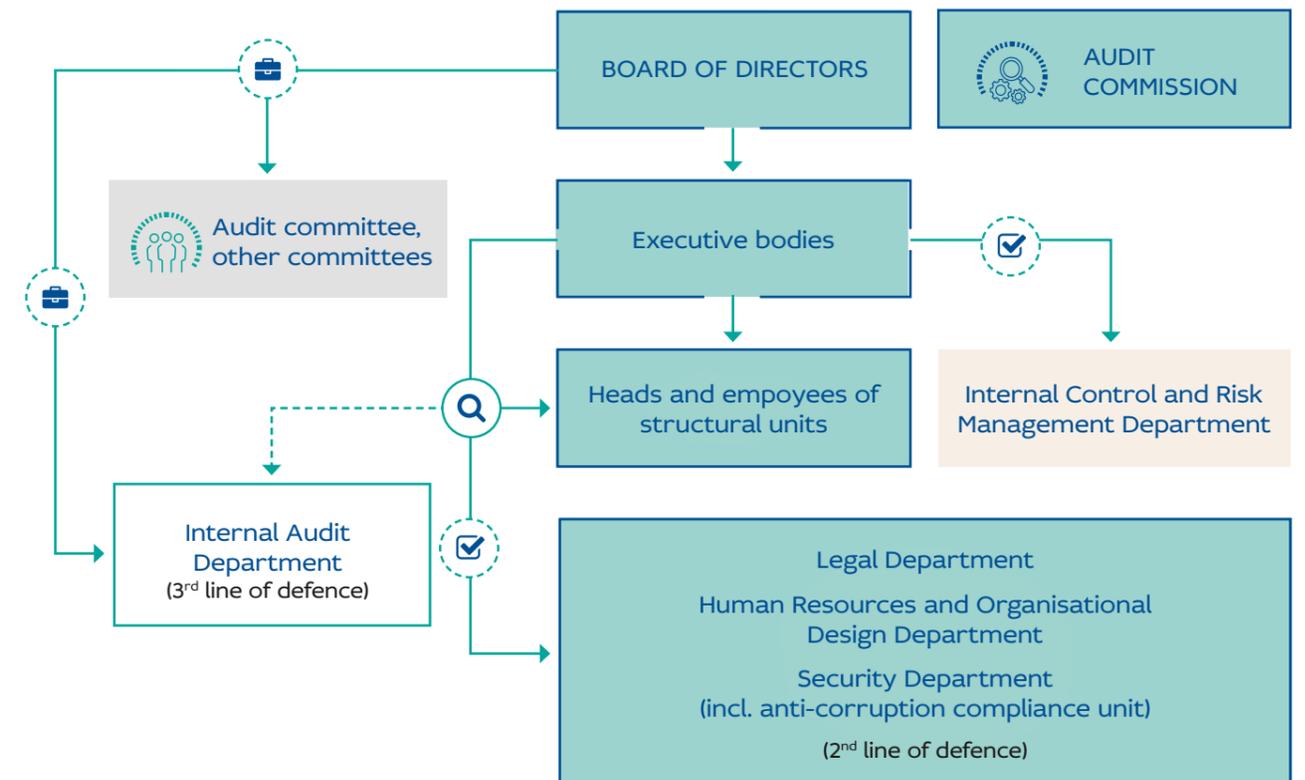
The Internal Control System of the Company functions in line with the "three defence lines" model. The model stipulates internal control implementation at the Company on three levels (Chart 1):

- on the level of management bodies (the sole executive body and the collective executive 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.**

Key participants in the internal control process and their main functions related to internal control are shown in the chart, as well as the table below.

The functions of the ICS participants shown in the table are stipulated by the Internal Control Policy of the Company approved under Decision of the Board of Directors of 29.02.2016 (minutes No.197/12), as well as regulations on structural units.

PARTICIPANTS IN THE INTERNAL CONTROL SYSTEM



FUNCTIONS OF ICS PARTICIPANTS

Participant	Key ICS functions
1ST LINE OF DEFENCE	
Audit Commission	<ul style="list-style-type: none"> Exercises control over financial and business activities of the Company and, based on its findings, prepares proposals / recommendations for improvement of the ICS; Carries out independent assessment of the accuracy of the data contained in the Annual Report and the annual accounting statements of the Company.
Board of Directors	<ul style="list-style-type: none"> Determines principles and approaches to organisation of the Company's Internal Control System, including approval of the Company's internal documents stipulating the ICS organisation and development and improvement strategy, approves the Company's Internal Control Policy; Exercises control over the activities of the Company's executive bodies in the key (priority) areas; Examines the report of the Management Board on the organisation and functioning of the Company's Internal Control System; Annually reviews the report of the internal auditor on the efficiency of the Internal Control System; Studies the findings of the external independent assessment of the efficiency of the Internal Control System.
Audit Committee of the Board of Directors	<ul style="list-style-type: none"> Carries out preliminary studies, prior to the approval by the Board of Directors, of the Company's internal documents stipulating the organisation and the development and improvement strategy of the Company's Internal Control System, of the Internal Control Policy and subsequent amendments thereto; Carries out preliminary review, prior to consideration by the Board of Directors, of the ICS efficiency assessment results based on the report of the internal auditor on the ICS efficiency, as well as information on the findings of the external independent assessment of the ICS efficiency; prepares proposals / recommendations for improvement of the Company's ICS; Supervises the Internal Control System, concerning the issues related to control of the accuracy of the Company's accounting (financial) statements, selection of an external auditor and carrying out external audit, compliance with the regulatory requirements, considers the Management Board's report on organisation and functioning of the Internal Control System, as well as the issues related to analysis and assessment of compliance with the Internal Control Policy.
Other Committees of the Board of Directors (Strategy and Development Committee, Reliability Committee, Technological Connection Committee)	<ul style="list-style-type: none"> Carry out preliminary review and draft recommendations for the Company Board of Directors, including analysis of the issues related to supervision of the implementation of the adopted programmes and projects, risk management procedures efficiency, achievement of the established financial and operational targets, compliance with the antimonopoly laws, as well as the rules and procedures stipulated by the Company regulatory documents, and the accuracy and schedules of the Company's reporting.
Executive bodies of the Company (Management Board, sole executive body)	<ul style="list-style-type: none"> Ensure creation and efficient functioning of the ICS; Are responsible for fulfilment of the Board of Directors decisions related to the ICS organisation.
Management Board of the Company	<ul style="list-style-type: none"> Establishes the areas and plans for development and improvement of the ICS; Prepares reports on the Company's financial and business operations, organisation and functioning of the Company's Internal Control System; Examines the findings of the external independent assessment of the ICS efficiency, works out measures for development and improvement of the ICS.
Sole executive body of the Company	<ul style="list-style-type: none"> Approves the Company's regulatory and methodological documents on organisation and functioning of the ICS, except for the documents within the competence of the Board of Directors of the Company; Ensures implementation of the Company's action plans necessary for achieving its goals; Organises accounting and management reporting, preparation of accounting (financial) statements and other reports; Submits reports on the Company's financial and business performance and on the organisation and functioning of the Company's Internal Control System to the Board of Directors for consideration.
Heads of divisions and structural units of the Company (First Deputy Director General – Chief Engineer, Deputies Director General for business areas, Deputies Director General – Branch Directors, Heads of departments and functions)	<ul style="list-style-type: none"> Perform the functions of developing, documenting, implementing, monitoring and enhancing the Internal Control System in the functional areas of the Company's activities, the organisation and coordination / implementation of which are within their responsibility subject to the Company's regulatory documents / regulations on the structural units, in particular: <ul style="list-style-type: none"> Ensure implementation of the internal control principles; Build efficient processes (activities), including development and implementation of new control procedures or changes in the existing control procedures taking into account identified risks; Ensure regulation of the supervised processes (activities); Organise implementation of the control procedures; Assess (monitor) implementation of the control procedures; Assess the supervised processes (activities) to identify the need to optimise them in order to increase efficiency and meet changing external and internal conditions, arrange the development of proposals for improvement of the control procedures; Ensure elimination of identified drawbacks in the control procedures and processes (activities).
Employees of the structural units of the Company and its branches performing control procedures as part of their job duties	<ul style="list-style-type: none"> Perform control procedures; Timely inform their immediate superiors when implementation of the control procedures becomes impossible for some reasons, and/or it is necessary to alter the design of the control procedures due to changes in internal and/or external conditions of the Company's operation; Submit proposals for introduction of control procedures in relevant areas of activities to their immediate superiors for consideration.

Participant	Key ICS functions
2ND LINE OF DEFENCE	
Internal Control and Risk Management Unit	<ul style="list-style-type: none"> Develops and ensures implementation of primary and methodological documents on building and improving the Internal Control System; Assists the management in creation of the control environment, development of recommendations for description and implementation of control procedures in the processes (activities) and for assignment of responsibilities to executives; Coordinates the activity aimed at maintaining and monitoring the target status of the Internal Control System; Prepares information regarding the state of the Internal Control System for the stakeholders; Cooperates with the state control and supervisory bodies on the internal control issues.
Legal Department	<ul style="list-style-type: none"> Ensures legality, protection of the rights and interests of the Company; Strengthens the contractual discipline in the Company; Identifies and reduces judicial risks; Carries out preliminary review of the regulatory administrative documents (hereinafter – RAD) of the Company for compliance with the effective legislation; Monitors the current changes in the legislation for timely measures to amend the Company's regulatory documents or deem them invalid;
Department of Human Resources and Organisational Design	<ul style="list-style-type: none"> Arranges and implements measures for development and improvement of the Company's management system; Develops RAD in order to introduce, update, improve and fulfil the control procedures by business processes/activities. Approves the targets for the Company's business processes for a calendar year; Adopts adequate measures to strengthen the labour discipline and suppress deviations from the approved corporate standards and procedures;
Security Department (including the Division for Anti-Corruption Compliance Procedures)	<ul style="list-style-type: none"> Ensures activities to protect the interests of the Company and its branches from harmful unlawful actions of legal entities and individuals; Identifies, prevents and counteracts corruption-related and other offenses; Controls the compliance with the laws and regulations in the area of financial market regulation; Carries out anti-corruption control of the Company's procurement activities; Controls information disclosure regarding the chain of ownership (beneficiaries) of the Company's counterparties; Controls the compliance with the Anti-Corruption Policy.
3RD LINE OF DEFENCE	
Internal Audit Department	<ul style="list-style-type: none"> Develops recommendations for improving control procedures, certain components (elements) of internal control and the Internal Control System, based on the results of the internal audit; Carries out internal independent assessment of the efficiency of the Internal Control System and gives recommendations for improving the efficiency and performance of the Internal Control System.

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 works in line with the Procedure for Implementation of the Internal Control Policy Requirements, outlining the pragmatic aspects of using the standards stipulated by the Internal Control Policy.

Control procedures regarding the processes and sub-processes of the core and supporting activities, as well as the Company management processes are documented in matrices of control and risk by areas of activity.

In line with the Company Board of Directors Decision of 18.05.2018 (minutes No.281/36), the Company issued Order of 25.05.2018 No. 340 (in the version of 29.12.2018 No. 854) "On approval of a set of actions to improve the ICS, RMS and CG in 2018", under which the improvement plan for the Internal Control System in 2018 was approved and implemented.

Assessment of ICS performance

To ensure that the ICS is efficient and complies with the changing objective requirements and conditions, the internal auditor of the Company carries out assessment of the ICS efficiency: its conformity to the target state and maturity level.

ICS MATURITY LEVEL



External independent assessment of the internal control system as of 31.12.2018 is 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. At the moment, assessment has not been finished yet.

Internal independent assessment of the ICS efficiency was carried out by the internal auditor of the Company. ICS efficiency in

2018 was considered by the Board of Directors meeting upon preliminary discussion of the issue by the Audit Committee of the Board of Directors of 03.04.2019 (minutes No.13). According to the above decisions, the ICS maturity level was estimated as “Optimal”, while in 2017 it was deemed to be between “Moderate” and “Optimal”, and in 2016 the ICS maturity was assessed as “Moderate”

In the reporting year, the Company carried out the following key measures to improve the ICS:

- 1.The Company identified the need to develop and implement measures to improve control procedures and matrices of business processes upon the self-assessment of the business process efficiency. Therefore, it updated and approved control and risk matrices for 22 areas of the Company’s activity.
- 2.Changes were made to the Company standards on division of responsibilities (prevention of one person from being entitled to perform a control procedure and monitor its performance, as well as division of authority for the functions of initiation, authorisation, performance, accounting, implementation and control of operations), introduction of risk-oriented approach to internal audits of the QMS, inclusion of the requirement to integrate responsibility matrices in the technical guidance documents.

- 3.The Company developed, updated and introduced a number of fundamental regulatory documents for the Company’s activities stipulating additional control of performance and process optimisation.
- 4.A standard form of the banker’s guarantee was developed and approved.
- 5.The business process of power transmission services sale was automated; upgrade and implementation of new functionalities also took place in other automated information systems of the Company activities.
- 6.The system of anti-crisis communication and promotion of the Company’s position in social networks was improved.
- 7.Employees of the Company branches were taught the basic principles of the Internal Control Systems, risk management and quality management to achieve efficiency of the processes implemented.

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:

- 01 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);
- 02 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);
- 03 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 2018 is assessed as 1.4 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).

The action plan to develop and improve the internal audit activities of the Company for the period from 2017 to 2019 was developed on the basis of the recommendations provided by the Audit Committee of the Board of Directors.

In 2018, the headcount of the Internal Audit function was 7 persons.

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

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 Federal 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 2018, the headcount of Anti-Corruption Compliance Procedures Unit did not change (amounting to 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 Director General 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 about 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 study them;
- control over the compliance with the legislation regulating financial markets;
- 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, including special investigation and search measures;
- 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 2018, there were two compositions of the Audit Commission, 5 meetings were held.

In the period from 13.06.2017 to 07.06.2018, the Audit Commission of the Company comprised the following persons: M.A.Lelekova, S.A.Kim, O.A.Medvedeva, A.N.Kirillov, S.V.Malyshev.

THE COMPOSITION OF THE AUDIT COMMISSION ELECTED AT THE ANNUAL GENERAL SHAREHOLDERS' MEETING OF 07.06.2018, IS AS FOLLOWS:

<p>LELEKOVA MARINA ALEXEEVNA</p> <p>Chairman of the Audit Commission First elected to the Audit Commission of the Company: 21.06.2013</p>	<p>Born in 1961.</p> <p>Graduated from the Far-Eastern Institute of Soviet Trade with the qualification of Economist in 1982.</p> <p>Professional experience: 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. Since 2015 – present – Director of the Department for Control Activities / Department for Control and Auditing Activities of PJSC Rosseti.</p>
<p>KIM SVETLANA ANATOLIEVNA</p> <p>First elected to the Audit Commission of the Company: 13.07.2017</p>	<p>Born in 1981.</p> <p>Graduated from Moscow State University of Railway Engineering in 2004 with the qualification of Expert in Commerce.</p> <p>Professional experience: 2010-2013 – Head of the Investment Control at the Department for Control and Audit of PJSC FGC UES. Since 2013 – present – Head of the Audit Unit of the Department for Control and Auditing Activities of PJSC Rosseti.</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>Professional experience: 2013-2015 – Head of the Investment Audit Unit, Audit Activities and Internal Audit Directorate, Internal Audit and Control Department of PJSC Rosseti. Since 2015 – present – Deputy Head of the Audit Activities Directorate, Department for Control Activities / Department for Control and Auditing Activities of PJSC Rosseti.</p>
<p>ERANDINA ELENA STANISLAVOVNA</p> <p>First elected to the Audit Commission of the Company: not elected</p>	<p>Born in 1972.</p> <p>In 1994, graduated from Moscow State University of Environmental Engineering with the qualification of Engineer-Economist. In 2006, graduated from the State University of Management with the qualification of Economist.</p> <p>Professional experience: 2013-2015 – Head Expert of the Internal Audit Unit of OJSC Elektrosetservis UNPG. Since 2016 – present – Head Expert of the Control and Expert Unit, Department for Control and Auditing Activities of PJSC Rosseti.</p>
<p>KABIZSKINA ELENA ALEKSANDROVNA</p> <p>First elected to the Audit Commission of the Company: 23.06.2015</p>	<p>Born in 1964.</p> <p>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>Professional experience: 2013-2014 – Head of the Department for Methodological Support of the Internal Audit Department of OJSC MOESK. Since 2014 – present – Deputy Head of the Audit Unit of the Department for Control and Auditing Activities of PJSC Rosseti.</p>

Members of the Audit Commission owned no shares of PJSC IDGC of the North-West in 2018. They did not enter into any transactions with the Company's securities in 2018.

Performance results in 2018

Information on the key decisions made at the meetings of the Audit Commission in 2018:

- 16.03.2018 (minutes No. 3) – approve the Programme of the financial and operations audit of the Company for 2017.
- 16.03.2018 (minutes No. 3) – invite professionals (experts) to contribute to the financial and operations audit in the areas relevant to the respective objects of audit, including specialised entities.
- 16.03.2018 (minutes No. 3) – 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 2017.
- 23.04.2018 (minutes No. 4) – review and approve the Findings of the Audit Commission of PJSC IDGC of the North-West.
- 22.05.2018 (minutes No. 5) – invite professionals (experts) to contribute to the financial and operations audit in the areas relevant to the respective objects of audit.
- 06.06.2018 (minutes No. 6) – 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 2017.
- 09.06.2018 (minutes No.1) – elect Lelekova Marina Alexeevna, Director of the Department for Control and Auditing Activities of PJSC Rosseti, as Chairman of the Audit Commission of the Company.
- 09.06.2018 (minutes No.1) – elect Kirillov Artem Nikolaeovich, Deputy Head of the Audit Activities Directorate, as the Secretary of the Audit Commission of the Company.
- 09.06.2018 (minutes No.1) – approve the action plan for the Audit Commission of PJSC IDGC of the North-West for 2018-2019.

Remuneration paid to the Audit Commission

According to the Regulation on the Remuneration and Compensation Payment to Members of the Audit Commission of the Company⁷⁶ (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

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.

REMUNERATION AND COMPENSATIONS PAID TO MEMBERS OF THE AUDIT COMMISSION IN 2016–2018, RUB

Item	2016	2017	2018
Remuneration	793,000	781,650	755,865
Compensation of expenses	0	0	33,189

⁷⁶ Approved on 07.06.2018 by the Annual General Shareholders' Meeting (minutes No. 13).

External audit

To ensure independent and unbiased activities of the External Auditor, the External Auditor of the Company was selected by an open single-stage tender without preliminary qualification-based selection.

In 2018, an Auditor was selected for 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. In accordance with 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.

Under pp. 11 p. 10.2 Article 10 of the Company Charter, the General Shareholders' Meeting has the authority to approve the External Auditor of the Company. Under the decision of the Annual General Shareholders' Meeting of PJSC IDGC of the North-West dated 07.06.2018, the independent External Auditor of the Company for 2018 became LLC Ernst & Young.

The amount of remuneration to the External Auditor was RUB 5,092 thousand, including VAT. No related services were rendered by the External Auditor.

For more details on the Auditor selection by tender and the Auditor remuneration trends over 3 years see the full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

The system for conflict of interest prevention and the insider information

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 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 2018, the Company verified 2,629 conflict of interest declarations submitted by the Company's employees. 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 sub-

mission by employees of false or incomplete data, etc. All the identified risks of the conflict of interests underwent activities for their elimination.

In 2018, efforts were undertaken to prepare and submit the list of the Company's insiders to trading organiser PJSC Moscow Exchange.

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.

AUDITOR



Full name:	Ernst & Young Limited Liability Company
Short name:	LLC Ernst & Young
Location and 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 and Mailing address:	23 Malaya Morskaya St., Saint Petersburg, 190000 Russia

Information for investors and shareholders

Capital structure

As of 31.12.2018, 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.

FREE-FLOAT

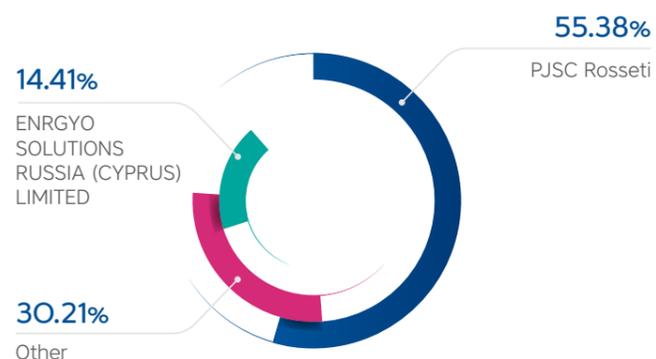
The free-float shares of PJSC IDGC of the North-West account for 30.21%⁷⁷.

PJSC IDGC of the North-West does not have any information on ownership stocks exceeding 5%, apart from the disclosed ones.

As of 31.12.2018, PJSC IDGC of the North-West shares were not owned by the Company's subsidiaries and affiliates.

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.

SHAREHOLDER CAPITAL STRUCTURE OF PJSC IDGC OF THE NORTH-WEST AS OF 31.12.2018, %



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

STATISTICS OF THE EQUITY CAPITAL STRUCTURE

Shareholder type	31.12.2017		31.12.2018	
	Number of shareholders	% of AC	Number of shareholders	% of AC
Owners – individuals	13,599	11.8406	13,745	12.5886
Owners – legal entities	194	87.6733	188	87.2166
Federal property (RF, RF regions)	4	0.0035	3	0.0035
Municipal property	2	0.0093	3	0.0104
Nominee shareholders	8	0.0114	9	0.0160
Trustees	24	0.4236	10	0.1568
Foreign custodian	2	0.0320	1	0.0018
Unidentified persons	2	0.0063	2	0.0063
TOTAL	13,835	100	13,961	100

NUMBER OF SHAREHOLDERS, INCLUDING INDIVIDUALS

Shareholder type	31.12.2017		31.12.2018	
	Number of shareholders	% of AC	Number of shareholders	% of AC
RF residents	13,710	70.5027	13,843	72.2909
RF non-residents	123	29.4910	116	27.7028
Unidentified persons	2	0.0063	2	0.0063
TOTAL	13,835	100	13,961	100

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.

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.

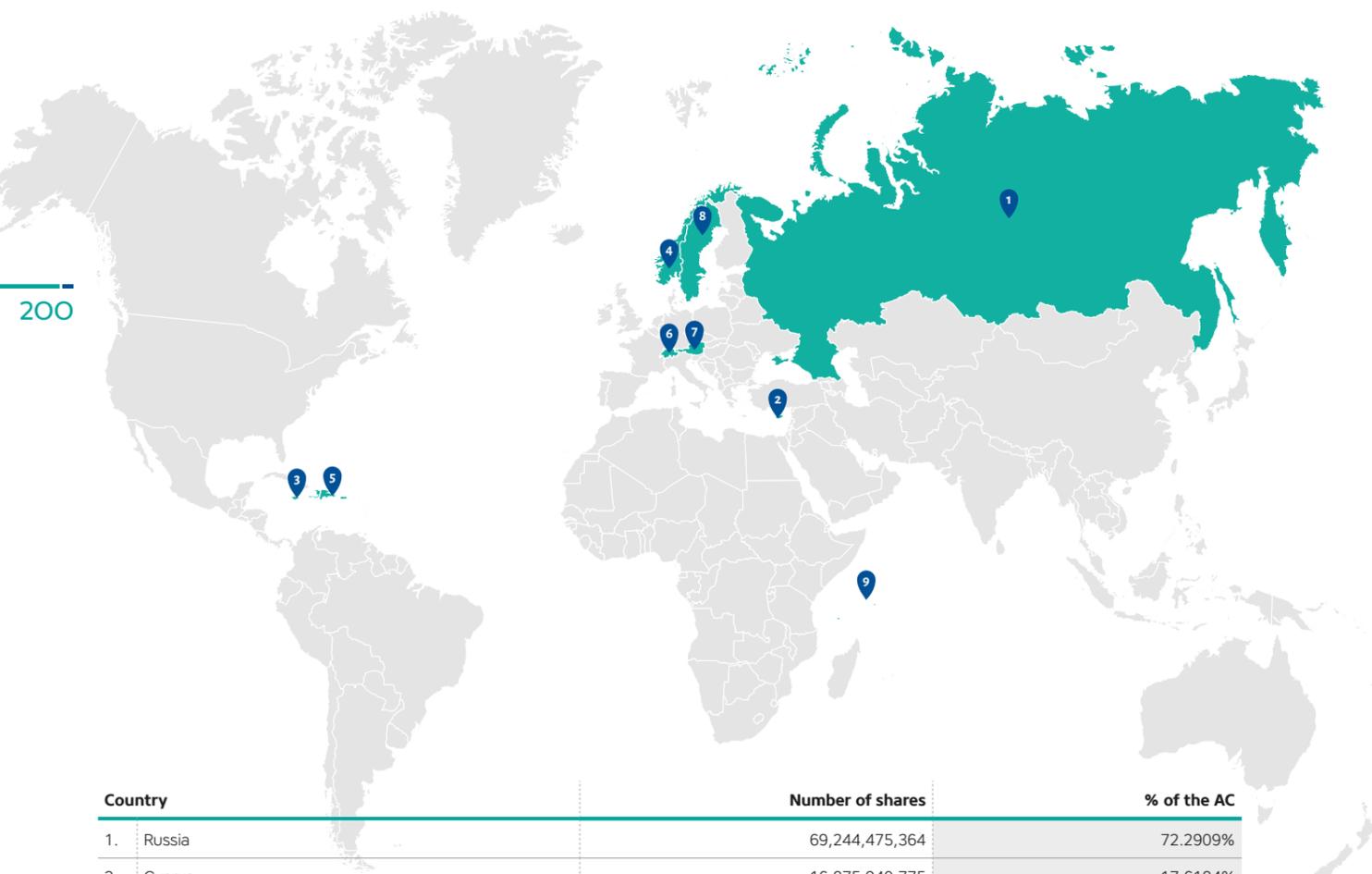
Platform	MICEX
Ticker	MRKZ
Start of trading without the listing procedure	–
Start of trading in Quotation List B	29.05.2008
Start of trading in Quotation List A, Level 2	24.05.2011
Date of inclusion into the Level 1 Quotation List based on the listing reform results	09.06.2014
Date of inclusion into the Level 2 Quotation List based on the listing reform results	31.01.2017

THE COMPANY'S SHARES ARE INCLUDED IN THE CALCULATION BASES BY MOSCOW EXCHANGE:

	Weight of the shares in the index calculation base as of 29.12.2018
MOEXBMI (broad market index)	0.01%
MOEXEU (power industry index)	0.74%
MOEX RegCo Index (regulated companies index)	0.55%

⁷⁷ 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>

Geography of the Company's shareholders as of 31.12.2018



Country	Number of shares	% of the AC
1. Russia	69,244,475,364	72.2909%
2. Cyprus	16,875,940,775	17.6184%
3. The Cayman Islands	8,300,143,711	8.6653%
4. Norway	886,886,897	0.9259%
5. The British Virgin Islands	153,228,585	0.1600%
6. Switzerland	141,078,537	0.1473%
7. Austria	94,945,948	0.0991%
8. Sweden	21,385,698	0.0223%
9. The Seychelles	15,137,077	0.0158%

MARKET FEATURES

Indicator	Unit	30.12.2016	29.12.2017	29.12.2018	Change, %
Weighted average price	RUB	0.0543	0.0515	0.0549	6.6
Capitalisation*	RUB mln	5,201.2	4,933.0	5,258.6	6.6
Trading volume (one year before the indicated date)	RUB mln	375.15	297.35	437.32	47.07
	mln items	8,112.18	5,549.45	7,445.52	34.16

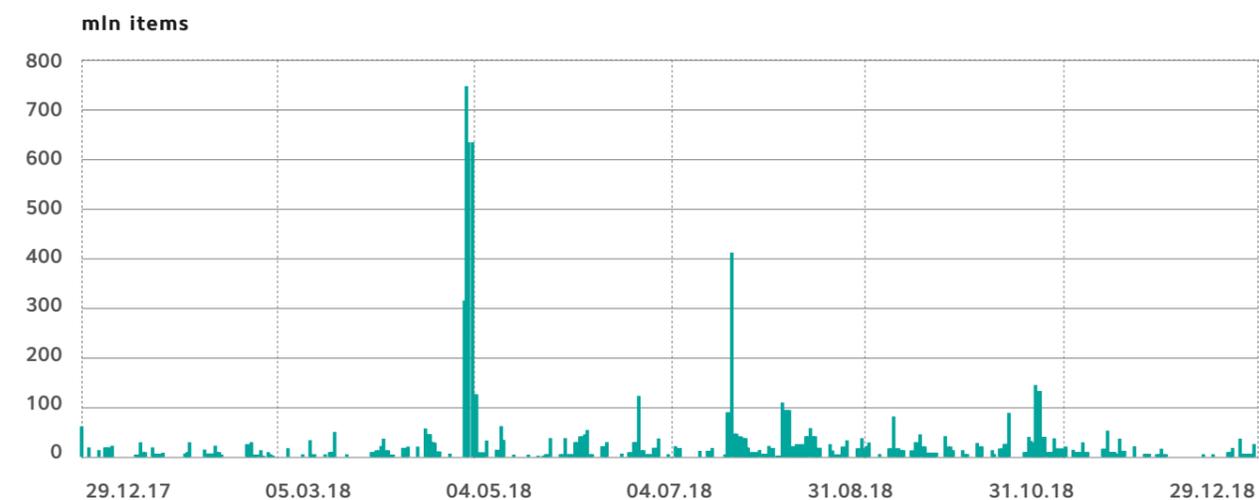
* Calculated as the weighted average price per share as of the end of the reporting period multiplied by the total number of the Company's shares.

TRENDS IN THE PJSC IDGC OF THE NORTH-WEST ORDINARY SHARE PRICES AGAINST THE INDICES OF MICEX AND MICEX POWER INDUSTRY



The shares of IDGC of the North-West outperformed the MICEX power industry index in 2018, but they finished the year below the MICEX index. Over the year, the value of the Company's shares increased by 6.6%, while the growth in the MICEX index amounted to 12.3%, and the MICEX power industry index decreased by 11.4%. The market capitalisation of the Company as of 31.12.2018 amounted to RUB 5,258.65 mln.

TRADING VOLUME TRENDS OF PJSC IDGC OF THE NORTH-WEST AT MOSCOW EXCHANGE



The Russian stock market was greatly influenced in 2018 by adverse events on the global stock markets: introduction of several rounds of anti-Russian sanctions, high volatility of oil quotations, tightening of the USA internal policy, slowdown in the global economic growth.

Trends in the shares of PJSC IDGC of the North-West, as well as most of securities in the sector, were mainly influenced by attitudes of investors expecting dividend payments based on the quarterly reporting of the Company.

The Company did not sign any contracts with market makers to maintain the prices, demand, supply, trading volume of the shares in 2018.

Investor and shareholder relations

Transparency is one of the principles underlying the Company's corporate governance, which implies timely disclosure of credible 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.mrsksevzap.ru/shareholdersprivateoffice>).

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.mrsksevzap.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 05.06.2018 (minutes No.286/41). The text of the Regulation is available at the Company web site <http://www.mrsksevzap.ru/otherinternal-documents>.

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.

Report on the events held in 2018

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.

In 2018, there were two conference calls for representatives of the investment community on financial performance of PJSC IDGC of the North-West under IFRS for 12 months of 2017 and 6 months of 2018. Leading banks and investment companies took part in them (Renaissance Capital, JSC Gazprombank, Uralsib, ATON, Sova Capital, BCS Managing Company). The investment community highly appreciated the Company management's readiness for the dialogue 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).



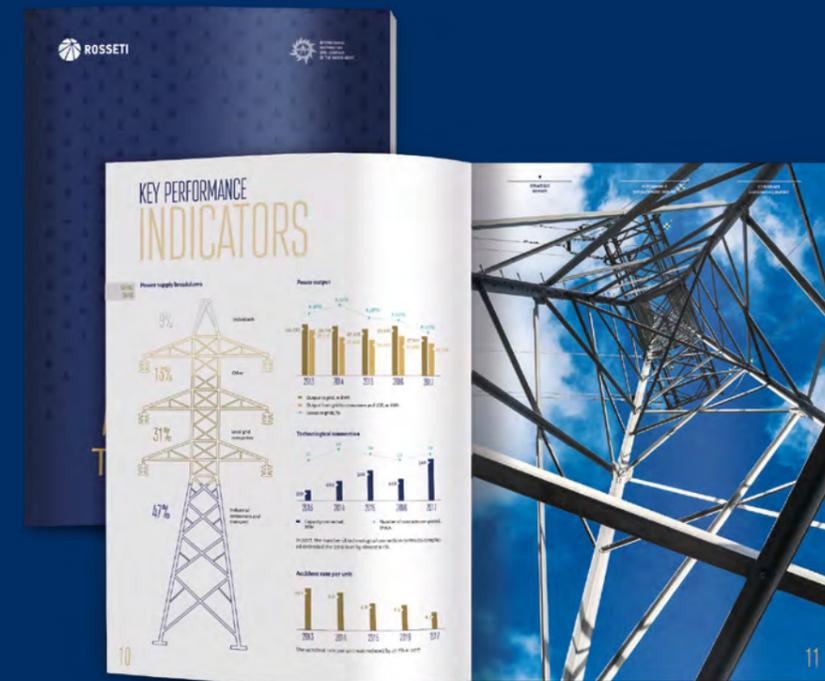
The investment community highly appreciated the Company management's readiness for the dialogue and the quality of information disclosure.

PARTICIPATION IN RUSSIAN COMPETITIONS OF ANNUAL REPORTS

01 In 2018, IDGC of the North-West was second at the 21st 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".

02 A platinum award for "Best Design of the Annual / Integrated Report" and a golden award as the "Best Corporate Annual Report" in the international contest of annual reports MarCom Awards.

03 Silver in the category "Traditional Annual Report" of the international annual report contest of ARC Awards under "Power industry company" nomination.



Calendar of investor activities for 2019

April-May 2019: meetings with minority shareholders before the Annual General Shareholders' Meeting.

August 2019: a conference call on the publication of the IFRS consolidated interim condensed financial statements for the 3 and 6 months ending 30 June 2019 (unaudited).

November 2019: a conference call on the publication of the IFRS consolidated interim condensed financial statements for the 3 and 9 months ending 30 September 2019 (unaudited).

November – December 2019: an IR meeting with the representatives of the shareholder/investment community.

Detailed scheduled plan of activities on interaction with the investment community in 2019 is available at the Company web site: http://www.mrsksevizap.ru/ir_investorscalendar

204 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 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

	2016 (for 2015)	2017 (for 2016)	2018 (for 2017)
Dividends per one ordinary share, RUB	0.004254	0.0011608	
Amount of dividend accrued, RUB thous.	407,473	111,188	
Share of net profit allocated to dividends, %	63.2	24.3	-
Amount of dividends paid, RUB thous.	402,454	109,608	
Dividend yield*	15.06	2.52	

* 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 Company Board of Directors decided (minutes of 08.05.2019 № 318/31) to recommend the Annual General Shareholders' Meeting the following decision: to pay dividends on the Company's ordinary shares for 2018 in the amount of RUB 0.003985 per ordinary share in monetary form.

The share of dividend paid in the total amount of declared dividend in 2012 amounted to 100%, in 2013 – 98.71%, in 2015 – 98.85%, in 2016 – 98.54%. 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.

In line with the Company Charter, the decision on 2018 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.mrsksevizap.ru/shareholdersmeetinginfo>

PROFIT ALLOCATION

	2016 (for 2015)	2017 (for 2016)	2018 (for 2017)
Net profit (loss) in the reporting period	644,016	456,889	-2,441,462
Undistributed profit (loss) in the reporting period, thous. RUB, including:			
Provisions	32,201	22,844	-
Profit for development	204,342	322,857	-
Dividends	407,473	111,188	-
Coverage of losses from previous years	-	-	-

Information on major and interested-party transactions

In 2018, 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 and require approval of the authorised management body of the Company is shown in Annex 29 – report on the interested-party transactions made by PJSC IDGC of the North-West in 2018. The report was signed by the Director General of the Company. The meeting of the Audit Commission of 30.04.2019 (minutes No. 3) 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 08.05.2019 (minutes No. 318/31) approved the report on the interested-party transactions in 2018.

Information on major and interested-party transactions is also available at the Company's web site: http://www.mrsksevizap.ru/id_dealings.

Major court proceedings

Case of bankruptcy (insolvency) of PJSC Arkhenergosbyt (No. A25-2825/2017)

As of 01.01.2018, the overdue accounts receivable from the large power transmission services consumer PJSC Arkhenergosbyt (hereinafter – the Debtor) due to the Company amounted to RUB 3,121 mln. To recover the debt, on 13.02.2018 the Company lodged a legal application to declare PJSC Arkhenergosbyt bankrupt; on 02.04.2018 the application was deemed justified and a monitoring procedure was initiated towards the debtor. The claims of PJSC IDGC of the North-West in the total amount of RUB 3.4 bln were included in the creditor’s register of the debtor. During the monitoring procedure, the debtor was subject to additional provisional measures, such as a ban on carrying out transactions and payments without approval of the interim administrator. On 20.12.2018, PJSC Arkhenergosbyt was declared bankrupt and underwent bankruptcy proceedings – managed exit

Case of bankruptcy (insolvency) of PJSC Vologdaenergosbyt (No. A25-846/2018)

As of 01.01.2018 the overdue accounts receivable from the large power transmission services consumer PJSC Vologdaenergosbyt (hereinafter –

the Debtor) due to the Company amounted to RUB 202.4 mln.

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 indebtedness. The application was taken up by the court, and an action of solvency was brought against PJSC Vologdaenergosbyt.

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 5-month monitoring procedure. The court hearings on the interim administrator report are scheduled for 16.05.2019.

As of 12.03.2019, the Company submitted 9 applications for including its claims in the creditor’s register of PJSC Vologdaenergosbyt in the total amount of RUB 466 mln, whereof RUB 251.5 mln were considered and included in the register.



Additional information

Materiality definition

To identify the scope of topics to be covered by the Report, the Company analysed their relevance. We conduct ongoing monitoring of the Company’s impact on economy, social context and environment, as well as stakeholders’ demand for information. The Company’s determination of material topics and respective indicators took into account:

- international and Russian standards of corporate social responsibility and sustainable development;
- polling regarding the GRI Standards for the 2017 and 2018 Reports;
- analysis of the nature of the Company’s stakeholder interaction.

The analysis of the Company’s stakeholder interaction and material topics identification involved a study of the following:

- results of the survey conducted among managers and specialists within the framework of the Report compilation;
- feedback from the employees;
- data from regular interaction with analysts and investors, federal and regional authorities, business partners, non-profit and public organisations, experts, local communities;
- data received by the Company during the 2017 and 2018 Reports preparation.

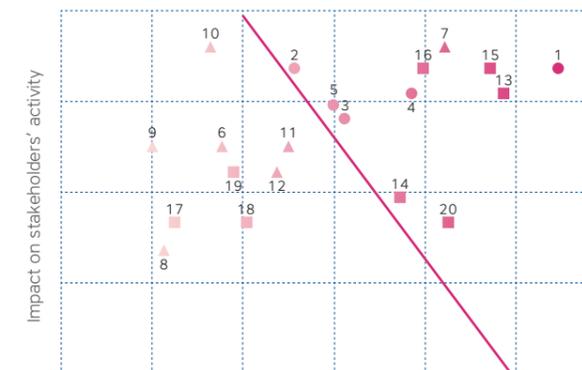
LIST OF MATERIAL TOPICS*

1	Improvement in economic efficiency and financial stability
2	Investment policy and Investment Programme implementation
3	Procurement management
4	Anti-corruption management
5	Innovation and digitalisation
6	Water
7	Energy efficiency and energy saving
8	Biodiversity conservation
9	Greenhouse gases and pollutants emission rate
10	Solid and liquid waste generation rate and discharge to water
11	Compliance with the environmental requirements of the law and regulatory bodies
12	Environmental requirements to suppliers and contractors
13	Interaction with employees under considerable changes in labour management relations
14	Interaction with employees under considerable changes in labour management relations
15	Occupational health and safety
16	Personnel development
17	Equal opportunities for men and women
18	Freedom of association and collective bargaining
19	Human rights observance for the Company employees
20	Impact on the social development in the operations area

* Material topics are in bold.

Key material topics are in bold italics.

MATERIALITY MATRIX



The Company’s impact on the economy, social context and the environment

- THE ECONOMIC CATEGORY
- THE ENVIRONMENTAL CATEGORY
- ▲ THE SOCIAL CATEGORY

Standards correspondence tables

GRI index

GRI 102-55

Reporting indicators under GRI 2016 standards	Information disclosure
GRI 101	Foundation 2016
GRI 102	General disclosures 2016
1. ORGANISATION PROFILE	
GRI 102-1	Name of the organisation Public Joint-Stock Company Interregional Distribution Grid Company of the North-West (PJSC IDGC of the North-West)
GRI 102-2	Activities, brands, products, and/or services Core businesses include power transmission and technological connection of consumers to grids.
GRI 102-3	Location of headquarters Addresses and contacts, p. 217 3A Konstitutsii Sq., Saint Petersburg, 196247, Russia, office 16H
GRI 102-4	The Company's geographical footprint The Company structure and geographical footprint, p. 30-31
GRI 102-5	Ownership and legal form Addresses and contacts, p. 217
GRI 102-6	Markets served The Company structure and geographical footprint, p. 30-31
GRI 102-7	Scale of the organisation Company overview, p. 18-19; Key performance indicators, p. 20-25; The Company structure and geographical footprint, p. 30-31; Production results, p. 58-77; Financial performance analysis, p. 78-95
GRI 102-8	Total headcount of the Company's staff and employees Human Resources and Social Policy, p. 106-107
GRI 102-9	Supply chain Supply chain, p. 34-35
GRI 102-10	Significant changes to the organisation in the reporting period: balance amounts, organisational structure, equity capital structure, supply chain Key performance indicators, p. 22
GRI 102-11	Precautionary principle or approach The Company's understanding of sustainable development, p. 98
GRI 102-12	External economic, environmental and social 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 System. 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. Self-Regulated Organisation, Association – Non-Commercial Partnership Energo-ProfAudit. Self-Regulated Organisation, Association – Saint Petersburg Builders Union. Interregional Industrial Association of Employers of the Power Sector of Russia (RaEI).

Reporting indicators under GRI 2016 standards	Information disclosure
2. STRATEGY	
GRI 102-14	Statement from senior decision-maker in the organisation Address by the Chairman of the Board of Directors, p. 26-27 Address by the Director General, p. 28-29
3. ETHICS AND GOOD BUSINESS PRACTICE	
GRI 102-16	Values, principles, standards, and norms of behaviour Responsible business, p. 122
GRI 102-17	Mechanisms for advice and concerns about ethics Responsible business, p. 127
4. GOVERNANCE	
GRI 102-18	Governance structure Overview of the Company's corporate governance, p. 132-133
5. STAKEHOLDER INTERACTION	
GRI 102-40	List of stakeholders Stakeholder interaction, p. 101
GRI 102-41	Collective agreements Staff headcount and breakdown, p. 114
GRI 102-42	Identifying and selecting stakeholders for interaction Stakeholder interaction, p. 100-101
GRI 102-43	Approach of the organisation to stakeholder engagement Stakeholder interaction, p. 101
GRI 102-44	Key topics and concerns raised by each group of stakeholders Stakeholder interaction, p.101
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, OJSC Pskovenergoagent, OJSC Pskovenergosbyt, OJSC Energoservis Severo-Zapada and OJSC Lesnaya Skazka.
GRI 102-46	Methodology of defining the report contents Materiality definition, p. 207
GRI 102-47	List of material topics Materiality definition, p. 207
GRI 102-48	Restatements of information There were no restatements or substantial changes in the estimates in the reporting year.
GRI 102-49	Considerable changes against previous reporting periods regarding the scope, boundaries or measurement methods used in the report Materiality definition, p. 207
GRI 102-50	Reporting period The financial year from 1 January to 31 December 2018
GRI 102-51	Date of the previous report June 2018
GRI 102-52	Reporting cycle Annual
GRI 102-53	Contact point for questions regarding the report Addresses and contacts, p. 218
GRI 102-54	Claims of reporting in accordance with the GRI Standards This report has been prepared in accordance with the GRI Standards: Core option.
GRI 102-55	GRI content index GRI index, p. 208-213
GRI 102-56	External assurance The IFRS and RAS consolidated financial reporting within the Annual Report was audited by LLC Ernst & Young. No external public assurance was performed.
Standard elements of the sector supplement	
EU3	Number of accounts attributable to domestic, industrial, institutional and commercial power supply units of consumers Power transmission and losses, p. 59
EU4	Length of transmission and distribution lines by type Company overview, p. 18
EU12	Power losses during power transmission and distribution as percentage of total volume of the power transmitted Key performance indicators, p. 20 Power transmission and losses, p. 60
EU28	Power outage frequency Improving power supply efficiency, reliability and quality, p. 69
EU29	Average power outage duration Improving power supply efficiency, reliability and quality, p. 69

208

209

Reporting indicators under GRI 2016 standards		Information disclosure
MATERIAL TOPICS		
Improvement in economic efficiency and financial stability		
GRI 201	Economic performance 2016	
GRI 103	Management approach 2016	
GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p. 207
GRI 103-2	The management approach and its components	Financial performance analysis, p. 78
GRI 103-3	Evaluation of the management approach	Financial performance analysis, p. 78
GRI 201-4	Financial assistance received from government	Financial performance analysis, p. 88
Energy efficiency and energy saving		
GRI 302	Energy 2016	
GRI 103	Management approach 2016	
GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p. 207
GRI 103-2	The management approach and its components	Power transmission and losses, p. 60
GRI 103-3	Evaluation of the management approach	Power transmission and losses, p. 60 Annex 30. Data on the amount of energy resources used in 2018 *
GRI 302-4	Reduction of energy consumption	Power transmission and losses, p. 60 Annex 30. Data on the amount of energy resources used in 2018 *
Interaction with employees under considerable changes in labour management relations		
GRI 401	Employment 2016	
GRI 103	Management approach 2016	
GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p. 207
GRI 103-2	The management approach and its components	Human Resources and Social Policy, p. 106
GRI 103-3	Evaluation of the management approach	Staff headcount and breakdown, p. 106-107
GRI 401-1	Personnel hired and labour turnover	Staff headcount and breakdown, p. 106-107
Occupational health and safety		
GRI 403	Occupational health and safety 2016	
GRI 103	Management approach 2016	
GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p. 207
GRI 103-2	The management approach and its components	Occupational health and safety, p. 116
GRI 103-3	Evaluation of the management approach	Occupational health and safety, p. 116-117
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational health and safety, p. 116-117
GRI 403-4	Coverage of the health and safety issues in official agreements with trade unions	Occupational health and safety, p. 116
EU25	Number of injuries and fatalities to the public involving the Company assets in the reporting period	Occupational health and safety, p. 117
Personnel development		
GRI 404	Training and education 2016	
GRI 103	Management approach 2016	
GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p. 207
GRI 103-2	The management approach and its components	Personnel training and development, talent pool, p. 107
GRI 103-3	Evaluation of the management approach	Personnel training and development, talent pool, p. 107
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Personnel training and development, talent pool, p. 108

Reporting indicators under GRI 2016 standards		Information disclosure
Investment policy and Investment Programme implementation		
GRI 203	Indirect economic impacts 2016	
GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p. 207
GRI 103-2	The management approach and its components	Investment activities, p. 52
GRI 103-3	Evaluation of the management approach	Investment activities, p. 52-54
GRI 203-1	Investments in infrastructure and pro-bono services and other types of indirect influence	Priority investment projects completed in 2018, p. 56-57
Procurement management		
GRI 204	Procurement practices 2016	
GRI 103	Management approach 2016	
GRI 103	Explanation of the material topic and its boundaries	Materiality definition, p. 207
GRI 103-2	The management approach and its components	Procurement activities, p. 123-124
GRI 103-3	Evaluation of the management approach	Procurement activities, p. 125-126
GRI 204-1	Proportion of procurement spending on local suppliers in the regions covered by the organisation	Procurement activities, p. 126
Anti-corruption management		
GRI 205	Anti-corruption 2016	
GRI 103	Management approach 2016	
GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p. 207
GRI 103-2	The management approach and its components	Anti-corruption policy, p. 126-127
GRI 103-3	Evaluation of the management approach	Anti-corruption policy, p. 127
GRI 205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption policy, p. 127
Innovation and digitalisation		
GRI 103	Management approach 2016	
GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p. 207
GRI 103-2	The management approach and its components	Innovative development, p. 74
GRI 103-3	Evaluation of the management approach	Innovative development, p. 75-76
G4-DMA (previously EU8)	Research and development conducted for the increase of power supply reliability and sustainable development of the company	Innovative development, p. 77
Interaction with employees under considerable changes in labour management relations		
GRI 402	Labour-management relations 2016	
GRI 103	Management approach 2016	
GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p. 207
GRI 103-2	The management approach and its components	Social policy towards the Company employees, p. 111-115
GRI 103-3	Evaluation of the management approach	Social policy towards the Company employees, p. 111-115
GRI 402-1	Minimum notice periods regarding operational changes, its specification in the collective agreement	Under Article 74 of the RF Labour Code (RF LC) regarding changes (organisational or technological) of labour conditions and Article 75 of the RF LC (change of the organisation's property owner, change in the organisational affiliation, reorganisation), 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.
Impact on the social development in the operations area		
GRI 419	Socioeconomic compliance 2016	
GRI 103	Management approach 2016	
GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p. 207
GRI 103-2	The management approach and its components	Social responsibility, p. 128
GRI 103-3	Evaluation of the management approach	Social responsibility, p. 128-129
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Key performance indicators, p. 21

* See more information in full version of the Annual Report on the Company's website: <http://www.mrsksevzap.ru/shareholdersmeetinginfo>

Reporting indicators under GRI 2016 standards

Information disclosure

IMMATERIAL TOPICS

Water

GRI 303	Water 2016			
GRI 303-3	Water recycled and reused: amount and share			
	Item	2016	2017	2018
	Total water intake, thous. cub. m, including	144.73	149.29	147.19
	surface water bodies	13.2	10.24	11.49
	third parties	97.88	100.56	98.34
	subterranean water bodies	33.64	38.49	37.36
	The amount of water reused, thous. cub. m	-	-	-

Biodiversity conservation

GRI 304	Biodiversity 2016			
GRI 304-1	The organisation's operational sites owned, leased, managed in, or adjacent to, protected natural areas and areas of high biodiversity value outside protected areas	Environmental policy, p. 121		
GRI 304-2	Significant impacts of activities, products, and services	Environmental policy, p. 121		
GRI 304-3	Habitats protected or restored	Environmental policy, p. 121		

Greenhouse gases and pollutants emission rate

GRI 305	Emissions 2016			
GRI 305-1	Direct greenhouse gas emissions	Emissions of greenhouse gases and their equivalents, as well as the rate of atmospheric emissions are not calculated.		
GRI 305-5	Reduction of greenhouse gas emissions			
	Item	2016	2017	2018
	Gross emissions of air pollutants, tonnes, including:	477.810	477.401	477.695
	solid	50.351	52.074	54.507
	gas and liquid	427.228	425.327	423.188
	including:			
	sulphur dioxide	21.373	21.590	20.488
	carbon oxide	166.433	168.731	169.745
	nitrogen oxides (in equivalent to NO2)	145.924	138.624	134.633
	hydrocarbons (excluding volatile organic compounds)	3.93	3.702	2.766
	volatile organic compounds	82.299	85.179	95.556
	benzopyrene	0.000001	0.000001	0.000001

Solid and liquid waste generation rate and discharge to water

GRI 306	Effluents and waste 2016			
GRI 306-1	Total water discharge by quality and destination			
	Item	2016	2017	2018
	Total water discharge, thous. cub. m, including:	61.80	51.04	53.82
	treated to standard quality	40.06	39.58	42.71
	insufficiently treated	21.74	11.46	11.11
GRI 306-2	Total waste by type and disposal method			

Reporting indicators under GRI 2016 standards

Information disclosure

Waste generation

	Item	2016	2017	2018
	Waste generated, tonnes, including:	5,938.216	5,352.094	4,326.939
	hazard class 1	5.027	11.865	29.375
	hazard class 2	11.254	12.482	11.714
	hazard class 3	101.725	384.611	89.270
	hazard class 4	4,309.951	2,831.532	2,840.281
	hazard class 5	1,510.259	2,111.604	1,356.299
	Waste transferred to third parties, total	5,840.897	5,324.405	4,140.329
	including for waste placement	3,904.214	3,408.596	3,362.385

Waste disposal

	Item	2016	2017	2018
	Waste transferred to third parties for:	5,840.897	5,324.405	4,140.329
	use	1,466.474	1,569.924	376.999
	treatment	470.209	345.885	400.945
	storage	-	-	-
	landfilling	3,904.214	3,408.596	3,362.385

Compliance with the environmental requirements of the law and regulatory bodies

GRI 307	Environmental compliance 2016			
GRI 307-1	Non-compliance with environmental law s and regulations	Financial and non-financial penalties on the Company were related to violations of the environmental legislation: exceeding the specified limits of pollutant discharge into water bodies and atmospheric emissions.		
	Item	2016	2017	2018
	Number of non-financial penalties imposed	29	25	3
	Total amount of fines imposed, thous. RUB	210	100	10

Equal opportunities for men and women

GRI 405	Diversity and equal opportunity 2016			
GRI 405-1	Diversity of governance bodies and employees	Performance of the Board of Directors, p. 141		

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 TO 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 IR 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	18-19; 36-40
Governance	Corporate governance	130-197
Business model	Business model	32-33
Risks and opportunities	Risk management system	178-188
Strategy and resource allocation	Strategic development guidelines, key performance indicators	41-42; 44-45
Performance	Key performance indicators, business model	20-25; 32-33
Future outlook	Strategic development guidelines, key performance indicators, Investment activities, Production results	41-42; 44-45; 52-57; 58-77

Terms and abbreviations

Abbreviation, term

JSC	joint-stock company	RDB	Research and Development Board
ANO	autonomous non-profit organisation	WGC	wholesale generating company
AIS	automated information systems	AWP	autumn and winter period
OL	overhead (power) line	NLVS	non-linear voltage suppressor
HEI	higher education institution	PJSC	public joint-stock company
GC	group of companies	D&S	design and survey
AGSM	Annual General Shareholders' Meeting	PTUO	primary trade union organisation
HPP	hydroelectric power plant	SS	substation
S&A	subsidiaries and affiliates	RAS	Russian accounting standard
UNPG	unified national power grid	RTS	Russian Trading System
IP	Investment Programme	RF	Russian Federation
CPI	consumer price index	PDZ	power distribution zone
IT	information technologies	ICS	internal control system
CDP	comprehensive programmes of power grids development	RMS	risk management system
KPI	key performance indicators	BD	Board of Directors
PL	power line	NWFD	North-Western Federal District
MICEX	Public Joint-Stock Company Moscow Exchange MICEX-RTS	PPE	personal protection equipment
IDGC	interregional distribution grid company	SSIW	self-supporting insulated wire
SMB	small and medium businesses	DS&P	power industry development schemes and programmes of the Russian constituent entities
IFRS	International Financial Reporting Standards	media	mass media
MUE	municipal unitary enterprise	OAMS	operation assets management system
EMERCOM	RF Ministry for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters	LGC	local generating company
FAS of Russia	Federal Antimonopoly Service	TR&R	technical re-equipment and renovation
VAT	value-added tax	M&R	maintenance and repairs
R&D	research and development	LGO	local grid operator
NSPF	non-state pension fund	FES	fuel and energy sector
		FTS of Russia	Federal Tariff Service
		DCC	digital communication channel

EBITDA	earnings before interest, taxes, depreciation, and amortization
IR	investor relations
CU	conventional unit
MU	municipal unit
UM	urban municipality
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
AP	accounts payable
CR	company regulation
LLC	limited liability company
RAD	regulatory administrative document
PJSC	public joint-stock company
FSS	Federal Security Service
RF CC	Criminal Code of the Russian Federation
RAB	regulatory asset base
NGP	necessary gross proceeds
SFHI	state-funded healthcare institution
MSFEI	municipal state-funded educational institution
CG	corporate governance
SLR	power supplier of last resort
RTD	research and technology documentation
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 transmission system
PU BPG	production unit Borovichi Power Grids
AMISEPFM	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
HSS	hardware and software system
DCTD	data collection and transmission 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
kVA, MVA	kilovolt-ampere, megavolt-ampere. Measurement units of apparent power
kWh	kilowatt hour. Electric power measurement unit
kW, MW	kilowatt, megawatt. Active power measurement units
km	kilometre. Length measurement unit
TOE	ton of oil equivalent
RUB mln	million roubles
RUB bln	billion roubles

Addresses and contacts

COMPANY DETAILS

Full name:	Public Joint-Stock Company Interregional Distribution Grid Company of the North-West
Short name:	PJSC IDGC of the North-West
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

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

JSC R.O.S.T. REGISTRAR 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

AUTHORISED REPRESENTATIVES OF PJSC IDGC OF THE NORTH-WEST:

Full name	Position, unit	Phone, e-mail
Sopoleva Elena Vladimirovna	Head of the Legal and Property Management Department, Karelenenergo branch	+7 (8142) 791-700 sopoleva@karelenenergo.ru
Mikova Natalia Evgenievna	Leading Specialist of the Property Management Department, Komienergo branch	+7 (8212) 283-322 mikova@komienergo.ru
Terekhova Alena Vyacheslavovna	Head of the Property Management Department, Novgorodenergo branch	phone: +7 (8162) 984-312 tav@novgor.elektra.ru

AUDITOR OF PJSC IDGC OF THE NORTH-WEST

Full name:	Ernst & Young Limited Liability Company
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

SAINT PETERSBURG BRANCH OF LLC ERNST & YOUNG

Location:	23 Malaya Morskaya St., Saint Petersburg, 190000 Russia
Mailing address:	23 Malaya Morskaya St., Saint Petersburg, 190000 Russia

HOTLINES ON POWER SUPPLY ISSUES:

Branch/IDGC	Hotline number
Arkhenergo	+7(800)333-02-52
Vologdaenergo	+7(8172)76-85-00
Karelenenergo	+7(8142)78-32-28
Kolenergo	+7(81553)68-353
Komienergo	+7(800)250-17-00
Novgorodenergo	+7(8162)700-230
Pskovenergo	+7(8112)59-79-99
Universal for the responsibility area	+7(800)333-02-52

SHAREHOLDERS AND INVESTORS RELATIONS DEPARTMENT CONTACTS:

Full name	Position	Phone, e-mail
Vasinuyk Ludmila Viktorovna	Head of the department	+7 (812) 305-10-34 vasinuyklv@mrsksevzap.ru
Peresvetova Irina Mikhailovna	Principal specialist	+7 (812) 305-10-10 (ext. 560) peresvetova@mrsksevzap.ru
Kotlov Daniil Vladislavovich	Leading specialist	+7 (812) 305-10-10 (ext. 720) mvl@mrsksevzap.ru

PJSC IDGC of the North-West
Hotline: 8-800-333-02-52
Calls are tollfree
(service operates on a 24-hour basis)
www.mrsksevzap.ru