



ROSSETI
CENTRE AND VOLGA REGION

TOGETHER TOWARDS EFFECTIVENESS

INTEGRATED ANNUAL REPORT 2019



Cooperation with Rosseti Centre



Asset consolidation



Digitalization

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DISCLAIMER

GRI 102-1 GRI 102-5

The Integrated Annual Report contains information on the bottom-line performance in 2019, as well as forecasting data, statements of intent, opinions or current expectations of IDGC of Center and Volga Region PJSC (hereinafter referred to as IDGC of Center and Volga Region, Rosseti Centre and Volga Region, the Company), regarding its operating results, financial position, liquidity, growth prospects, strategies, and development of the industry where the Company operates. By their nature, such forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The projections are cited from the Business Plan approved by the Company's Board of Directors on December 31, 2019 (Minutes No. 393 dd. December 31, 2019); they are not adjusted for risks that actually occurred after approving such Business Plan and before publishing this Integrated Annual Report for 2019.

Words such as "intends", "seeks", "expects", "estimates", "plans", "believes", "anticipates", "may", "should", "will", "will continue" and other similar words usually indicate a forecasting nature of a statement and may suggest that there is a risk the specified events and actions may fail to happen depending on various factors.

The Company cautions that forward-looking statements are not guarantees of future performance. The Company's actual operating results, financial position, liquidity, and development of the industry, in which it operates, may significantly differ from those contained in the forward-looking statements set forth in the Integrated Annual Report. Furthermore, even if the above indicators are consistent with the forward-looking statements contained in the Integrated Annual Report, those results or developments may not be indicative of the similar results or developments in the future.

The Company makes no warranties or representations, whether express or implied, and bears no liability for any losses incurred by individuals or entities for any reason, whether directly or indirectly, as a result of using the forward-looking statements contained in the Integrated Annual Report. These individuals and entities should not rely solely on the forward-looking statements contained in the Integrated Annual Report, since they do not represent the only possible case scenario.

Save as otherwise provided by the legislation, the Company undertakes no obligation to update or confirm its expectations and estimates, or publish updated and revised forward-looking statements contained in the Integrated Annual Report as a result of future events or acquisition of new information.

ABOUT THE REPORT

GRI 101 GRI 102-50 GRI 103-1
 GRI 102-48 GRI 102-52 GRI 103-2
 GRI 102-49 GRI 102-54 GRI 103-3

The Integrated Annual Report of IDGC of Center and Volga Region for 2019 (hereinafter "the Annual Report") represents the operating and financial results, and covers certain aspects of the Company's corporate governance activities.

The Annual Report discloses data on the Company's activities in sustainable development, collected and reported per the GRI Standards and including a specialized appendix for electricity companies; the scope of disclosure is at the Core level. The Annual Report also specifies the UN targets the Company adheres to.

This year saw a significant change in the Company's transition to integrated reporting, hence annual rather than biennial reporting on sustainable development has been adopted.

The Annual Report was prepared based on the effective data available to the Company at the time of its drafting. Financial and economic indicators contained in the Annual Report comply with the IFRS, unless otherwise specified. Some sections of the Annual Report contain figures for the previous periods, as well as projections, forecasts, or plans of the Company regarding future periods to demonstrate the dynamics of significant processes.

The scope of information disclosed in the Annual Report, with the exception of financial results under the IFRS, does not cover subsidiaries and affiliates of IDGC of Center and Volga Region, as they do not have a significant impact on either the Company's performance indicators, or on the results of its activities aimed at sustainable growth. Compared to the 2018 Annual Report, the scope of the disclosed information remains unchanged.

The Annual Report was prepared in accordance with all official documents regulating the disclosure of information in annual reports of joint stock companies, including the requirements of the Central Bank of the Russian Federation and the Moscow Exchange, as well as the recommendations of the Corporate Governance Code.

RESULTS AND BENEFITS OF COOPERATION

Since September 2017, IDGC of Centre has been the sole executive body (SEB) of IDGC of Center and Volga Region

Within a short time, the following has been achieved:

- 1 Comprehensive grid modernization programs for 20 regions of both companies' activities
- 2 Combining the operations and contingency management of the grid complexes of the two companies
- 3 Combining emergency stocks and backup energy sources
- 4 Complex implementation of innovative technologies and automation of data collection on the reading of metering instruments and road transport monitoring
- 5 Single standards for approval of technical conditions and grid connection contract offers
- 6 Application of uniform customer service standards
- 7 Unification of the process of cost of work formation and introduction of a single directory of prices for material and technical resources using standard technical specifications
- 8 Transferring affiliates from three-level to two-level management structure and executive branch staff optimization through centralised management
- 9 Consolidation of best corporate governance practices

 Cooperation with IDGC of Centre

EFFICIENCY IMPROVEMENT THROUGH THE JOINT WORK WITH IDGC OF CENTRE IN 2019, RUB mn.

998.3

HR management and organizational design, including manpower optimization

230.0

Investment, including savings due to consolidated purchases

47.3

Assets management

675.1

Implementation and development of services, including electricity loss reduction, grid connection services revenue increase thanks to using standardized solutions to connect applicants' facilities to grids and additional services development

 Asset consolidation

 Digitalization

CONSOLIDATION OF POWER GRID ASSETS

GRI 413-1

OPERATIONAL AND PROCESS MANAGEMENT OF GRID ASSETS OF IZHEVSK POWER GRIDS AND VOTKINSK MUNICIPAL POWER GRIDS

Consolidation of municipal grid assets in the regions of IDGC of Center and Volga Region operation:



FOR THE REGIONS

Major transactions provide funds for investment-driven development, community projects implementation and hereinafter - large tax revenues in the future



FOR THE COMPANY

Each transaction is one more step towards greater operational efficiency and lower costs



FOR CUSTOMERS

More reliable and higher-quality power supply

Actual and expected effects:

FOR IDGC OF CENTER AND VOLGA REGION

100 %
of Udmurt Republic's municipal grid assets within single grid complex

FOR UDMURT REPUBLIC

3.0 RUB bn
in proceeds from the sale of assets

by **11 %**
increase in yearly tax revenue from the assets

FOR THE CUSTOMERS IN THE REGION

by **53 %**
reduction in the average duration of power outages

1,5x
shorter new connection waiting time

PROSPECTS FOR 2020

The Company plans to consolidate municipal grid assets in Nizhny Novgorod, Ivanovo, and Vladimir Regions.

Cooperation with IDGC of Centre

Asset consolidation

Digitalization

DIGITIZING POWER GRIDS

GRI 203-2

In December 2018, the "Digital Transformation 2030" Concept was approved in the course of the face-to-face meeting of the Board of Directors of PJSC Rosseti. The Concept involves a complete transformation of the power grid infrastructure of the affiliated companies by 2030 through the introduction of digital technologies and solutions.

By late 2019, the Company completed 30 % of the five-year Phase I of "Digital Transformation 2030":

- 1 Two Digital Grid Control Centres commissioned
- 2 The Company began installing its Big Data-based energy monitoring and unaccounted consumption detection system
- 3 Start given to the digitalization training program by signing 26 agreements with industry-specific universities
- 4 The Company expanded its fleet and application of unmanned aerial vehicles for scheduled and emergency inspections of 35-110 kV power lines
- 5 Airport SS, the first digital substation, installed at Udmurtenergo
- 6 First digital city-wide supervisory control centre began operation in Izhevsk
- 7 First electricity storage units installed in a low-voltage distribution grid at Vladimirenergo
- 8 First Digital Electrician commissioned for pilot operation to meter electricity at Vladimirenergo and Nizhnovenergo
- 9 First digital health centre inaugurated at Tulenergo

PROGRESS OF PHASE I OF THE "DIGITAL TRANSFORMATION 2030" CONCEPT SCHEDULED FOR COMPLETION IN 2021

Expected effects by 2030

2x
reduction of the average accident management time

1,5x
higher availability of the grid connection

by **30 %**
reduction of line losses, operating costs and costs of the acquisition and modernization of power grid assets

by **50 %**
lower SADI / SAIFI

by **10 %**
increase in the life of assets



Cooperation with IDGC of Centre

Asset consolidation

Digitalization

SUSTAINABLE GROWTH IS THE GOAL

In its activities, IDGC of Center and Volga Region is open for dialog and cooperation with the public and all stakeholders.

The Company is guided by the following principles:

- 1 Respect for the opinions and interests of all parties
- 2 Sharing of information in a timely manner
- 3 Regular interaction
- 4 Open productive collaboration
- 5 Mutual fulfillment of the assumed obligations

CONFIRMED COMPLIANCE WITH INTERNATIONAL STANDARDS

ISO 9001:2015

ISO 14001:2015

ISO 50001:2011

ISO 45001:2018

8th place in the ranking of 150 largest companies in Russia and Kazakhstan in terms of environmental and energy efficiency

COMMUNICATION CHANNELS FOR SERVICE USERS:

32
service centers



Call center hot line
8-800-5050-115;



For Consumers section of the corporate website

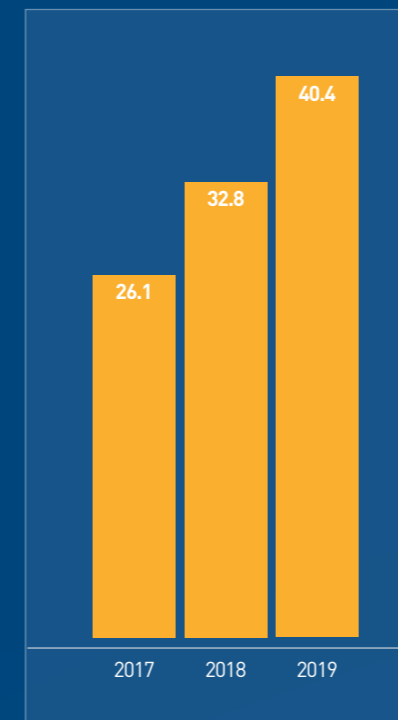


Interactive services Personal Office and Internet Reception

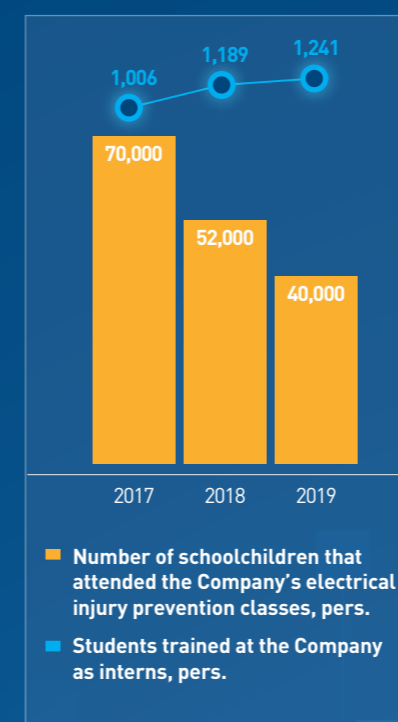


WhatsApp and Viber messengers

The Cost of Environmental Protection, RUB mn



Cooperation with the Youth



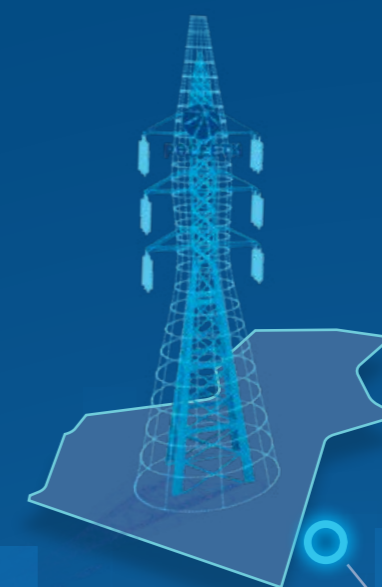
ARTWORK FACILITIES

The Company has a comprehensive program in place to construct and launch power grid facilities in regional centers, the architectural design of which alludes to the history and regional identity of these areas.

Completed projects:



VLADIMIR has a pole that looks like a bogatyr (a Russian folk hero), as it is Vladimir that associates with the folk tales whose protagonists pay visits to Prince Vladimir



KALUGA has a rocket-shaped pole, as it was here that Konstantin Tsiolkovsky lived and worked.

KEY PERFORMANCE INDICATORS

GRI 102-7

COMPANY PROFILE



IDGC of Center and Volga Region is

A key supplier of power distribution and grid connection services in

Vladimir Region

Ivanovo Region

Kaluga Region

Kirov Region

Nizhny Novgorod Region

Ryazan Region

Tula Region

Mari El Republic

Udmurt Republic

A subsidiary of the largest Russian energy company Rosseti PJSC, managed by IDGC of Centre, PJSC since September 11, 2017 ("Rosseti Centre").

IDGC of Center and Volga Region Core Objectives:

- 1 Ensuring the reliability and security of the company's power grid complex and electricity delivery services
- 2 Improvement of service quality
- 3 Better operational and investment performance, attributable to accelerated digitalization among other things
- 4 Improving investment appeal and market capitalization
- 5 Innovation-driven growth and energy efficiency of assets
- 6 Increasing the availability and affordability of power grid infrastructure
- 7 Human capital development, social responsibility, and customer focus
- 8 Being in line with Russia's economic needs and the global market requirements
- 9 Respect the rights and legitimate interests of the company's shareholders
- 10 Environmental protection and strife for eco-friendly production
- 11 Being consistently open by informing the shareholders, the customers, the business partners, the public authorities, and the employees on the company's performance

KEY PERFORMANCE INDICATORS¹

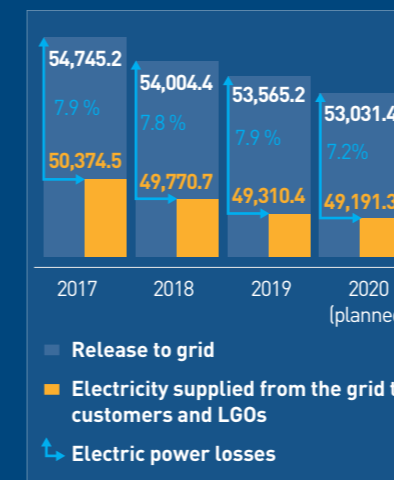
OPERATIONAL INDICATORS

Production Facilities



As the Company completed a number of significant investment projects, it now has more in substation capacity and longer power transmission lines. These projects improved the performance of the grid complex in general and enable the Company to deliver electricity to new social and production facilities.

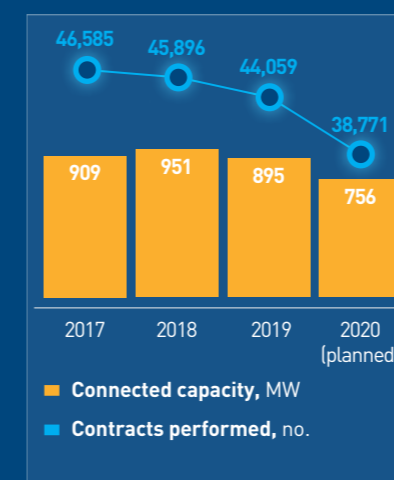
Electrical Supply, mn kWh



Less electricity was delivered due to changing Ivenergo's common-pot model and some major industrial enterprises in the regions of the Company's presence now consuming less electricity.

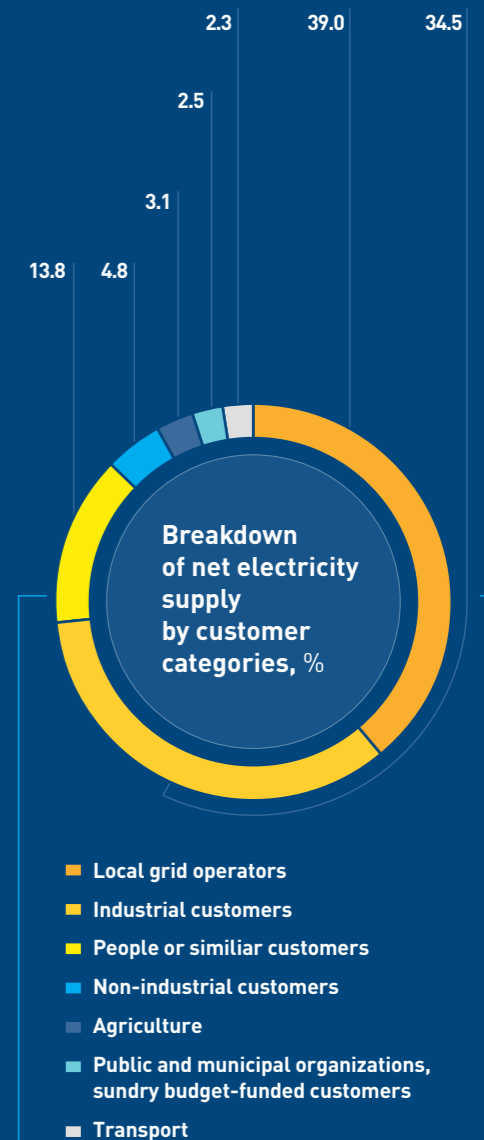
Sustainable reduction in electricity losses year over year is a product of the Company's Investment and Repair Programs while also attributable to the energy conservation and energy efficiency improvement projects.

Grid Connection



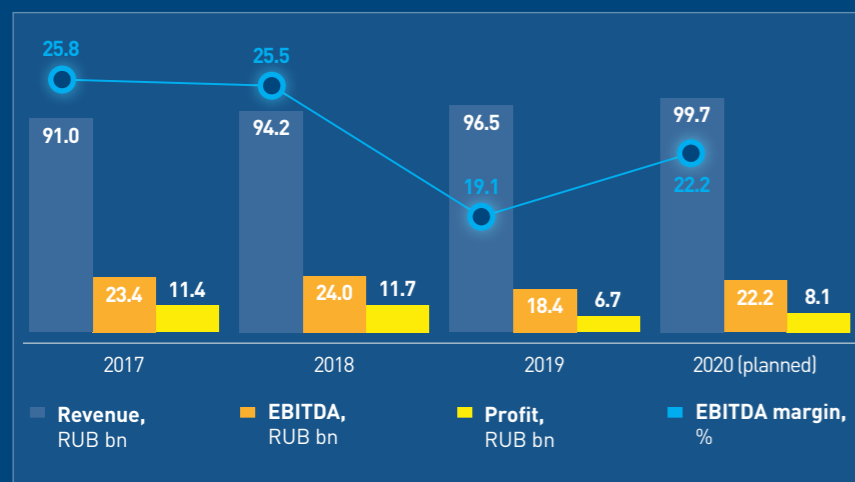
The Company received less grid connection requests due to an economic recession.

¹ The projections are cited from the Business Plan approved by the Company's Board of Directors on December 31, 2019 (Minutes No. 393 dd. December 31, 2019); they are not adjusted for risks that actually occurred after approving such Business Plan and before publishing this Integrated Report for 2019.



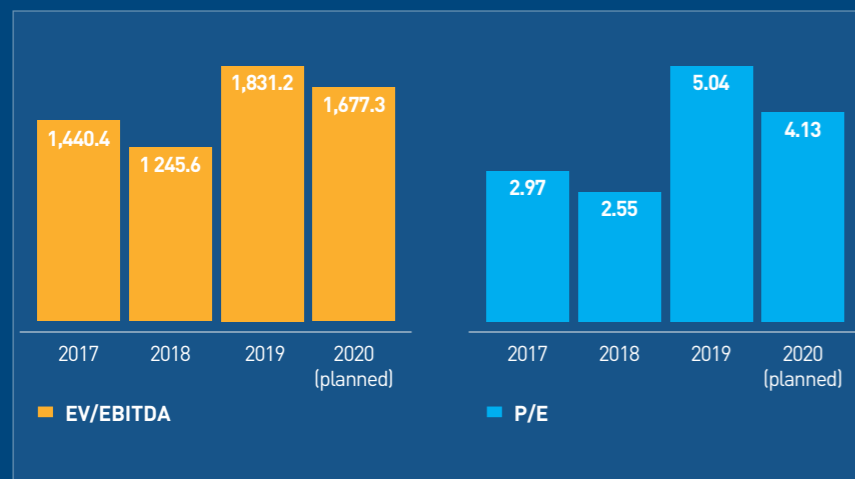
In general, the structure of net power supply from the Company's grids remains stable year on year, as major industrial customers continue to dominate.

FINANCIAL RESULTS



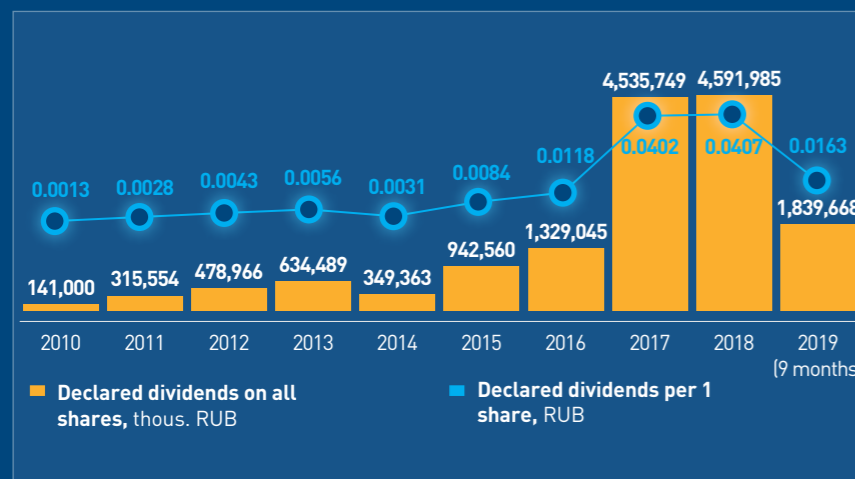
Revenue growth observed in 2019 is mainly attributable to higher electricity delivery prices and a change in the common-pot settlement procedure in Ivanovo Region.

Net income and EBITDA dropped due to reserves, made to cover the lawsuits brought against the Company by energy suppliers.



EV/EBITDA ratio rose due to a reduction in EBITDA and an increase in debt burden, which in turn was due to a proactive approach to carrying out the investment program.

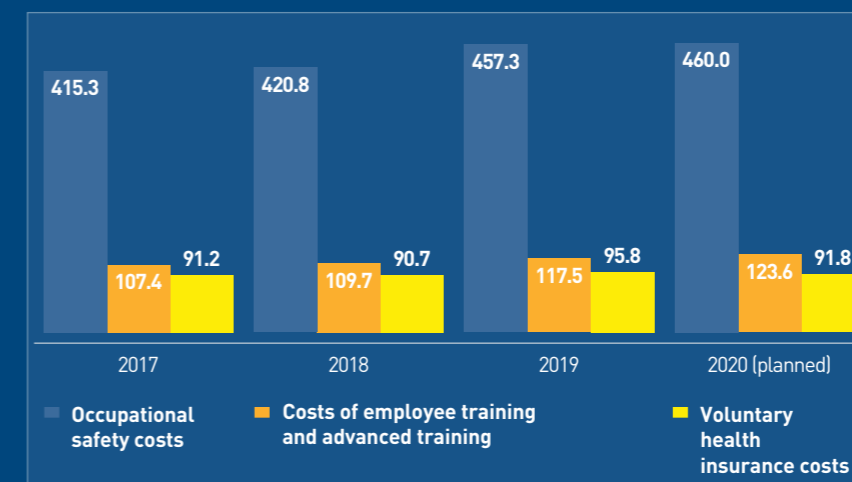
The rising P/E ratio points to the market's appreciation of the Company's prospects.



Recent years' trends in the Company's dividends are explained by the adoption of the newly revised Dividend Policy Regulations. For 2018, the Company paid the largest dividends ever in its history. In late 2019, the Company paid dividends again, now for Q1-Q3 (nine months) of 2019.

SUSTAINABLE DEVELOPMENT INDICATORS

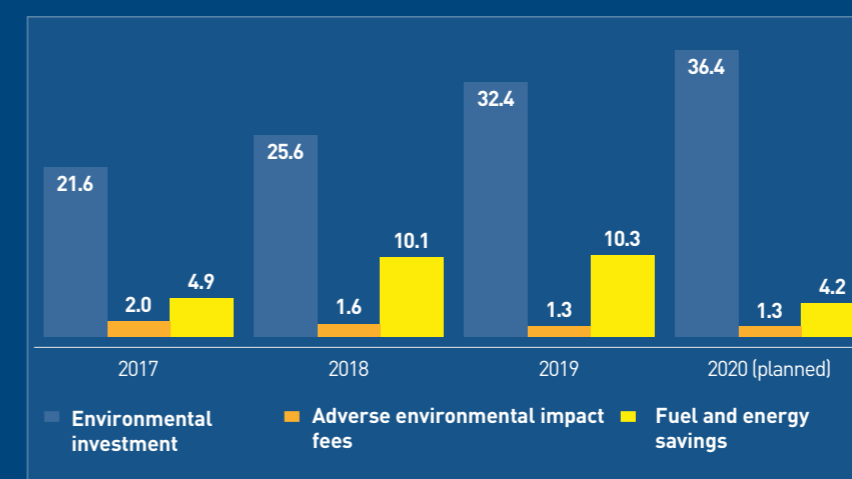
Employee Care, RUB mn



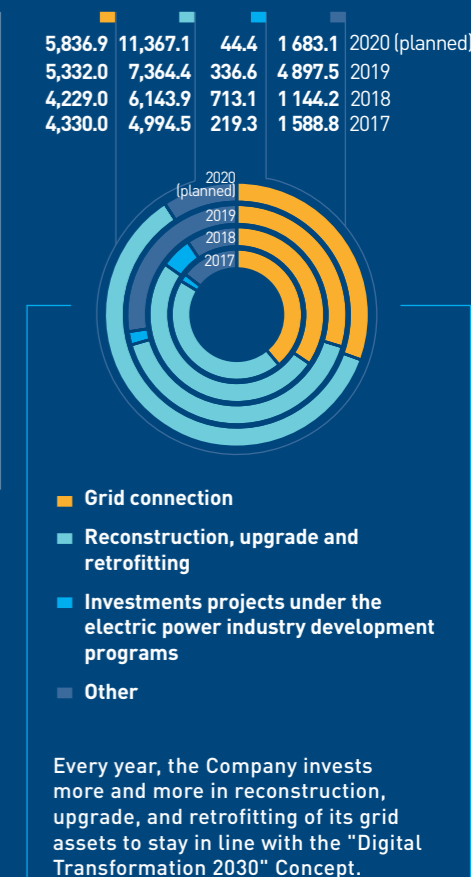
The rising costs of occupational safety, employee training and health are attributable on the one hand to the expansion that came in form of acquiring Izhevsk Power Grids and Votkinsk Municipal Power Grids; on the other hand, the Company is digitalizing its grid complex and has to provide additional training and retraining programs for its employees. The Company also has Program to Reduce Risks of Injury to Personnel and Third Parties at Power Grid Facilities for 2019-2020 in place, hence the justifiably rising occupational safety costs.

Environmental Protection, RUB mn

However, as the environmental law was amended to no longer charge solid utility waste dumping fees, the environmental impact fees dropped.



Investments, RUB bn



Procurements, RUB bn

The Company also has the Program for IDGC of Center and Volga Region / SME Partnership in place; under this Program, 27.4 % of the total procurement for 2019 (value-wise) was SME-exclusive.



ADDRESS FROM THE CHAIRPERSON OF THE BOARD OF DIRECTORS

GRI 103-2

Dear Shareholders!
Dear Investors!

In 2019, the Board of Directors and the management together with the Company's staff, took all measures to ensure that "Rosseti Centre and Volga Region" successfully and at the highest professional level pursued its primary objective, which was and is to provide reliable and high-quality electricity delivery services to consumers in Russia; we also succeeded to a great extent in improving the Company's operations, corporate governance and interaction with shareholders and investors.

Industry Trends and Strategic Priorities

Implementing the "Digital Transformation 2030" Concept is the core trend that will guide the development of Russia's electric power grids; the Concept implies a complete transformation of the "Rosseti" Group's entire electricity grid infrastructure by 2030 by adopting state-of-the-art digital technologies.

In 2019, the Company completed twice as many projects as had been planned under the Concept, including launching two digital Grid Control Centres in the Mari El Republic and Tula Region, the first city-wide digital supervisory control centre in Izhevsk, the first two digital substations (the "Airport" SS and the "Miratorg" SS), and sundry projects. The Company's successful projects will serve as role models for the next steps in digitalizing the industry; they imply reproducing the

success of pilot digital projects throughout Russia.

We expect that the spread of digitalization throughout "Rosseti Centre and Volga Region" will improve the manageability and performance of the Company's grid facilities by 2022. Besides, digitalization is expected to curb tariff growth, improve the quality and accessibility of power transmission and grid connection services, and qualitative expansion of consumer services.

Another important trend in the current development of the industry lies in the consolidation of independent grid assets under the "Rosseti" Group's control. In 2019, we have signed a number of contracts to consolidate grid assets. "Rosseti Centre and Volga Region" acquired the grid assets of "Izhevsk

Power Grids" JSC, and "Votkinsk Municipal Power Grids" MUE. We plan to acquire grid assets in Nizhny Novgorod, Ivanovo, and Vladimir Regions, as well as in the Udmurt Republic.

Such consolidation is expected to curb power transmission price growth and facilitate supervisory control over the distribution grids while also implementing a single regional technology policy including activities under the "Digital Transformation 2030" Concept.

Another important aspect lies in establishing a more productive cooperation with "Rosseti Centre" to consolidate best corporate governance and operations management practices, to coordinate grid maintenance in 20 adjacent regions, to merge procurement logistics, emergency reserves, power backups, and to enable on-the-go communications. While this is a long-term effort, it has already born its first fruit, a statement supported by both Companies' figures for 2018-2019.

Improving Corporate Governance and Increasing Investment Appeal

In 2019, "Rosseti Centre and Volga Region" had the Board of Directors and its Committees assess themselves for the first time, coupled with an independent external performance audit of the Internal Control and Risk Management System. It is on this basis and with due account of the 2018 internal corporate governance audit that the Company has taken large-scale steps to improve its corporate governance practices and to bring them in line with the Corporate Governance Code. In particular, the Articles of Association, the Dividend Policy Regulations, the Board of Directors Regulations, the Management Board Regulations, and a number of sundry internal documents have been revised and re-approved for the Company to be guided by.

The revised Dividend Policy Regulations have made the Company significantly more attractive for investors, as the revision effectively brought about a new dividend calculation procedure. Two values of dividends for the reporting year are calculated now: one value

 Cooperation with Rosseti Centre

 Asset consolidation

 Digitalization

to be based on the net income per RAS, and the other one to be based on the net income per IFRS; the shareholders will be paid whichever is larger minus the total of interim dividends paid for Q1, Q2 and Q3.

Strategic Approach to Sustainable Growth

Management of sustainable growth of "Rosseti Centre and Volga Region" is based on an integrated system developed in accordance with international standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 50001:2011, and involves a proactive interaction with a wide range of concerned parties. Besides routinely everyday cooperation, the Company has decided to publish an Integrated Annual Report for 2019 per the GRI Standards.



A.I. Kazakov
Chairperson
of the Board
of Directors
IDGC of Center
and Volga Region

ADDRESS OF THE DIRECTOR GENERAL

GRI 102-14 GRI 103-2
GRI 103-1 GRI 103-3

Dear Shareholders, Investors,
Partners and Colleagues,

Since 2017, "Rosseti Centre" has been the Management Company of "Rosseti Centre and Volga Region". This fact imposes a special responsibility, since one could evaluate the management efficiency in "Rosseti Centre" judging by the performance indicators of "Rosseti Centre and Volga Region". In this Report, we did our best to cover not only the successes of the reporting year, but also the challenges the Company faced and the strategic objectives it is up to now.

"Rosseti Centre and Volga Region's" revenue totaled

96.5 mn
in 2019

Analysis of production results for 2019

In 2019, "Rosseti Centre and Volga Region" remained a leader in the market of electric power transmission and grid connection services in nine regions of Central Russia and near Volga. The Company delivered a total of 46,961.1 mn kWh of electricity in 2019, a 0.9 % decrease YoY due to Ivenengo changing its common-pot model and major industrial electricity buyers reducing their electricity consumption, including "Russian Railways", "Uralchem", "Izhstal", "Kalashnikov", etc.

Considerable effort went into making the grid connection procedure faster and easier in 2019; the average connection contract fulfilment dropped to 60 days.

IFRS Analysis of 2019 Financial Results

"Rosseti Centre and Volga Region's" revenue totaled 96.5 RUB mn in 2019, a 2.5 % increase YoY. This increase is mainly attributable to the rising electricity delivery prices and changes in the common-pot settlement procedure in Ivanovo Region.

Despite some negative factors, the Company remained financially stable and finished 2019 with a net income of 6.7 RUB bn, while EBITDA totaled 18.4 RUB bn thanks to a continuous successful effort to improve the efficiency of the Company's business processes internally, indicated, among other things, by a 16 % higher grid maintenance productivity in 2019.

Implementation of Investment and Maintenance Projects

In 2019, "Rosseti Centre and Volga Region" completed a number of important investment projects aimed at improving the performance of grid infrastructure; the Company also arranged electricity delivery to new social and manufacturing facilities. The Company commissioned 1,620 MVA of transformer capacity and 6,769 km of power transmission lines.

It also completed the construction of the Urvantsevo 110/35/10-kV SS, a landmark project of 2019. This project enabled more reliable electricity delivery in Kirov and adjacent suburbs; it effectively created a new power distribution centre in Kirov while also providing 10 kV backup for the Kommunalnaya 110 kV SS, the Krasnogorskaya 110 kV SS, the South-Western 35 kV SS, and the Bytprigor 110 kV SS.

Besides, the Company spent over 3.6 RUB bn in 2019 under its large-scale repair program, which helped considerably improve the quality of electricity delivery to the Company-served regions while also reducing the power shortage in main power substations. SAIDI dropped by >12 %, SAIFI by >25 %.

Accomplishments in Sustainable Development

Traditionally, "Rosseti Centre and Volga Region" focuses on the issues of sustainable growth and development, which include energy conservation, occupational safety, implementation of social benefits, including medical care and non-state pension coverage for the employees, minimizing harmful impact on the environment, and many other things.

It consistently cooperates with stakeholders, among which are regional environmental organizations (for example, the Nizhny Novgorod Ecological Centre "Dront" and Ivanovo Branch of the Russian Birds Conservation Union), regional and local authorities, and various public associations. Doors Open Days and tours for schoolchildren and students of universities and vocational schools are regularly held at the branches of the Company along with students' meetings with the management and other experts. In the course of such meeting the young people are given the opportunity to visit the power facilities.

The Company's top experts taught the Digital Transformation of the Power Grid Complex course at 20 industry-specific universities, an event unmatched in scale and significance; the course covered the most relevant issues of digital transformation of the national grid infrastructure. Students got a once-in-a-lifetime chance to learn first-hand about how digital tech works in the grid industry and where it is going.

In 2019, it was the fourth time that "Rosseti Centre and Volga Region" took part in the All-Russian Energy Conservation Festival #Brightertogether, which sought to inform people about the modern energy-saving technologies and to help model an energy-efficient lifestyle.

In 2019, "Rosseti Centre and Volga Region" started its comprehensive program to construct and launch power grid facilities in regional centres, the architectural design of which alludes to the history and regional identity of these areas. Vladimir already has a transmission tower designed to look like a bogatyr (a Russian folktale hero), while Kaluga got a rocket-reminiscent tower. The Group has plans to create a number of such artworks in Kirov and Nizhny Novgorod Regions in 2020. We hope that aside from being worthy modern sights, these structures will remind everyone that industrial facilities can and should decorate the city.

Expectations and Plans for 2020

For 2020, "Rosseti Centre and Volga Region" plans to keep its elevated pace of digital transformation of its grids, which will involve the construction of digital PDZs, the commissioning of new Grid Control Centres and digital substations, the expansion of the "Digital Electrician" project, and using Big Data to detect and calculate unaccounted electricity. All of this will further improve the quality and reliability of electricity delivery, help expand the range of extra services to make the Company a better partner, and the cities or towns it serves brighter.

EBITDA in 2019 totaled

18.4
RUB bn

The Company commissioned

1,620 MVA
of transformer capacity

6,769 km
of power transmission lines



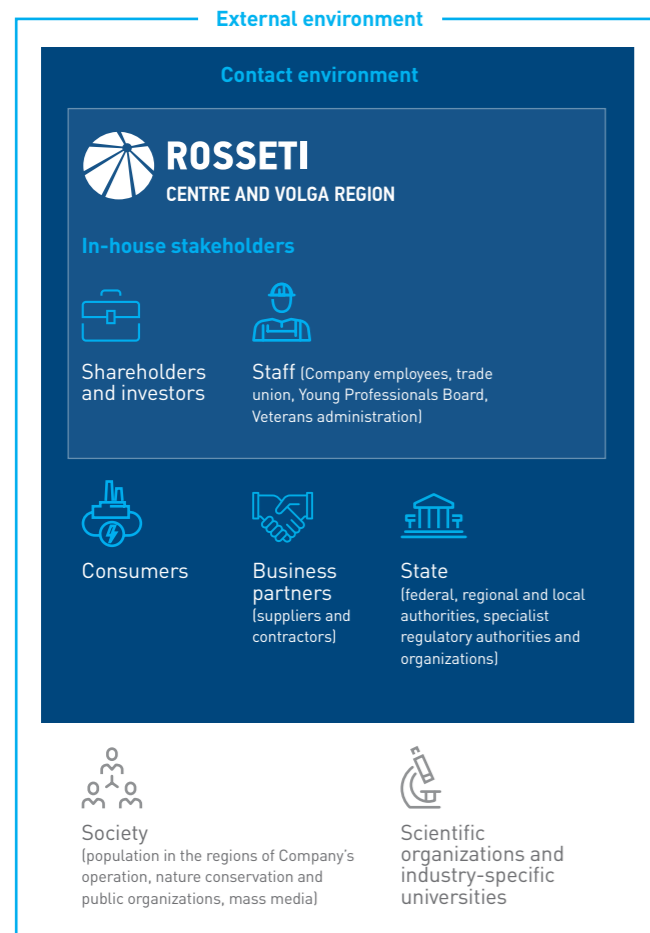
I.V. Makovskiy
Director General
of IDGC of Centre,
the Management
Company of IDGC
of Center and Volga
Region

KEY STAKEHOLDER GROUPS AND MAP OF MATERIAL TOPICS

GRI 101 | GRI 102-42 | GRI 102-44 | GRI 102-47
GRI 102-40 | GRI 102-43 | GRI 102-46

IDGC of Center and Volga Region's business imply constant cooperation with a wide range of parties concerned (stakeholders). The Company's sustainable development in general and its commercial success in particular strongly depend on the quality of this cooperation. Maintaining an open and constructive dialog allows for a creation of a favorable image of the Company in the business environment. Responsible care and a proper consideration of the stakeholders' interests when making corporate decisions are imperative for effective business growth.

STAKEHOLDER MAP

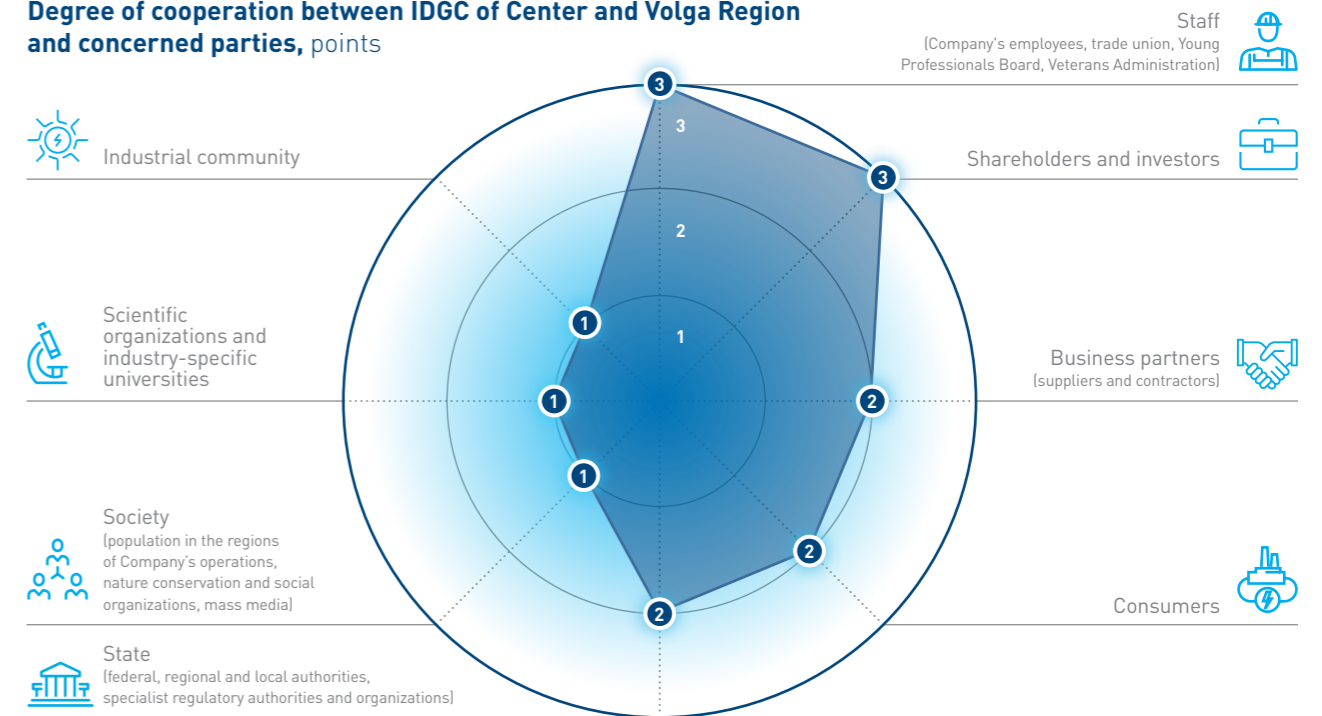


To create an effective system of interactions, the main groups of stakeholders were identified and a map of stakeholders was generated. The categorization criteria included common interests and expectations of stakeholders from IDGC of Center and Volga Region, the nature of their influence on the achievement of the Company's strategic goals, as well as the tools used by the Company for interaction.

As a factor in identifying a place of each of the selected groups on the stakeholder map, the degree of interdependence (mutual influence) of the Company and stakeholders based on both an intersection and conflict of interests was used. The degree of interdependence was expertly rated on the scale of 1 to 3:

- 3 points – in-house stakeholders (including shareholders, investors, and employees), whose well-being directly depends on the successful development of the Company;
- 2 points – contact audience, with which the Company cooperates on a regular basis, including consumers and partners, as well as the government agencies, regulatory and supervisory authorities;
- 1 point – indirect parties concerned, whose interaction with the Company is indirect or limited, including public organizations, people outside of the Company's circle of customers, media, educational institutions, scientific and expert community.

Degree of cooperation between IDGC of Center and Volga Region and concerned parties, points



Regular Stakeholder Engagement

Stakeholder interests	Stakeholder engagement format
<p>STAFF (Company employees, trade union, Council of Young Professionals, Council of Veterans)</p> <ul style="list-style-type: none"> • Adequate living standards and quality • High level of social security • Opportunities for personal and professional growth • Occupational safety • Promoting power engineering as a prestigious career 	<ul style="list-style-type: none"> • Collective Bargaining Agreement • Councils of Veterans and Councils of Young Professionals • Trade unions • Corporate communications • Succession pipeline • Personnel training • Cultural and sports events
<p>SHAREHOLDERS AND INVESTORS</p> <ul style="list-style-type: none"> • Dynamic growth and business development • Performance efficiency • Boosting capitalization • Transparency of activities and management 	<ul style="list-style-type: none"> • General Shareholders' Meeting • Annual and social reports, informational booklets and brochures • Meetings with management • Press conferences, presentational events, forums • Federal and regional media • Corporate website • Surveys of shareholders and investors
<p>BUSINESS PARTNERS (suppliers and contractors)</p> <ul style="list-style-type: none"> • Mutually beneficial and long-term cooperation • Stable financial situation • Profit from cooperation • Timely and accurate fulfillment of contractual obligations • Fair competition 	<ul style="list-style-type: none"> • Carrying out procurement procedures • Negotiations • Commercial offers • Corporate website • Federal and regional media • Topical workshops and conferences

Stakeholder interests **Stakeholder engagement format**

 <p>CONSUMERS</p> <ul style="list-style-type: none"> Reliable, uninterrupted and high-quality power supply High quality service Transparency and availability of information about the Company's activities Fast and easy procedure of grid connection 	<ul style="list-style-type: none"> Customer service centres United information centre Unified federal "hotline" Polls, surveys Corporate website (On-line reception) Federal and regional media Press conferences, topical workshops and forums
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 <p>STATE (federal, regional and local authorities, sectoral regulatory authorities and organizations)</p> <ul style="list-style-type: none"> Reliable and stable operation of the power system Implementation of programs for integrated development of the infrastructure systems Implementation of long-term projects designed to further the electric power industry Satisfaction of mid- and long-term electric power and capacity demand Attraction of additional investment to the regions and creation of new jobs Tax liabilities 	<ul style="list-style-type: none"> Tariffs for regulated activities Coordination of the investment programs and reports on their execution Working groups for the drafting of Electric Power Industry Development Roadmaps Agreements on cooperation on the issues of development of the electric power industry of the regions Reporting to the authorities and disclosing information in accordance with the legislation of the Russian Federation Working meetings and joint events with the representatives of the regional authorities Payment of taxes
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 <p>SOCIETY (residents of the regions of Company's operation outside of the circle of customers, nature conservation and public organizations, mass media)</p> <ul style="list-style-type: none"> Reliable, uninterrupted and high-quality power supply Creation of jobs Transparency of the Company's activities Social and economic development of the regions of presence Ecological safety, environmental protection Energy security Implementation of social programs Charity Transparency and regularity of information update about the Company's activities 	<ul style="list-style-type: none"> Social programs in the regions of operation Federal and regional media (press, television, radio) Press conferences, press-releases, promotional events, topical workshops, forums, contests Management meetings with veterans, students, schoolchildren, etc. Corporate website Measures to prevent electrical injuries
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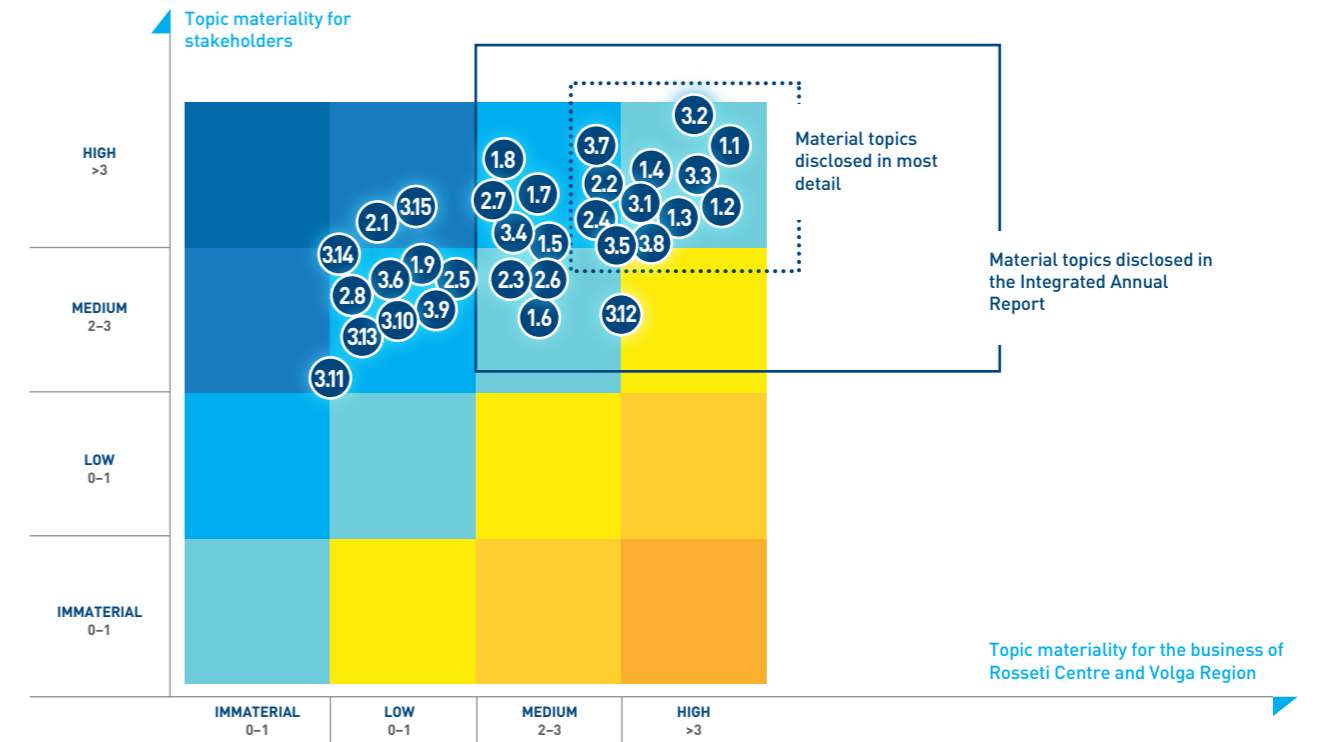
 <p>SCIENTIFIC ORGANIZATIONS AND INDUSTRY-SPECIFIC UNIVERSITIES</p> <ul style="list-style-type: none"> Promotion of science and education Integration of advanced achievements of the sectoral research into the distribution power grid Adoption of effective innovation technologies Demand for young and promising personnel from the Company Improvement and development of joint educational programs 	<ul style="list-style-type: none"> Innovative development programs Joint R&D Scientific conferences, exhibitions Cooperation agreements with universities Research to practice conferences Joint competitions of graduation projects on the electric industry topics Students' teams
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Stakeholder Engagement in Identifying Material Issues

When drafting this Integrated Annual Report for 2019, the Company interacted with all the stakeholder groups additionally to survey them so as to find the material topics for the Report as the GRI Standards call for. The standard

GRI topic list was expanded by adding Russia-specific matters, in particular those concerning IDGC of Center and Volga Region.

TOPIC MATERIALITY MATRIX



As a result, the list of the most material issues included the following:

- | | | |
|--|--|--|
| Economic performance (1.1.); | Consolidation of power grid assets (1.4.); | Informing the customers on grid connection (3.1.); |
| Reliable and uninterrupted electricity supply (3.2.); | Collaboration with IDGC of Centre (1.3.); | The Company's investment in human resources to reduce turnover and recruit qualified personnel (3.5.); |
| Reduced energy consumption and more efficient energy use (2.2.); | Emergency preparedness (3.3.); | Training and advanced training for employees (3.8.). |
| Digitalization of power grid assets (1.2.); | The Company's impact on biodiversity (2.4.); | |
| | Occupational health and safety (3.7.); | |

These are the topics of focus in this Integrated Annual Report.

Surveyed Stakeholders' View of Topic Materiality

Topic	Surveyed stakeholders' view of topic materiality				Did not evaluate the topic for materiality	Mean score
	Highly material (>3)	Medium materiality (2-3)	Low materiality (1-2)	Immaterial (0-1)		
ECONOMIC TOPICS						
1.1. Economic performance	11	1	0	0	2	3.92
1.2. Digitalization of power grid assets	5	6	1	0	2	3.33
1.3. Collaboration with IDGC of Centre	5	5	2	0	2	3.25
1.4. Consolidation of power grid assets	5	7	0	0	2	3.42
1.5. Employees' salaries compared to minimum wage in the regions of operation	4	5	3	0	2	3.08
1.6. Services pro bono and investments in regional infrastructure	2	2	8	0	2	2.50
1.7. Transparency of the Company's procurement. Choice of bona fide suppliers and cooperation with local suppliers	5	6	1	0	2	3.33
1.8. Corruption control	6	5	1	0	2	3.42
1.9. Combating attempts to hinder competition, enforcement of antitrust laws	1	8	3	0	2	2.83
ENVIRONMENTAL TOPICS						
2.1 Use of renewable and nonrenewable natural resources. Percentage of recycled materials in use	6	4	3	0	1	3.92
2.2 Reduced energy consumption and more efficient energy use	7	5	1	0	1	3.33
2.3 More efficient water use	4	3	6	0	1	3.25
2.4 The Company's impact on biodiversity	5	6	3	0	0	3.42
2.5 Reducing greenhouse gas emissions	5	2	5	1	1	3.08
2.6 Production waste treatment. Control over the amount of effluents	5	3	4	1	1	2.50
2.7 Company's compliance with environmental regulations	6	6	1	0	1	3.33
2.8 Supplier selection criteria and procedure to ensure compliance with the Company's environmental standards.	2	6	5	0	1	3.42
SOCIAL TOPICS						
3.1 Informing the customers on grid connection	5	6	1	0	2	2.86
3.2 Reliable and uninterrupted electricity supply	11	1	0	0	2	3.36
3.3 Emergency preparedness	9	2	0	0	3	3.00
3.4 Research and innovation	3	8	1	0	2	2.71

Topic	Surveyed stakeholders' view of topic materiality				Did not evaluate the topic for materiality	Mean score
	Highly material (>3)	Medium materiality (2-3)	Low materiality (1-2)	Immaterial (0-1)		
3.5 The Company's investment in human resources. Reduced turnover. Recruitment of qualified personnel	5	6	1	0	2	2.86
3.6 Employee engagement in negotiations on working conditions. Prompt notification of employees on significant changes in the Company's activities	2	6	4	0	2	2.43
3.7 Occupational health and safety, industrial injuries; occupational diseases; treaties with trade unions	7	5	0	0	2	3.07
3.8 Employee training, learning programs, advanced training, performance and career assessment	2	9	1	0	2	2.64
3.9 Equal opportunity and pay for men and women. Breakdown of management and personnel by gender, age, and other diversity features; man-to-woman salary ratio for same jobs	2	4	6	0	2	2.29
3.10 Freedom of association and collective bargaining.	3	2	6	1	2	2.21
3.11 Respect of rights of indigenous and small peoples in the regions of the Company's operation	1	3	4	4	2	1.79
3.12 Engagement with the locals	1	6	3	2	2	2.14
3.13 The Company's and suppliers' observance of human rights	4	1	6	1	2	2.29
3.14 Information security, including that of consumer data. Cases of consumer data leakage	4	4	3	1	2	2.50
3.15 Adherence to law. Fines and nonfinancial sanctions imposed on the Company for violations of law	7	3	2	0	2	2.93

HISTORY OF THE COMPANY'S DEVELOPMENT

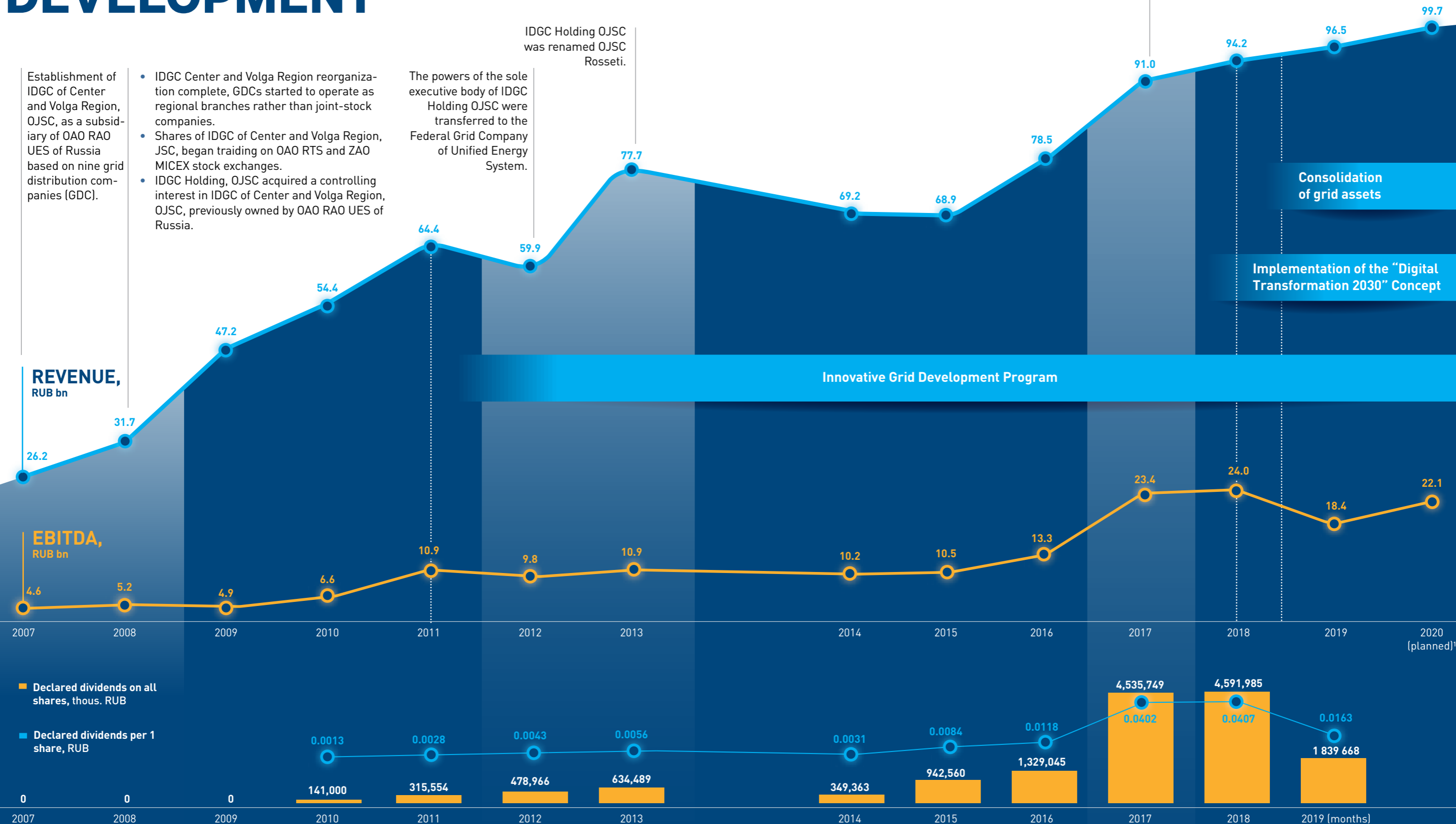
Establishment of IDGC of Center and Volga Region, OJSC, as a subsidiary of OAO RAO UES of Russia based on nine grid distribution companies (GDC).

- IDGC Center and Volga Region reorganization complete, GDCs started to operate as regional branches rather than joint-stock companies.
- Shares of IDGC of Center and Volga Region, JSC, began trading on OAO RTS and ZAO MICEX stock exchanges.
- IDGC Holding, OJSC acquired a controlling interest in IDGC of Center and Volga Region, OJSC, previously owned by OAO RAO UES of Russia.

The powers of the sole executive body of IDGC Holding OJSC were transferred to the Federal Grid Company of Unified Energy System.

IDGC Holding OJSC was renamed OJSC Rosseti.

Transferring the powers of the sole executive body of IDGC of Center and Volga Region to IDGC of Centre.



¹ The projections are cited from the Business Plan approved by the Company's Board of Directors on December 31, 2019 (Minutes No. 393 dd. December 31, 2019); they are not adjusted for risks that actually occurred after approving such Business Plan and before publishing this Integrated Report for 2019.

MAIN EVENTS OF 2019

INTERACTION WITH THE STAKEHOLDERS AND SUSTAINABLE DEVELOPMENT

CORPORATE GOVERNANCE	CONSOLIDATION OF POWER GRID ASSETS	DIGITALIZATION AND INNOVATIVE DEVELOPMENT	ENSURING SAFETY AND RELIABILITY OF POWER SUPPLY
<p>May</p> <p>IDGC of Center and Volga Region's Board of Directors approved the results of the Company's first-ever Board of Directors' / BoD Committees' self-assessment. The Board of Directors analyzed its own needs in professional expertise, experience and business skills, considered whether the quantitative composition of the Board of Directors meets the Company's needs and satisfies the interests of the shareholders. The average score was 4.55.</p> <p>June</p> <p>The Annual General Shareholders' Meeting of IDGC of Center and Volga Region elected a new Board of Directors and a new Audit Commission; it also approved new versions the Articles of Association, the Board of Directors Regulations, the Management Board Regulations, the GSM Regulations, and the Board of Directors Remuneration and Reimbursement Regulations. They also approved the Annual Report and the annual accounting (financial) statements, and resolved to pay dividends of 0.040746 RUB per ordinary share.</p> <p>October - November</p> <p>For the first time ever, the Company had its Internal Audit System independently evaluated by an external entity. KPMG's opinion dd November 22, 2019 was that IDGC of Center and Volga Region's Internal Audit System was generally in line with the International Standards for the Professional Practice of Internal Auditing, the Ethics Code of the Institute of Internal Auditors, and the Company's Internal Audit policy, the highest assessment per the terminology of the Internal Audit Standards.</p> <p>December</p> <p>An extraordinary General Shareholders' Meeting of IDGC of Center and Volga Region took place by absentee voting. They approved the amount, deadlines, and method for the payout of dividends of nine months of 2019; they also set the deadline to list the dividend recipients.</p> <p>The resolution was to pay 1,839,668 RUB thous., or 0.0163239 RUB per ordinary share in dividends.</p> <p>An integrated management system of IDGC of Center and Volga Region, PJSC, underwent a compliance audit, confirming that the management processes and provision of services for electric power transmission and distribution, as well as grid connection of consumers comply with the requirements of international standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, and ISO 50001:2011.</p> <p>Following the results of a corporate governance assessment, the Russian Institute of Directors (RID), a non-profit partnership, confirmed the rating of IDGC of Center and Volga Region as NCGR 7+ "Advanced Corporate Governance Practice" on the scale of the National Corporate Governance Rating (NCGR®).</p>	<p>January</p> <p>Rosseti Centre and Volga Region acquired the properties of Izhevsk Power Grids, including > 2,900 km of 0.4 to 10 kV power lines: >2,200 km of cable lines, 1,705 power transformers, 989 distribution centers and transformer substations. The standards of the Uniform Technology Policy of Rosseti now apply to these facilities. The Company fulfilled all of its obligations, both financial and social, to the employees.</p> <p>July</p> <p>Rosseti Centre and Volga Region acquired the properties of Votkinsk Municipal Power Grids, including > 547 km of 0.4 to 10 kV power lines: >271 km of cable lines, 199 distribution centres and transformer substations. The standards of the Uniform Technology Policy of Rosseti now apply to these facilities. The Company fulfilled all of its obligations, both financial and social, to the employees.</p>	<p>September</p> <p>City of Izhevsk saw the commissioning of the first digital city-wide supervisory control centre. The facility has communication channels and IT systems that enable real-time monitoring and control over the city's entire grid complex. The supervisors there can monitor the condition, operation, and repair of all facilities, analyze the electricity quality parameters, and coordinate dispatched repair teams. Some of the operations are automatic.</p> <p>November</p> <p>Rosseti Centre and Volga Region signed an agreement with ROTEC to implement PRANA, a predictive analytics and remote monitoring system; this will enable condition-based maintenance. As a result, the production processes will be more transparent for all levels of management while also providing extra control over the maintenance costs as well as an independent insight into the quality of such maintenance.</p>	<p>January</p> <p>Heads of Production Control and Occupational Safety of all Rosseti Centre / Rosseti Centre and Volga Region branches had a general meeting. They discussed the reliability of electricity delivery as well as occupational safety matters, analyzed the necessary changes in preparations to safe large-scale repair and preventive maintenance efforts, and considered the innovations pertaining to environmental safety, in addition to employee training and briefing issues.</p> <p>April</p> <p>Power engineers of Rosseti Centre and Volga Region and Rosseti Centre took part in the All-Russian Command and Staff Exercises in Handling Spring Flood and Wildfire Emergencies. The event took place in all the 85 regions of Russia. It involved units of the Unified State Emergency Prevention and Elimination System, a total of more than 1,300 thousand people and 280 thousand units of equipment.</p>

INTERACTION WITH STAKEHOLDERS
AND SUSTAINABLE DEVELOPMENT**INVESTMENT
COMMUNITY****March**

Rosseti Centre and Volga Region's and Rosseti Centre's managers held the Analyst Day for the investor community, during which they discussed both companies' results for 2018 and forecasts for 2019. Among other things, they discussed pricing, investment program adjustments, loss reduction and profitability boosting; they also presented the plans to begin large-scale investment projects under the "Digital Transformation 2030" Concept of Rosseti.

August

Managers of Rosseti Centre and Volga Region and Rosseti Centre met the minority shareholders of both Companies. The parties discussed the companies' performance of the first half of 2019 as well as short-term plans; focus was made on Rosseti Centre's performance as the Sole Executive Body of Rosseti Centre and Volga Region. In particular, they discussed the first fruit born by optimizing the management hierarchy.

November

Rosseti Centre and Volga Region's Annual Report for 2018 won a prize as the Best Annual Report of a Company Worth up to 40 bn. RUB at the XXII Annual Competition of Annual Reports organized by the

Moscow Exchange and the RCB Media Group; it also won four prizes of LACP Inspire 2019, an American contest of public reports.

**EMPLOYEES AND
TRADE UNIONS****July**

Specialists of Rosseti Centre and Volga Region partook in Forsage 2019, the annual young professionals forum organized by the MAKO Association of Citizens and Organizations to Promote Corporate Training, supported by the Ministry of Energy and by the Civic Chamber of the Russian Federation. This year, the Forum mainly focused on Digital Transformation and Integrated Leadership.

April

IDGC of Center and Volga Region, PJSC, took part in the Russia Health and Safety Week (RHSW), organized by the Russian Ministry of Labor and Social Protection and the ETALON Interregional Association for the Promotion of Safe Labor Conditions. Trends and prospects for the development of measures promoting occupational safety, ensuring safe labor conditions and protecting the health of employees were the main topics of discussion.

November

Igor Makovskiy, Director General of Rosseti Centre, the Management

Company of Rosseti Centre and Volga Region, had a meeting with the leaders of primary trade unions of both companies. They discussed the topical issues of social partnership and regulation of labor relations as well as the short-term plans of the Companies' HR and social policies.

UNIVERSITIES**April**

Managers of Rosseti Centre (the Management Company of Rosseti Centre and Volga Region) had a video conference with universities operating in the 20 regions where both companies are present. The parties discussed cooperation prospects and agreed to use R&D outputs, technical solutions, and educational projects within the ongoing "Digital Transformation 2030" Concept.

October - November

Rosseti Centre and Volga Region's and Rosseti Centre's specialists arranged a pilot learning project for students of industry-specific universities: the Digital Transformation of the Power Grid Complex, a course they taught in 20 regions at the same time.

SUPPLIERS**May**

Rosseti Centre (the Management Company of Rosseti Centre and Volga Region) had a production meeting, the first to involve the executives of both Companies' contractors. The participants discussed matters pertaining to the Companies' Investment Program.

SOCIETY**March – October**

For the fourth year in a row, Rosseti Centre and Volga Region and Rosseti Centre supported the All-Russian Festival #Brightertogether held in the regions of the country. During the festival, the energy sector representatives organize and hold events aimed at modeling an energy-efficient lifestyle.

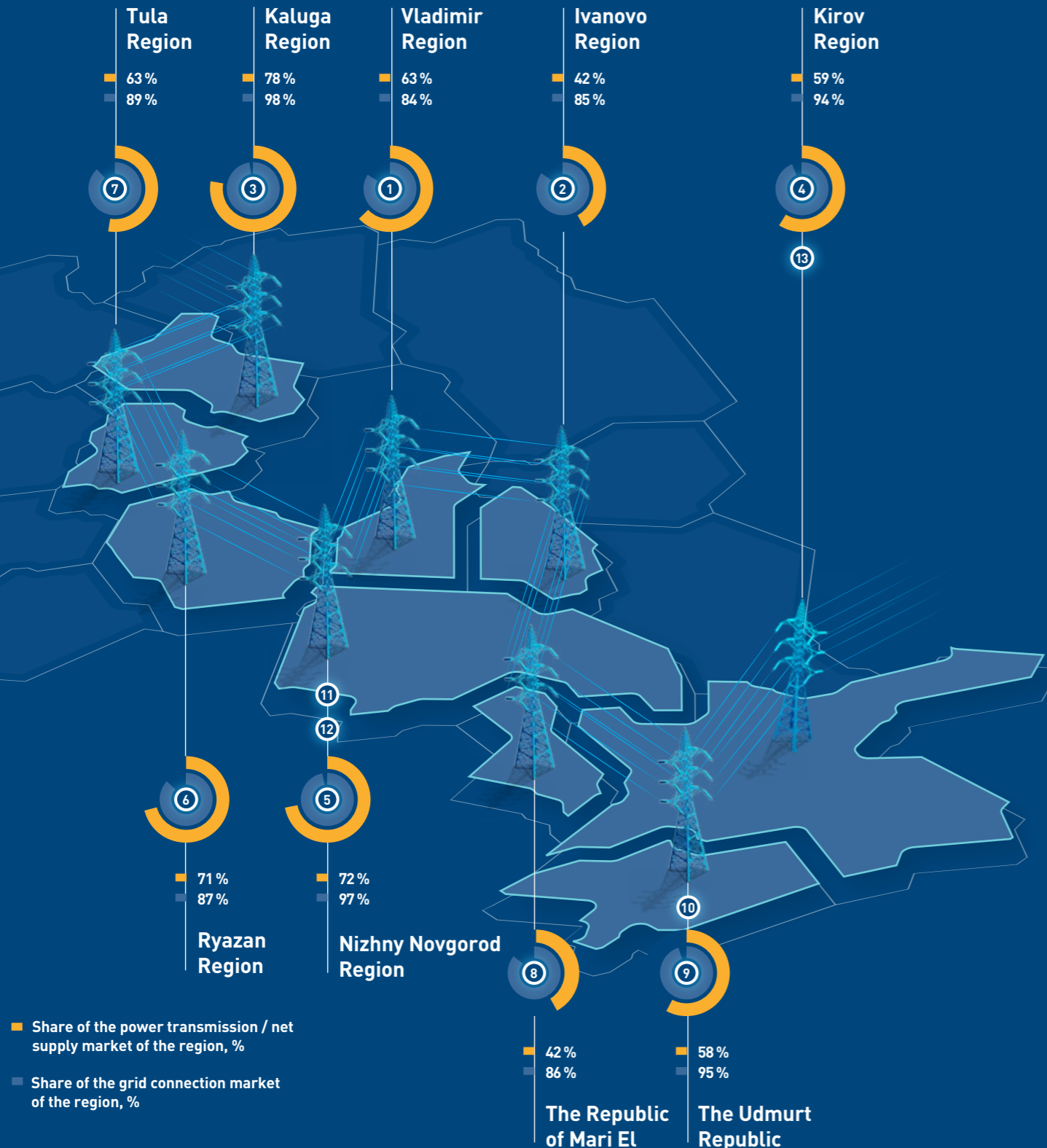
March

Rosseti Centre and Volga Region and Rosseti Centre employees took part in Earth Hour¹, the world's largest environmental campaign, by switching off the lights of the branch office buildings while also paying greater attention to the grid operations.

¹ Earth Hour is an international campaign, in which the World Wildlife Fund calls for lights to be switched off for an hour to show respect for the world's future. This is when they switch off the illumination of the world's most famous buildings and monuments.

GEOGRAPHY AND ORGANIZATIONAL STRUCTURE

GRI 102-2 GRI 102-6
GRI 102-4 GRI 102-45



50.4%



SUBSIDIARIES

10 ENERGETIK HEALTH RESORT, JSC 100%

11 SVET, JSC 100%

12 MEK ENERGOEFFEKTIVNIYE TEKHNologii, JSC 51%

13 ATKH, JSC 100%

BRANCHES

CORE BUSINESS lies in transmission (supply) and distribution of electricity as well as in grid connection services

	EU2	EU3	EU4	Area, thous. sq. km	Population, mn people	Power transmission lines, km	Substation capacity (SS 35 and higher), thous. MVA
1				29	1.36	24,663	3.60
2				21	0.99	16,401	2.60
3				30	1.00	32,643	3.44
4				120	1.26	39,996	3.14
5				77	3.20	63,346	5.37
6				40	1.11	29,502	3.50
7				26	1.47	34,439	4.26
8				23	0.68	12,874	1.11
9				42	1.51	31,167	3.76

PRIMARY ACTIVITIES

- medical rehabilitation;
- physical, healthcare, and spa services
- accommodation, catering, and services.
- supply (sale) of electric and heat energy at the specified tariffs in accordance with the dispatch schedules of electric and heating loads;
- receipt (purchase) of electric power from the electric energy (power) wholesale market;
- receipt (purchase) of heat and electricity from their producers.
- design, installation and commissioning of metering stations for electricity, hot and cold water supply, heat energy, gas, boiler plants and supporting processing equipment, and maintenance of facilities;
- assessment and reduction of energy losses, optimization of payments for consumed energy resources, implementation of turnkey energy conservation projects
- transport services;
- warehouse services;
- repair, service and maintenance of vehicles.

CORE ASSETS

IDGC of Center and Volga Region controls:

EU4

1,556
units of
35/110/220 kV
high-voltage supply
centres with a total
capacity of
30.78 thous. MVA

285.03 thous. km
of electric distribution grids,
including:

272,974 km
0.4-220 kV overhead
power lines

12,058 km
0.4-110 kV cable lines

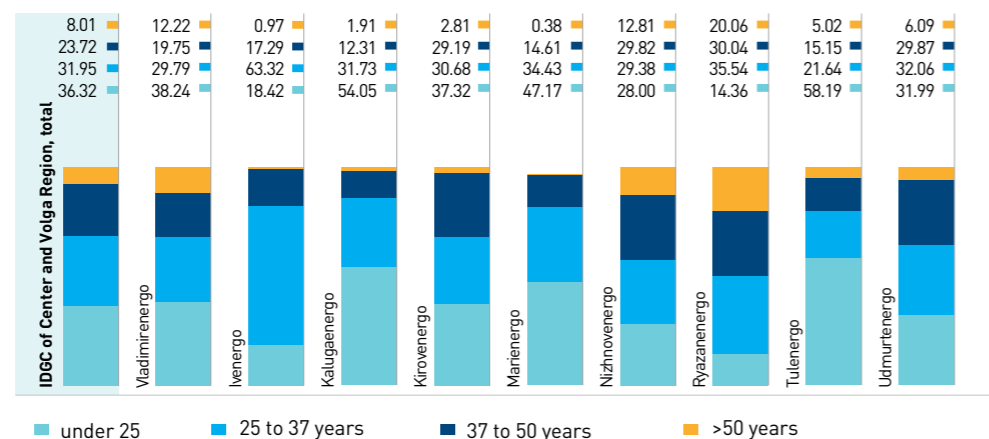
66,298
units of 6-35/0.4 kV
transformer substations

809
units of 6-10 kV
distribution points

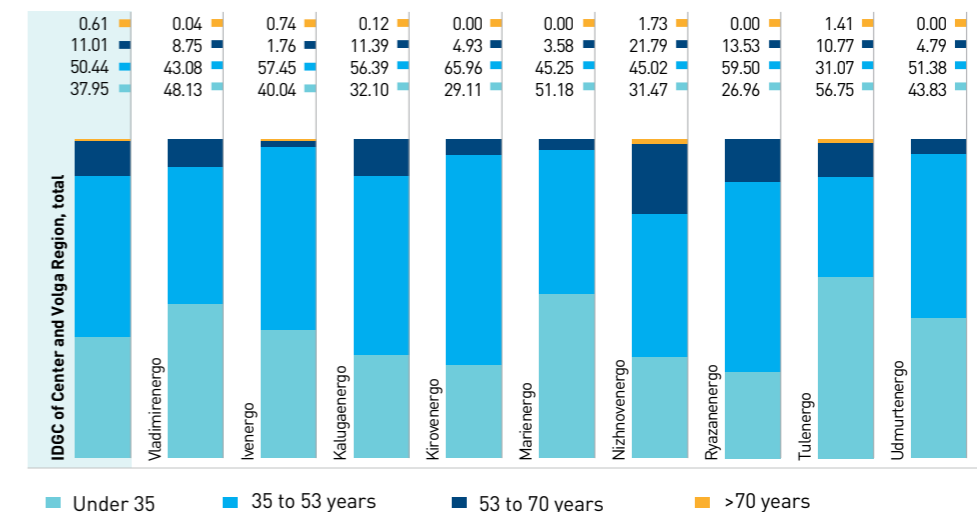
The current level of depreciation of fixed assets (29.8 %) makes it possible to carry out the primary activities of the Company successfully and to the full extent, ensuring high reliability and quality of electric power supply to consumers.

A proper technical condition, as well as the technical characteristics of the electric grid facilities that are required by the operating conditions, are ensured by the scheduled maintenance, repair works, reconstruction and retrofitting and upgrading of the facilities.

Breakdown of Substation Equipment by Age, %



Grid Breakdown by Age, %

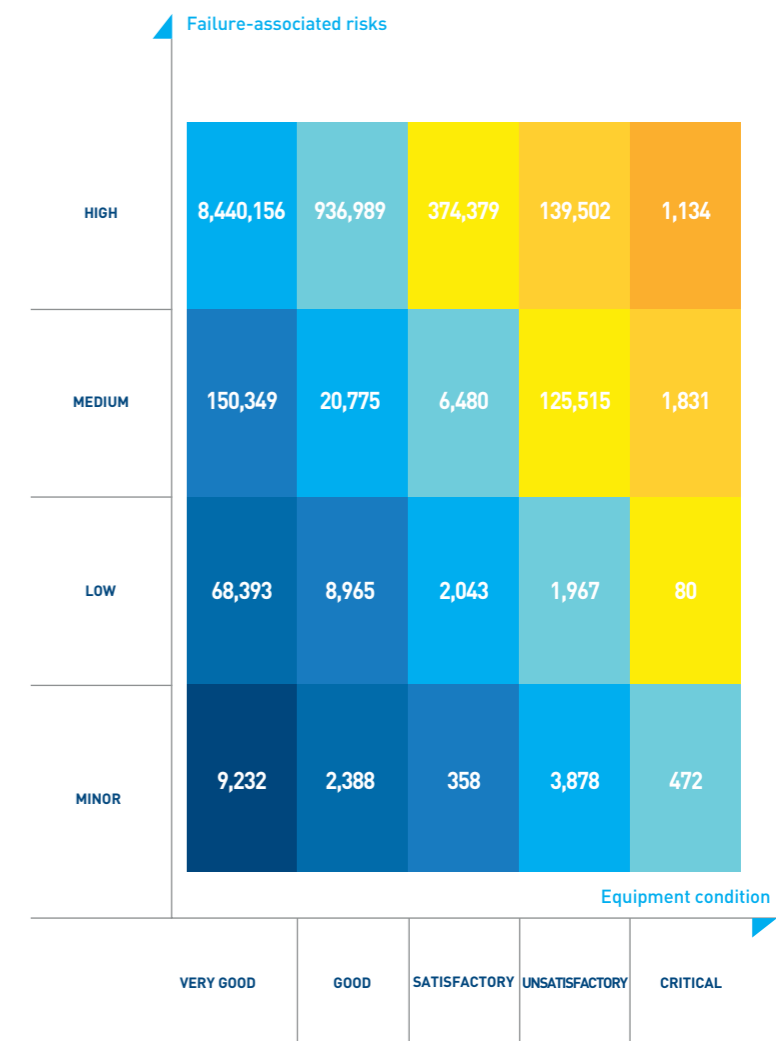


Analysis of Risks of Equipment Failure due to Improper Conditions

The Company assesses the technical condition of equipment on a regular basis and analyzes the significance of failure consequences. Thus, it is able to objectively identify whether regulated maintenance, repair, reconstruction, or retrofitting of grid facilities is necessary and should take priority.

Late 2019 analysis found that >97 % of the equipment was in good operating condition. It is most important, however, that 98.6 % of the Company's equipment, failure of which would have extremely negative implications, is in good condition.

Equipment units in operation, pcs.



98.6%
of the Company's
equipment is intact

BUSINESS MODEL

VALUE FORMATION FOR THE STAKEHOLDERS

CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS



FOR THE ELECTRIC POWER CONSUMERS

Power transmission to consumers
46,961.1 mn kWh

Execution of grid connection contracts
44.1 thous. units

Average grid connection time
60 days

FOR THE SHAREHOLDERS

Dividends
1,835.2 mn RUB
 (for 9 months of 2019)

Changes in capitalization 2019/2018
-9.77 %

FOR THE STATE

Taxes
15.7 RUB bn

- Compliance with the Strategy for Development of the Electric Grid Complex of the Russian Federation
- Cooperation with the executive authorities of the constituent entities of the Russian Federation in planning and delivering regional programs for regional development

FOR THE EMPLOYEES

Wages
17,825.0 RUB mn

Occupational safety and protection of the employees' health
457.3 RUB mn

Professional and advanced training
117.5 RUB mn

FOR THE POWER GENERATORS

Reduction of accidents
 by **10.3 %**

Reduction of electric power losses
 by **9.7 %**

Detection and stopping of the unaccounted and non-contracted consumption
35.9 mn kWh

FOR THE SOCIETY IN GENERAL

Environmental protection
32.4 RUB mn

Concern for safety and energy efficiency
>50,000 children participating in electrical injury prevention activities

Compliance with the international standards

ISO 9001:2015 ISO 50001:2011
 ISO 14001:2015 ISO 45001:2018

5 Strategic priorities

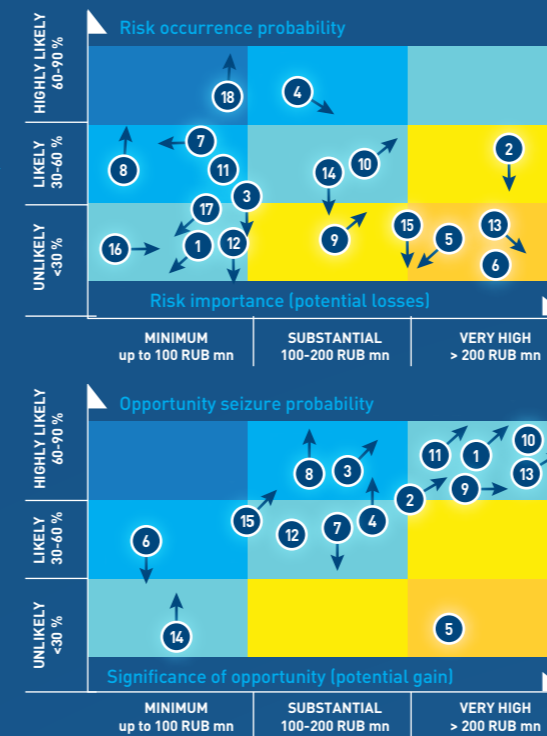
Strategic priorities	KPI
Reliability and quality of services provided	Zero increase in the number of major accidents Achievement of the reliability level of services provided
Operating and investment efficiency	Reduction of specific operating expenses (costs) Reduction of specific investment outlay Increase in the process utilization of power grid equipment Compliance with the commissioning schedule
Investment appeal	Consolidated net cash flow Consolidated operating profit (EBITDA) Consolidated net debt / EBITDA Compliance with the plan of measures to reduce the accounts receivable
Energy efficiency and support of the innovation-driven development	Rate of electric power loss Effectiveness of innovation
Availability of the power grid infrastructure	Compliance with the terms of grid connection
Development of human capital assets	Improving labor efficiency Zero increase in the casualty toll

Risk exposure

- Tariff associated risks
- Risk of power transmission curtailment
- Risks associated with grid connection services provided to the applicants
- Risk of non-payments by consumers
- Risks associated with political and economic downturn in the country and region
- Risks of conflicts and labor disputes, imposition of the state of emergency in the regions
- Geographical risks (natural disasters, transport links cut-off, etc.)
- Risks of exchange rate changes
- Risks of interest rates changes
- Risks of inflation effects
- Legal risks
- Reputation risk
- Strategy risk
- Operational and technological risk
- Investment risk
- Climate risk
- Human risks
- Anthropogenic risks

Willingness to take opportunity

- Digital transformation opportunities
- Increased amounts of delivered electricity
- Opportunities associated with grid connection services provided to the applicants
- Opportunities to improve the economic situation in the country and the region
- Geographic opportunities of regions (temperature, daylight hours, etc.)
- Exchange rate opportunities
- Interest rate opportunities
- Reputational opportunities
- Strategic opportunities
- Opportunities of integration with IDGC of Centre
- Opportunities of grid assets consolidation
- Operational and technological opportunities
- Investment opportunities
- Climate change opportunities (linked to global warming)
- Human opportunities



Assessment of trends in risks and opportunities

6 PRIORITY DEVELOPMENT AREAS

Maximizing the benefits of cooperation with IDGC of Centre:

- Consolidation of the best practices of corporate governance, operating and situational management of the two companies
- Coordinated grid maintenance in 20 regions located in close proximity to each other
- Combining procurement, emergency supplies, and backup energy sources
- Prompt exchange of information and development of uniform standards in all areas
- Comprehensive modernization programs

Consolidation of power grid assets:

- Create a single centre of responsibility for high-quality, reliable, and affordable electricity
- Increase the Rosseti subsidiaries' share in the common-pot revenue generated from electricity delivery to customers in regions
- Improving branch performance in every region in the Russian Federation
- Build an optimal grid infrastructure and adopt digital grid elements.

Digitalization:

- Introduction of intelligent power grid management systems based on digital technologies
- Obtaining reliable end-to-end data on consumption, operating modes of a network and its elements in real time
- Significant reduction in the number of dispatch points and creation of unified network control centres
- Introduction of a unified out-of-age control system for all voltage levels in all areas
- Transformation of the system of emergency response and recovery operations management
- Improvement of the grid connection rate
- Laying the groundwork for new consumer services

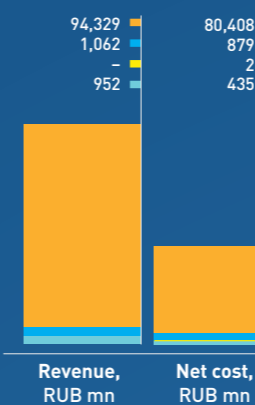
1 RESOURCES

Human	
Average staff number, ppl	22,345
With occupational education, %	89
Industrial	
High-voltage supply centres, pcs.	1,556
Distribution electric grids, thous. km	285.03
Transformer substations, pcs.	68,298
Distribution points, pcs.	809
Installed capacity, thous. MVA	30.78
Intellectual	
Intangible assets value, RUB mn	77.01
Patents and certificates, pcs.	33
Costs for innovation, RUB mn	59.11
Reputation	
Moody's long-term corporate credit rating	Ba1
Rating of the Russian Institute of Directors	NRKU 7+

2 PRODUCTION ACTIVITY

Power transmission	
Electric supply, mn kWh	53,565
Net supply, mn kWh	49,310
Performed technological connections to the networks	
Quantity, pcs.	44,059
Total power, MW	895
Cost of repairs of basic production facilities, RUB bn	3.6
New power lines commissioned, thous. km	6.8
New transformer capacity commissioned, thous. MVA	1.6
Cost of the Innovative Development Program, RUB mn	880.7

3 FINANCIALS



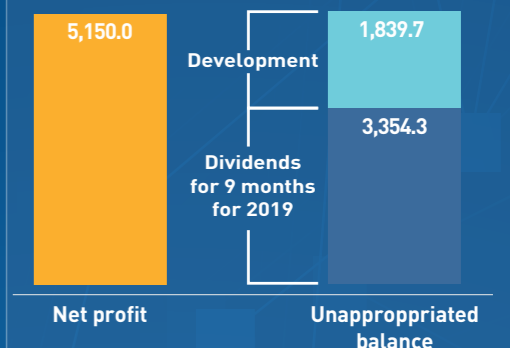
EBITDA for 2019 amounts to **17,078 RUB mn** a 21.8% decrease YoY

Directions

- Power transmission
- Grid connection
- Sales of electric power and capacity
- Additional Services
 - Ensuring a temporary limited access to the infrastructure facilities to install the applicants' equipment
 - Installation and replacement of metering instruments
 - Maintenance of the applicants' facilities

4 INVESTMENT APPEAL

Profit receipt and distribution, RUB mn



INDUSTRY OVERVIEW AND COMPETITION ANALYSIS

AN OVERVIEW OF THE INDUSTRY WITH TRENDS AND FORECASTS

EU10

CLIMATE IN THE INDUSTRY IN 2019

By the end of 2019, the total installed capacity of the power plants of the UES of Russia reached

246,342.45 MW 1.27% more than in 2018

An increase in the installed capacity was conditioned by the following factors:

- commissioning of a new generating equipment with capacity of

2,969.89 MW

- increasing the installed capacity of the generating equipment due to its remarking –

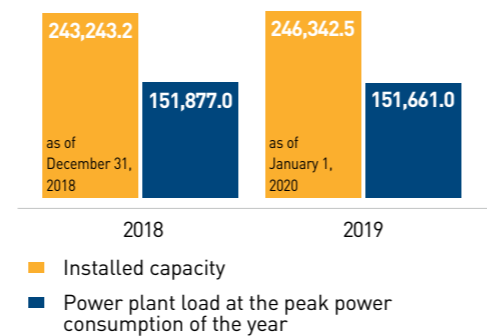
244.09 MW

Generating equipment of the power plants of the UES of Russia with a total capacity of

1,746.03 MW

was taken out of service

UES Capacity in 2018-2019¹, MW



In 2019, the electric power generated by the power plants of the UES of Russia, including the power plants of industrial enterprises, totaled 1,080,496.8 mn kWh, a 0.9 % increase YoY.

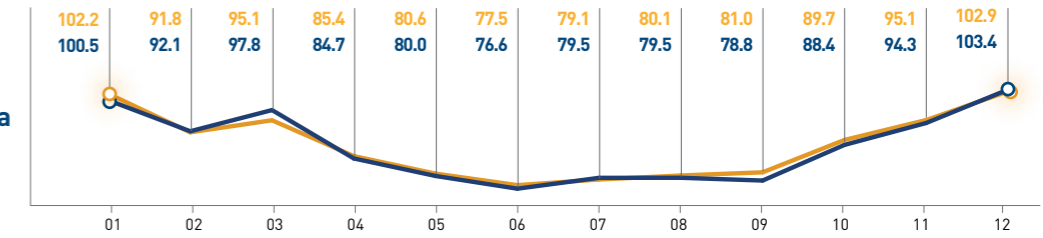
In 2019, electricity consumption in the UES of Russia totaled 1,059,286.5 mn kWh, which is 0.4 % higher than in 2018.

The annual maximum power demand within the UES of Russia was recorded on December 4, 2019 and was equal to 151.6 GW, which is 0.3 GW (0.2 %) higher than the annual maximum of 2018. The maximum load of the UES of Russia power plants per one hour of maximum power demand was 148.9 GW, which is 5.3 GW (3.1 %) higher than in 2018.

In late 2019, the Ministry of Energy published its annual Energy Efficiency Ranking of Grid Operators. This year, the methodology behind the Ranking was tweaked to focus on what companies did to reduce their in-grid losses. Emphasis was made on two indicators: actual-vs-normal losses and year-over-year dynamics of actual-vs-normal losses. The Ranking was also adjusted for the fact that grid operators could not keep high positive trends in year-over-year loss reduction for objective reasons.

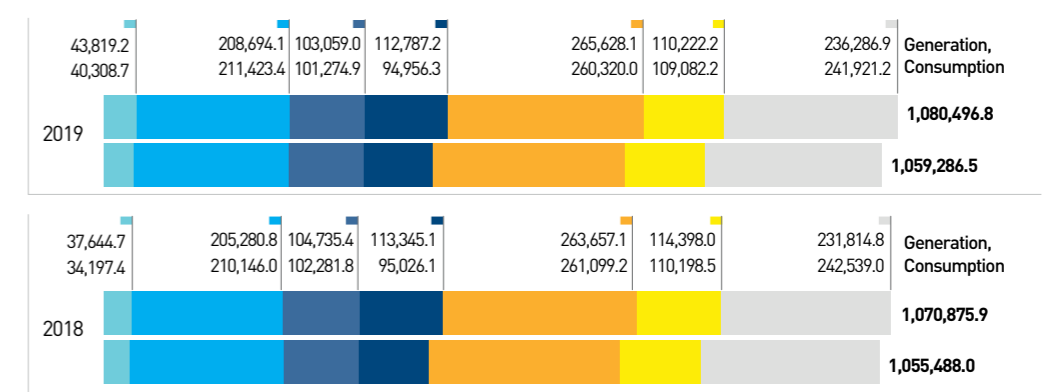
Dynamics of Electricity Consumption in the UES of Russia in 2018-2019²

■ 2018 ■ 2019



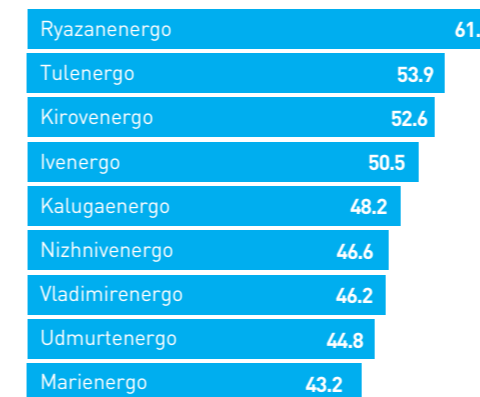
Generation and Consumption in 2018-2019, mn kWh¹

■ Eastern UPS
■ North-Western UPS
■ Central UPS
■ Siberian UPS
■ Ural UPS
■ Southern UPS
■ Middle Volga UPS



All the regional branches of IDGC of Center and Volga Region scored well in this Ranking and led in their subgroups (companies from different regions were grouped by their output).

Energy Efficiency of the Regional Branches of IDGC of Center and Volga Region⁵



Ranking also revealed that it was already in 2017-2018 that most companies reduced their actual losses to below the approved³ normal values. This was mainly due to active adoption of smart electricity (power) metering systems. The process is expected to gain traction in the years to come as that will be necessary in order to comply with Law No. 522-FZ⁴, which, in particular, requires a mechanism in place for the reduction of non-process electricity losses:

from July 1 2020

delegation of commercial electricity (power) metering duties from consumers to grid operators and last-resort suppliers

from January 1 2022

mandatory adoption of smart electricity (power) metering systems

These measures are assumed to reduce electricity losses so that no losses occur other than process-related losses. The Law also sets forth that grid operators may keep the extra profits attributable to such loss reduction for up to ten years and use them to pay for energy service contracts, purchase and install electricity meters, and create smart metering systems.

¹ System Operator, Unified Energy System of Russia: Interim Results Overview, December 2018 and December 2019.

² System Operator, Unified Energy System of Russia: Interim Overview, January to December 2018 and January to December 2019.

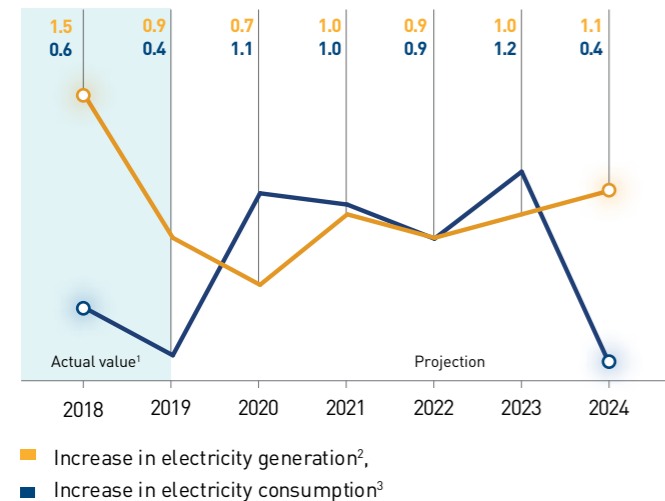
³ Order of the Ministry of Energy No. 887 of September 26, 2017 On the Approval of Normal Electricity Losses in Transmission Through the Grids of Local Grid Operators.

⁴ Federal Law No. 522-FZ of September 27, 2018 On Amendments to Certain Laws of the Russian Federation in Connection With the Development of Electricity (Power) Metering Systems.

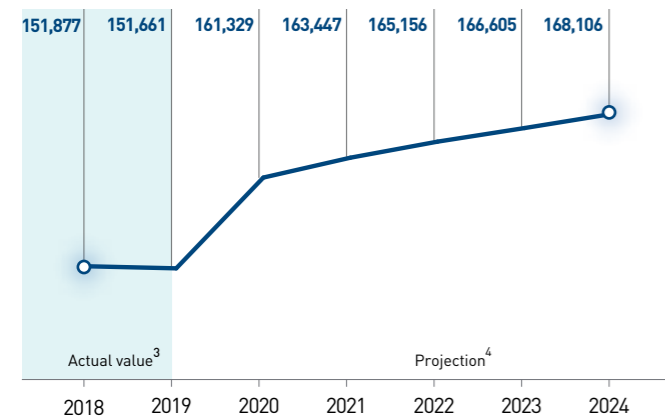
⁵ Energy Efficiency Ranking of Grid Operators, Ministry of Energy, September 2019.

Industry Trends and Forecasts up to 2024

Gain in Electric Power Generation and Consumption in the UES of Russia as % over the Previous Year for 2018-2024



Annual Maximum Demand for Power, MW



¹ Ministry of Economic Development of Russia, Forecast of the Socioeconomic Development of the Russian Federation for Until 2024.
² Ministry of Energy, Roadmap of UES Development for 2015-2025.
³ System Operator, United Energy System of Russia: Interim Results Overview, December 2018 and December 2019.
⁴ Ministry of Energy of Russia, Roadmap of UES Development for 2018-2025.

Pursuant to the Ministry of Economic Development's Forecast of Socioeconomic Development of the Russian Federation for Until 2024, the generation of electricity will reach 1,163.1 bn kWh by 2024. Despite the fact that thermal power plants will still provide the bulk of total electricity output by that time, the Ministry of Economic Development projects that the contribution of TPPs will drop to 63.4 % while that of nuclear power plants will rise to 19.5 % and that of hydropower plants will reach 16.6 %.

Pursuant to the Unified Energy System Development Roadmap for 2018-2025 as approved by the Order of the Ministry of Energy dated February 28, 2019, the demand for electricity in the UES of Russia is projected to reach 1,138.9 bn kWh by late 2024. Electricity consumption will mainly grow due to the rising demand in the Eastern UPS, as the Western and Central Power Districts of the Republic of Sakha (Yakutia) will join the EUPS.

While the electric power production and consumption strongly depend on the temperature factor, fluctuation of their growth rates within the range of 0.3-0.6 % per year is possible, depending on the temperature deviations from the long-time average annual values.

It is expected that by 2024 the installed capacity of the power plants of the UES of Russia will reach 248,668.4 MW. The projected dynamics of the installed capacity for the period through to 2024 was created based on the existing plans for commissioning of new generating equipment, as well as for taking out of service, upgrading and reconstructing the existing generating equipment of electric power plants.

The maximum power consumption in the UES of Russia in 2024 is expected to be

168,106.0_{MW}

Industry-Wide Development Projections for until 2035-2040

As stated in the draft Energy Strategy of the Russian Federation for until 2035 published on the Ministry of Energy's official website, the industry's **growth** in the years to come will be **mainly driven** by:

- greater demand for electricity in transport industry and public utilities;
- development of energy-intensive industrial facilities in Russia's East as well as in the border regions of neighboring states, mainly the EAEU member states, China, other Asia-Pacific countries.

The **risk factors** that may hinder the development of the industry include:

- nonconformance of the actual electricity consumption parameters to what was stated when performing grid connection;
- wholesale and retail electricity buyers' frequent failure to pay fully and timely;
- an inadequate relations and pricing model in electricity and heat delivery coupled with lack of competition in wholesale and retail electricity and capacity markets;
- cross-subsidizing that hinders the centralized electricity delivery and is still in place.

A key trend of global energy sector development lies in the advancement of **energy-saving technologies**, and Russia will not stay aside. This is mainly due to the fact that most countries no longer have room for further organizational and managerial improvement to reduce energy intensity, while technological savings are hindered by lack of investment, inadequate public policy for investment mobilization, and customers' limited motivation to improve their energy efficiency.

Another trend that is gaining ever more traction every year lies in a gradual **transition to renewable energy resources**. Electricity is expected to cover 25 % of the total energy consumption in 2040, which is a 60 % increase from 2017 that served as the baseline when drafting the Energy Strategy of the Russian Federation. At the same time, it is non-carbon primary resources used in electricity generation that will account for >40 % of this increase.

The industry expects large-scale **adoption of novel** distributed generation, microgeneration, controlled consumption, and virtual energy resource aggregation **technologies**, which will effectively recreate the competitive retail market; the new market will be based on automated local electricity trading platforms. On the one hand, this will deter the electricity price growth; on the other hand, it will require additional investment in the market management systems while also making return on investment in wholesale generation less predictable.

In general, the most promising technologies that will shape the electricity market for until 2035 include:

- renewable energy and energy storage;
- hybrid cars and electric cars, including hydrogen vehicles, self-driving and connected transports;
- network technologies for the electric power industry: active adaptive grids, distributed generation, Internet of Energy, etc.;
- energy-efficient technologies for housing, commercial and administrative buildings: zero-energy buildings, smart homes, smart cities;
- IT platforms for management of energy infrastructure and energy users on the customers' side, which can help minimize the cost of consumed energy and are capable of involvement in the wholesale market.

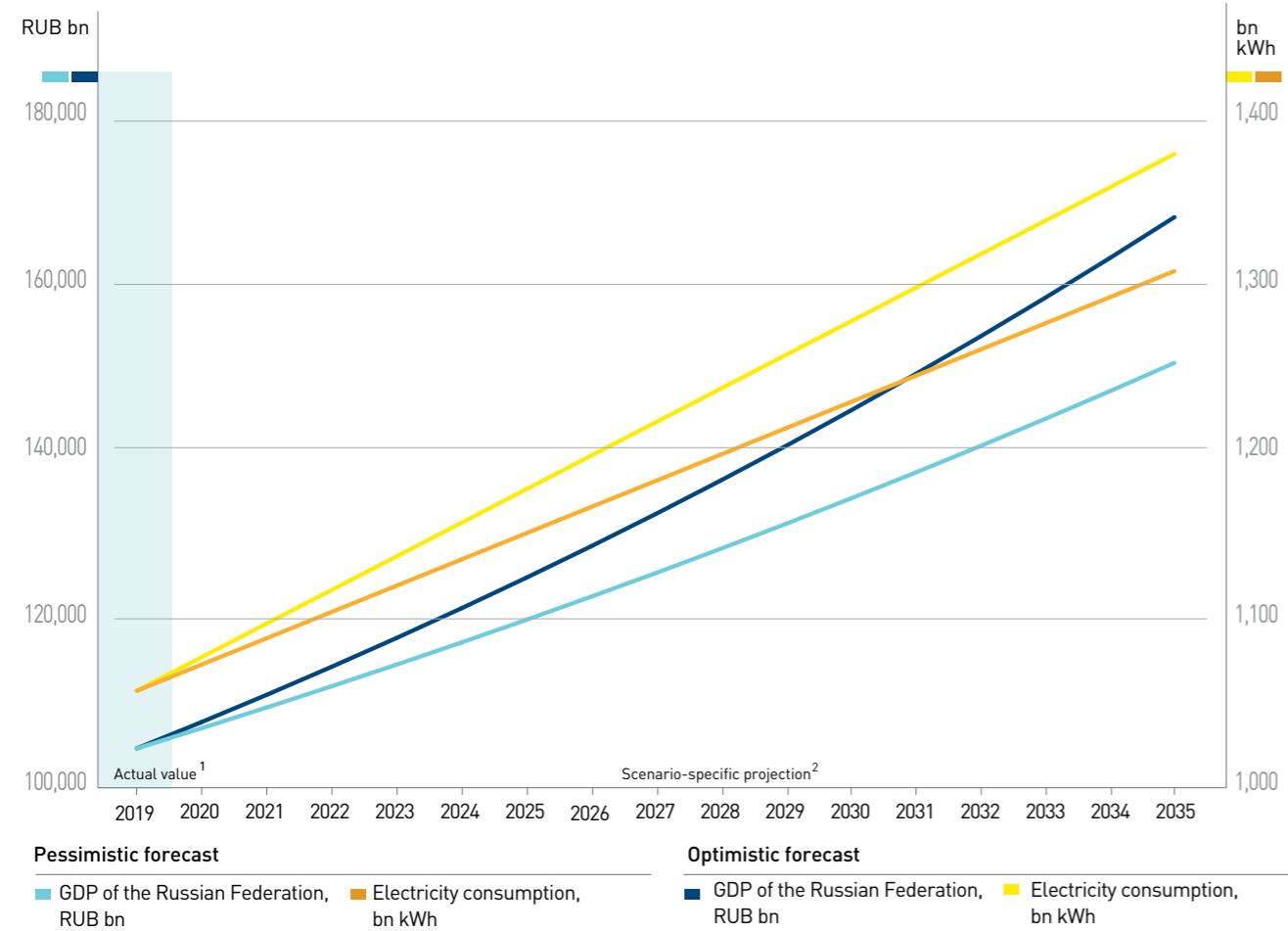


A key trend of global energy sector development lies in the advancement of energy-saving technologies, and Russia will not stay aside.



Another trend that is gaining ever more traction every year lies in a gradual transition to renewable energy resources.

Scenario-based Analysis of the Dynamics of Electricity Consumption in the UES of Russia in 2035



For the coming years, Russia's electric power industry is mainly tasked to improve the quality and reliability of electricity delivery to be on par with the best foreign counterparts.

Russia's GDP is projected to grow by an average of 2.3 % to 3.0 % per annum in 2019-2035; thus, electricity consumption is projected to grow to 1,310.0-1,380.0 bn kWh by 2035. This growth will be driven by the popularization of electric cars and by further electrification of railways, among other things.

For the coming years, Russia's electric power industry is mainly tasked to improve the quality and reliability of electricity delivery to be on par with the best foreign counterparts. This will require increasing the installed capacity to at least 254 GW by 2024, 251-264 GW by 2035.

- Measures designed to attain these goals include:
- improving the planning system used by the electric power industry;
 - optimizing the structure of generation facilities in the light of their price-performance ratio;
 - improving the price-performance ratio of thermal power plants and grid facilities;
 - adopting a demand management mechanism and creating a market of electricity storage systems;
 - creating a mechanism to control and improve the customer service quality;
 - gradual phaseout of cross-subsidizing by gradual transition to economically sound electricity pricing;

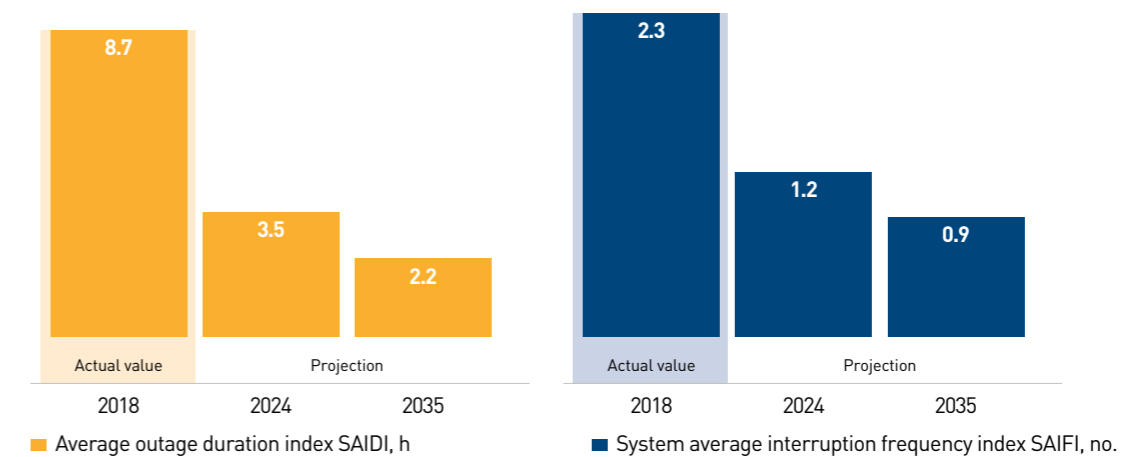
- creating a common electricity market for the EAEU, where Russian companies will be able to compete;
- switching the supervisory control systems to 100 % automated remote control over 220 kV grid facilities, and over 25 MW generation facilities in the UES of Russia (over 110 kV grid facilities and over 5+ MW generation facilities for islanded local electric power systems).

- improving the transmission efficiency;
- improving local grid operators' operations management and process control;
- transition to digital risk-oriented management of production assets in grids;
- creating smart metering systems;
- upgrading low-performance (fuel oil- or coal-fired) generation in isolated or hard-to-reach areas.

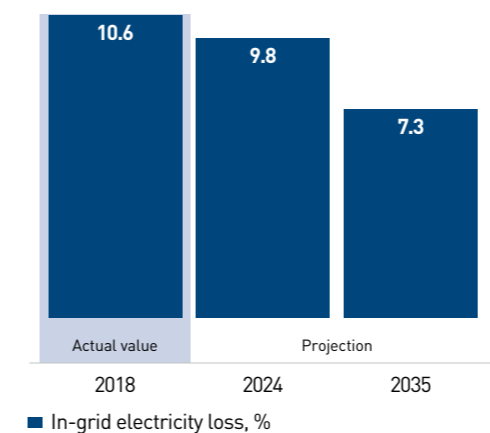
The industry's key objective with respect to regional development lies in improving the efficiency of the grid complex. This can be done by:

- more accurate projection of electricity and power demand by using data on the implementation of investment projects in Russian regions;

Trends in UES of Russia Reliability Indicators, 2018-2035²



Trend in UES of Russia Efficiency Indicator, 2018-2035



The industry's key objective with respect to regional development lies in improving the efficiency of the grid complex.

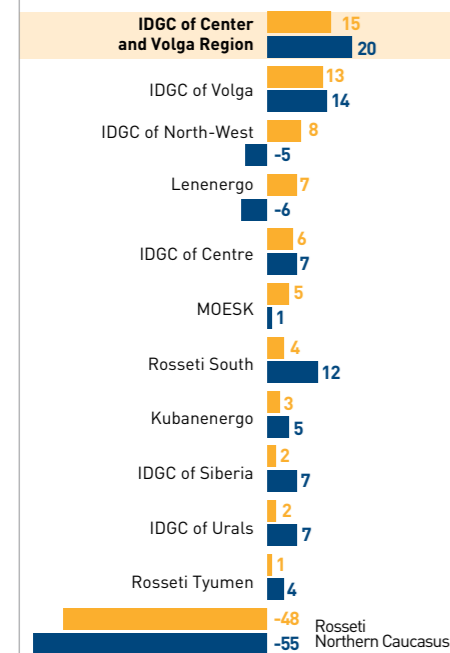
¹ Energy Strategy of the Russian Federation for Until 2035

¹ Rosstat.
² Energy Strategy of the Russian Federation for Until 2035.

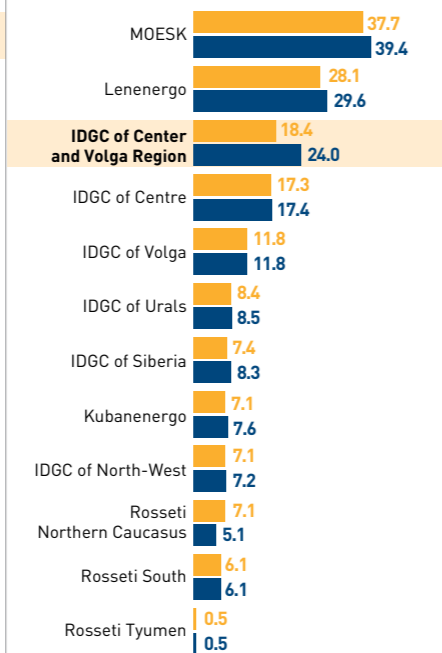
COMPARISON TO THE PEER COMPANIES IN TERMS OF FINANCIAL AND INVESTMENT RESULTS

■ 2018 ■ 2019

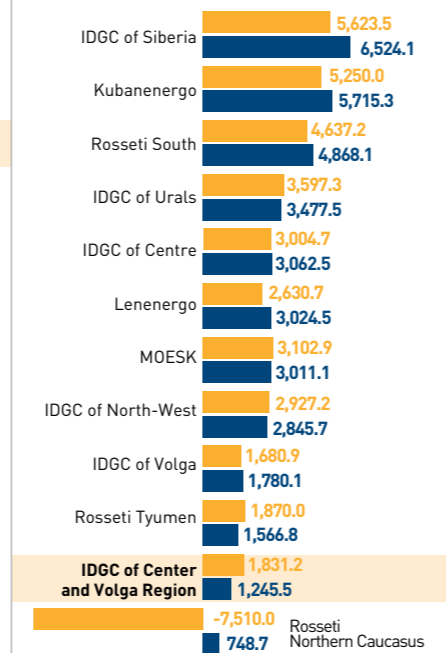
Return on invested capital (ROIC), %



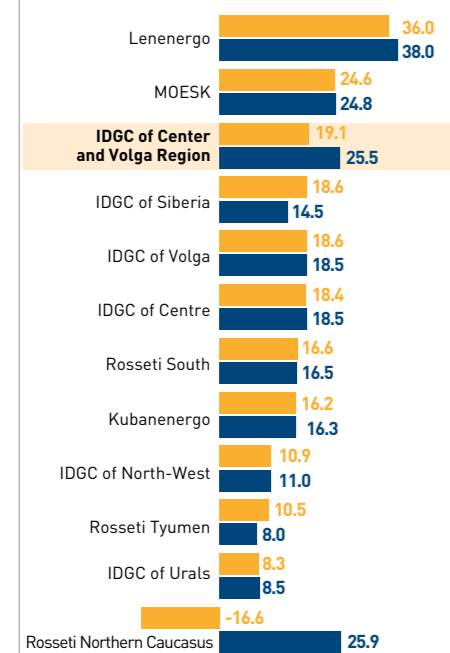
EBITDA, RUB bn



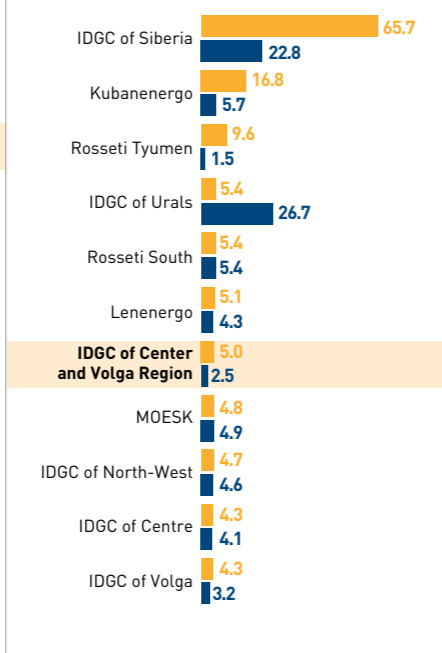
EV/EBITDA



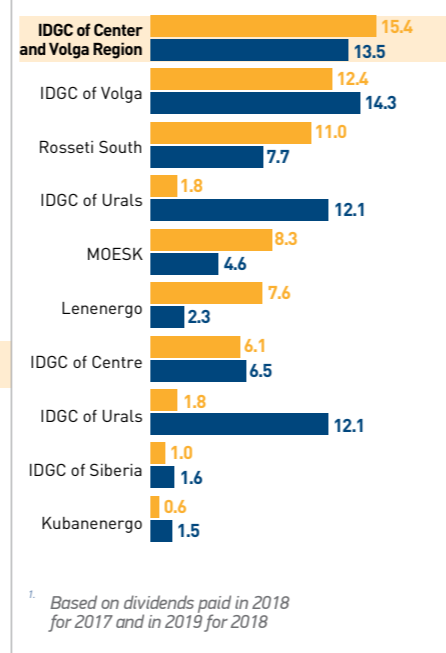
EBITDA margin, %



P/E



Dividend yield¹, %



¹ Based on dividends paid in 2018 for 2017 and in 2019 for 2018

INVESTMENT APPEAL FACTORS



REGIONS OF ACTIVITY WITH EFFECTIVE DEMAND

The Company operates in the economically favorable regions where about 9 % of the country's residents live. These are the regions with a stable volume of gross regional product, which ensures a high demand for electric power year on year.



FAVORABLE CLIMATIC CONDITIONS

A favorable climate in the area of the Company's production activity causes only minor losses in the grids and increases their availability for maintenance, which reduces the amount of costs and has a positive effect on the Company's profits.



POTENTIAL FOR COMPANY'S DEVELOPMENT

Participation in the transformation of the power grid complex of Russia pursuant to the "Digital Transformation 2030" Concept approved in December 2018 by Rosseti PJSC. Over 2019, the Company completed the 5-year Phase I of this Concept by 30 %.

Under the approved investment program¹, the Company plans to commission fixed assets for a total 84,392 RUB mn exclusive of VAT over 2020-2024. The investment program provides for new construction and reconstruction of 19,603 km of PTLs and commissioning transformers for a total capacity of 1,997 MVA.



STABLE IFRS FINANCIALS AND HIGH DIVIDEND YIELD

Net income in 2019 6.7 RUB bn

EBITDA 18.4 RUB bn

Net assets 54.9 RUB bn (as of December 31, 2019)

Deb/EBITDA ratio 1.55 (as of December 31, 2019)

The Company has revised and approved new Dividend Policy Regulations, which now set forth calculating two values of dividends for the reporting year: one value to be based on the net income per RAS, and the other one to be based on the net income per IFRS; the shareholders will be paid whichever is larger minus the total of interim dividends paid for Q1-Q3. For three quarters (nine months) of 2019, dividend recipient were paid 1,839,668 RUB thous., or 0.0163239 per ordinary share.



PROVEN CORPORATE GOVERNANCE QUALITY

Rating assigned by the NP Russian Institute of Directors on the scale of the National Corporate Governance Rating (NCGR®):

NCGR 7+
[Advanced Corporate Governance Practice]

Compliance with the requirements of international standards was confirmed during compliance audits

ISO 9001:2015
ISO 14001:2015
ISO 45001:2018
ISO 50001:2011



STABLE CREDIT RATINGS

Ratings assigned by the international rating agency Moody's:

Long-term credit rating on the international scale

Ba1
"stable" outlook

Probability of default rating

Ba1-PD

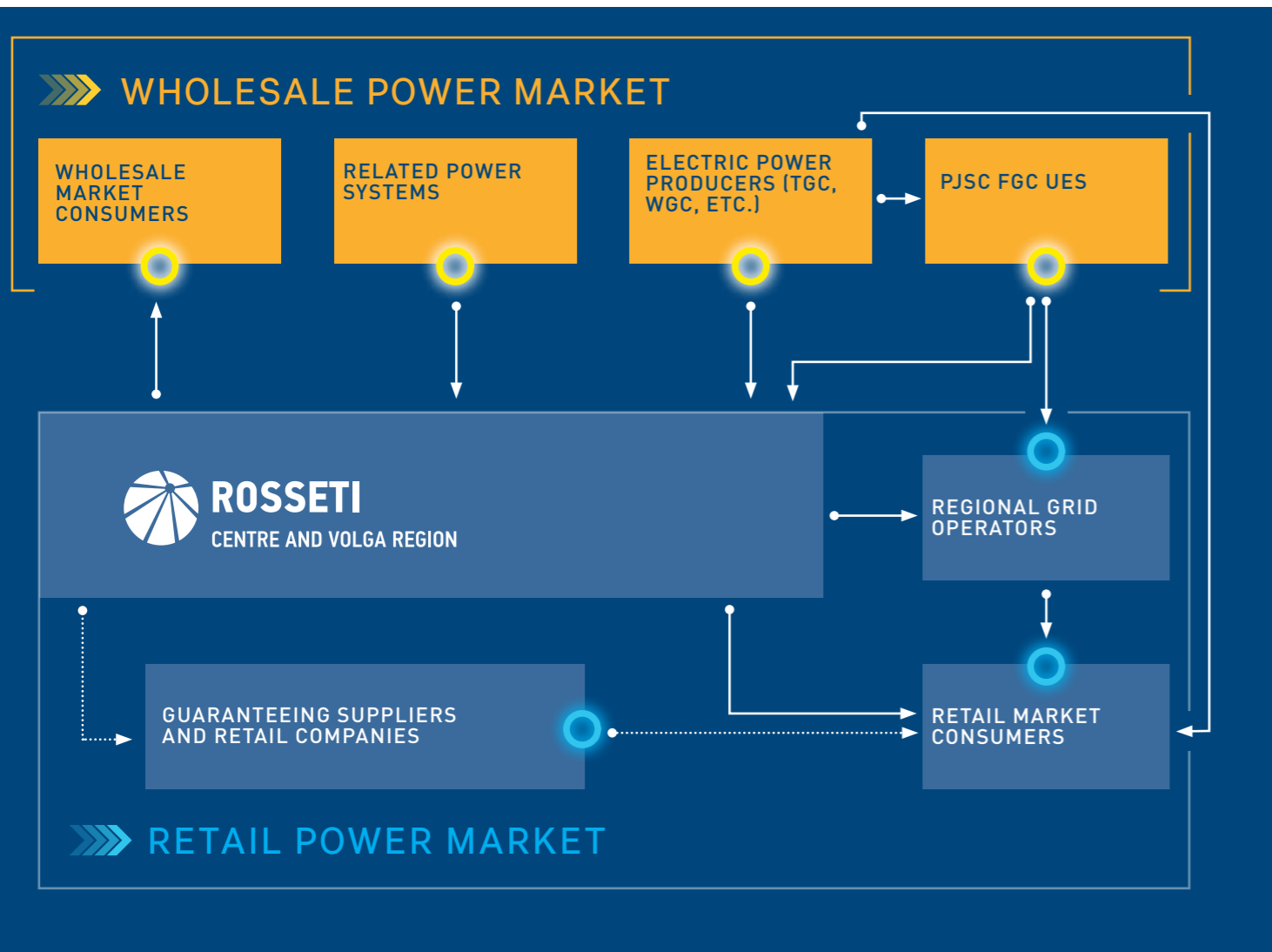
Rating assigned by Expert RA:

Credit rating

ruAA
"stable" outlook

¹ Order of the Ministry of Energy of Russia dated December 24, 2018 No. 28@.

MARKET POSITION GRI 102-6 EU3



IDGC of Center and Volga Region operates in the electric power industry on the territory of 9 constituent entities of the Russian Federation. The Company is a natural monopoly that serves a total area of 408 thous. sq. km and 12.6 million people¹.

In the serviced areas, IDGC of Center and Volga Region holds a dominant position in the market of power transmission services and grid connection of consumers' power receivers. A significant part of the electric power

supplied to consumers is transmitted through the Company's grids. The Company's customers include oil, mechanical engineering, steelworks, woodworking, and chemistry companies, railway operators, agricultural and construction firms, public utilities, and social facilities. In all areas of the Company's power transmission services, there are local grid operators (LGO) that provide similar services for the transfer of electric power. Most of these organizations are state and municipal property.

¹ According to the order of the Russian Federal Tariff Service No. 236-e dd. June 27, 236 IDGC of Center and Volga Region is included into the Register of Natural Monopoly Entities in the fuel and energy complex regulated and controlled by the government.

In 2018-2020, the Company's share in the total RR of grid services exclusive of electricity loss-related costs dropped by 1 % in Vladimir Region, by 1 % in Nizhny Novgorod Region, by 1 % in Ryazan Region and by 3 % in the Republic of Mari-El. This reduction was due to the regional regulators registering a greater (compared to the previous year) loss of third-party revenues, which arose from connecting reduced fare beneficiaries to grids, costs of investment projects, and compensation of increasing operating expenses in proportion to the increase in conventional units.

The Company's RR for 2018-2020 rose in Tula Region (+7 %), Ivanovo Region (+4 %), and the Udmurt Republic (+11 %).

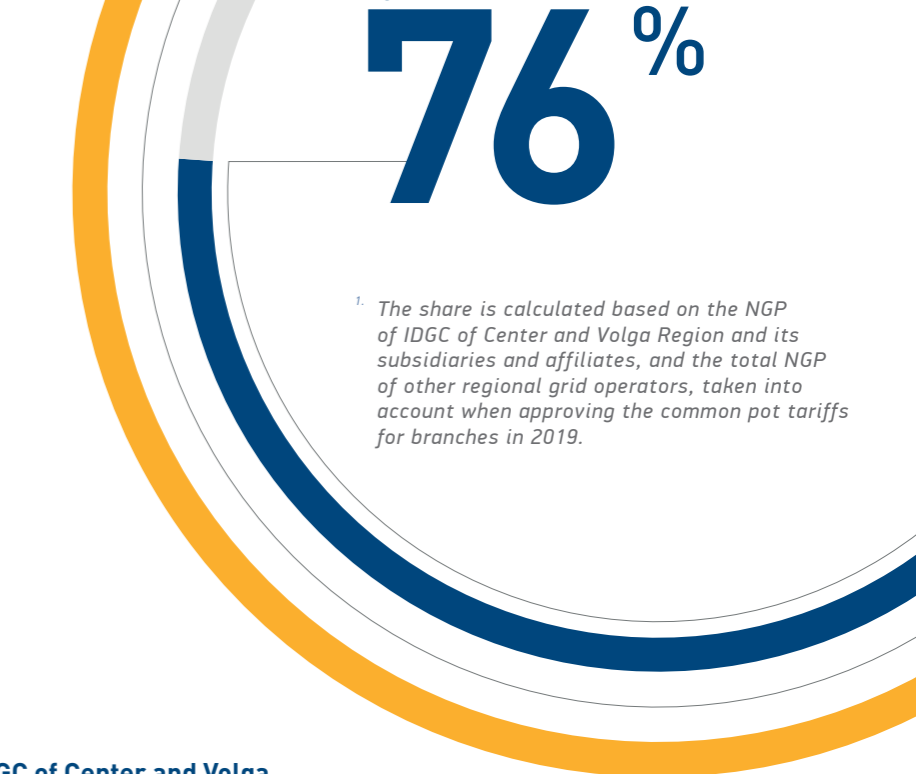
The Company's major competitors in IDGC of Center and Volga Region's areas of operation include the following local grid operators (LGO):

- Udmurtenergoneft, LLC, Izhevsk;
- Gorelektroset, MUE, Kirov;
- UPDZ Vladimir Region JSC, Vladimir;
- Ryazan Municipal Distribution Power Grids, MUE;
- Tula Municipal Power Grids JSC;
- Lukoil-Energoseti, LLC, Nizhny Novgorod
- Russian Railways – in six regions of presence.

Share in the grid connection market in the Company-served regions in 2019, %

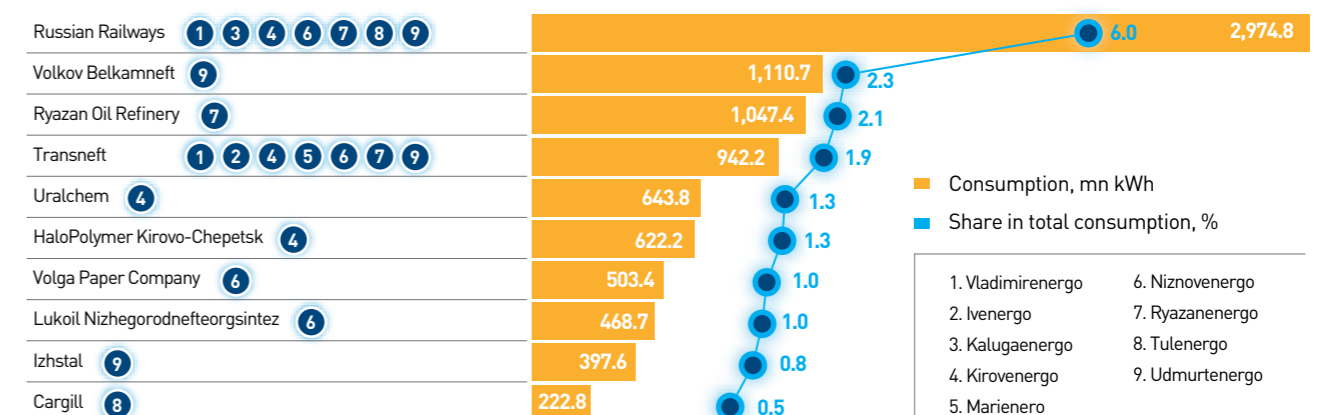


Share in the electricity delivery market in the Company-served regions in 2019, %¹



¹ The share is calculated based on the NGP of IDGC of Center and Volga Region and its subsidiaries and affiliates, and the total NGP of other regional grid operators, taken into account when approving the common pot tariffs for branches in 2019.

Electricity consumed from the grids of IDGC of Center and Volga Region by the 10 largest consumers in 2019



- 1. Vladimirenergo
- 2. Ivenergo
- 3. Kalugaenergo
- 4. Kirovenergo
- 5. Marienergo
- 6. Nizovenergo
- 7. Ryazanenergo
- 8. Tulenergo
- 9. Udmurtenergo



Most of the applications for grid connection come from natural persons and small and medium-sized businesses. Their essential share consists of the applications for grid connection with the contracted capacity of up to 15 kW and from 15 kV to 150 kV, received from the reduced fare beneficiaries.

The Company renders power transmission services to consumers, both organizations and the general public, in the wholesale and retail markets, and cooperates with last resort suppliers and distribution companies that supply electric power to ultimate consumers. The Company cooperates with the following major last-resort suppliers:

- TNS Energo NN PJSC;
- TNS Energo Tula JSC;
- TNS Energo Mari EI PJSC;
- Kaluzhskaya Sbytovaya Kompaniya PJSC;
- Kirov branch of EnergosbyT Plus OJSC;
- Udmurt branch of EnergosbyT Plus OJSC;
- Ryazanskaya Sbytovaya Kompaniya PJSC;
- Rusenergosbyt, LLC, in nine regions of presence;
- Rusenergoresurs, LLC, in seven regions of presence.

IDGC of Center and Volga Region's major competitors in grid connection services are the local grid operators that function in the major cities of the regions of presence. These can be for-profit companies varying in structure or municipal enterprises that provide public utilities.

The largest of them are the following:

- UPDZ Vladimir Region JSC;
- Ivanovo Municipal Power Grid JSC;
- Interconnected Power Grids JSC;
- Gorelektroseti, ME, Obninsk;
- Public power grids and heating networks, UME, Maloyaroslavets;
- Gorelektroset JSC, Kirov;
- Communenergo OJSC;
- Yoshkar-Ola HPP-1, MUE;
- RGRES, MUE;
- ROEK JSC;
- Udmurtia Power Grids, LLC.



Three branches of the Company (Ivenergo, Marienergo, and Udmurtenergo) used long-term RR (revenue requirement) indexation, while the remaining six branches employed the regulatory asset base (RAB) method.

TARIFF FORMATION

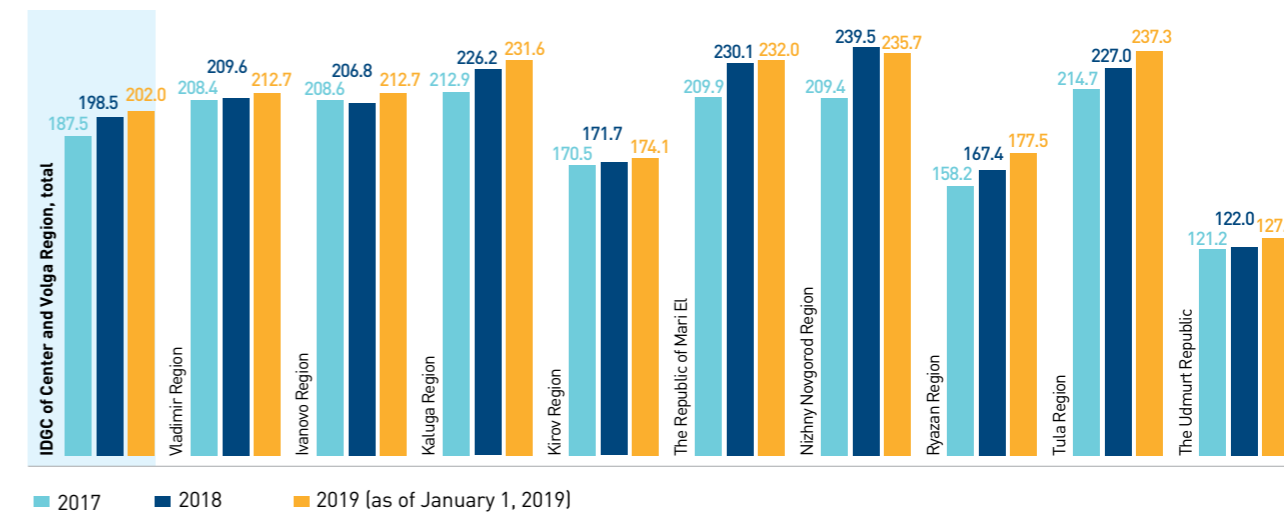
EU2

The core activities of IDGC of Center and Volga Region (power transmission and grid connection services) are regulated by the state.

Tariffs for Power Transmission Services

Tariff regulation of power transmission services is carried out on a long-term basis according to the Federal Law No. 35-FZ On the Electric Power Industry.

Dynamics of the Average Common Pot Tariff for Power Transmission Services in the Regions of the Company's Activities, kop./kWh



Tariff regulation in 2019 mainly sought to restrain the grid service price growth starting from July 1, 2019. The regulatory authorities of 7 Russian regions set tariffs above those projected by the Ministry of Economic Development with adjustment for the grid operators' investment programs. Since July 1, 2019, tariffs for sundry customers (single-rate tariffs) on average rose by:

- 4.0 % for Vladimir Region;
- 9.9 % for Ivanovo Region;
- 3.5 % for Kaluga Region;
- 5.5 % for Kirov Region;
- 9.9 % for Ryazan Region;
- 3.5 % for Tula Region;
- 11.8 % for the Udmurt Republic.

In-house RR rose the most in Kalugaenergo (+8.1 %), Ivenergo (+4.9 %), Ryazanenergo (+4.1 %), and Udmurtenergo (+3.6 %). The increase in the in-house RR of branches is associated, in the first place, with a compensation of the accumulated RR evening-out, provision of sources of investment programs funding, as well as compensation of lost income on actual basis of activity.

In-house RR growth in comparison to 2018

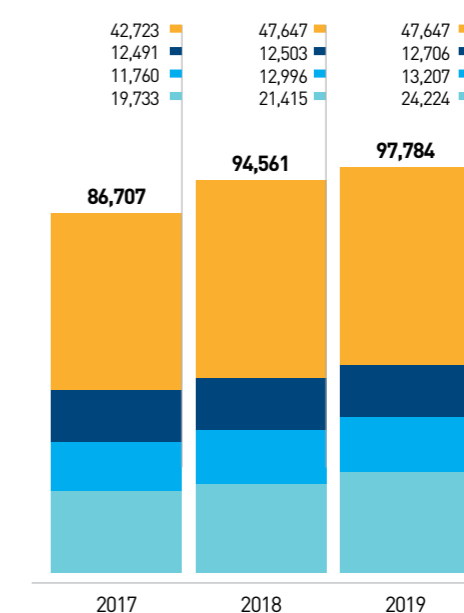
8.1 %
Kalugaenergo

4.9 %
Ivenergo

4.1 %
Ryazanenergo

3.6 %
Udmurtenergo

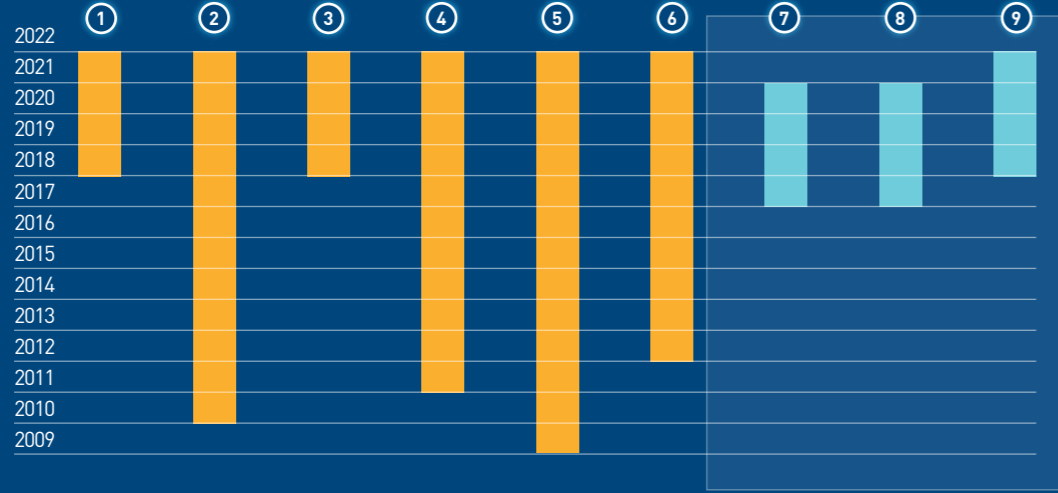
NGP Dynamics of the Branches IDGC of Center and Volga Region



- In-house RR
- Services of FGC UES
- Losses
- Services of sundry local grid operators

Modes of Regulation Applied to the Company's Branches

1. Vladimirenergo
2. Kalugaenergo
3. Kirovenergo
4. Nizhnovenergo
5. Ryazanenergo
6. Tulenergo
7. Ivenergo
8. Marienergo
9. Udmurtenergo



A return on invested capital method (RAB), %

Revenue requirement (RR) long-term indexation method

Tariffs for Grid Connection Services

According to the current legislation of the Russian Federation on rendering power grid connection services, there are two types of tariffs approved: a regulatory period tariff and a tariff at the request of the grid operator.

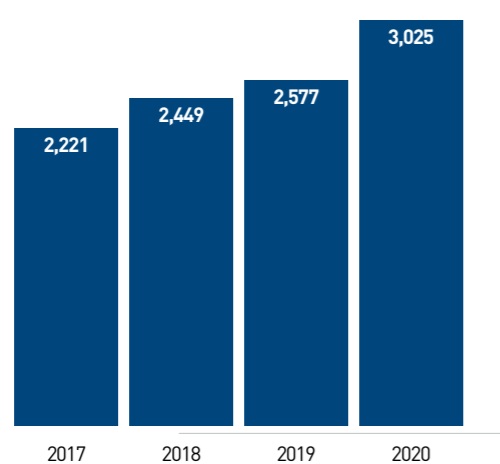
A regulatory period tariff

There are three options:

- 1 standardized tariff rates
- 2 rates per unit of maximum power
- 3 formula of payment for grid connection

The applicant has a right to independently choose the type of payment rate, provided that the distance from the property boundaries to power supply network facilities with voltage level of up to 20 kV is less than 10 km, and the maximum power of the connected power receivers is less than 670 kW. The applicant chooses the payment rate at the stage of making of a grid connection contract.

Dynamics of the Average Rates of Charge per Unit of Maximum Power, RUB/kV



At the request of the grid operator

There are two options:

- 1 payment for connecting electricity generation facilities and individual customers' power receivers to local distribution grids, where the maximum power is at least 8,900 kW and the minimum voltage is 35 kV
- 2 payment for the grid connection in accordance with an individual project

According to the Federal Law No. 35-FZ dated December 30, 2015 On the Electric Power Industry, the approved standardized rates and rates per unit of maximum power are the same for all local grid operators in the regions, which belong to the area of responsibility of IDGC of Center and Volga Region.

For organizational measures, standardized rates and rates per unit of maximum capacity have been approved in RUB per 1 connection and RUB per 1 kW, respectively. With that said, in Ryazanenergo branch, the rates per unit of maximum power are approved per ranges of maximum connected power.

According to the investment measures, the approved tariff rates are differentiated following the Methodological Guidelines¹ for the voltage level, grade of material, type of equipment used and the technique of work.



Over 2017-2020, standardized rates have been rising by an average of 10 % thanks to the existing structure of connectible capacity in each regulatory timeframe; this structure was based on the actual triennial data of previous years.

Average Standardized Tariff Rates to Cover the LGO Costs in 2019

(min-to-max rates depend on voltage, material grade, type of equipment, and methods in use)

Rates	Range of rates by branches	
	Min	Max
Grid connection by the organizational measures, RUB/unit	5,872	31,321
Construction of overhead power lines, RUB/km	75,801	3,643,632
Construction of cable power lines, RUB/km	177,902	6,513,268
Construction of islanding points, RUB/unit	37,037	33,804,569
Construction of transformer substations, RUB/kW	2,104	71,665
Construction of distribution transformer substations, RUB/kW	10,806	14,626

Providing Preferential Terms for Payment for Grid Connection

In 2019, a number of benefits were provided for grid connection of power receivers. A single connection cost 550 RUB (inclusive of VAT) provided that:

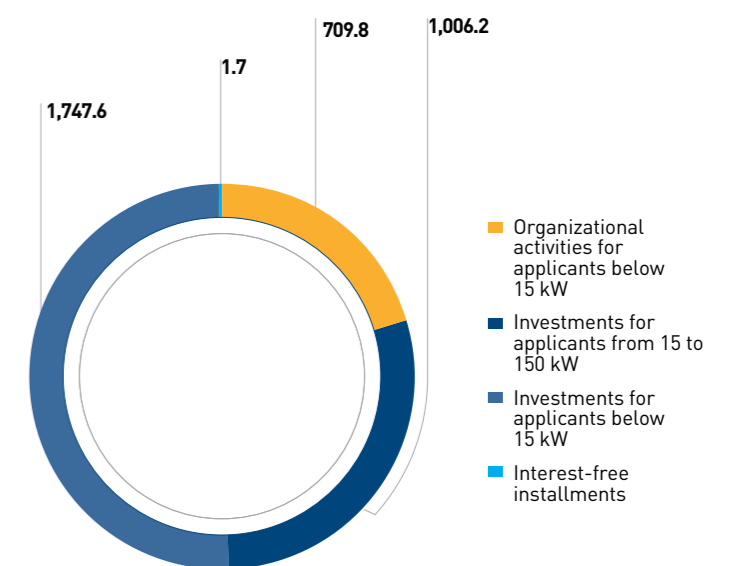
- 1 maximum power, with regard to the previous connections at this point, should be less or equal to 15 kW
- 2 the third category of reliability (one power supply source) at the voltage level up to 20 kV
- 3 the distance from the applicant's property boundaries to power supply facilities of the required voltage class should not exceed 300 m in cities and urban-type settlements, and is not more than 500 m in rural areas

Fully exempt from paying the investment costs of grid connection are the applicants, whose maximum power, with regard to the previous connections, does not exceed 150 kW.

In respect to legal entities or individual entrepreneurs, who apply for a grid connection with the maximum connected capacity of over 15 but less than or equal to 150 kW, an interest-free installment plan is applied, with 95 % of the payment for grid connection to be paid within a period of up to 3 years.

Loss of revenue due to connecting reduced fare beneficiaries were compensated by the grid operator by adjusting the transmission tariffs. Such loss of revenue totaled 3,465.3 RUB mn for IDGC of Center and Volga Region.

Breakdown of Revenue Loss Due to Connecting for a Reduced Fare in 2019, RUB mn



¹ Order of the FAS of Russia No. 1135/17 dated August 29, 2017.

01 STRATEGY RISKS OPPORTUNITIES

52 STRATEGY

75 RISKS

82 OPPORTUNITIES

IMPROVEMENT OF OPERATIONAL AND TECHNOLOGICAL MANAGEMENT

In 2019, the Company launched two digital grid control centres - in Mari El Republic and in the Tula Region and the first city-wide digital supervisory control centre in Izhevsk.

In total, in the regions under Company's operation, 603 dispatching centres will be replaced by 29 grid control centres and 9 city-wide digital supervisory control centres in cities with a population of over one hundred thousand people. They will be equipped digital communication channels and the most modern information systems that will enable online monitoring of the power grid facilities, analysis of the qualitative parameters of electric power and coordination of field and repair teams work.

➤ See details on p. 61

STRATEGY

STATEMENT OF THE DIRECTOR GENERAL IGOR MAKOVSKIY

GRI 102-10 G4-DMA
GRI 102-14 (earlier EU6)



Dear Shareholders, Investors, and Partners!

When defining IDGC of Center and Volga Region's strategy, we seek better reliability, safety, and efficiency

of operating our grids in the first place. This is why the Company has always focused on its investment and repair programs. 2019 was no exception. 2019 saw the commissioning of 6,769.2 km of grids and 1,620.2 MVA of transformer capacity; specific accident rate dropped by 7.8 %, SAIDI by 12.4 %, SAIFI by 25.3 % compared to 2018.

At the same time, we continued what began in 2017, i.e. the merger of operations and contingency management of grids in cooperation with IDGC of Centre. The Companies serve 20 adjacent regions, which boosts their efficiency. As at the end of 2019, the cost effects of the Company's measures exceeded 1,952.7 RUB mn, including manpower optimization, implementation of standard facility connection solutions, consolidated purchasing, and enhanced detection and prevention of unaccounted electricity consumption. We further plan to apply the mutual integration practices in other activities of both Companies.

Since late 2018, the "Digital Transformation 2030" Concept remains a core strategic priority for IDGC of Center and Volga Region. The Concept was developed by Rosseti and implies a complete transformation of the entire grid infrastructure across the Rosseti Group by digitalization.

By late 2019, we completed 30 % of the five-year Phase I of the Concept, or approximately twice as much as had been planned. In particular, the Company inaugurated two digital Grid Control Centres in 2019 and installed the equipment for the first digital substation, the Airport SS, at Udmurtenergo; we launched the first digital city-wide supervisory control centre

in Izhevsk and installed the first units of energy storage in the low-voltage distribution grid of Vladimirenergo. What kind of benefits does the Company expect from these efforts? Faster and more accurate grid status reporting, electricity loss localization, transport and repair crew positioning data; faster and more cost-effective repairs, and a generally more reliable and controllable grid system.

2019 also saw a more proactive approach to consolidating the grid assets where our branches operate. The Company acquired the assets of Izhevsk Power Grids and Votkinsk Municipal Power Grids including ~3,500 km of 0.4-10 kV power transmission lines. Thus, we gained control over 100 % of the Udmurt Republic's grids for more efficient maintenance, easier upgrades and quality assurance of electricity delivery to customers in the region.



Director General of IDGC of Centre, the Management Company of IDGC of Center and Volga Region
I.V. Makovskiy

STRATEGIC PRIORITIES, TASKS AND THEIR IMPLEMENTATION

MISSION

IDGC of Center and Volga Region's mission is to reliably deliver high-quality electricity to customers while following these principles:

- socially responsible and customer-oriented behavior;
- being in line with Russia's economic needs and the global market requirements;
- protecting the shareholders' interests;
- environmental protection and strife for eco-friendly production.

STRATEGIC PRIORITY

Strategic development priorities of IDGC of Center and Volga Region are based on the Strategy for the Power Grid Complex Development, approved by the decree of the Government of the Russian Federation No. 511-p dated April 3, 2013:

- ensuring the reliability and security of the Company's power grid complex, improving the quality of services provided;
- increasing operational and investment efficiency;
- improving investment appeal and market capitalization;
- innovation-driven growth and energy efficiency of assets;
- increasing the availability and affordability of power grid infrastructure;
- human capital assets development.

An important factor of the successful growth of the Company in accordance with its strategic priorities is the system of key performance indicators (KPI). Bonus awarding of all top managers of the Company¹ on the quarterly and annual basis depends on the KPI established by the Board of Directors. In particular, the system sets forth the following bonuses:

- for the attainment of quarterly and yearly KPIs directly pertaining to the Company's approved strategic priorities;
- extra bonuses for attaining the Rate of Electric Power Loss in 0.4-20 kV Grids KPI by the end of the reporting year;
- special bonuses for a high value of a priority KPI by the end of the reporting year;
- one-time bonuses for completion of particularly important tasks (jobs).

For each of the KPIs, a relative share in the amount of bonuses paid is identified. KPI targets and results of the Management Company (IDGC of Center) to be approved by the Company's Board of Directors; for the Company's top managers to be approved by the managing organization.

The Operational Efficiency Improvement and Cost Reduction Program for 2019-2023 was approved by the Board of Directors of IDGC of Center and Volga Region on March 22, 2019, Minutes No. 354. The program is expected to cut the specific operating expenses by at least 2-3 % every year.

As part of the Program, the Company took steps to attain the following in 2019:

- more efficient equipment, building, and facility maintenance and repair management;
- more efficient circulating capital management;
- more efficient management of fixed assets;
- more efficient procurement and supply chain management;
- adoption of cutting-edge technology and innovation;
- optimized incentives and remuneration;
- organizational and functional structure and manpower optimization;
- energy efficiency improvement.

¹ Top Manager Incentives and Benefits Package Regulations at IDGC of Center and Volga Region as approved by the Board of Directors of IDGC of Center and Volga Region on June 8, 2016, Minutes No. 231.

Strategic Objectives, their Implementation in 2019 and Plans for 2020

No.	Strategic objectives	Achievements in 2019	Plans for 2020
1. ENSURING THE RELIABILITY AND QUALITY OF SERVICES PROVIDED			
		KPI over 2019: <ul style="list-style-type: none"> • zero increase in major accidents ≤ 1.00; • reliability levels attained: $KPI \leq 1.00$ and $Ki < 1.00$. 	
1.1.	Optimization of face-to-face customer service infrastructure.	The Company opened 38 Customer Service offices distributed across the grid coverage areas.	Opening such new offices helped improve the face-to-face customer service infrastructure.
1.2.	Improving the quality of long-distance customer service.	The Company did improve the quality of service for customers that filed their requests via the Svetlaya Strana Portal of Rosseti: <ul style="list-style-type: none"> • there is now strict control in place over how branches handle the complaints filed via the portal; • all the defects and malfunctions complained about were addressed within one month of receiving each respective complaint; • the Company cooperated with regional and municipal governments so that they published links to the portal on their official websites. 	Optimization of long-distance customer service. Better service by the single federal call center.
1.3.	Optimizing the For Consumers section of the Company's corporate website.	The Company disclosed its service quality data in accordance with Appendix 7 to the Uniform Standards of Service Quality for Grid Operators ¹ .	Further disclosure follows the Uniform Standards of Service Quality for Grid Operators.
1.4.	Standardization of customer service processes in the Company and improvement of quality of service.	The Company updated its document STO 01-040-2018 Processing Requests from IDGC of Center and Volga Region's Customers.	It also developed and updated the effective in-house regulatory, organizational, and directive documents with respect to organizing business processes pertaining to additional services.
1.5.	Compliance with indicators of reliability of services rendered specified by the regional regulatory authorities.	Service reliability indicators deviated from the values approved for 2019 within the tolerance limit. Reliability targets were reached.	The Company carried out measures to attain the approved planned reliability indicators.
1.6.	Calculation of the Saidi and Saifi indicators of the reliability level at year-end 2018.	Compared with 2018, there was a 25 % reduction in Saidi values and 13 % reduction in Saifi values.	In 2020, Saidi and Saifi values are expected to be at the 2019 level.
1.7.	Timely and quality repair works.	The Company completed overhauls in timely and appropriate manner for a total 3,625 RUB mn, which covered: <ul style="list-style-type: none"> • 37.4 thous. km of 0.4-220 kV transmission lines; • 8,125 units of transformer substations; • 45 units of 35-110 kV power transformers; • 5,238 units of switching equipment. 	The Company plans to overhaul for a total 3,842 RUB mn, which will cover: <ul style="list-style-type: none"> • 37.7 thous. km of 0.4-220 kV PTL; • 8,074 units of transformer substations; • 39 units of 35-110 kV power transformers; • 5,692 units of 6-110 kV switching equipment.
1.8.	Carrying out a dedicated program to clear and widen forest corridors for the overhead lines.	The Company completed its projects to expand forest corridors for 35-110 kV OPLs. The cleared and expanded area totaled 18,333 ha, including 302 ha for 6-10 kV OPLs.	Clearing and expanding the forest corridors in the total area of 17,661 ha, including a 173 ha extension for the 6-10 kV overhead lines.
1.9.	Improving management efficiency, optimization and standardization of business processes in all branches using an integrated management system.	90 regulatory documents were produced and updated.	50 effective regulatory documents were updated.

¹ Approved by Order of the Russian Ministry of Energy No. 217 dated April 6, 2015.

No.	Strategic objectives	Achievements in 2019	Plans for 2020
1.10.	Maintaining an integrated management system in accordance with international standards ISO 9001, ISO 14001, ISO 50001, OHSAS 18001 in all branches.	The second supervisory audit passed.	Recertification audit passed.
2. INCREASING OPERATIONAL AND INVESTMENT EFFICIENCY		KPI over 2019: <ul style="list-style-type: none"> • Reduction of specific operating expenses (costs) ≥ 2.0 %; • Reduction of specific investment outlays (≤ 1.00); • improving the utilization rate of the grid equipment capacity; • Compliance with the commissioning schedule (≥ 90 %). 	
2.1.	Regulation of works on standardization of costs in capital construction.	Control over the activities of branches in terms of standardization of costs was carried out.	Development of a unified system of standardization of costs in the Company. The branches implemented strict in-house control over the standardization of costs.
2.2.	Implementation of project management in capital construction.	Control over timely commissioning of facilities. Updating the procedure of operational acceptance of 35-110 kV and 0.4-20 kV completed construction projects.	Timely commissioning of facilities and updating of documents regulating this process, if necessary.
2.3.	Construction compliance monitoring in accordance with the requirements of regulatory authorities.	Arranging construction supervision in accordance with the requirements of regulatory documents. Updating of the following internal documents: <ul style="list-style-type: none"> • Confirmation and acceptance of scope and quality of construction and assembly works performed by construction contractors at the grid facilities of IDGC of Centre and IDGC of Center and Volga Region; • Arrangement of acceptance control of products for construction and reconstruction of power grid facilities of IDGC of Centre and IDGC of Center and Volga Region. 138 people were registered in the National Registry of Specialists in the field of construction management. The Company carried out independent construction audit that covered at least 70 % of newly constructed, reconstructed, and retrofitted 35+ kV facilities.	Ensuring compliance of the processes with the published documents and updating the documents, if necessary.
2.4.	Certification for compliance with international management standards.	All the branches were certified for compliance with ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 50001:2011 in electricity delivery and transmission, as well as in grid connection services.	This was confirmed by recertification audit for compliance with ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 50001:2018.
2.5.	Reduction of operating expenses pursuant to the Russian Government Decree No. 2303-П13 dated April 16, 2015 on reduction of specific operating expenses by at least 2-3 % per year.	Roughly, a 6.2 % value was achieved (the final results are summed up by the Board of Directors).	Ensuring the achievement of the target figures set by the business plan.

No.	Strategic objectives	Achievements in 2019	Plans for 2020
3. ENHANCING THE INVESTMENT APPEAL			
KPI over 2019:			
<ul style="list-style-type: none"> Consolidated net cash flow $\geq 7,847.4$ RUB mn; Consolidated operating profit (EBITDA) for Q1, HY and 9 months of the reporting year ≥ 0, for the year ≥ 3 %; Consolidated net debt/EBITDA for Q1, Q2, Q3, Q4 ≤ 3.0; Compliance with the plan of measures to reduce the accounts receivable ≥ 100.0 %. 			
3.1.	The achieved target indicators include: net income, EBITDA, profitability.	Net income of 5,150 RUB mn with the target of 7,007 RUB mn, EBITDA of 17 080 RUB mn with the target of 19,768 RUB mn, EBITDA margin of 17.7 % with the target of 20.4 %.	Ensuring the achievement of the target figures set by the business plan ¹ .
3.2.	Effective IR-program. Establishing and maintaining long-term relationships with shareholders and investors.	IR-program for 2019 was carried out. Dividends on the Company's shares accrued and paid in 2018 (4,591,985 RUB thous.); dividends for 9 months of 2019 accrued (1,839,667.9 RUB thous.).	Carrying out the IR-program for 2020. Ensuring the Company's information transparency with regard to the needs of the investment community.
3.3.	Development of corporate governance system. Following the best acknowledged practice of corporate governance.	<p>Following the results of corporate governance assessment, the Russian Institute of Directors, NP, upgraded the Company's corporate governance rating to NCGR 7+.</p> <p>>1/3 of the Board of Directors were independent directors in line with the Corporate Governance Code.</p> <p>In the reporting year, the Company made sure contracts were made to insure the liability of its Directors and officers.</p> <p>The Board of Directors and its Committees conducted self-assessment.</p> <p>New versions of the following internal documents were produced and approved:</p> <ul style="list-style-type: none"> Articles of Association; General Shareholders' Meeting Regulations; Board of Directors Regulations; Management Board Regulations; Board of Directors Remuneration and Reimbursement Regulations; Insider Information Regulations; Board of Directors Strategy Committee Regulations; Management: Instatement of the newly elected Board of Directors and BoD Committee members. <p>Effective operation of the Company's management bodies was ensured.</p>	<p>The Company monitored its corporate governance practices. Implementation of corporate procedures in accordance with the legislation of the Russian Federation.</p> <p>Updating of internal documents in compliance with the requirements of the legislation and recommendations of the Corporate Governance Code, control over their effective implementation.</p> <p>Performance self-assessment of the Board of Directors and Committees of the Board of Directors.</p>

¹ Business plans of the Company are created in accordance with RAS.

No.	Strategic objectives	Achievements in 2019	Plans for 2020
3.4.	Maintaining an impeccable credit history.	Performance of obligations to pay the principal amount of debt, interest and other expenses related to handling of borrowed resources in a timely manner and in full.	Unconditional fulfillment of payment obligations under bonds and loan agreements.
4. IMPROVING ENERGY EFFICIENCY AND SUPPORT OF THE INNOVATION-DRIVEN DEVELOPMENT			
KPI over 2019:			
<ul style="list-style-type: none"> rate of electric power loss ≤ 7.49 %; effectiveness of innovation ≥ 90 %. 			
4.1.	Development and implementation of programs for energy conservation and increasing energy efficiency of branches in accordance with the requirements of regional regulatory authorities.	Implementation of measures within the Energy Conservation and Energy Efficiency Improvement Program to the full extent. Consumption of fuel and energy resources for operational and economic needs reached 40,668 toe, which is lower than the target of 3,295 toe; water consumption was equal to 162,8 thous. m ³ , which is lower than the target of 30.5 thous. m ³ .	Ensuring unconditional fulfillment of targets for the program of energy conservation and energy efficiency improvement. Updating of the programs of energy conservation and energy efficiency improvement in the branches.
4.2.	Upgrade of electric power metering points.	Annual plan fulfillment by 150 %: 26,507 metering points were upgraded.	Implementation of the Smart Metering Development Program.
4.3.	Ensuring innovation-driven development.	Approval of the Innovative Development Program for 2016-2020 and up to 2025 ¹ ("the IDP"). Approval of the IDP Implementation Report for 2018 and Short-Term IDP Implementation Plan for 2019-2021 ("the IDP STP") ² . The approved planned IDP STP activities were undertaken in full: the Company effectively spent 880.7 RUB mn exclusive of VAT on the IDP while it had been budgeted at 809.9 RUB mn, of which 812.2 RUB mn went into innovative equipment, materials, and technology; 59.1 mn went into R&D; 9.4 mn went into HR development. The Company completed 8 R&D contracts, acquired a single utility model patent and two software patents.	IDP STP delivered. Under its "Digital Transformation" Concept, the Company founded new single grid control centers, pilot digital 35-110 kV substations, and digital PDZs. The Company keeps its place of adopting advanced innovative technologies, equipment, and materials. It carried on to deliver five R&D contracts, acquire patents and certificates, and commercialize the R&D results. In Q1 2020, the Company performed bidding and made contracts on two R&D projects.
5. INCREASING THE AVAILABILITY AND AFFORDABILITY OF POWER GRID INFRASTRUCTURE			
KPI over 2019:			
<ul style="list-style-type: none"> grid connection deadline compliance ≤ 1.1. 			
5.1.	Providing potential consumers with information to evaluate key parameters and risks of business projects with regard to the opportunities for grid connection.	Public meetings with consumers were held to discuss access to the power grid infrastructure in each region.	Holding of public meetings with existing and potential consumers to discuss access to the power grid infrastructure, including applications filing for grid connection in electronic form.
5.2.	Managing the procedures of interaction with applicants in the process of grid connection in accordance with the legislation in force.	The Company adopted its new regulatory document RG BP 6/01-06/2019 Grid Connection of Energy Users on the Customer Side, Electricity Generation Facilities, and Grid Facilities Owned by Grid Operators or Sundry Parties, to IDGC of Centre's or IDGC of Center and Volga Region's Grids.	Maintaining the procedures of interaction with applicants in the process of grid connection in accordance with the legislation in force.
5.3.	Reduction of grid connection terms, class of consumers: up to 15 kW.	Increase to 45 % in the share of contracts, under which the works were performed using own resources.	Performance of the maximum number of works using own resources.

¹ Approved by the Board of Directors on March 30, 2017, Minutes No. 262.

² Resolution of the Board of Directors dated October 3, 2019, Minutes No. 376.

No.	Strategic objectives	Achievements in 2019	Plans for 2020
6. DEVELOPMENT OF HUMAN CAPITAL ASSETS			
KPI over 2019:			
<ul style="list-style-type: none"> Improving labor efficiency $\geq 2.00\%$; zero increase in the casualties ≤ 0.0075. 			
6.1.	Fulfillment of the Company's obligations under the Collective bargaining agreement with the employees for 2016-2018, extended for 2019.	The obligations under the Collective bargaining agreement are fulfilled to the full extent.	Complete fulfillment of the Company's obligations under the Collective bargaining agreement (2016-2018, extended for 2019, 2020-21).
6.2.	Compliance with the regulatory requirement on the Company's staffing level: 90 %.	The Company was staffed at 98 %.	Maintaining a stable staffing level and preventing it from non-complying with the standard.
6.3.	Staff participation in training, retraining, and advanced training programs at the planned level ($\geq 30\%$)	59 % of the average number of the Company's staff received training.	Performance of the approved plans for staff training.

FINANCIAL TARGETS ON CORE STRATEGIC INDICATORS

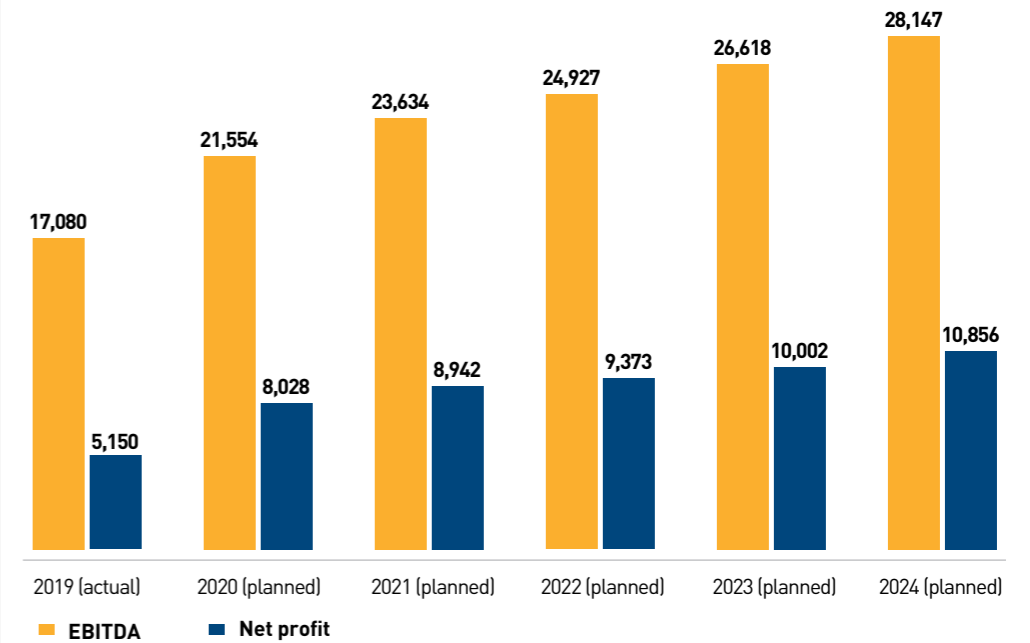
BY 2024, IDGC OF CENTER AND VOLGA REGION PLANS TO:

- carry out its "Digital Transformation 2030" Concept projects;
- take measures to annually reduce unit operating costs by at least 2 % YoY;
- attain a positive financial result for the entire planning period.

IDGC of Center and Volga Region expects that its competitive advantages, dynamic development of the regions of operation, and adherence to the approved strategic priorities will drive a positive dynamic of the Company's financial performance indicators.

The core indicators here are the net income and EBITDA. The Company expects them to grow by an average of 17.5 % and 10.8 % per annum, respectively. As a result, the Company's EBITDA shall be $> 1.5x$ 2019 values, and the net income shall more than double by 2025.

Long-term EBITDA and Net Income Targets for up to 2024, RUB mn [per RAS]



IMPLEMENTATION OF THE "DIGITAL TRANSFORMATION 2030" CONCEPT AND INNOVATIVE DEVELOPMENT

GRI 202-3 G4-DMA (earlier EU8)

"Digital Transformation 2030"

In late 2018, "Rosseti" approved its novel "Digital Transformation 2030" Concept to transform the existing business process logic for grid operators by 2030, backed by the adoption of digital technologies for rapid big data mining.

The Concept is supposed to be implemented in accordance with the specifically developed Target Model of digital transformation of "Rosseti's" power grid complex by 2030. The following are the main principles of this Target Model:

- a complete transformation of the power grid infrastructure of the entire "Rosseti" Group;
- occurrence of a 100 % of data within technological and corporate information systems;
- communication of data to the unified grid control centers as was necessary and sufficient for process control and contingency management;
- interconnection of all information digital flows based on cloud technologies;
- platform-based solutions, development of a unified digital environment and introduction of the cybersecurity technologies.

ESSENTIAL STEPS DESIGNED FOR THE IMPLEMENTATION OF THE “DIGITAL TRANSFORMATION 2030” CONCEPT

1 Creation of Unified control centers for 0.4-220 kV networks

- Benefits:
- reducing capital outlays on modernization of network management points as part of the implementation of the “Digital Transformation 2030” technologies;
 - enhancing a fail-safe operation of the power system and a level of automation of the electric power complex management;
 - achieving a high level of data reliability on the state of the electric power complex

2 Establishment of wireless digital communication for supervisory control services

- Benefits:
- improving communication reliability and quality;
 - expanding the coverage over the entire territory of the regions of responsibility

3 Construction of unified 35-110 kV digital substations in all branches of the Company

- Benefits:
- reducing capital outlays and operating costs during the construction and operation of power grid facilities

4 Installation of an automated navigation and dispatch system to manage the entire motor vehicle fleet of the Company

- Benefits:
- administrating continuous and effective control over the location of vehicles and the fuels and lubricants consumption;
 - enhancing traffic safety

5 Provision of electricians with mobile communication and information devices

- Benefits:
- improving the quality of scheduled, unscheduled and emergency recovery works;
 - reducing the risk of injuries among operational staff;
 - improving labor efficiency of personnel

6 Automation of the 6-10 kV distribution network

- Benefits:
- reducing the time for finding a site of damage and determining its nature;
 - reducing the time for localization of the affected area;
 - reducing the power supply recovery time;
 - reducing operating expenses on operations management;
 - reducing the amount of the lost load

7 Development of the automated consumption metering system

- Benefits:
- time-sensitive localization of areas of electric power losses and effective measures to reduce commercial electric power losses;
 - enhancing the observability of the 0.4-10 kV network condition;
 - reducing operating costs of developing the scope of services provided and improving their consistency

Innovative Development Program

The key document that supports the “Digital Transformation 2030” Concept is the Innovative Development Program for 2016-2020 and up to 2025 as approved by the Board of Directors on March 30, 2017, Minutes No. 262; this is also the document that sets forth the Company’s Innovation and R&D Policy.

The main goal of the innovation-driven development of IDGC of Center and Volga Region is to make a transition to the electric grid of a new technological setup, with brand new characteristics of reliability, efficiency, accessibility, manageability and focus on customer.

- This innovation-driven development mainly seeks:
- transition to digital substations of various voltage classes 35-110 (220) kV;
 - transition to digital active-adaptive networks with distributed intelligent system of automation and control;
 - transition to comprehensive efficiency of business processes and automation of control systems;
 - application of new technology and materials in electric power industry.

Most of the innovation projects implemented by the Company are integrated in nature, meanwhile covering several cutting-edge technologies or solutions related to different areas.

In 2019, IDGC of Center and Volga Region spent 812.2 RUB mn exclusive of VAT on its Innovative Development Program, which was 9.3 % higher than had been planned¹.

¹ Pursuant to the Medium-Term Implementation Plan for 2019-2021 under the Company’s Innovative Development Program as approved by the Board of Directors on October 3, 2019, Minutes No. 376.

Ongoing Projects

TRANSITION TO DIGITAL SUBSTATIONS OF VARIOUS VOLTAGE CLASSES 35-110 (220) KV

Since 2014, IDGC of Center and Volga Region has been working on studying the best practices of employing digital substation technologies and assessing a possibility of their use in construction or reconstruction of the Company’s facilities. Today, IDGC of Center and Volga Region has seven ongoing digital substation projects, of which four are being implemented.

IEC 61850 Digital Substation Projects near completion in 2019		
Project name	Project status as of late 2019	Scheduled completion
Reconstruction of the Airport 35/6 kV SS at Udmurtenergo	Airport is a digital substation undergoing 1-year pilot testing	The project was completed in 2019
Reconstruction of the Vyezdnoye 110/35/10 kV SS at Nizhnovenergo	Project estimates drafted	2020
Construction of the University 110/10 kV SS at Kalugaenergo	The APCS and RPA estimates and process documentation obtained	2020
Reconstruction of the Vozha 110/10 SS at Ryazanenergo	Preliminary survey completed, project documentation drafted in full. The estimates provide for implementing communication channels to connect all the smart SS devices; the communication will use IEC 61850-8-1 (MMS, GOOSE) and IEC 61850-9-2 (SV streams) standards	2021

Over the long term, the introduction of digital substation technologies will reduce the time and money spent on the design, construction, commissioning and operation of substation equipment, improve the reliability and operation speed of relays and automation devices, improve the metrological characteristics of secondary devices and systems.

TRANSITION TO DIGITAL ACTIVE-ADAPTIVE GRIDS

Active-adaptive electric grid is a self-regulating energy supply system, which provides energy consumption analysis and ensures energy accumulation in case of excess generation and its output into the grid in case of energy shortfall. It is capable of automatic readjustment in emergency situations, maintaining an uninterrupted power supply to consumers in optimal modes and reporting all the events in the grid to the adjacent systems. Complementary actors in such a grid include generation sources, main and residential

electric grids with their substations, as well as consumers, both those who have their own generation sources capable of outputting excess power into the grid, and those who do not.

An active-adaptive electric grid implies a flexible interaction of all its participants based on modern technologies and a unified smart control system.

In 2019, IDGC of Center and Volga Region started the implementation of two project groups in this area:

- creation of an active adaptive grid equipped with a distributed smart automation and control system for the branch-specific PDZs (13 PDZs are currently at different phases of design, engineering, and installation works);
- creation of a smart digital system for automation and management of 110-35 kV power supply centers and the adjacent sections of the 6-10 kV grid (38 projects at 8 branches).

Projects of both groups are integrated with the Company's branch-specific plans to create integrated SCADA, DMS, OMS, and GIS-based control, monitoring, and analysis systems; the projects involve:

- using smart switches and short-circuit/ground-fault indicators, which, if placed optimally at the critical points of a 6-10 kV distribution grid, will improve the SAIDI and reduce the labor costs and the consumption of fuels and lubricants associated with scheduled switching and emergency handling;
- creating state-of-the-art digital communication channels to integrate the controls of automated 6-10 kV distribution grid sections in the OMS/DMS;
- creating an automated energy saving system to be integrated in the OMS/DMS;
- switching to multi-agent control systems and a single management information system capable of digital communication;
- expanding the use of smart meters to enable their integration in the single control system for remote control telemetry;
- expanding the use of energy storage.

TRANSITION TO AN INTEGRATED EFFICIENCY OF BUSINESS PROCESSES AND AUTOMATION OF CONTROL SYSTEMS

IDGC of Center and Volga Region implements a complex innovation project to develop its assets management system (PAMS). The goal of the project is to optimize the distribution of costs for the implementation of the repair program, minimizing the risks of electric equipment failures, which directly affects the SAIFI indicator.

As part of this project, in 2019, the Company carried out the following work:

- implementation of integrated control, monitoring, and analysis systems based on SCADA, DMS, OMS, and GIS to complete the Single Control Center projects for branches, 7 of which are currently under design and surveying;
- arranging DMR-based wireless digital communication systems for branches. Kalugaenergo has drafted the estimates, Tulenergo has installed 9 base stations, 2 radio masts, and 6 workstations, in addition to purchasing 197 portable (hand-carried or vehicle-mounted) radio communication stations;
- adopting a technology to create an Operations Management System (OMS) for grids.

APPLICATION OF NEW TECHNOLOGY AND MATERIALS

The Company's most important projects of 2019 in this area are:

Branch	Project name	Utility model patents	Costs, RUB mn
USE OF NOVEL TECHNOLOGIES AND MATERIALS FOR OPL RECONSTRUCTION AND GRID CONNECTION			
Vladimirenergo	10/0.4 kV pole-mounted transformer substation (PMTS) with a 25 kVA transformer, 2 units	No. 133982, No. 146463	0.34
Ryazanenergo	100 kVA PMTS, 1 unit; 63 kVA PMTS, 5 units SVm-110-5 poles, 117 pcs. SVm-110-5 poles, 117 pcs.	No. 133982, No. 146463 No. 140055	1.71
USE OF NOVEL TECHNOLOGIES AND MATERIALS TO RECONSTRUCT 110 KV OPLS			
Nizhnovenergo	ASKu wires with a cross-sectional area of 185/24 mm ² (35.95 km), 150/24 mm ² (55.60 km)	No. 119514	24.69
USE OF NOVEL TECHNOLOGIES AND MATERIALS FOR GRID CONNECTION			
Ivenergo	PMTS, 2 units, PMTS, 1 unit	No. 133982, No. 146463	0.48
Kirovenergo	SVm-95 and SVm-110 poles, 110 pcs.	No. 140055	1.40
Tulenergo	SVm-95 poles, 320 pcs. PMTS, 5 units	No. 140055 No. 133982, No. 146463	4.12
Udmurtenergo	PMTS, 5 units SVm-95 poles, 77 pcs.	No. 133982, No. 146463 No. 140055	1.83
Total			34.57

Process design solutions used in these projects are the results of research and development performed at IDGC of Centre and IDGC of Center and Volga Region. Their adoption allows for an improvement of the reliability and security of power supply facilities of distribution grids.

Research and Development, Pilot Designs

IDGC of Center and Volga Region's R&D program follows the four key areas of the Company's Innovative Development Program for 2016-2020 and up to 2025. The following R&D projects were carried out in 2019:

- Design of Equipment to Deploy PLC-Based Communication Networks in 6 (10) kV and 35 kV Grids;
- Research Into the Physics of the Functioning of, and Prototyping, an Automated Commercial 6 (10) kV Electricity Meter With a Magnetic-Transistor Converter;
- Design and Implementation of a Digital Substation Based on a Distributed Two-Level Protection System per IEC 61850;
- Smart Electrical Equipment Defect Identification System Based on Neural Network-Enhanced Thermal Imaging and Tests of Transformer Oil;
- Exploring the Growth Rate of Core Forest Species as Affected by Climatic Areas and Soil Conditions Where Existing OPLs Run, to Schedule Region-Specifically the Clearing of Forest Corridors for OPLs and Make Guidelines on Such Clearing;
- Research of Induced Voltage in Disconnected Power Transmission Lines in Loading Modes, and Analysis of Short Circuits in Functioning Lines to Design an Induced Voltage Compensator;
- Designing a Device to Aline Load in Three-Phase 0.4 kV Distribution Grids: a Pilot Project;
- Software and Hardware Complex for Staff Health Management at Tulenergo.

Patents

IDGC of Center and Volga Region has 8 patents for invention, 18 patents for utility models, 6 certificates of state registration of software and 1 certificate of state registration of a database. The Company signed 11 licensed and equivalent contracts. At year-end 2019, IDGC of Center and Volga Region received a total of 1.79 RUB mn of licensed contract fees.



At year-end 2019, IDGC of Center and Volga Region received a total of 1.79 RUB mn of licensed contract fees.

In 2019, IDGC of Center and Volga Region obtained three Titles of Protection regarding its R&D:

- certificate of state registration of software No. 2019616279 dd. May 22, 2019 Software for an IEC 61850 Compliant Centralized Protection System;
- utility model patent No. 194011 dd. November 25, 2019 Digital Protection Device for a Power Substation;
- certificate of state registration of software No. 2019664062 dd. October 30, 2019 Smart Electrical Equipment Defect Identification System Based on Neural Network-Enhanced Thermal Imaging and Tests of Transformer Oil.



In 2019, employees of IDGC of Center and Volga Region's branches filed 15 innovation proposals.

Innovative Proposals

Efficiency of the Company's production activity is improved not only through the introduction of new technology and equipment with the more advanced characteristics of energy consumption, reliability and durability, but also through the consideration of innovative proposals of the employees. In 2019, employees of IDGC of Center and Volga Region's branches filed 15 innovation proposals. By the end of the reporting year,

2 such proposals were adopted, 6 were under pilot testing, 4 were being peer-reviewed, and 3 rejected.

The innovation proposals of 2019 addressed the following:

- relay protection and emergency control automatics;
- information technology, communication systems;
- distribution grid operation;
- monitoring and diagnosis;
- operation of substation equipment;
- quality and metering control of electricity;
- management system enhancement.

Proposal authors were paid 0.01 RUB mn in 2019.

INTEGRATION OF IDGC OF CENTRE AND IDGC OF CENTER AND VOLGA REGION

Key activities of IDGC of Center and Volga Region's cooperation with IDGC of Centre generated a cost advantage of

1,952.7
RUB mn in 2019

Since September 11, 2017 IDGC of Centre has been the sole executive body (SEB) of IDGC of Center and Volga Region. This agreement was signed upon the resolutions of the Boards of Directors of both Companies to boost their operational and financial performance.

The primary targets of the Project aimed at consolidating the operations and contingency management of the grid complex of IDGC of Centre and IDGC of Center and Volga Region include:

- arranging a unified excellence and control centre;
- increasing manageability of operational processes;
- simplifying the procedures of cash flow planning and coordination;
- reducing operating expenses and capital outlays;
- association and unification of business processes;
- adoption of optimal solutions and best management practices.

In the long run, it is expected that the joint management of two power grid companies will simplify and catalyze the solution of tasks in various areas of their activities. First of all, the plan is to reduce the time of emergency recovery works, to improve the intelligence exchange in emergency situations and to consolidate the centralized emergency stock and backup power sources. Joining forces will allow IDGC of Centre and IDGC of Center and Volga Region to reduce the operating costs and improve the quality of the power grid complex, increase financial stability and investment appeal of both companies.

EVENTS HELD IN 2019 AND THEIR RESULTS

Key activities of IDGC of Center and Volga Region's cooperation with IDGC of Centre generated a cost advantage of 1,952.7 RUB mn in 2019, a 28.9 % or 437.6 RUB mn increase YoY.

¹ Resolution of the General Shareholders' Meeting No. 11 dated June 5, 2017.

What Was Done in 2019

Cost advantage, RUB mn

Implementation and development of services, including: <ul style="list-style-type: none"> • reduced electricity loss; • greater revenue from grid connection services thanks to using standardized solutions to connect applicants' grid facilities to grids 	675.1
HR management and organizational design, including manpower optimization	998.3
Use of corporate and computer-aided process management systems	2.0
Optimization of rent and sale of non-core assets due to switching to a two-level management system	47.3
Investment, including savings due to consolidated purchases	230.0

EVENTS SCHEDULED FOR 2020

The results achieved prove effectiveness of the decision to jointly manage the two companies.

The Company plans even more for 2020 to unify and optimize all the activities of IDGC of Centre and IDGC of Center and Volga Region. Among other things, we plan to carry out technological and innovation-driven development projects, to implement the Digital Transformation of the Grid Complex Program, which will take the Company's operating performance to a whole new level while also optimizing its management structure, improving the reliability and availability of infrastructure.

CONSOLIDATION OF POWER GRID ASSETS

GRI 413-1

Consolidation will help:

- create a single center of responsibility for high-quality, reliable, and affordable electricity;
- increase the "Rosseti" subsidiaries' share in the common-pot revenue generated from electricity delivery to customers in regions;
- improve the performance indicators of each region of the Russian Federation;
- build an optimal grid infrastructure and adopt digital grid elements.

The "Rosseti" Group's development strategy for until 2030¹ implies transforming the Rosseti Group into a single operator of Russia's grid complex.

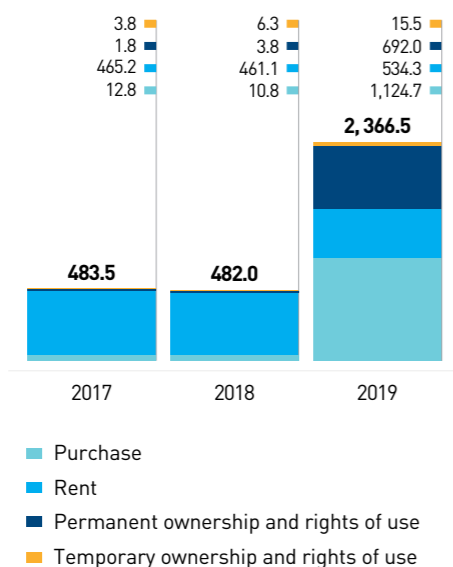
A key focus area for the "Rosseti Group", including IDGC of Center and Volga Region, lies in consolidating the grid assets of Russia. Consolidation of grid assets is an umbrella term that refers to the "Rosseti" Group's effort to gain control over grid assets (facilities or clusters of facilities, or shares in companies that use grid facilities to provide electricity transmission services) that are not yet under its control.

¹ Approved by Rosseti's Board of Directors, Minutes No. 388 of December 26, 2019.

This work began in 2019 in all the regions where the Company operates, as was supposed to be done pursuant to the approved List of Grid Assets Consolidation Projects, the investment program, and the operational business plan of the Company.

CONSOLIDATION OF POWER GRID ASSETS IN 2017-2019

Substation Capacity, MVA



In 2019, IDGC Center and Volga Region successfully made a number of contracts to consolidate grid assets. The Company's largest consolidation projects concerned grid facilities operated by Izhevsk Power Grids and Votkinsk Municipal Power Grids, both acquired and made part of Udmurtenergo. Consolidated assets totaled 29,538 conventional units. In 2019, Rosseti also acquired 70 % of shares in Tula Municipal Power Grids.

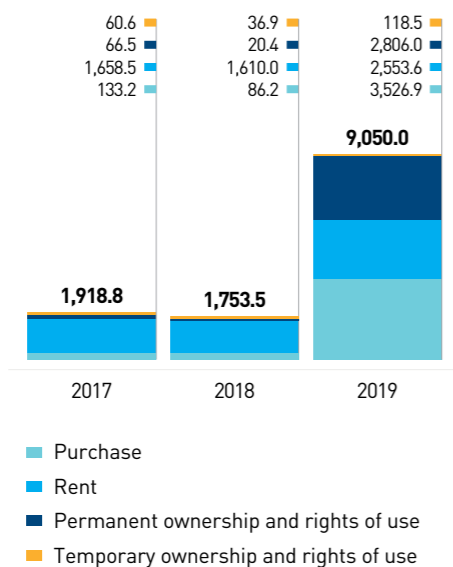
For 2020, IDGC Center and Volga Region plans to consolidate municipal grid assets in Nizhny Novgorod, Ivanovo, and Vladimir Regions.

Consolidation of grid assets implies close cooperation with concerned parties in three major categories:

- major regional local grid operators, cooperation with whom must seek to create mutually acceptable terms and conditions of asset consolidation;
- organizations no longer subject to tariff regulation due to noncompliance with set criteria;
- regional government agencies, cooperation with whom must seek to put an end to the uncontrolled operation of unowned grid assets.

Such contracts and deals first help the Company boost its share in the regional RR, improve its operational efficiency, cut the asset maintenance costs, and optimize the investment in the development of regional grid infrastructure, all thanks to coordinating each and every effort under a single Technology Policy.

Length of Power Lines, km



At the same time, consolidation of grids under IDGC of Center and Volga Region will also improve the quality and reliability of electricity delivery to customers, especially those of grid operators that have failed to meet set criteria and are thus no longer subject to tariff regulation.

In case of grid assets that used to be municipal property, consolidating them will help IDGC of Center and Volga Region contribute substantially to regional and municipal budgets.

The money surplus, gained by the budget of the Udmurt Republic by consolidating the assets of Izhevsk Power Grids and Votkinsk Municipal Power Grids under IDGC of Center and Volga Region is planned to spend on socially significant projects in the region. In particular, the Big Overhaul Program started in 2019 in Izhevsk and Votkinsk; the Program provided overhauls for 251 schools, 253 kindergartens, 217 healthcare facilities, 54 houses of culture, 6 social facilities, 7 sports venues, 5 libraries, and 3 vet clinics.

INVESTMENT PROGRAM

EU10

IDGC of Center and Volga Region follows the principles of publicity and openness; as such, it timely informs all the stakeholders on completed investment projects, and cooperates with them on any decision-making regarding starting any new projects. When drafting its investment program, the Company undertakes to:

- analyze the grid facilities and assess the need to develop the grid infrastructure to cover long-term and medium-term demand for electricity and capacity;
- list the targeted measures to be included in the investment program so as to eliminate the bottlenecks in branch-specific energy systems;
- assess the relevance of the branch-employed roadmaps for prospective development of power grids;
- cooperate with federal executive bodies and local self-government agencies to draft and adjust the prospective development roadmaps;
- cooperate with generating companies, FGC UES PJSC, and adjacent grid operators to provide grid connection;
- coordinate new construction and reconstruction of grid facilities, cooperate with FGC UES and SO UES JSC, as well as with other electricity market actors and regional executive bodies;
- draft and harmonize external electricity delivery circuitry for newly constructed and reconstructed facilities;
- study the feasibility and cost-effectiveness of proposed measures and solutions.

Since 2010, the Company's investment program development, arrangement, and completion reporting have been guided by:

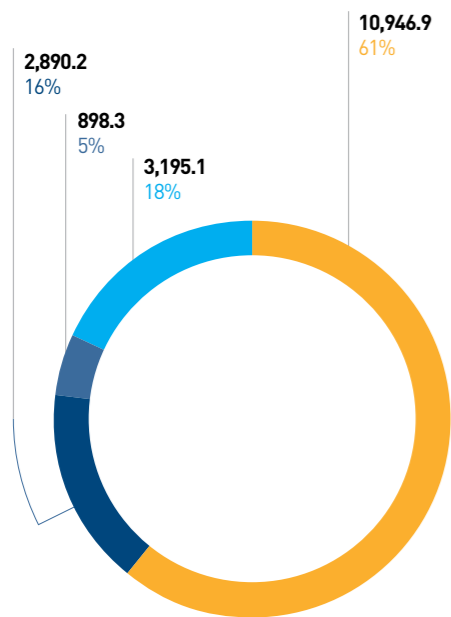
- prospective development schemes and programs for regional electric power

The investment program of IDGC of Center and Volga Region evolves in the context of regional development plans, technical condition of the electrical grids, and available sources of funding. Besides, the program focuses on the development of mainline and distribution grids, and generating capacities, in addition to assessing the cost effectiveness and feasibility of any measures.

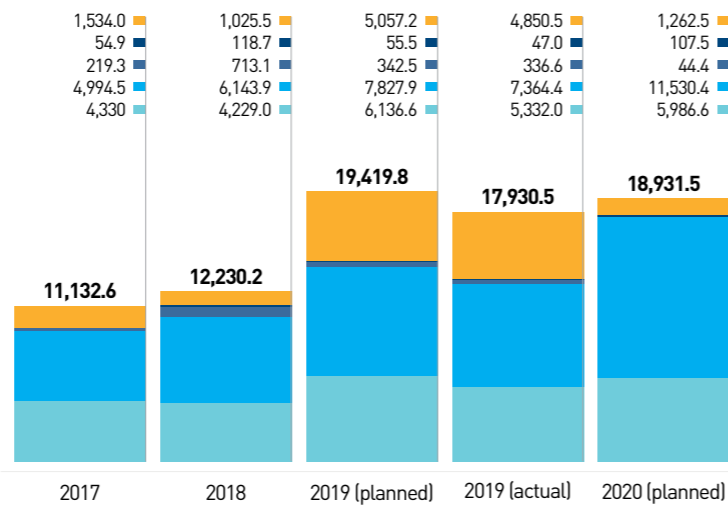
- industries, which are drafted every year for a five-year period as required by the Decree of the Russian Government No. 823 dated October 17, 2009;
- Regulations under the Decree of the Russian Government No. 977 dated December 1, 2009 On Investment Programs of Electric Power Industry Actors;
- integrated 35+ kV grid development programs in Russian regions as drafted for a five-year period as set forth in the Rosseti Order No. 4 dd. January 10, 2019 On Improving the Planning of Grid Development.

CAPITAL INVESTMENT FINANCING STRUCTURE, RUB MN, VAT INCLUDED

By Sources of Funding in 2019



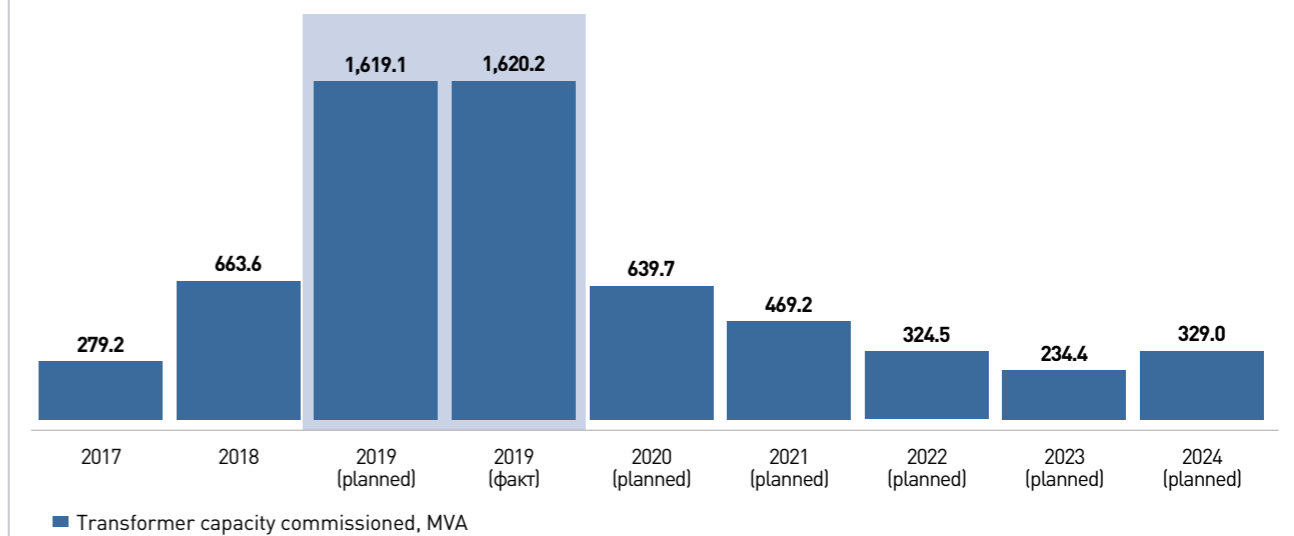
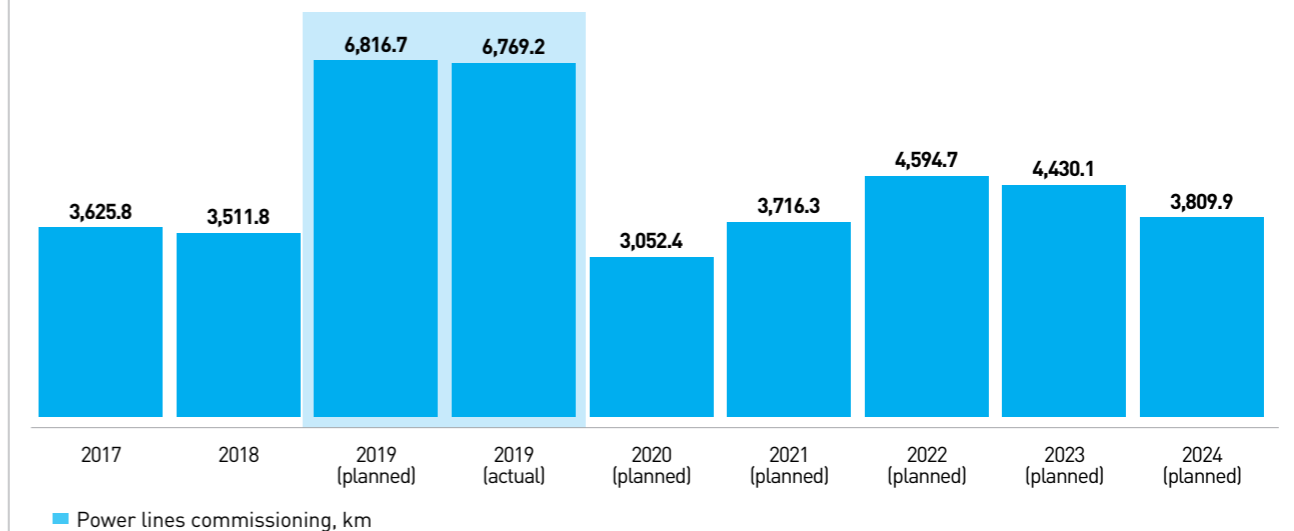
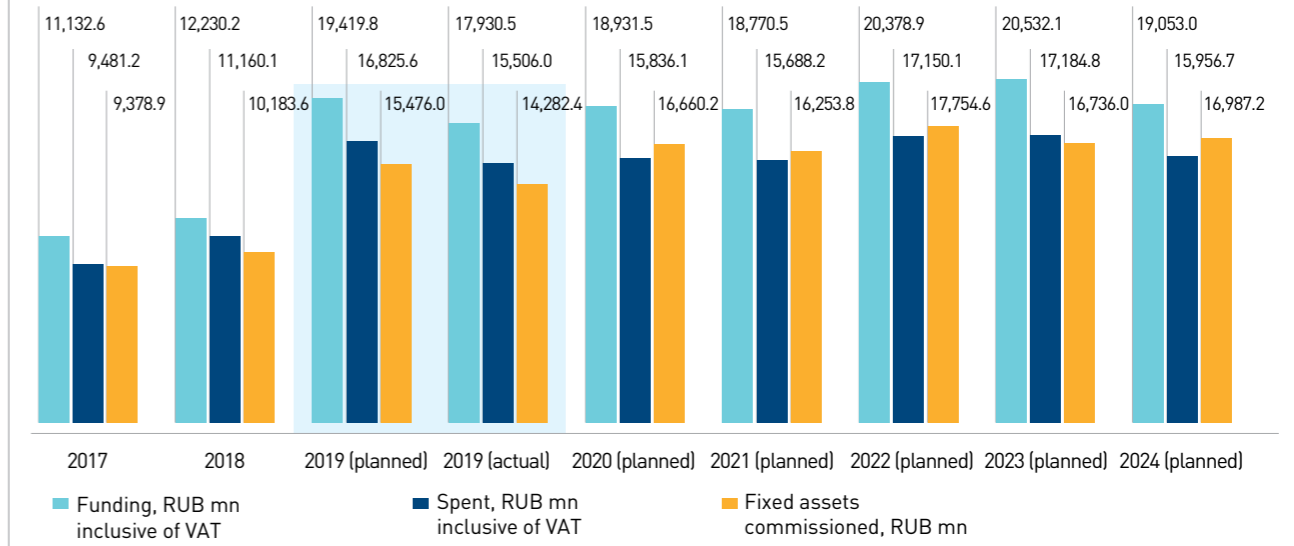
By Lines of Investment



- Internal funds
- Funds raised
- Grid Connection Fess
- Other
- Other investment projects
- Sundry new construction of grid facilities
- Investment projects under the Electric Power Industry Development Roadmaps
- Reconstruction, upgrade, and retrofitting
- Grid Connection

The Investment Program of IDGC of Center and Volga Region for 2019 was approved by Order of the Ministry of Energy No. 340 dd. December 26, 2019. Capital investment in 2019 totaled 15,506.0 RUB mn, financing totaled 17,930.5 RUB mn. In 2019, the Company commissioned 6,769.2 km of grids and 1,620.2 MVA of transformer capacity, equivalent to a total of 14,282.4 RUB mn in fixed assets.

Cost and Physical Parameters of the Company's Investment Activities in 2017-2024



Investment Projects Carried Out in 2019

Branch and name of the project	Scale	Benefits	Cost parameters for 2019, RUB mn		
			Financing	Capital investment	Fixed assets commissioned
NEW CONSTRUCTION					
Kirovenergo: Construction of 110/35/10 kV Urvantsevo substation with incoming lines of 110 kV overhead lines (1 priority) (installation of a T1 40 MVA transformer, 110 kV outdoor switchgear, 10 kV indoor switchgear)	40, 48 MVA of transformer capacity	<ul style="list-style-type: none"> More reliable electricity delivery in Kirov and adjacent suburbs Inaugurating a new power distribution center in Kirov's West End Load backups for post-emergency and under-repair operation in the 10 kV grid (backup power provided by the 110 kV Kommunalnaya SS, 110 kV Krasnogorskaya SS, 35 kV South-Western SS, and 110 kV Bytpribor SS) 	288.3	228.0	386.4
Tulenergo: Construction of a 35/10 kV SS with two 6.3 MVA transformers	12.6 MVA of transformer capacity	<ul style="list-style-type: none"> Electricity delivery to the machinery of Miratorg-Orel, LLC (a vegetable storage and processing company) 	154.0	128.4	128.4
Tulenergo: Construction of a single-chain 35kV OPL on reinforced-concrete poles from the Botvinyevo-Gorbachyovo 35 kV OPL (long) and a single-chain 35 kV OPL on reinforced-concrete poles from the Popovka-Gorbachevo 35 kV OPL	6.623 km	<ul style="list-style-type: none"> connecting the equipment of Miratorg-Oryol LLC to the grid 	63.8	53.3	53.3
RECONSTRUCTION					
Nizhnovenergo: Reconstruction. SS-110kV Sotsgorod. Operating department Central power grids. Replacement of T-1 TRDN-31500/110/6 (power transformer) with TRDN-40000/110/6 (40 MVA)	40 MVA of transformer capacity	<ul style="list-style-type: none"> More reliable electricity delivery to customers in the Gorodetsky District, Nizhny Novgorod 	70.8	59.6	160.2
Ryazanenergo: Reconstruction of the Yelino-Podvazye 25 km 110 kV OPL (46 poles and 25 km of wires replaced; wires reinsulated throughout the OPL)	25.4 km of power lines	<ul style="list-style-type: none"> More reliable electricity delivery to customers Industrial and agricultural development of Ryazansky and Zakharovsky Municipalities, Ryazan Region 	40.0	34.2	62.9
Ryazanenergo: Reconstruction of the 110 kV Oka SS with T-1, T-2 2*16 replaced with 2*25 and two OSG 10 kW cells installed	25 MVA of transformer capacity	<ul style="list-style-type: none"> More reliable electricity delivery to customers in the town of Rybnoye and in the Rybnovsky Municipality, Ryazan Region 	50.7	59.1	63.1
Udmurtenergo branch: Reconstruction of the Mashzavod 110/6 kV SS. T-2 power transformer replaced	63 MVA of transformer capacity	<ul style="list-style-type: none"> More reliable electricity delivery to customers and industrial facilities in Izhevsk, Udmurt Republic 	14.4	10.9	70.9

Branch and name of the project	Scale	Benefits	Cost parameters for 2019, RUB mn		
			Financing	Capital investment	Fixed assets commissioned
Udmurtenergo branch: Retrofitting the Airport 35/6 kV SS with two 4.0 MVA power transformers replaced with 2 6.3 MVA transformers, six 35 kV oil circuit breakers replaced with 35 kV reclosers	12.6 MVA of transformer capacity	<ul style="list-style-type: none"> More reliable electricity delivery to customers in the village of Zavyalovo and in the Zavyalovsky Municipality, Udmurt Republic 	74.8	63.0	63.7
Vladimirenergo branch: Reconstruction of the Kolchugino 110 kV with a 40 MVA T-2 power transformer installed	40 MVA of transformer capacity	<ul style="list-style-type: none"> More reliable electricity delivery to customers in Kolchugino and in the Kolchuginsky Municipality, Vladimir Region 	52.7	43.8	44.7

Investment Projects Scheduled for Implementation in 2020

Branch and name of the project	Scale	Benefits	Cost parameters for 2019, RUB mn	
			Financing	Capital investment
NEW CONSTRUCTION				
Kalugaenergo branch: Construction of the Mikhaili 110/10 kV SS	12.6 MVA of transformer capacity	<ul style="list-style-type: none"> Grid connection of power equipment utilized by ProZemResurs LLC with a stated capacity of 4,980 kWh; an individual connection layout linked the equipment to the EcoTechnoPark Kaluga (a sorting facility) 	12.4	10.3
Kalugaenergo: Construction of branched lines from the Yukhnov-Kondrovo Severnaya 110 kV OPL to the Medyn 110 kV SS and Ostrozhnoye 110 kV SS, and from the Kondrovo-Cherkasovo 110 kV OPL to the Medyn 110 kV SS	35 km of power lines	<ul style="list-style-type: none"> Grid connection of power equipment utilized by ProZemResurs LLC with a stated capacity of 4,980 kWh; an individual connection layout linked the equipment to the EcoTechnoPark Kaluga (a sorting facility) 	26.7	22.3

Long-Term Investment Program

The Company's investment plans for until 2024 are made under the Long-Term Investment Program of IDGC of Center and Volga Region for 2016-2024 as approved by Order of the Russian Ministry of Energy No. 34@ dd. December 2, 2019. This Program is drawn up with due regard to the development plans of the regions, the technical condition of power grids, the significance of power supply facilities and guidance for revenues under grid connection contracts. The Program is also brought in line with the goals and objectives of the Unified technical policy of the distribution power grid; and is guided by the current legislation.

The implementation of the Long-term Investment Program will help:

- maintain the operational availability of the equipment necessary for a reliable, uninterrupted and high-quality power supply to consumers;
- take measures to reduce production costs, including by improving the equipment performance, developing the systems for metering of consumed energy resources;
- upgrade the fixed assets;
- ensure safety of equipment and personnel;
- ensure sufficient grid capacity

for the electric power industry to operate and connect new customers smoothly and efficiently;

- increase the anti-sabotage and anti-terrorism security of energy facilities;
- develop the systems of communication, telemechanics and data transmission to increase the manageability of grids and reduce the emergency response time.

Overall, the Company plans to allocate a total of 97,666.0 RUB mn inclusive of VAT to the Long-Term Investment Program over 2020-2024. The capital investment during this period should total 81,815.9 RUB mn inclusive of VAT. Fixed assets commissioned in 2020-2024 are expected to total 84,391.8 RUB mn exclusive of VAT.

When completed, the Program will result in the construction and reconstruction of 19,603.5 km of power transmission lines as well as in the commissioning of 1,996.8 MVA in transformer capacity.

Investment Projects Scheduled for Implementation in 2023-2025

Branch and name of the project	Benefits
IN 2023:	
Tulenergo: Reconstructing the Zvezda-Begichevo 110 kV OPL with branching lines, and the Volovo-Begichevo 110 kV OPL with double-circuit branching to a total line length of 29.44 km	<ul style="list-style-type: none"> • More reliable electricity delivery to the Bogoroditsky Municipality, Tula Region.
IN 2024:	
Tulenergo: Reconstruction of the Shcheglovskaya 110/35/6 kV SS to replace 110 kV outdoor switchgears and mount rigid busbars, replace 110 kV oil circuit breakers (OCB) with 110 kV SF6 circuit breakers (SF6CB), and install 110 kV disconnectors with motor-driven knives	<ul style="list-style-type: none"> • Upgraded electricity delivery reliability equipment; • opportunities to connect more customers in Tula
Tulenergo: Construction of the 59-km Glebovo-Ushatovo 110 kV OPL within the scope of measures to improve the reliability of electricity delivery to customers in the Suvorovsky Municipality	<ul style="list-style-type: none"> • Enabled transit of electricity from Tula Region to Kaluga Region • Measures for more reliable electricity delivery to the customers in the Suvorovsky Municipality, Tula Region
IN 2025:	
Tulenergo: Reconstruction of the Leninskaya-Myasново, Myasново-Ratovo, and Leninskaya-Ratovo double-circuit 110 kV OPL with a Tula-Myasново line branching to the Yuzhnaya 110/10/6 SS, replacing the poles, the wires, and the insulators to improve the capacity of the 26.85-km Myasново-Ratovo section	<ul style="list-style-type: none"> • More reliable electricity delivery to the Leninsky Municipality, Tula Region

MORE RELIABLE AND HIGHER-QUALITY ELECTRICITY DELIVERY

To reduce the accident rates, the Company took the following measures under its 2019 repair program:

- 6-110 kV OPL routes expanded by

302 ha

- of non-insulated wiring replaced with steel insulated wires (SIP-3) along 6-10 kV OPLs

1,453 km

- insulators at 6-110 kV OPLs replaced

135,921

- of ground wire replaced at 35-110 kV OPLs

101 km

- of wires replaced at 6-110 kV OPLs

880 km

- poles replaced at 6-110 kV OPLs

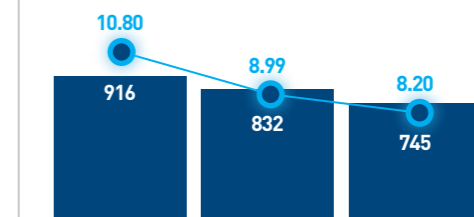
8,925

Improving the reliability and quality of electricity delivery to consumers is one of the strategic growth priorities of IDGC of Center and Volga Region. Besides, reliability indicators are also the key criteria for evaluating the performance of the Company's units and its management.

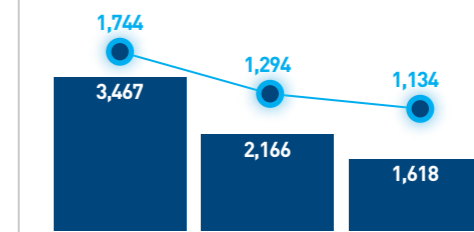
In 2019, the Company managed to significantly reduce the accident rates by researching into the causes of earlier accidents and taking necessary repairs in time.

G4-DMA (earlier EU6)
G4-DMA (earlier EU21)

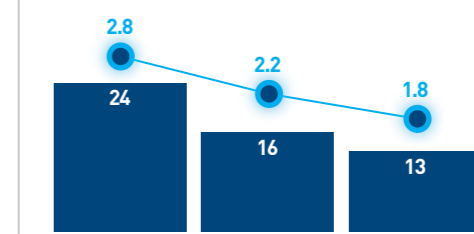
Accident Rates



■ Accidents in the 110 kV grid, no.
— Specific accident rates, accidents per 1,000 units of equipment

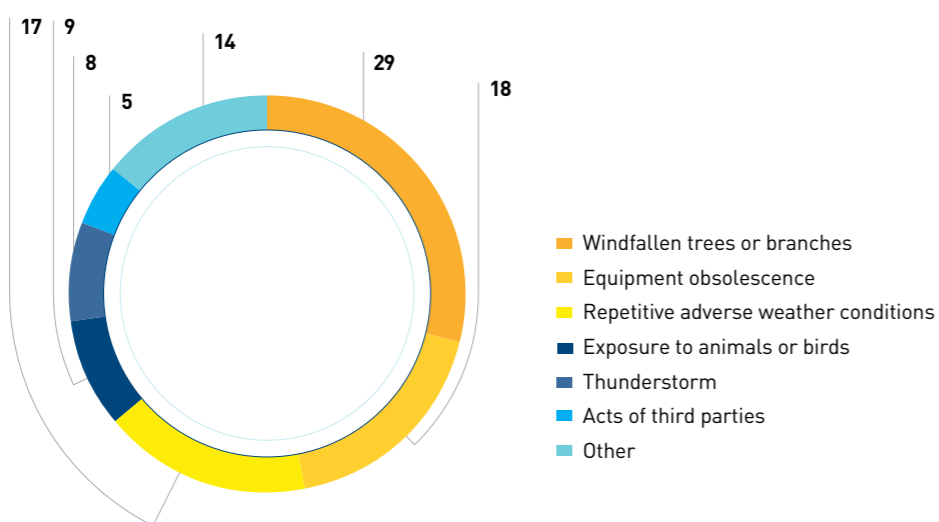


■ SAIDI (System Average Interruption Duration Index), h
— SAIFI (System Average Interruption Frequency Index), units

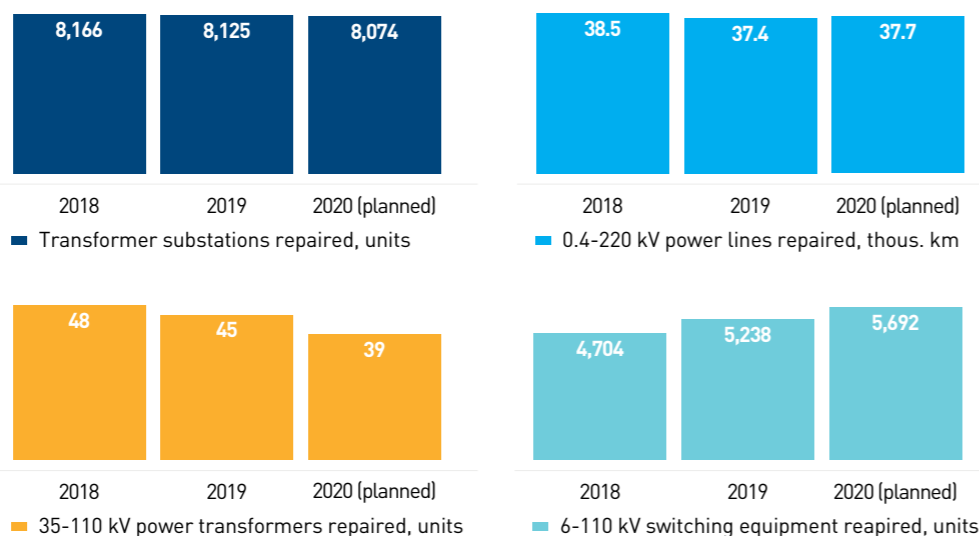


■ Number of sustainable 35-110 kV transformer outages, pcs
— Average power outage duration (for 6-110 kV feeders), h

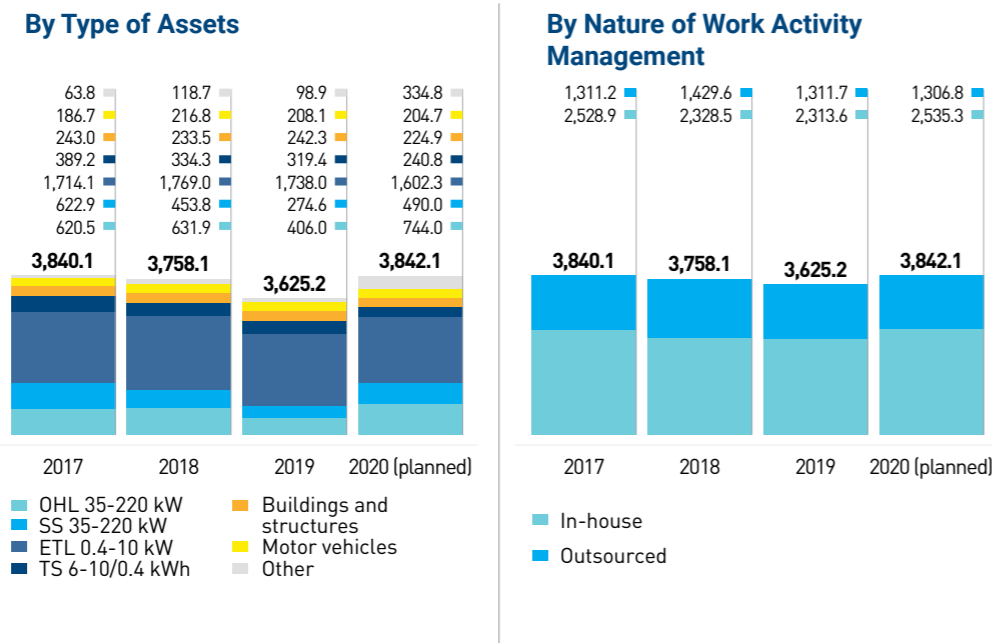
The Main Causes of Accidents in 2019, %



Actual and Planned Completion of Specific Repair Types in 2018-2020



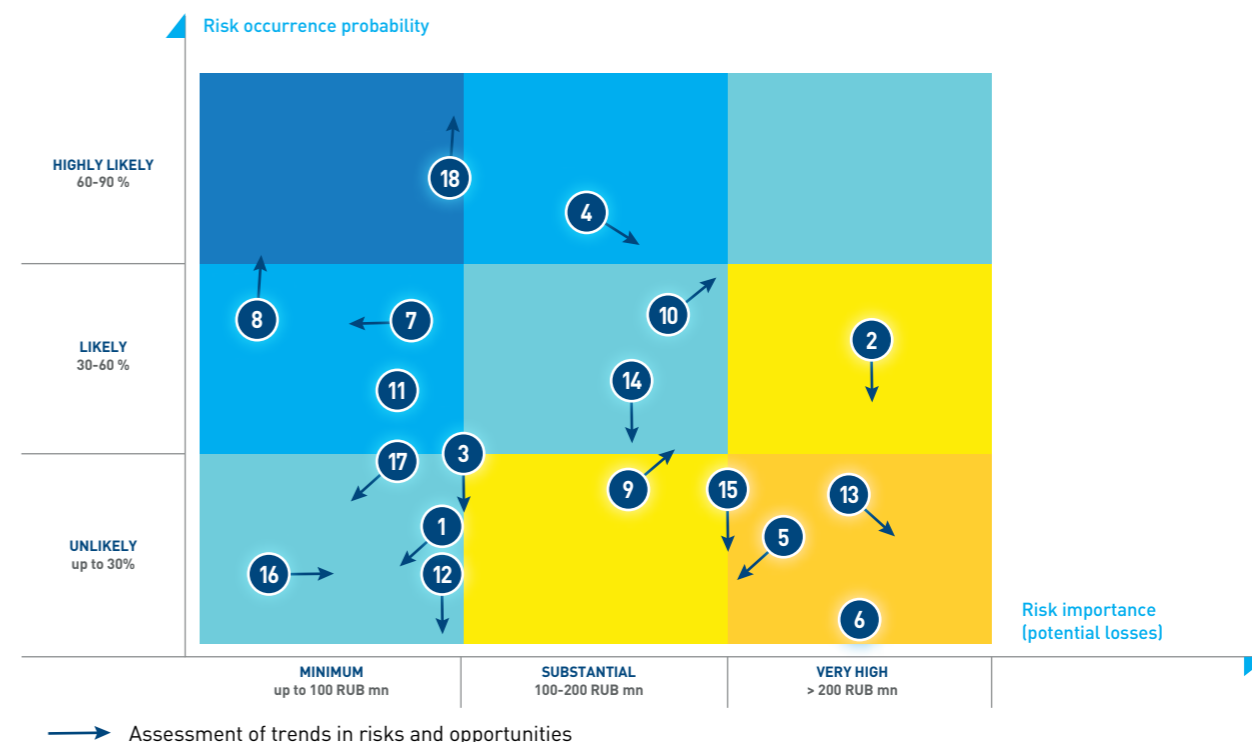
Actual Repair Costs in 2017-2019, Projected Costs for 2020, RUB mn



RISKS

GRI 102-15

RISKS MAP



CLASSIFICATION AND DESCRIPTION OF RISKS AND THE COMPANY'S CONTINUOUS RISK MINIMIZATION EFFORT

INDUSTRIAL RISKS:		
Risk Name	Risk owners	Measures aimed at minimization of risk consequences
1. Tariff associated risks Government-implemented policy of tariff regulation considers the need for inflation control and makes provisions for adjustment of regulated tariffs for grid operators in 2017-2019 making them lower than the actual inflation index while prices on the wholesale market increase higher than anticipated. It preconditions a risk that the regulatory authorities impose tariff options, which could not guarantee collectability of economically sound proceeds.	Deputy Director General for Economics and Finance, IDGC of Center (the Management Company of IDGC of Center and Volga Region)	Drafting and submission of proposals for the economic justification of the Company's expenses to the regulatory authorities of the constituent entities of the Russian Federation. Continuous implementation of the program to save the Company's costs. Fulfillment of commitments under investment programs and energy efficiency programs. Ensuring the achievement of the target reliability and quality of the services rendered.

Risk Name	Risk owners	Measures aimed at minimization of risk consequences
2. A risk of decline of power transmission services		
A risk is conditioned by a possible slowdown of electric power sales and an optimization of external power supply schemes by heavy consumers.	Deputy Director General for Service Sales and Improvement, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	Monthly monitoring of power consumption of the largest consumers in the regions. Conducting cycle inspections of electric power metering systems, check taking of readings. Preparation of electric power balances for substations based on the technical electric power metering, identification of grid segments with excess normative losses, performing surprise inspections to identify off-the-meter and non-contractual consumption. Conclusion of power transmission contracts with the prerequisite submission of planned electric power consumption values as accounted in the business plan of the Company.
3. Risks associated with rendering the grid connection services to applicants		
<p>Risks arising from:</p> <ul style="list-style-type: none"> probable shortage of funding for activities carried out under the grid connection contracts; customers' noncompliance with the terms and conditions of grid connection contracts; underutilization of capacity accessed via grid connection. <p>These factors may cause a decline in the Company's revenues from grid connection.</p>	Deputy Director General for Service Sales and Improvement, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	<p>Clarification of obligations under the grid connection contracts and explanation of the Applicants' risks in the event of failure to fulfill the obligations under these contracts (punitive measures, extension of time of grid connection).</p> <p>Complaint management in terms of reimbursement of expenses for grid connection by the Applicant.</p> <p>Monitoring the requests and analyzing the grid connection prospects (including the geography of expansion) to predict the number of requests and the expected scope of the grid operator's delivery over the coming year.</p> <p>Control of compliance with the specifications and the terms of drafting the grid connection contracts.</p> <p>Control over fulfillment of obligations under grid connection contracts.</p> <p>Building of consumer trust in the company by offering an easy and clear explanation about the process of grid connection (posting information on the Company's official website, developing a method of informing the applicants, monitoring the quality of work of customer service centers).</p>
4. Risks associated with non-payment for the provided power transmission services (incurring of disputable and indisputable overdue accounts receivable) by service consumers		
A risk is conditioned by the lack of available procedures that motivate the consumers to pay for power transmission services in due time, as well as by macroeconomic factors (decline of financial solvency of consumers).	Deputy Director General for Service Sales and Improvement, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	<p>Provision of customers with bills for power transmission services with information about punitive measures for breach of payment obligations and deadlines as stipulated by the effective legislation.</p> <p>Initiating an examination of non-payment issues at the meetings of the regional collegiate bodies chaired by the executive bodies of the constituent entity of the Russian Federation.</p> <p>Execution of measures aimed at reduction of overdue debts for the rendered power transmission services and resolution of disputes as specified by the Standard of Claim-Related Work of IDGC of Center and Volga Region.</p> <p>Ensuring 100 % coverage of the total amount of overdue receivables by taking measures for debt recovery.</p>



COUNTRY-WIDE AND REGIONAL RISKS:

Risk description	Risk owners	Measures aimed at minimization of risk consequences
5. Risks associated with political and economic environment in the country and region		
The risks are conditioned by a decline in the economic activity of the constituent entities of the Russian Federation in the regions of the Company's operations, increase of loan fund costs, which, in its turn, may result from unstable external conditions, international sanctions, credit rating downgrade and escalation of inflationary exposure. This may reduce the Company's revenue and its shareholder value.	This is jointly managed by specialized responsible units	<p>The Company has a program of measures in place to minimize the consequences of such risks, including:</p> <ul style="list-style-type: none"> reduction of costs of operating activities; optimization of contractor relationships; optimization of contractual relations with consumers; management of accounts receivable; ensuring optimal tariff and balance decisions in the regions of the Company's operation. <p>To ensure stability of settlements, monetary transactions of IDGC Center and Volga Region are handled in high reliability banks partially owned by the government; to prevent the debt burden from rising, there are restrictions on the volume and interest rate of raised borrowed funds. To optimize the investment activities, the investment programs are developed with regard to the order of priority of implementation of investment projects, with the exception of projects that do not have funding.</p>
6. Risks associated with possible conflicts and their aspects, imposition of the state of emergency and protests in the regions		
Risks are conditioned by probable acts of unlawful interference into Company's operation, including acts of terrorism as well as those committed by global terrorist groups and nationalists from certain countries. These acts could have a negative effect on the Company's operation.	This is jointly managed by specialized responsible units	<p>Enhancing engineering and physical protection of facilities by:</p> <ul style="list-style-type: none"> carrying out anti-terrorist exercises and drills; arranging internal access and site access control along with physical security measures in place; ensuring security equipment serviceability. <p>Carrying out preventive measures in cooperation with the Company's personnel.</p> <p>Improving cooperation with law enforcement and supervisory authorities, intelligence agencies, regional and municipal regulatory and administrative authorities, including that under the existing Agreements with territorial authorities of the Federal Security Service, Ministry of Internal Affairs, and EMERCOM of the Russian Federation.</p> <p>Monitoring of the criminal and socio-economic situation in the area of the Company's responsibility</p>
7. Risks associated with geographic features of the country and region, including higher risk of natural calamities, and possible interruption of transport connection		
The risks are conditioned by natural and climatic emergencies (exposure to hurricanes, heavy downpours, floods, snowdrifts, ice formation, power supply interruption due to fires, explosions in residences and so on). As a result, electric power supply and transport connection in the region could be interrupted.	This is jointly managed by specialized responsible units	<p>The regions where the Company operates have a well-developed transport infrastructure and are not subject to risks associated with disruption of transportation due to remoteness and/or inaccessibility.</p> <p>The Company implements a set of measures to prepare the electric grid complex for the autumn and winter period with each branch of the Company being validated for preparedness for the autumn and winter period.</p> <p>The branches of IDGC of Center and Volga Region have a long-term experience of successful and prompt elimination of natural disaster consequences affecting the power grid equipment and infrastructure.</p>

FINANCIAL RISKS:		
Risk description	Risk owners	Measures aimed at minimization of risk consequences
8. Exchange rate risks		
Adverse effect of changing foreign exchange rates on the results of the Company's financial and business operations.	Deputy Director General for Economics and Finance, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	This risk does not have significant influence on the financial position of the Company since it settles with contractors in rubles and has neither obligations in foreign currency nor obligations bound to foreign currency.
9. Risks associated with changes in interest rates		
Influence on potential escalation of Company's expenses associated with raising credit funds for financing the investment programs.	Deputy Director General for Economics and Finance, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	Involving the largest Russian banks capable of accommodating with a sufficient amount of credit resources at relatively low rates in participation in auctions for fund raising. Should the situation in the financial markets degrade, working with these banks allows the issuer: <ul style="list-style-type: none"> to smooth the surges of interest rates on borrowed funds received; to reduce the likelihood of early repayments of loans, which may be the result of interest rate development. The terms of the existing line of credit agreements of the emitter provide for a proportional increase in the interest rate on loans only due to an increase in the key rate of Bank of Russia.
10. Inflation risks		
Impact of the consumer price index growth on interest costs, cost level and profitability level and, as a consequence, on the Company's financial position and capability to fulfill obligations.	Deputy Director General for Economics and Finance IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	A factoring scheme of settlements with the Company's debtors has been adopted. Interim measures where the Company provides bank guarantees as securing consensus are used in court proceedings. This allows for a seizure of the contractor's accounts, which, in turn, stimulates a faster debt recovery.

LEGAL RISKS:		
Risk description	Risk owners	Measures aimed at minimization of risk consequences
11. Legal risks		
Risks associated with changes in the legislation, court practice covering the Company's activities, ensuring that the Company's and other electric power industry actors' interests are balanced.	Deputy Director General for Corporate and Legal Affairs IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	Mitigation of legal consequences having a negative impact on the Company's activities. Constant monitoring of changes in the legislation of the Russian Federation, including explanations and comments concerning its application. Constant monitoring of changes in the application of the legislation of the Russian Federation in court practice. Preliminary due diligence of legal disputes. Legal review of transactions with contractors.

REPUTATION RISK		
Risk description	Risk owners	Measures aimed at minimization of risk consequences
12. Reputation risk		
This risk pertains to the Company's losses resulting from losing customers (counterparties) to a negative image of: its financial stability, financial standing of the issuer, the quality of its products (works and services), and the nature of its activities in general.	Deputy Director General for Organizational Affairs, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	The Company constantly updates the public about its activities and the activities of its branches and has well-established relations with the media. On its official website, the Company timely and fully published its data and reports subject to mandatory disclosure. The Company has established cooperation and business communications with the press representatives of the regional and municipal authorities, departments of the EMERCOM, social organizations, and the leading editorial offices in the regions.

STRATEGY RISK:		
Risk description	Risk owners	Measures aimed at minimization of risk consequences
13. Strategy risk		
A risk of the Company's failure to achieve strategic goals and objectives due to potential changes in internal and external business environment of the Company.	This is jointly managed by specialized responsible units	To minimize this risk, the Company takes the following measures: <ul style="list-style-type: none"> delimitation of powers of management bodies in terms of decision-making; control over implementation of these decisions; development of business plans and control over their implementation; monitoring of changes in the legislation of Russia and the existing regulatory documents; monitoring of resources (including financial, material and technical, and human resources) to achieve the strategic goals; continuous provision of advanced training for staff.


RISKS ASSOCIATED WITH COMPANY'S ACTIVITIES:		
Risk description	Risk owners	Measures aimed at minimization of risk consequences
14. Operational and technological risk		
Decrease of reliability of power supply to consumers resulting from such factors as natural or human-made emergencies, which cause operation interruption of electrical grid equipment; a large number of equipment with higher-than-normal service life; non-compliance with the regulatory and technical requirements as related to exceeding the specified permitted values of technological parameters of electrical grid equipment.	First Deputy Director General, Chief Engineer of IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	Grid renovation and completion of dedicated programs to improve reliability and technical condition of the grid. On-condition repair of the facilities based on the risks and disconnection data. Identification of causes and preconditions of fires and combustion to develop appropriate organizational and technical measures to prevent them. Taking measures to eliminate the causes of violations of fire safety requirements at the facilities. Constant and periodic control over fire safety and operation of power plants, equipment, buildings and structures. Staff management: training, professional development. Community outreach, development of PR programs. Drafting and updating the regulations on technological interaction with adjacent electric power industry actors (APA).

Risk description	Risk owners	Measures aimed at minimization of risk consequences
15. Investment risk		
Reduction of sources of funding for the Company's investment programs in the event of weakening of its financial and economic standing, and, as a result, a decrease in the proceeds while the investment programs are not executed. Failure to comply with the scheduled dates of putting into operation the facilities constructed under the investment programs due to contractors' and suppliers' failure to discharge their obligations or do so in time.	Deputy Director General for Investment and Capital Construction, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	Timely funding of the investment program facilities, compliance with the time-frames of payment under the contracts signed with contractors. Conducting claim-related works with contractors violating contractual obligations. Deadline management for procurement procedures and making of contracts. Weekly monitoring of the construction process under the investment program. Control over the scope of commissioning facilities under the annual investment program. Control over the quality and timely execution of design and survey works. Designer's supervision.

Risk description	Risk owners	Measures aimed at minimization of risk consequences
18. Anthropogenic risks		
Epidemics that cause national or regional quarantines, limit transport communications, suspend production, etc.	This is jointly managed by specialized responsible units	Due to its industrial specifics, the Company is less susceptible to these risks than companies from most other industries. The occurrence of such risks will restructure, not reduce the demand for the Company's services: while industrial customers will use less electricity, households will use more. A full suspension of the Company's activities is unlikely, as the Company is a vital (life-sustaining) business that is barely affected by concentrating a lot of persons in limited space. In case of prolonged risk, i.e. where the quarantine lasts more than a quarter, technological connections may show a significant downward trend.

RISKS THAT OCCURRED IN THE REPORTING PERIOD AND THE COMPANY'S RESPONSE TO THEM

In 2019, two risks from the table above actually faced the Company. IDGC of Center and Volga Region took measures to minimize them in a timely fashion, which helped mitigate the damage and alleviate the impact of these risks on the Company's business.

 **SUSTAINABILITY RISKS:**

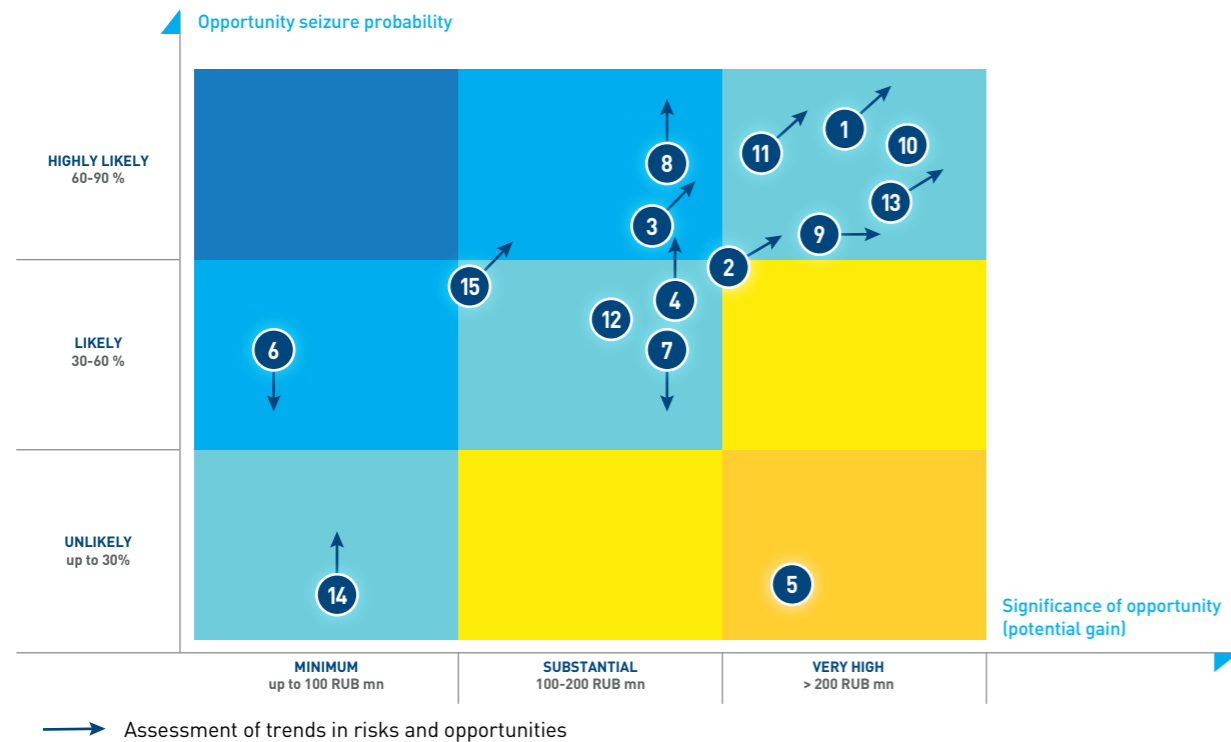
Risk description	Risk owners	Measures aimed at minimization of risk consequences
16. Climate risks GRI 201-2		
Risks associated with global warming. On the one hand, global warming threatens a gradual seasonal redistribution of demand for electricity and capacity, as people will use electric heaters less during fall and winter while using air conditioners more in spring and summer. On the other hand, these risks entail stricter customers' and general public's environmental requirements to the energy efficiency and "cleanliness" of production facilities.	This is jointly managed by specialized responsible units	The Company continuously takes measures to make its operations more energy-efficient and to be ready to cover a greater demand for electricity and capacity regardless of season or weather. The Company is involved in implementing the Grid Complex Environmental Policy, which seeks to consistently limit the environmental burden associated with the fuel and energy complex by reducing hazardous emissions and waste generation. The Company has adopted, efficiently uses, and undergoes regular recertification of, an ISO 14001:2015 environmental management systems.
17. Human risks		
Errors and violations of the existing rules, instructions, and guidelines, including safety regulations, on the part of the staff, which may have various consequences.	This is jointly managed by specialized responsible units	The Company's HR Policy is designed to only hire employees that are properly qualified and skilled while also being as motivated as possible to work for the Company. There are adaptation programs for young professionals in place. Each employee is involved in the corporate system of continuous education and advanced training. The Company provides advanced training for its personnel to work at newly commissioned facilities and to learn to use novel equipment; it also tests staff before they can be allowed to do specific jobs. Integrated targeted or thematic inspections are undertaken to monitor and register violations of occupational health and safety rules.

Summary of what happened	Summary of the Company's response to the risks
A risk of decline of power transmission services	
The "common-pot" net supply totaled 46,961 mn kWh in 2019, which was 442 mn or 0.9 % below that set forth in the Business Plan..	Making electricity transmission contracts for further periods that set forth that planned electricity amounts be delivered in full. Adjusting the business plan for 2020 in light of what has changed.
Risks associated with non-payment for the provided power transmission services (incurring of disputable and indisputable overdue accounts receivable) by service consumers	
Arrears for electricity transmission totaled 18,632.4 RUB mn (exclusive of bad-debt reserves) as of December 31, 2019, a 1,074.1 RUB mn or 6.1 % increase YoY.	All measures addressing the arrears covered 100 % of the electricity transmission arrears, where: <ul style="list-style-type: none"> • 12.8 % of 2,396.4 RUB mn is being tacked under bankruptcy procedures; • 67.3 % or 12,540 RUB mn is being recovered in a court of law; • 3.5 % or 648.5 RUB mn is being restructured; • 16.4 % or 3,047.5 RUB mn is being processed under complaint procedure. As of year-end 2019, 12,540 RUB mn of arrears is being collected in a court of law in 521 cases. Complain procedures recovered 564 RUB mn. 15.7 RUB mn of uncollectible debts written off. 824.8 RUB mn collected in penalties for late payment for electricity transmission services in 2019.

OPPORTUNITIES

GRI 102-15

OPPORTUNITY MAP



CLASSIFICATION AND DESCRIPTION OF OPPORTUNITIES AND THE COMPANY'S CONTINUOUS OPPORTUNITY MAXIMIZATION EFFORT

INDUSTRIAL OPPORTUNITIES:

Description	Opportunity owners	Opportunity impact maximization measures
1. Digital transformation of the grid infrastructure to improve the Company's performance and profitability		
The opportunity stems from the December 2018 approval of the "Digital Transformation 2030" Concept, which sets forth a complete transformation (digitalization) of the "Rosseti" Group's grid infrastructure.	This is jointly managed by specialized responsible units	Phase I projects (scheduled for completion by 2021) are being implemented faster than had been planned, as Phase I was complete by 30 % by the end of 2019.

Description	Opportunity owners	Opportunity impact maximization measures
2. Increased amounts of delivered electricity		
This opportunity stems from a potential increase in demand for electricity on part of the growing transport industry, public utilities, and manufacturing in the regions where IDGC of Center and Volga Region operates, which is in line with the Ministry of Energy's ¹ and Ministry of Economic Development's ² forecasts for the coming years.	Deputy Director General for Service Sales and Improvement, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	Monthly monitoring of power consumption of the largest consumers in the regions. Conducting cycle inspections of electric power metering systems, check taking of readings. Preparation of electric power balances for substations based on the technical electric power metering, identification of grid segments with excess normative losses, performing surprise inspections to identify off-the-meter and non-contractual consumption. Conclusion of power transmission contracts with the prerequisite submission of planned electric power consumption values as accounted in the business plan of the Company.
3. Opportunities associated with rendering the grid connection services to applicants		
These opportunities stem from: <ul style="list-style-type: none"> an increase in connection requests and contracts in the regions where the Company operates; applications and contracts for grid connection specifying ever greater capacity. These factors may cause an increase in the Company's revenues from grid connection.	Deputy Director General for Service Sales and Improvement, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	Faster and simplified preparations for grid connection. Greater service quality. More new options for requesting grid connection, including use of advanced digital tech. Monitoring the requests and analyzing the grid connection prospects (including the geography of expansion) to predict the number of requests over the coming year. Building of consumer trust in the company by offering an easy and clear explanation about the process of grid connection (posting information on the Company's official website, developing a method of informing the applicants, monitoring the quality of work of customer service centers).

COUNTRY-WIDE AND REGIONAL OPPORTUNITIES:

Description	Opportunity owners	Opportunity impact maximization measures
4. Opportunities pertaining to the country's and the regions' economic situation		
These opportunities stem from the rising population and increasing economic activity in the regions where the Company operates. This may increase the Company's revenue and its shareholder value.	This is jointly managed by specialized responsible units	The Company operates in the economically favorable regions where about 9 % of the country's residents live. These regions have stable GRP figures that fuels a high demand for electricity. To optimize the investment activities, the investment programs are developed with regard to the order of priority of implementation of investment projects, with the exception of projects that do not have funding.
5. Geographical opportunities		
These opportunities stem from the temperate continental climate of Central Russia where winters are markedly frosty, summers are hot, and the daylight hours are short in fall and winter.	This is jointly managed by specialized responsible units	The regions where the Company operates have high electricity demand all year round due to their climate. However, as it seeks stable and reliable electricity delivery, the Company has a set of measures in place to prepare the electric grid complex for the autumn and winter period with each branch of the Company being validated for preparedness for the autumn and winter period.

¹ UES Development Roadmap for 2018–2015, Ministry of Energy

² Forecast of Socioeconomic Development of the Russian Federation for Until 2024, Ministry of Economic Development

FINANCIAL OPPORTUNITIES:		
Description	Opportunity owners	Opportunity impact maximization measures
6. Exchange rate opportunities		
Positive effect of changing foreign exchange rates on the results of the Company's financial and business operations.	Deputy Director General for Economics and Finance, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	This opportunity does not have significant influence on the financial position of the Company since it settles with contractors in RUB and has neither obligations in foreign currency nor obligations bound to foreign currency.
7. Opportunities associated with changes in interest rates		
The Company's costs of taking loans to finance its investment projects may lower.	Deputy Director General for Economics and Finance, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	Involving the largest Russian banks capable of accommodating with a sufficient amount of credit resources at relatively low rates in participation in auctions for fund raising.

OPPORTUNITIES STEMMING FROM GOOD BUSINESS REPUTATION:		
Description	Opportunity owners	Opportunity impact maximization measures
8. Reputational opportunities		
These opportunities stem from the Company's consistent and timely performance of its duties under contracts with customers and counterparties. This makes the Company a trustworthy partner that the customers and counterparties are always willing to cooperate with.	Deputy Director General for Organizational Affairs, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	The Company constantly updates the public about its activities and the activities of its branches and has well-established relations with the media. On its official website, the Company timely and fully published its data and reports subject to mandatory disclosure. The Company has established cooperation and business communications with the press representatives of the regional and municipal authorities, departments of the EMERCOM, social organizations, and the leading editorial offices in the regions.

STRATEGIC OPPORTUNITIES:		
Description	Opportunity owners	Opportunity impact maximization measures
9. Strategic opportunities		
These opportunities stem from the accomplishment of the Company's strategic goals and objectives, which in turns comes from timely and effective managerial decisions and proper planning.	This is jointly managed by specialized responsible units	To maximize these opportunities, the Company has the following measures in place: <ul style="list-style-type: none"> • delimitation of powers of management bodies in terms of decision-making; • control over implementation of these decisions; • development of business plans and control over their implementation; • monitoring of changes in the legislation of Russia and the existing regulatory documents; • monitoring of resources (including financial, material and technical, and human resources) to achieve the strategic goals; • continuous provision of advanced training for staff.

Description	Opportunity owners	Opportunity impact maximization measures
10. Opportunities created by integration with IDGC of Center		
These are the opportunities that stem from the adoption of best production and corporate governance practices coupled with joint management of resource-intensive processes.	This is jointly managed by specialized responsible units	Since September 2017, 2017 IDGC of Centre has been the sole executive body (SEB) of IDGC of Center and Volga Region. The Companies have the following measures in place: <ul style="list-style-type: none"> • finding each Company's best corporate governance practices for the other Company to adopt; • comprehensive grid modernization programs for 20 regions of both companies activities; • combining the operations and contingency management of the grid complexes of the two companies; • combining emergency stocks and backup energy sources; • automation of data collection on the readings of metering instruments and staff performance; • transfer of authority for the approval of technical conditions and signing of grid connection contracts of over 150 kW from the branches to the Executive Arm; • application of uniform customer service standards; • unification of the process of cost of work formation and introduction of a single directory of prices for material and technical resources using standard technical specifications.
11. Opportunities of grid assets consolidation		
Opportunities for the adoption of the best managerial decisions and technical solutions where the Company operates, including better utilization of grid assets under the digitalization projects by increasing and/or acquiring full control over regional grid assets.	This is jointly managed by specialized responsible units	Making contracts with the administrative bodies of the Company's regions on cooperation in grid development; such contracts shall set forth that the regions' municipal grid assets be transferred to the Company for operations management and process control, and upgraded.

OPPORTUNITIES ASSOCIATED WITH COMPANY'S ACTIVITIES:		
Description	Opportunity owners	Opportunity impact maximization measures
12. Operational and technological opportunities		
More reliable electricity delivery thanks to detailed research into the causes of earlier accidents coupled with timely repairs.	First Deputy Director General, Chief Engineer of IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	Grid renovation and completion of dedicated programs to improve reliability and technical condition of the grid. On-condition repair of the facilities based on the risks and disconnection data. Identification of causes and preconditions of fires and combustion to develop appropriate organizational and technical measures to prevent them. Taking measures to eliminate the causes of violations of fire safety requirements at the facilities. Constant and periodic control over fire safety and operation of power plants, equipment, buildings and structures. Staff management: training, professional development. Community outreach, development of PR programs. Drafting and updating the regulations on technological interaction with adjacent electric power industry actors (APA).

Description	Opportunity owners	Opportunity impact maximization measures
13. Investment opportunities		
Tariff revenues rising as investment programs approach completion, which will better then Company's financial and economic stance.	Deputy Director General for Investment and Capital Construction, IDGC of Centre (the Management Company of IDGC of Center and Volga Region)	Timely funding of the investment program facilities, compliance with the time-frames of payment under the contracts signed with contractors. Conducting claim-related works with contractors violating contractual obligations. Deadline management for procurement procedures and making of contracts Weekly monitoring of the construction process under the investment program. Control over the scope of commissioning facilities under the annual investment program. Commissioning of program-invested facilities on or ahead of the schedule. Control over the quality and timely execution of design and survey works. Designer's supervision.
14. Climate opportunities		
Additional long-term opportunities stem from global warming that will induce more active use of split systems, thus boosting electricity consumption and the Company's revenues in spring and summer.	This is jointly managed by specialized responsible units	The Company continuously takes measures to make its operations more energy-efficient and to be ready to cover a greater demand for electricity and capacity regardless of season or weather.
15. Human opportunities		
These are opportunities derived from adopting employees' innovation proposals.	This is jointly managed by specialized responsible units	Every year, the Company's employees make technical, organizational, or managerial proposals to improve key production performance indicators and enable further adoption of cutting-edge technologies. These proposals are further implemented in all aspects of the Company's activities, from operating substations, substation equipment, and distribution grids, to quality control and electricity metering, from occupational health and safety to grid connection services. This part of the employees' work is an upward trend.

02


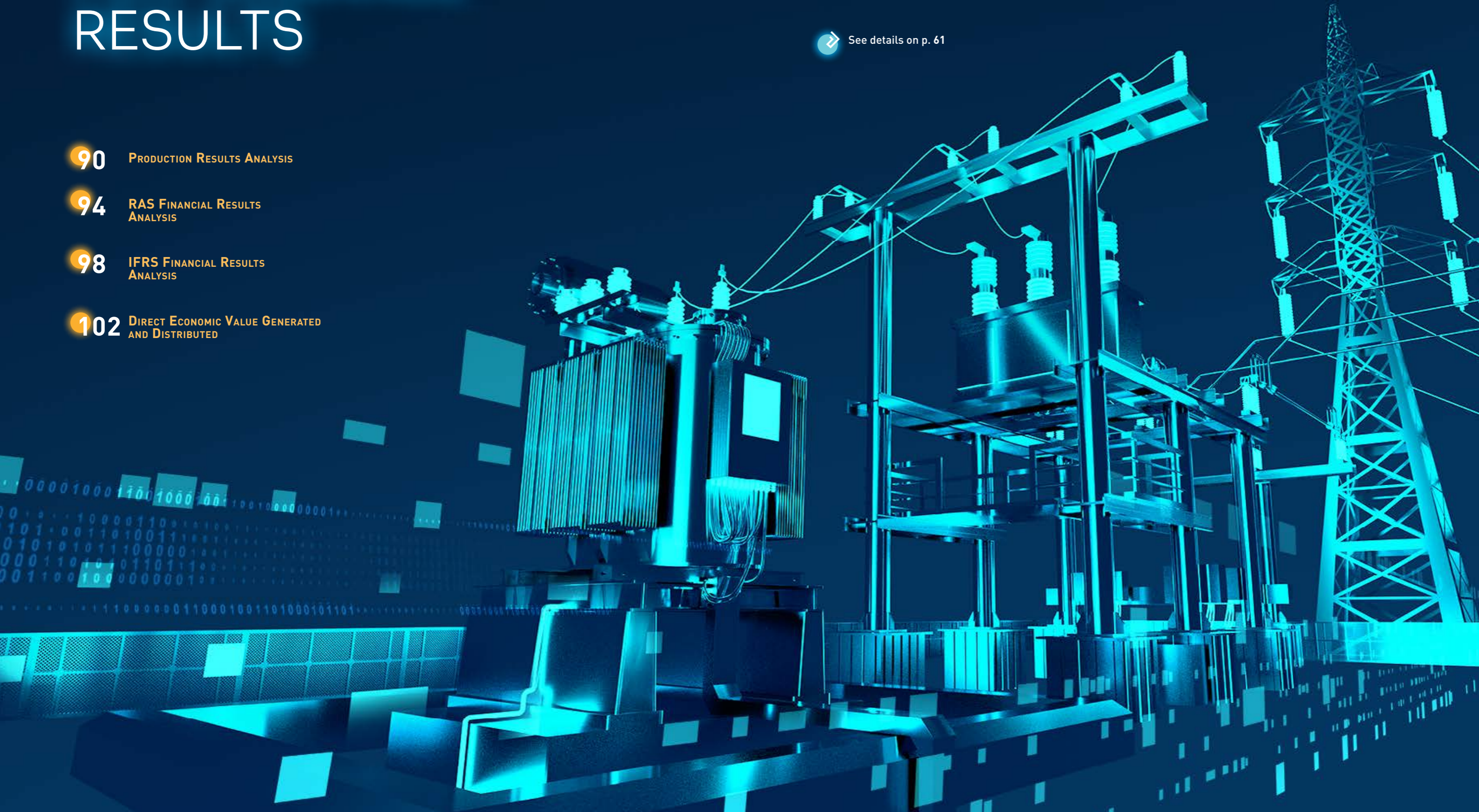
PERFORMANCE
RESULTS

90 PRODUCTION RESULTS ANALYSIS

94 RAS FINANCIAL RESULTS
ANALYSIS98 IFRS FINANCIAL RESULTS
ANALYSIS102 DIRECT ECONOMIC VALUE GENERATED
AND DISTRIBUTED

LAUNCH OF THE FIRST DIGITAL SUBSTATIONS

In 2019, the Company completed a launch of the first two digital substations - the «Airport» SS and the «Miratorg» SS. The facilities are equipped with modern software, integrated with automatic supervisory control system. Using these technologies will enhance the observability of the operation processes, provide remote diagnosis and monitoring of the network condition and, consequently, diminish process losses of electric energy in the grids and reduce operating costs.

 See details on p. 61


PERFORMANCE RESULTS

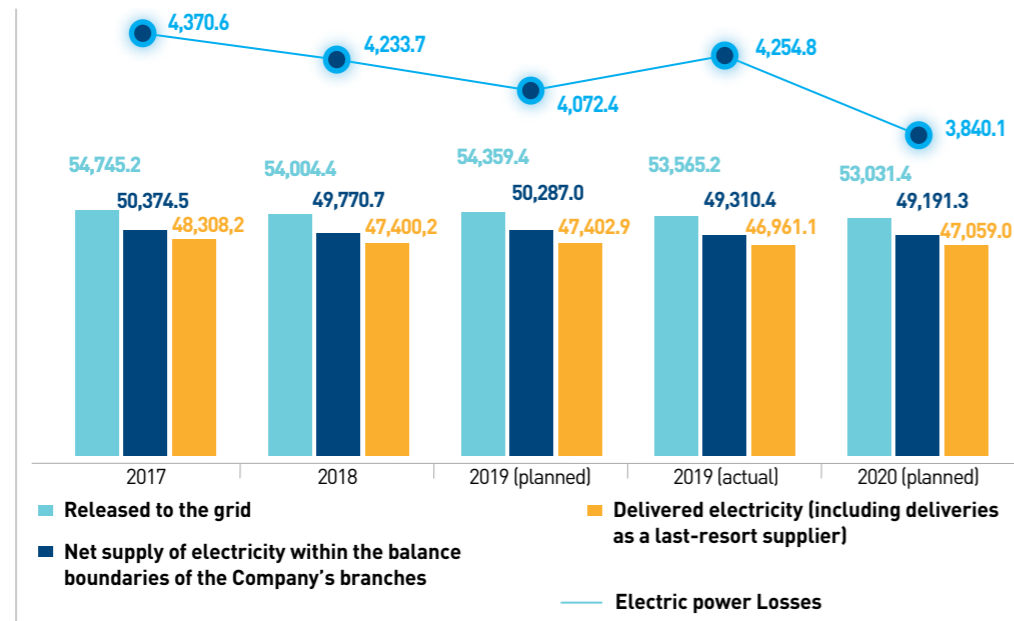
PRODUCTION RESULTS ANALYSIS¹

Power Transmission

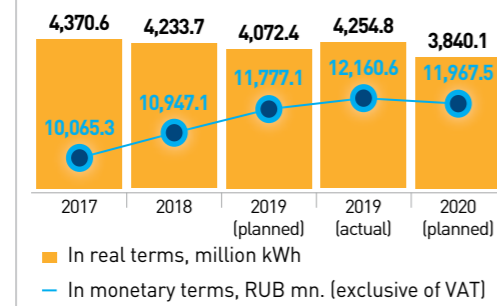
The main line IDGC of Center and Volga Region's business is power transmission services.

EU2 EU12

Power Transmission Services Data, mn kWh



Loss of Electricity



In 2019, IDGC of Center and Volga Region supplied 49,310.4 mn kWh to customers and adjacent local grid operators within the area of the Company's balance and operational responsibility; this was a 460.3 mn kWh or 0.9 % reduction YoY.

In 2019, the Company transmitted 46,961.1 mn kWh, which in comparable terms (considering the power transmission services rendered when the Company functioned as the last-resort supplier in Vladimir Region from July 1, 2017 to March 31, 2018) was a 0.9 % or 439 mn kWh decrease YoY.

Such changes are mainly attributable to:

- a 916 mn kWh reduction in electricity delivered to sundry consumers while delivering 477 mn kWh more to people;
- a transition to the boiler-above model in Ivenergo: electricity consumed by the customers of the boiler-below LGOs were redistributed across the entire voltage spectrum (boiler-above), while the people who received electricity from the LGO grids in 2018 joined the "people" category

- of the customers served by the Company's branch;
- consolidation of grids in Udmurtenergo, as the branch acquired the grids of Izhevsk Power Grids on January 1, 2019, and Votkinsk Municipal Power Grids on July 1, 2019.

Net supply totaled 49,310 mn kWh in 2019, which was 976.6 mn kWh or 1.9 % less than the actual value for 2018. This change is due to a 1,577 mn kWh or 8 % reduction in power flow to the grids of lower-level grid operators while natural persons and legal persons consumed 1,117 mn kWh or 4 % more.

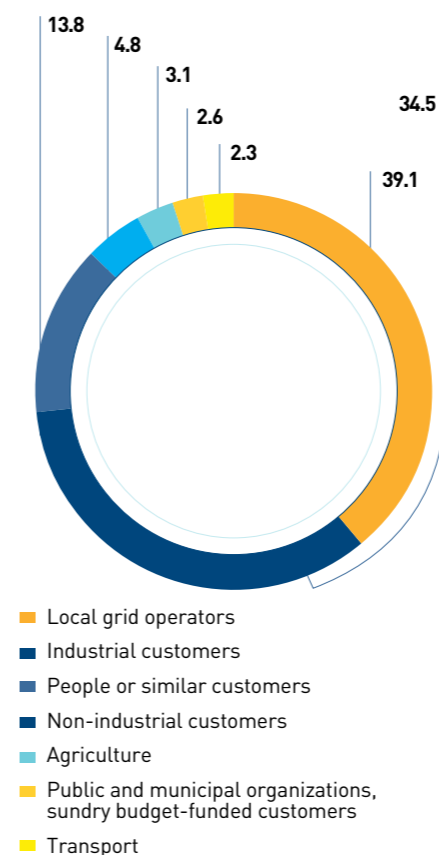
In general, the structure of net power supply from the Company's grids remains stable year on year. 2019 was no exception: high voltage power transmission prevailed (63.4 %), due to a large share of heavy industrial consumers (34.5 %).

Significant branch-specific changes in net "common-pot" supply in 2019 compared to 2018:

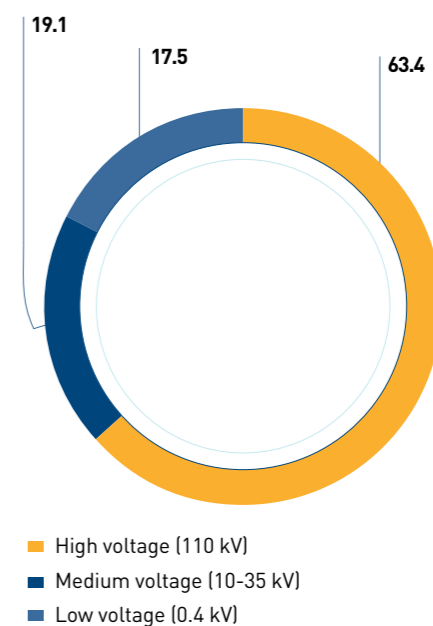
- Vladimirenergo: 6 mn kWh less delivered to people, 83 mn less to sundry customers including the Russian Railways;
- Ivenergo: 600 mn kWh more delivered to people, 678 mn less to sundry customers due to changing the branch's common-pot model;
- Kirovenergo: a 110 mn reduction in the net common-pot supply due to the Halopolymer LLC leaving the common pot on December 1, 2020, and Uralchem LLC cutting its consumption;
- Nizhnovenergo: 115 mn kWh less delivered to people, 185 mn less to sundry customers including PrimaEnergo LLC, Vodokanal NN OJSC, Sokol Aircraft Plant, NMZ, and the Russian Railways;
- Udmurtenergo: 10 mn kWh less delivered to people, 39 mn less to sundry customers including the Russian Railways, Izhstal, and Kalashnikov.

Structure of Net Power Supply from Grids

By Class of Customers, %



By Voltage Levels, %



To reduce electric power losses, IDGC of Center and Volga Region is taking measures to identify and stop the non-contractual and off-the-meter consumption. In 2019, the Company identified, prevented, and added to its net supply a total 29.8 mn kWh of unaccounted electricity consumption plus a total 6.1 mn kWh of uncontracted electricity consumption, which prevented a loss of 109.1 RUB mn exclusive of VAT.

¹ The projections are cited from the Business Plan approved by the Company's Board of Directors on December 31, 2019 (Minutes No. 393 dd. December 31, 2019); they are not adjusted for risks that actually occurred after approving such Business Plan and before publishing this Integrated Annual Report for 2019.

Grid Connection

IDGC of Center and Volga Region provides all-inclusive services of grid connection of consumers and power producers to electric power systems¹. Customers can apply for, contract, and control the procedure of, a grid connection at any of the 32 Customer Service Offices or using the Personal Office service available at the official website of IDGC of Center and Volga Region. See the Company's official website for a pre-estimate of the grid connection fee using a special calculating tool.

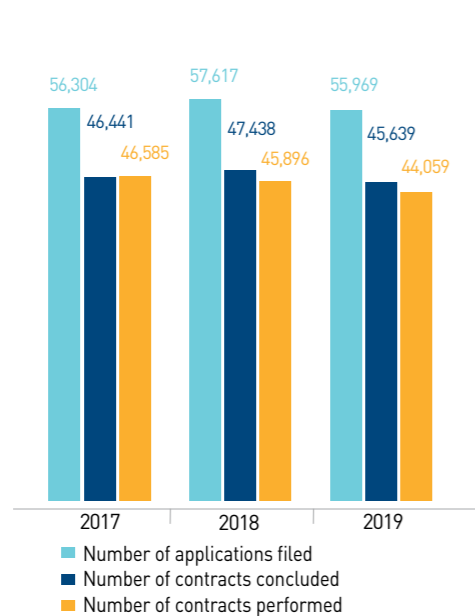
According to the results of 2019, the average time for execution of grid connection contracts was 60 days or 2 days less than in 2018 (62 days).

Natural persons requested the bulk of connections to IDGC of Center and Volga Region's grids (428.9 MW or 48.0 %). Compared to 2018, the most significant relative increase in connected capacity was observed in Transport and Communications

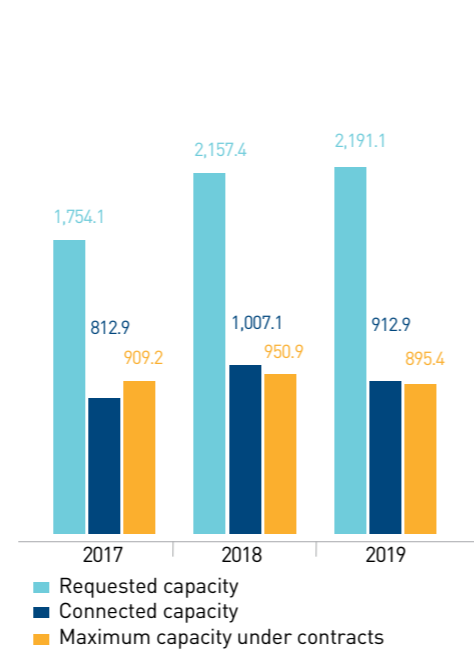
(increased by 103.1 %) and Manufacturing (95.4 %), while the most significant drops were in Electricity, Gas, and Water Supply (52.3 %) and Construction (49.2 %).

FIGURES OF GRID CONNECTION SERVICES

Number of Applications Submitted and Contracts Signed, no



Capacity, MW

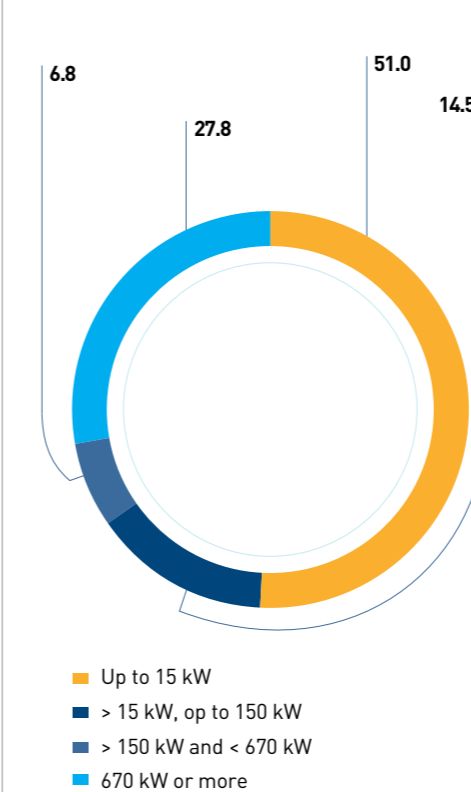


The number of grid connections executed by the Company depends on the current state and plans for the economic development of the regions of presence. In 2019, IDGC of Center and Volga Region received over 55 thous. requests to connect users' power receivers to its grids, which is 2.9 % fewer than in 2018. The number of contracts signed in 2019 decreased by 3.8 % compared with 2018, while the number of executed grid connection contracts decreased by 4.0 %.

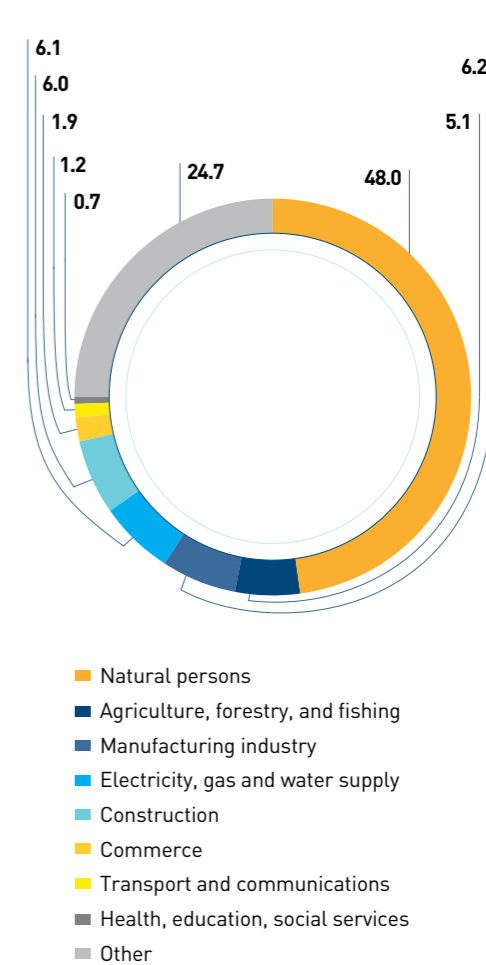
In 2019, contracts for grid connection required significantly more capacity than in 2018: although the total requested capacity rose by 1.6 %, the maximum contracted capacity was 9.4 % lower, while the connected capacity under the completed contracts dropped by 5.8 %. This was due to lesser demand for electricity on the part of major industrial consumers, in turn attributable to the economic recession.

CONNECTED CAPACITY STRUCTURE

By Class of Applicants, %



By Industry, %



Additional Services

In addition to its core business of electricity delivery and grid connections, IDGC of Center and Volga Region provides additional for-profit services that are not subject to mandatory governmental regulation. As of late 2019, the Company's additional services included:

- arranging outdoor lighting systems;
- maintenance and repair of electric power system and electrical equipment;
- reconstruction of power supply facilities in the best interests of customers;
- provision of technical capacities;

- diagnosis and testing of electrical equipment;
- meter installation and replacement;
- execution of works, which are the customers' responsibility, when carrying out the procedure of grid connection;
- energy audit and energy service;
- design and construction of energy facilities.

¹ Pursuant to the Decree of the Russian Government No. 147-r dd. January 31, 2017 On the Target Models for Simplification of Business and Better Investment Attractiveness of Russia's Regions.

In 2019, the Company significantly expanded its network of customer service desks located in the power districts. Thanks to its 2019 effort, the Company's revenue from additional services rose by 21.8 % from 781.8 RUB mn to 951.9 RUB mn. The Company plans to further expand its additional services, including the arrangement of outdoor lighting systems, in 2020. We also plan to make

the Company's services more accessible and affordable while also improving the quality and expanding the range of such services. These measures are expected to further boost the Company's revenue.

RAS FINANCIAL RESULTS ANALYSIS

Key Financial and Economic Results, RAS

Figures (RUB mn)	2017	2018	2019 (planned)	2019 (actual)	2020 (planned) ¹	Change 2019 (actual) / 2018, %
Proceeds from sales of products (services)	90,843.7	93,875.9	96,873.0	96,343.1	99,489.4	2.6 %
Net cost of products (services)	74,372.0	78,409.1	82,596.0	80,779.6	83,805.9	3.0 %
Gross profit	16,471.7	15,466.8	14,276.0	15,563.5	15,683.5	0.6 %
Administrative expenses	1,149.0	901.8	954.0	942.1	1,037.0	4.5 %
Selling and marketing expenses	227.3	147.2	28.0	2.2	16.9	-98.5 %
Sales profit (loss)	15,095.4	14,417.8	13,294.0	14,619.1	14,629.6	1.4 %
Interest receivable	220.5	130.2	101.0	243.9	95.1	87.4 %
Interest payable	2,168.9	1,513.3	2,326.0	1,814.9	2,166.6	19.9 %
Income from affiliation with other companies	5.7	3.2	2.0	5.2	0.6	60.9 %
Other income	8,224.5	4,658.6	2,201.0	4,311.2	1,549.9	-7.5 %
Other expenses	7,112.4	4,705.8	3,865.0	10,099.7	3,565.2	115 %
Profit (loss) before tax	14,264.9	12,990.9	9,407.0	7,264.8	10,543.5	-44.1 %
Profit tax and other payments	3,264.3	3,643.8	2,400.0	2,114.6	2,515.4	-42.0 %
Net income (loss)	11,000.6	9,347.1	7,007.0	5,150.1	8,028.0	-44.9 %
EBITDA	23,400.5	21,832.4	19,768.0	17,079.6	21,554.4	-21.8 %
EBITDA profitability	25.8%	23.3%	20.4%	20.7%	-2.5 p.p.	-10.9 p.p.
Net debt	20,297.0	17,739.0	29,421.0	24,279.0	30,284.0	38.0 %
Debt / EBITDA	1.0	1.1	1.5	1.6	1.4	39.1 %

Factor Analysis of Revenue Change

Figures (RUB mn)	2017	2018	2019	Change 2019 / 2018 %
Proceeds from sales of products (services), including:	90,843.7	93,875.9	96,343.1	2.6 %
Power transmission ²	83,680.3	88,852.6	94,329.0	6.2 %
Power grid connection services	733.4	925.5	1,062.0	14.7 %
Sales of electric power and capacity	6,011.0	3,315.9	-	-100 %
Other activities	313.2	781.8	952.2	21.8 %

¹ The projections are cited from the Business Plan approved by the Company's Board of Directors on December 31, 2019 (Minutes No. 393 dd. December 31, 2019); they are not adjusted for risks that actually occurred after approving such Business Plan and before publishing this Integrated Annual Report for 2019.

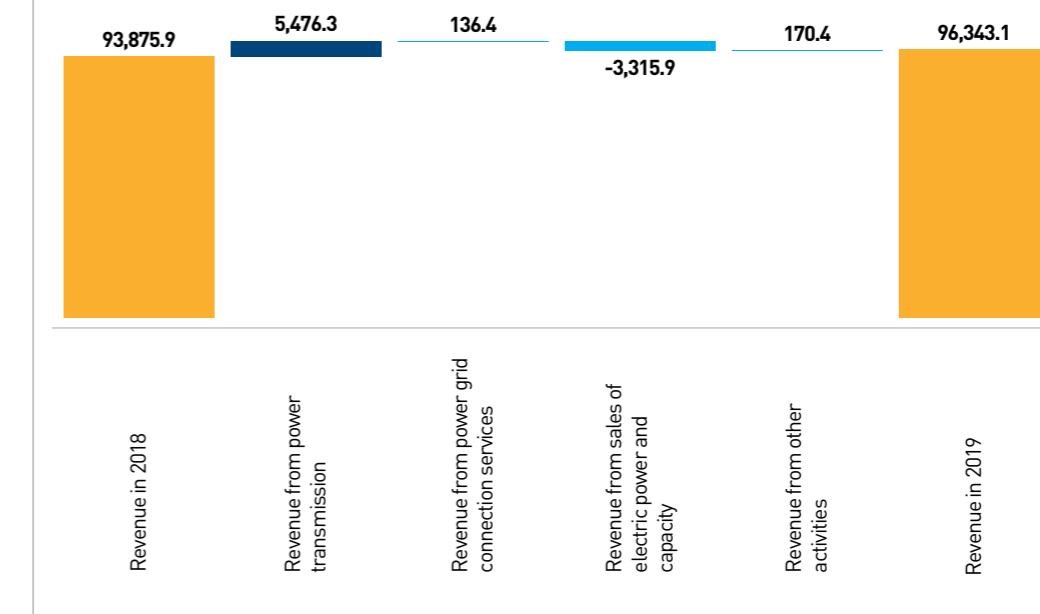
² Revenue from electricity delivery for 2017 and 2018 specified herein exclusive of revenues made as a last-resort supplier in Vladimir Region from July 1, 2017 till March 31, 2018 (per RAS). In comparable terms (inclusive of "inhouse turnover"), revenue totaled 86,111.1 RUB mn in 2018, 90,268.9 RUB mn in 2018.

At year-end 2019, the service revenue of IDGC of Center and Volga Region reached 96,343.1 RUB mn, a 2.6 % (or 2,467.2 RUB mn) increase YoY. The following are the main factors of the change in revenue:

- a 5,476.4 RUB mn increase in revenue from electricity delivery due to rising tariffs and changes in the "common-pot" settlement procedure in Ivanovo Region;
- decrease in revenue from resale of electric power and capacity by 3,315.9 RUB mn,

explained by the fact that as of April 1, 2018 the Company was no longer operating as a last resort electricity supplier in Vladimir Region.

Factors Affecting Revenue, mn RUB



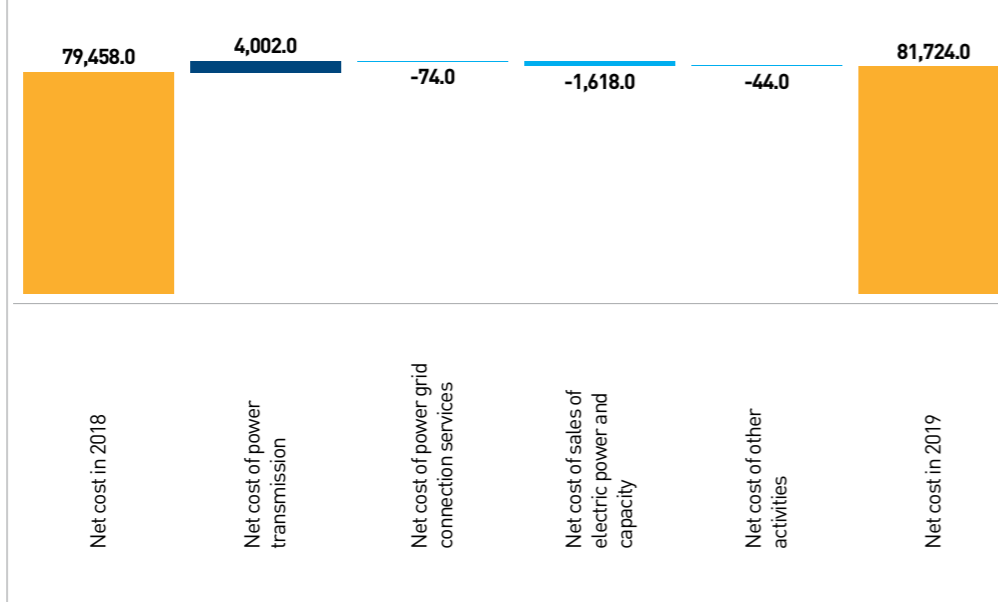
Factor Analysis of Net Cost Change

Costs (including managerial and commercial costs) totaled 81,724.0 RUB mn in 2019, a 2.9 % or 2,266.0 RUB mn increase YoY, mainly driven by:

- a 6.8 % increase in the costs of local distribution grid operators' services, which among other things was due to changes in the "common-pot" settlement procedure in Ivanovo Region;
- an 11.1 % increase in electricity loss compensation costs due to 10.5 % higher prices and a 0.5 % increase in purchased electricity;

- a reduction in costs incurred by Udmurtenergo to purchase services from local grid operators thanks to acquiring Izhevsk Power Grids on January 1, 2019, and Votkinsk Municipal Power Grids on July 1, 2019.

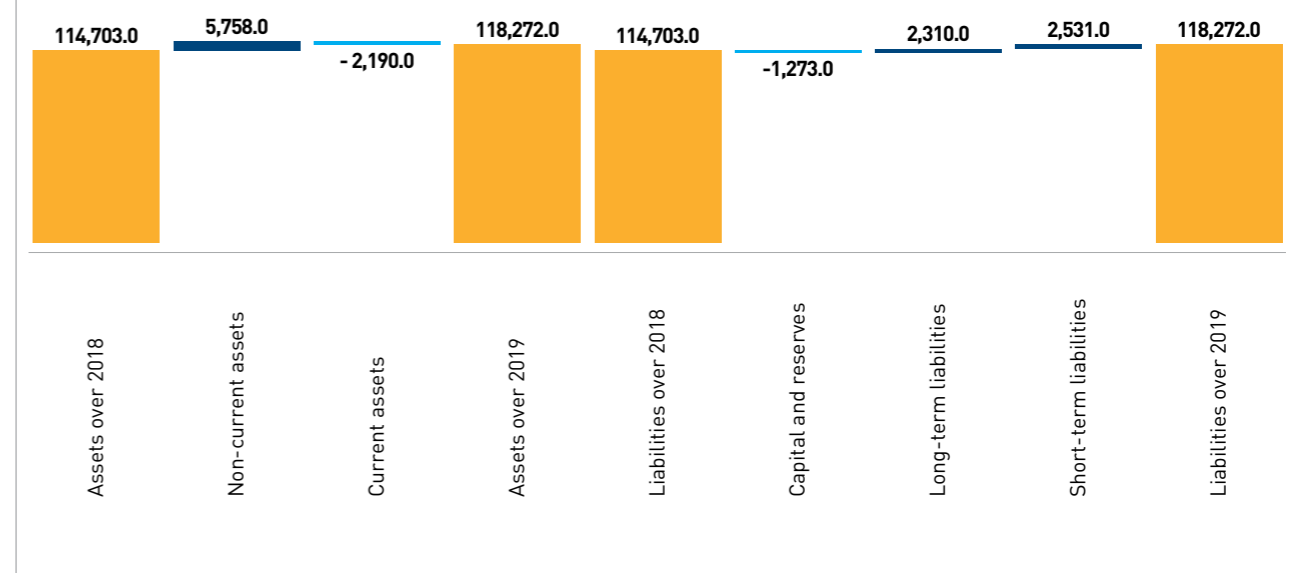
Net Cost Change Factors (Including Management and Commercial Expenses), mn RUB



Factor Analysis of Changes in Assets, Capital and Liabilities

Figures (RUB mn, unless otherwise specified)	2017	2018	2019	Change 2019 / 2018, %
Assets	101,517.7	114,703.3	118,272.0	3.1 %
Non-current assets, including:	77,701.3	83,957.1	89,715.0	6.9 %
Fixed assets	74,097.8	79,565.0	83,386.0	4.8 %
Construction in progress	1,791.3	2,652.3	3,278.0	23.6 %
Long-term financial investments	306.3	299.1	272.0	-9.1 %
Other	1,505.9	1,440.7	2,780.0	93.0 %
Current assets, including:	23,816.4	30,746.2	28,556.0	-7.1 %
Inventories	1,197.5	1,725.8	1,385.0	-19.7 %
Long-term accounts receivable	5,855.4	2,772.9	550.0	-80.2 %
Short-term accounts receivable	12,544.3	19,176.9	23,874.0	24.5 %
Short-term investments	33.8	32.5	-	-100.0 %
Cash	3,785.2	6,611.9	2,013.0	-69.6 %
Other	400.1	426.3	734.0	72.2 %
Capital and reserves	62,140.3	66,955.6	65,683.0	-1.9 %
Long-term liabilities	29,366.7	22,094.8	24,405.0	10.5 %
Long-term credits and loans	24,082.0	16,683.5	17,471.0	4.7 %
Other	5,284.7	5,411.3	6,934.0	28.1 %
Short-term liabilities	10,010.7	25,652.9	28,184.0	9.9 %
Short-term credits and loans	-	7,667.2	9,021.0	17.7 %
Loans Payable	7,906.4	15,925.2	13,497.0	-15.2 %
Other	2,104.3	2,060.6	5,666.0	175.0 %

Assets, Capital, and Liabilities, mn RUB



The total assets and liabilities of the Company in 2019 increased by 3.1 % (or 3,569.0 RUB mn). In the capital structure, non-current assets had the largest relative share: at year-end 2019, their share was 75.9 %. The following are the main factors for the increase in the Company's assets in 2019:

- increase in the aggregate value of fixed assets by 4.8 % (or 3,821.0 RUB mn) due to the commissioning of new fixed assets under the investment program;
- an 11.3 % or 2,474.0 RUB mn increase in accounts receivable due to an increase in the debt of TNS Energo Group, a last-resort supplier;
- a reduction in the remaining balance in the Company's current bank account by 69.6 % (or 4,599.0 RUB mn).

In the structure of the Company's liabilities, its own sources (capital and reserves) had the largest relative share: at year-end 2019 their share was 55.5 %. In 2019, the amount of stockholder equity rose by 1.9 % (or 1,272.0 RUB mn) due to a reduction in the undistributed profit.

The Company's accounts payable dropped by 15.3 % or 2,428.0 RUB mn. This was due to the following:

- repayment of 4,540.0 RUB mn of arrears under agency contracts and letters-of-credit with other creditors;
- a 964 RUB mn increase in payables to suppliers and contractors, including

settlements payable to LGOs and capital construction contractors;

- a 692.0 RUB mn increase in received advance payments;
- a 385.0 RUB mn increase in the floating tax and duty debt;
- a 275.0 RUB mn reduction in payments to suppliers for electricity purchased to compensate for losses.

Short-term credits and loans for 2019 increased by 1,354.0 RUB mn as a result of the conversion of a long-term debt into short-term debt in compliance with the remaining maturity period (reclassification). The amount of long-term credits and loans rose by 787.0 RUB mn due to the reclassification of debts on a loan. There was a 10.1 % (or 4,841.0 RUB mn) increase in the total debt on credits and loans due to the attraction of credit resources to fund the Company's investment program.

IFRS FINANCIAL RESULTS ANALYSIS

GRI 102-7

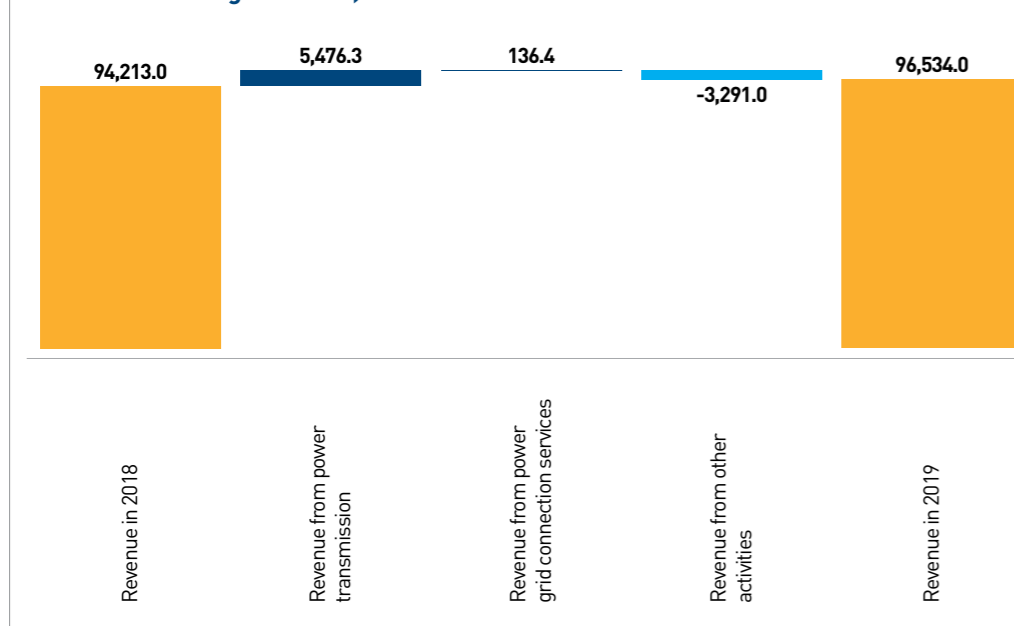
Key Financial Results, IFRS

Figures (RUB mn, unless otherwise specified)	2017	2018	2019 (planned)	2019 (actual)	2020 (planned) ¹	Change 2019 (actual) / 2018, %
Revenue	91,002	94,213	97,199	96,534	99,726	2.5 %
Operating expenses	75,551	79,322	85,923	87,270	86,817	11.4 %
Operating results	16,989	17,090	12,488	10,680	13,606	-37.5 %
Operating margin, %	16.6	18.1	12.85	11.1	13.6	-7.1 p.p.
EBITDA	23,439	24,055	20,195	18,405	22,092	-23.5 %
EBITDA margin, %	25.8	25.5	20.78	19.1	22.2	- 6.5 p.p.
Profits	11,353	11,722	6,823	6,687	8,138	-43.0 %
Profit margin, %	12.5	12.4	7.02	6.9	8.2	- 5.5 p.p.
Earnings per share, RUB	0.1007	0.1040	0.06	0.0593	0.0722	-43.0 %
Debt / EBITDA	1.03	1.12	1.46	1.55	1.455	39.1 %
Equity to total assets ratio	0.60	0.58	0.55	0.56	0.5	-4.9 %
Current liquidity ratio	1.80	1.09	1.11	0.99	1.1	-8.8 %
Total receivables and payables ratio	2.10	1.32	2.04	1.58	1.1	19.7 %

Factor Analysis of Revenue Change

Figures (RUB mn, unless otherwise specified)	2017	2018	2019	Change 2019 / 2018, %
Revenue, including	91,002	94,213	96,534	2.5 %
Power transmission	83,680	88,853	94,329	6.2 %
Power grid connection services	734	926	1,062	14.7 %
Other revenue	6,588	4,434	1,143	-74.2 %

Factors Affecting Revenue, mn RUB



¹ The projections are cited from the Business Plan approved by the Company's Board of Directors on December 31, 2019 (Minutes No. 393 dd. December 31, 2019); they are not adjusted for risks that actually occurred after approving such Business Plan and before publishing this Integrated Annual Report for 2019.

In 2019, IDGC of Center and Volga Region's total revenue rose by 2.5 % or 2,321 RUB mn YoY and totaled 96,534 RUB mn, a change mainly driven by:

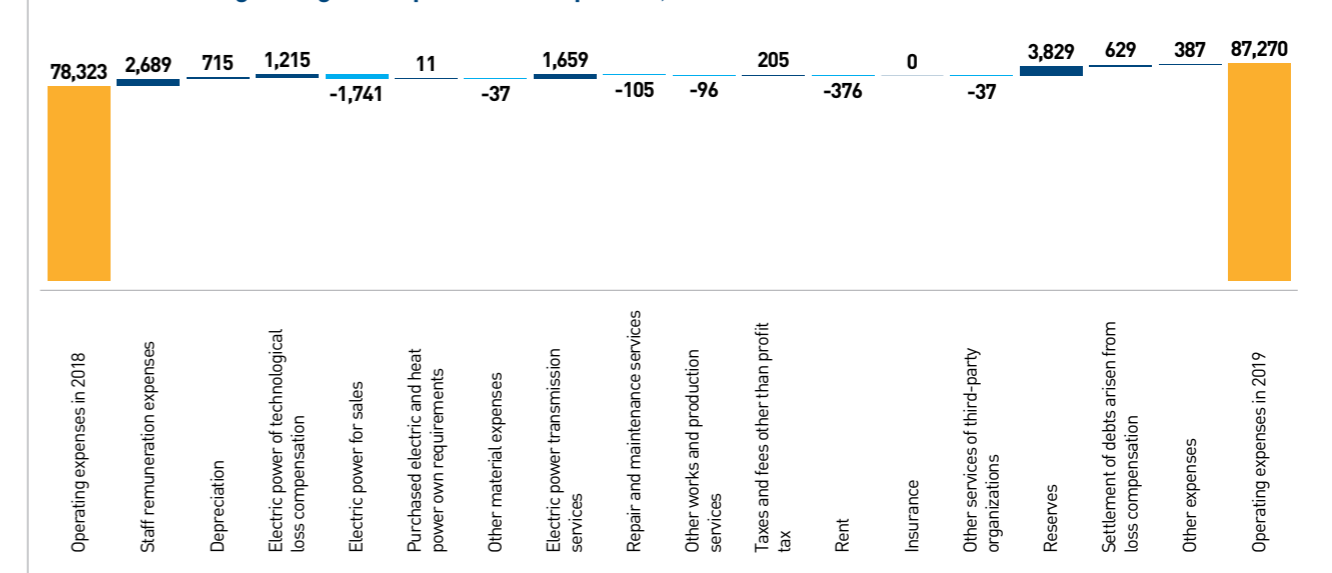
- an increase of 6.2 % or 5,476 RUB mn due to the rising electricity delivery tariffs and a change in the common-pot settlement procedure in Ivanovo Region;

- a decrease in revenue from the sales of electric power and capacity by 3,315.9 RUB mn, explained by the fact that as of April 1, 2018 Vladimirenergo branch was no longer operating as a last-resort electricity supplier in Vladimir Region.

Factor Analysis of Operating Expenses Change

Figures (RUB mn, unless otherwise specified)	2017	2018	2019	Change 2019 / 2018, %
Operating expenses, including:	75,551	78,323	87,270	11.4 %
Staff remuneration expenses	17,102	15,136	17,825	17.8 %
Depreciation	6,645	6,969	7,684	10.3 %
Electric power for technological loss compensation	9,504	10,955	12,170	11.1 %
Electric power for sales	3,799	1,741	-	-100.0 %
Purchased electric and heat power for own requirements	419	413	424	2.7 %
Other material expenses	2,707	2,860	2,823	-1.3 %
Electric power transmission services	30,992	33,337	34,996	5.0 %
Repair and maintenance services	1,467	1,624	1,519	-6.5 %
Other works and production services	184	346	250	-27.7 %
Taxes and fees, other than profit tax	998	1,498	1,703	13.7 %
Rent	334	441	65	-85.3 %
Insurance	143	142	142	-
Other services of third-party organizations ¹	1,211	1,311	1,274	-2.8 %
Reserves	1,059	219	4,048	1,748.4 %
Settlement of debts for electricity delivery and purchase for the purpose of loss compensation	-1,823	134	763	469.4 %
Other expenses	810	1,197	1,584	32.3 %

Factors Causing Changes in Operational Expenses, mn RUB



¹ Communication services, security, consulting, legal and audit services, software and maintenance costs, transportation and other services.

In 2019, the operating expenses of IDGC of Center and Volga Region rose by 11.4 % or 8,947 RUB mn YoY and totaled 87,270 RUB mn, a change mainly driven by:

- making reserves to cover the lawsuits brought against the Company by energy suppliers, where the ruling was expected to be made within a year;
- increasing costs of employee remuneration to due changes in the Non-State Pension Scheme;
- a reduction in the costs of electricity purchased for resale, as the Company ceased to operate as the last-resort supplier in Vladimir Region;
- rising costs of electricity delivery services due to the indexation of tariffs charged by local grid operators as well as due to changes in the common-pot settlement procedure used in Ivanovo Region;
- a 11.1 % increase in electricity loss compensation costs due to a 10.5 % increase in the electricity prices and a 0.5 % increase in electricity purchased;
- increase in depreciation due to the investment program implementation and the introduction of new fixed assets.

Factors of Change in Other Important Financials

The Company's profits for 2019 were 43.0 % or 5,034.9 RUB mn lower than in 2018 and totaled 6,686.6 RUB mn, a reduction mainly attributable to making reserves to cover lawsuits filed by energy suppliers.

The decrease in net income, in turn, determined a decrease in EBITDA to 18,404.9 RUB mn, which a 23.5 % (or 5,649.7 RUB mn) reduction YoY; the EBITDA margin was therefore 19.1 %.

To compensate for the negative dynamics in the Company's operating expenses, IDGC of Center and Volga Region focused on improving its internal efficiency and optimizing the operating costs. In particular, the grid maintenance performance rose by 16 % (from 71.5 to 82.9 conventional units of equipment per person) in 2019.

Besides, testing the assets effectively recovered an earlier recognized loss of 805.6 RUB mn attributable to the impairment of fixed assets, including 679.4 RUB mn in the fixed assets of Ivenergo, 126.2 RUB mn in those of Udmurtenergo.

Note that the Company paid dividends for nine months of 2019 in January and February 2020, a total of 1,835.2 RUB mn.

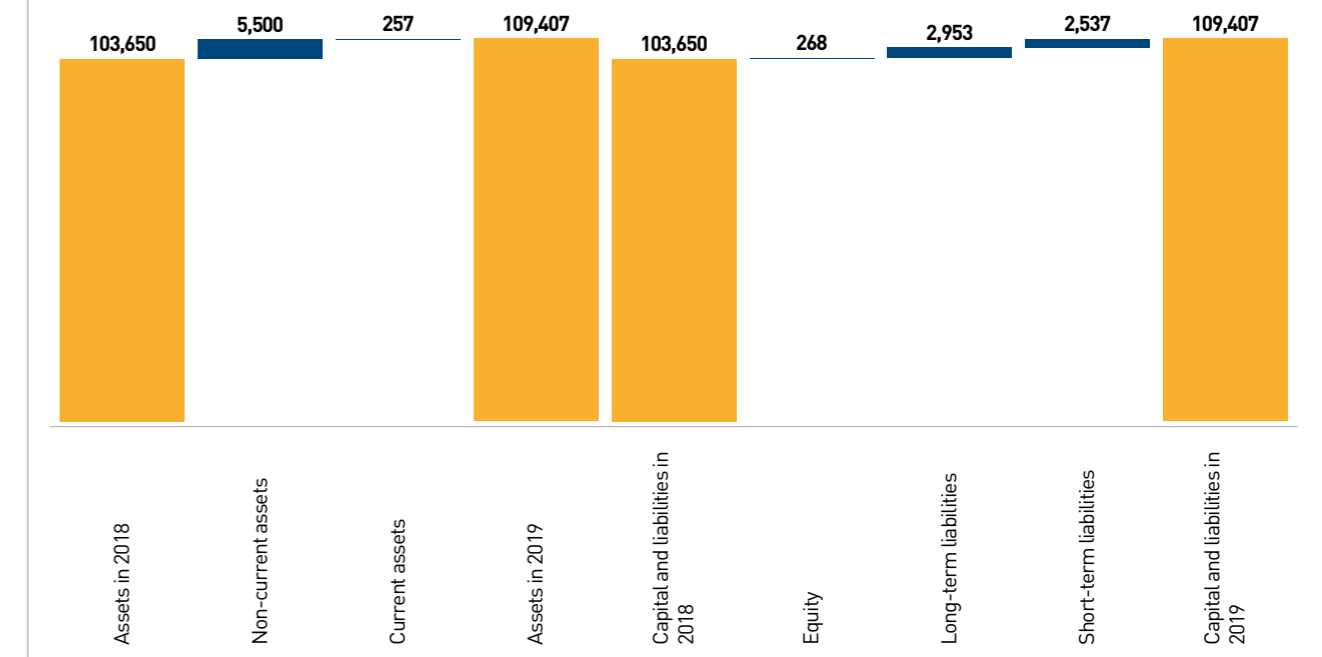
An increase in net debt as well as in the debt / EBITDA ratio was due to a larger loan portfolio coupled with a reduction in the Company's cash flow in 2019.

The current liquidity ratio as of year-end 2019 compared to 2018 dropped due to an increase in short-term liabilities, a result of reclassifying the loan debt.

Factor Analysis of Changes in Assets, Capital and Liabilities

Figures (RUB mn, unless otherwise specified)	2017	2018	2019	Change 2019 / 2018, %
Assets	89,903	103,650	109,407	5.6 %
Non-current assets	71,815	75,423	80,923	7.3 %
Current assets	18,088	28,227	28,484	0.9 %
Equity	47,121	54,680	54,948	0.5 %
Long-term liabilities	32,709	23,161	26,114	12.7 %
including long-term credits and loans	24,082	16,684	19,057	14.2 %
Short-term liabilities	10,073	25,808	28,345	9.8 %
including short-term credits and loans	-	7,667	9,095	18.6 %

Assets, Capital and Liabilities, mn RUB



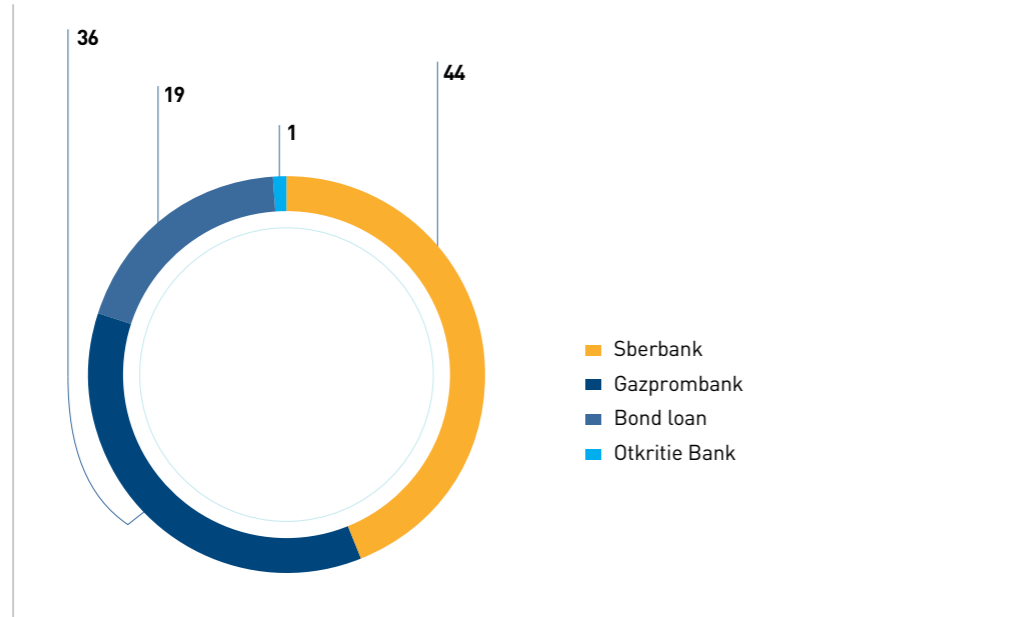
Over 2019, the total assets and liabilities of the Company increased by 5.6 % (or 5,757 RUB mn). Non-current assets have the largest relative share in the asset profile. In 2019, asset growth reached 7.3 % (or 5,500 RUB mn). These changes were mainly driven by:

- an increase in the value of fixed assets thanks to the investment program;
- an increase in accounts receivable due to an increase in the debt of TNS Energo Group, a last-resort supplier.

An increase in loan and debt liabilities due to taking loans to finance the investment program and refinance the Company's outstanding loan. The Company obtained all the funds without security. In total, the Company borrowed 18,208 RUB mn in 2019 and repaid 16,093 RUB mn; the weighted average rate in the Company's loan portfolio was 7.36 % per annum as at December 31, 2019.

	Maturity	Effective interest rate		Balance-sheet value	
		December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019
Unsecured credits and loans	2020-2022	7.40-8.27 %	7.40-7.55 %	24,351	21,465
Unsecured bond loans	2020-2022	-	6.85 %	-	5,015
Rent liabilities	2020-2103	-	6.82-9.92 %	-	1,672
Total				24,351	28,152

Credit Portfolio Breakdown by Banks, %



DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED GRI 201-1

Direct Economic Value Generated

Following the GRI Standards methodology, the generated direct economic value is calculated on the IFRS data basis and includes these components:

- net sales, i.e. gross sales minus returns, discounts, and write-offs;

- income from financial investments, i.e. funds generated as interest on financial loans, share dividends, royalties, and direct income from the use of the Company's assets, e.g. by leasing;
- income from sales of assets, i.e. funds received by selling tangible and intangible assets.

Figures, RUB mn	2017	2018	2019
Net sales	91,002.2	94,212.8	96,534.0
Income from financial investments	224.0	132.3	247.1
Income from asset sales	-	-	45.0
Generated direct economic value	91,226.2	94,345.1	96,826.1

Economic Value Distributed

Following the GRI Standards methodology, the distributed economic value is calculated on the IFRS data basis and includes these components:

- operating costs, i.e. payments made to counterparties for materials, product components, equipment and services, rent payments, royalties, commissions, payments to contract workers, etc.;
- wages and sundry employee payments and benefits, i.e. wages, payments to the state on behalf of workers such as taxes and duties, as well as pension and insurance payments, healthcare costs, severance packages, and sundry support for workers;

- payments to capital suppliers, i.e. dividends to all categories of shareholders as well as interest payable to creditors;
- payments to the state, i.e. all the Company's taxes except deferred taxes;
- investment in local communities, i.e. donations to charities, NGOs, and research institutions, costs of supporting public infrastructure, and direct funding of social programs, cultural and educational events.

Figures, RUB mn	2017	2018	2019
Operating costs	51,572.3	54,500.8	55,247.3
Wages and other employee payments and benefits	17,102.1	15,135.7	17,824.7
Payments to capital suppliers	7,155.3	4,762.2	4,058.5
Payments to the state	3,246.5	3,726.6	2,964.2
Charity <small>GRI 203-1</small>	-	243.3	143.4
Distributed economic value	79,076.2	78,368.6	80,238.1

Economic Value Retained

Following the GRI Standards methodology, the economic value retained is calculated as the difference between the direct economic value generated and the economic value distributed.

Figures, RUB mn	2017	2018	2019
Direct economic value generated	91,226.2	94,345.1	96,826.1
Economic value distributed	79,076.2	78,368.6	80,238.1
Economic value retained	12,150.0	15,976.5	16,588.0

03 SUSTAINABLE DEVELOPMENT

INTEGRATED MANAGEMENT SYSTEM

Sustainable growth of IDGC of Center and Volga Region is ensured by the Integrated Management System, which is based on four international standards: ISO 9001:2015, ISO 14001:2015, ISO 50001:2011, and ISO 45001:2018.

➔ See more on p. 107

- 107** CORPORATE MANAGEMENT SYSTEM FOR SUSTAINABLE DEVELOPMENT
- 108** EVERYDAY INTERACTION WITH STAKEHOLDERS
- 118** MEMBERSHIP IN ASSOCIATIONS AND ORGANIZATIONS
- 120** ENVIRONMENTAL PROTECTION
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- 146** PREVENTING CORRUPTION AND CONFLICTS OF INTEREST



SUSTAINABLE DEVELOPMENT

GRI 103-1
GRI 103-2
GRI 103-3

Dear colleagues and partners!

Our Company is responsible for uninterrupted delivery of electricity to industrial enterprises and people in nine regions of Central Russia and near Volga. This is why the Company's managers deem sustainable development as important as profitability and competitiveness. In this regard, the Company follows ISO 9001:2015, ISO 14001:2015, ISO 50001:2011, and ISO 45001:2018. The Company also recognizes the importance and relevance of the UN Sustainable Development Goals, striving to contribute to the attainment thereof.

The Company's key strategic priorities in sustainable development are:

- reliable and safe electricity delivery, achievable by a variety of methods from using state-of-the-art technologies, including digitalization, to upgrade and repair our grids, to teaching people how to be safe near energy facilities;
- greater energy efficiency and optimal use of energy resources in all aspects

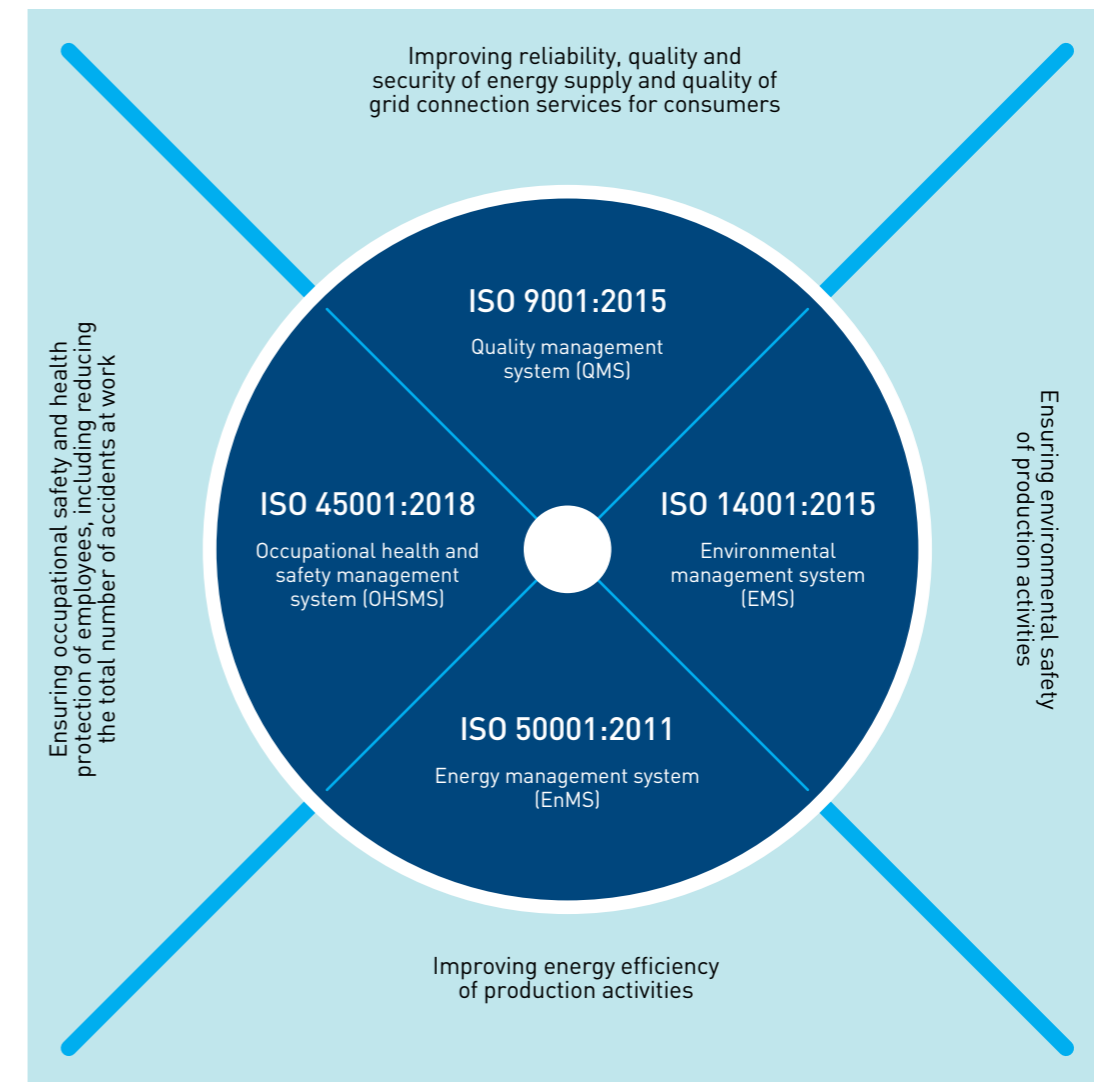
- of our work, from reducing the in-grid losses to saving energy when lighting offices and routing corporate transports in such way as to consume as little fuel as possible;
- environmental safety and minimal air, soil, or water pollution;
 - preserving biodiversity in any project, from restraining from clearing forest corridors during the breeding periods to outfitting the OPLs with bird protections;
 - maintaining the status of a "preferred employer" for people that are able and willing to be as useful as possible, achievable by providing competitive salaries, favorable conditions for professional growth and advancements, good social packages and corporate culture;
 - involvement in the economic and social development of the regions where the Company's branches operate.

Following the business openness and transparency principles, the managers are in a continuous dialog with all the stakeholders, which this Integrated Annual Report based on the GRI Standards we deem a part of.

Deputy Director General, Chief Engineer
A.V. Pilyugin

CORPORATE MANAGEMENT SYSTEM FOR SUSTAINABLE DEVELOPMENT

STRUCTURE OF INTEGRATED MANAGEMENT SYSTEM



Sustainable development of IDGC of Center and Volga Region is ensured by the Integrated Management System, which is based on four international standards: ISO 9001:2015, ISO 14001:2015, ISO 50001:2011, and ISO 45001:2018.

- a top manager responsible for each respective management system;
- the structural unit authorized to manage the management systems;
- subdivisions of the Company involved in the operation of management systems.

The following are the main members of the Integrated Management System, who, consequently, have the basic power to ensure sustainable growth of IDGC of Center and Volga Region:

- Board of Directors;
- executive bodies, i.e. the Management Company IDGC of Centre and the Board;

A significant part of the KPIs used in evaluating the work and calculating the remuneration of the top management, including the sole executive body of the Company (IDGC of Centre, PJSC, the Management Company), is related to various aspects of sustainable growth. These performance indicators include:

- non-occurrence of major accidents;
- achievement of the reliability level of services provided;
- rate of electric power loss;
- effectiveness of innovation;
- improving labor efficiency;
- zero increase in the casualty toll.

The scope and target values of KPIs, including the indicators of sustainable development, are set annually by resolution of the Company's Board of Directors. Reports on their achievement are reviewed at the level of the Committees of the Board of Directors: by the Strategy and Development Committee, Personnel and Remuneration Committee, Reliability Committee.

In December 2019, as part of the work on development and improvement of the Integrated Management System, the Company underwent a compliance audit, successfully confirming compliance with the requirements of the international standards by all of its branches with the certification scope "Process control and rendering of services: electric power transmission and distribution, grid connection of consumers".

Independent auditors from the Russian Register Certification Association carried out a thorough examination of management and production activities of IDGC of Center and Volga Region, evaluated the system of processes, resource management, investment activity, personnel management, planning,

internal control systems, customer affairs and other areas of the Company's sustainable growth.

Following the international standards, IDGC of Center and Volga Region has adopted and been consistently improving its Integrated Management System since the establishment of the Company in 2007. The main document regulating its functionality is the Policy concerning quality, occupational safety and health, and environmental protection. In addition to this document, the Company has multiple internal regulations that establish uniform standards for the Company to manage and organize business processes in all its branches using the tools of the Integrated Management System.

In terms of sustainable development, the Integrated Management System mainly helps:

- improve reliability, quality and security of energy supply and the quality of grid connection services for consumers;
- ensure occupational safety and health protection of employees, including a reduction in occupational accidents;
- improve energy efficiency;
- ensure environmental safety.

GRI 102-33 GRI 413-1
GRI 102-43 G4-DMA
GRI 203-1 [ранее EU23]

EVERYDAY COOPERATION WITH STAKEHOLDERS

Public Disclosure to Stakeholders

To have more open and transparent relations its customers, shareholders, investors, actors in the securities market, government agencies, and sundry stakeholders, to bolster its business reputation and reduce the reputational risks, IDGC of Center and Volga Region takes proactive measures to inform all concerned parties on the key aspects of its activities. The Company thereby follows Rosseti's Uniform Communication Policy and is guided

by the principles of timeliness, truthfulness, completeness, and availability when disseminating information.

When interacting with the widest circles of stakeholders, the key tool IDGC of Center and Volga Region uses is the publications on its website and in the media. Publications topics are those the Company believes are relevant to most stakeholders. In 2019, the Company-related publications in media addressed:

- Investment Program's phases and their completion;
- progress in repairing the grid facilities in the Company-served areas;

- efforts to quickly restore electricity delivery in case of disruptions;
- the implementation of the "Digital Transformation 2030" Concept;
- energy efficiency improvement and electricity loss reduction, in particular combating unaccounted and uncontracted electricity consumption.

IDGC of Center and Volga Region's website timely publishes complete information subject to mandatory disclosure pursuant to the Company's Information Policy Regulations and the Standards of Information Disclosure for Actors in Wholesale and Retail Electricity Markets.

Customer Communication

IDGC of Center and Volga Region is a customer-oriented company; as such, it seeks to obtain and maintain a high level of their trust by providing excellent services and meeting their ongoing demands as soon as possible. The Company's key tool in this regard is its Centralized Customer Service System.

IDGC of Center and Volga Region follows these principles in cooperation with its customers:

- the customers should have enough information on the Company and its services to make informed and adequate decisions;
- the customers should be able to reach the Company in any area of its operation, while face-to-face service at the Company's offices must be comfortable;
- the Company's long-distance and interactive services must be easy and quick to access;

IDGC of Center and Volga Region has 66 Customer Service Offices, of which:

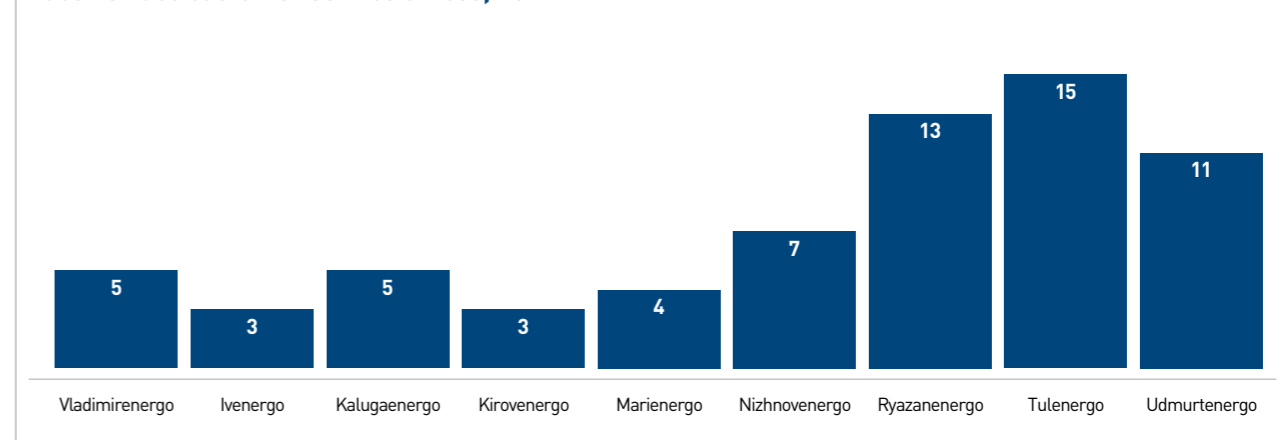
9 are based on the executive personnel of the Company's branches

57 are based on production units and branch-specific grid districts

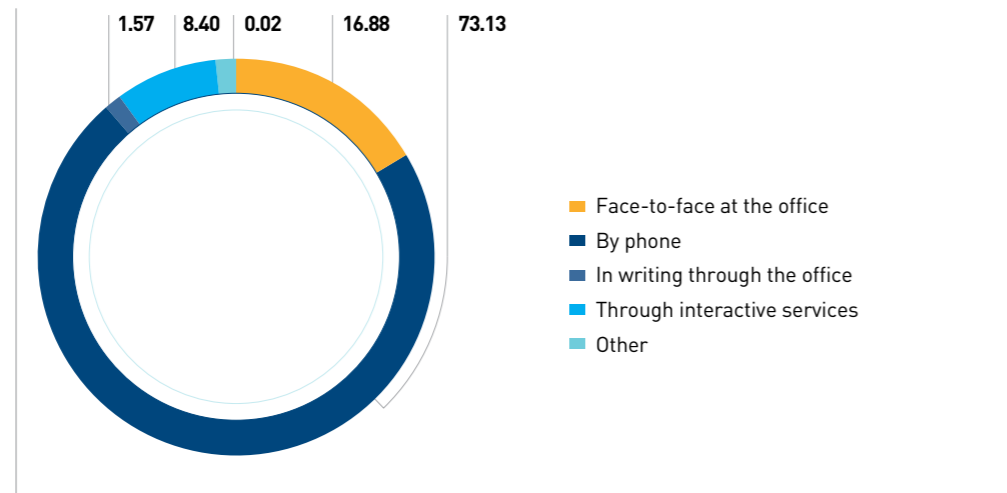
Customers can freely choose any of the three communication channels: face-to-face, long-distance, or interactive, depending on what they can or would like to use.

- personnel interacting with the customers must have a guaranteed high qualification level;
- the business processes of customer service must be transparent and subject to continuous improvement;
- customers' complaints must be objective.

Face-to-face customer service offices, no.



Appeals, Complaints, and Reports: Breakdown by Communication Channels, %



Customer communication channels	How to use	What customers get from it
Face-to-face	<ul style="list-style-type: none"> contact one of the Customer Service Offices. 	<ul style="list-style-type: none"> find more about grid connection, electricity delivery and metering, or additional services; file a request or complaint; get contact information or consultation; apply for services.
Long-distance	<ul style="list-style-type: none"> call the federal hotline (+7 800 5050 115), which operates 24/7; send a WhatsApp or Viber message. 	<ul style="list-style-type: none"> get advice; quickly solve matters pertaining to disconnection or quality of electricity, grid connections, reporting of meter readings, provision of meters (including their installation or replacement), or additional services.
Interactive	<ul style="list-style-type: none"> go to the For Consumers section of the corporate website – http://www.mrsk-cp.ru/for_consumers/; use the Personal Office and Internet Reception services; go to Svetlaya Strana, Rosseti’s shared portal. 	<ul style="list-style-type: none"> learn more about the legal framework regulating the Company’s activities; find more about how to make a grid connection and electricity delivery contract; file an application; ask a question and get an answer by email, mail, or phone call, whichever is most convenient; file a complaint.

➤ In 2019, IDGC of Center and Volga Region surveyed its customers face-to-face or interactively on a regular basis to get feedback and find whether they were satisfied with the quality of at-the-office service and services in general.

Complaints can be filed at the specialized all-Russian portal Svetlaya Strana: – <https://светлаястрана.рф/>. Customers can use the portal to report:

- power outages;
- voltage fluctuations;
- low voltage;
- equipment defects.

The website will be able to register complaints on a greater range of issues in the future.

All complaints are subject to centralized processing by the single Rosseti Moderation Service. Each message is handled within 8 business days of its reception; in this time, the Company either addresses the problem or sets and states a specific deadline to do so.

In fact, each reported problem is double-checked:

- by the reporting customer, as they can refute whatever information they get in a response if the problem has not been solved properly or at all;
- by Rosseti, as the Company double-checks all the most critical complaints.

Customer Satisfaction Research, conducted in 2019

Research type and timing	Target audience	Sample size	Results
Survey in writing at the office	All customers	1,864	Average score was -4.72. These aspects scored the highest: <ul style="list-style-type: none"> Office-based agents’ politeness -4.79; Speed of office-based agents’ decision-making when solving your problem -4.74.
Online surveying	All customers	406	Average score was -3.15. These aspects scored the highest: <ul style="list-style-type: none"> Competency of the servicing agent -3.31; Completeness of provided information -3.19.
Surveying by phone	Small and medium-sized businesses	-	Average score was -4.45.

Cooperation with Regional and Municipal Government Agencies

The Company signed regulatory agreements with the governors of some of the regions where the Company operates: Kaluga, Vladimir, Ryazan Regions and the Udmurt Republic; these agreements focus on the long-term development of the regional grid complexes. Similar agreements were further made with Ivanovo and Kirov Regions. The agreements set forth coordination of the Company’s and regional administrations’ actions in the field of tariff and balance decision-making as well as with respect to the consolidation of municipally owned grid assets.

Such cooperation will create sufficient sources to carry out integrated grid upgrade programs using digital tech. These include grid reliability and monitoring improvements by digitalization, upgrading and expanding the smart metering system, improving the operations management and process control system, and consolidation of local grid assets.

In 2019, IDGC of Center and Volga Region joined regional authorities in a strategic partnership to take multiple measures to commission energy facilities, supervisory control centers, and grid control centers, as well as to expand the outdoor lighting systems. Besides, the Company’s and branches’ officers took part in regional staff meetings, where they discussed energy delivery safety and sundry government-arranged activities.

Cooperation with Employees, Trade Unions, and Sundry Labor Regulators

In 2019, IDGC of Center and Volga Region was traditionally represented at the Russian Health and Safety Week (RHSW). This international discussion and presentation platform covered the latest trends and prospects of occupational health and safety. The event was organized by the Ministry of Labor and Social Protection in cooperation with ETALON, the Interregional Association for Safe Labor.

In 2019, the Company’s top managers met the leaders of primary trade unions to discuss the most pressing issues of social partnership and labor relations as well as the the short-term priority plans under the Company’s HR and Social Policy.



Tutorial on Electricity Loss Management: Opportunities and Challenges of Digital Transformation was a major event held jointly by the Company and universities; hosted by Tula State University on October 24-25, 2019, the event was attended by the Company's personnel.

Cooperation with the Professional Power Engineering Community

In addition to consistent cooperation under their daily organizational, production, and managerial work, IDGC of Center and Volga Region's specialists regularly share their knowledge, experience, and ideas with experts from other companies in the industry. The Company's management reports its position, capabilities, and areas of focus to other actors in the electricity market. This mainly happens at conferences, conventions, international and industrial forums.

In 2019, a delegation of IDGC of Center and Volga Region spearheaded by the Director General of IDGC of Centre (the Management Company of IDGC of Center and Volga Region) Igor Makovskiy took part in the international forum Power Grids 2019. Mr. Makovskiy spoke at the Pilot Projects and Digital Transformation, a TeDX session, where he talked about the Company's and IDGC of Center's pilot projects of using BIG DATA to identify the pockets of electricity losses and to ensure reliable and high-quality electricity delivery by means of energy storage systems.

In 2019, the Company dispatched its delegation to partake in the plenary session of the Russian Energy Week (REW), in the All-Russian Assembly On the Preparations of Electric Power Industry Actors to the Fall and Winter of 2019-2020, as well as in some other major events of REW 2019.

Besides, the REW 2019 delegation received an award on behalf of the Company, as the latter was ranked 3rd in the Safe Energy category of the Russian National MediaTEK 2019 contest.

The Company's specialists represented the Company at the entry session of the International Youth Energy Forum of Rosseti and prove themselves worthy during the business games and project presentations. As a result, an Udmurtenergo specialist was ranked among Top 10 specialists of the Rosseti Team.

Cooperation with Universities

IDGC of Center and Volga Region's cooperation with universities rests upon two pillars:

- development of human resources and partnership in the field of education;
- advancing a system for the development and adoption of innovative products and technologies (R&D).

IDGC of Center and Volga Region cooperates with 67 vocational education institutions as well as with 35 universities, 17 of which are flagship universities. The Company's cooperation in education focuses on:

- career counselling for students;
- students' teams;
- arranging student internships;
- targeted training using available state-funded student slots, where some students are also paid grants by the Company;
- updating the training curricula;
- teacher internships;
- conceptualizing BSc and MSc theses;
- involvement of technical supervisors in the learning process;
- participation in state examination and certification commissions;
- engaging students and teachers alike in the Company's contests;
- training the Company's employees.

In August 2019, all of the Company's branches approved their Programs for Cooperation With Local Industry-Specific Institutions of Higher and Vocational Education. Those Programs provide for cooperation with Moscow Power Engineering Institute (a National Research University) and its branches, Vladimir State University n.a. Alexander and Nicolai Stoletovs, Ivanovo State Power Engineering University, Obninsk Institute of Nuclear Energy (a branch of MEPhI), Vyatka State University, Mari State University, Nizhny Novgorod State Technical University n.a. R.E. Alekseyev, Ryazan State Radio Engineering University n.a. V.F. Utkin, Tula State University, Izhevsk State Academy of Agriculture, etc. The Programs provide for cooperation in:

- improving the universities' facilities and resources;
- cooperation in technology;
- research projects;
- educational projects;
- cooperation under the university-received grants.

Cooperation with Local Communities in the Regions of Presence and Socially Significant Projects

PREVENTION OF INJURIES AMONG POPULATION

Every year IDGC of Center and Volga Region executes a large-scale electric safety program to reduce the risk of electrical injuries among the population. This effort includes, organizational, technical, and awareness-raising measures.

In 2019, the Company took the following organizational and technical measures to reduce the electrical injury rates:

- 50,588 additional warning signs and posters placed at different locations including coastlines and shores near OPLs to inform people on electricity hazards;
- 108 OPLs with non-insulated wiring removed from areas of sports venues, schools, vocational schools and colleges, kindergartens, orphanages, playgrounds, and summer camps;
- 2,008 lines branching towards residential housings, as well as 0.4 to 10(15) kV lines in populated areas had their non-insulated wires replaced with insulated or steel-insulated wiring;
- as part of the ongoing electrical equipment maintenance effort, engineers checked poles and sundry equipment for warning signs and posters, replacing missing or illegible ones; they also checked the condition of entrances, locks, and fencing.

The Company's specialists hosted quite a number of educational events, both conventional and novel, in 2019 to prevent electrical injuries and teach safe behavior, including:

- energy facility tours for schoolchildren and students of industry-specific educational institutions;
- electrical safety festivals for children's country camps, jointly hosted by power engineers and members of student teams;
- safety classes co-taught with local EMERCOM and Ministry of Internal Affairs officers, some of which were based on the Fundamentals of Life Safety classes (Rus: ОБЖ, a common supplementary class in Russian schools—translator's note) in Kaluga and Yoshkar-Ola;
- Energy Night at the Energy Museum of Kirov Region, a part of the Night of Museums campaign;
- regional parental meeting titled Safe Summer that included an online conference with power engineers from Ivanovo, etc.

The Company cooperates on a regular basis with the local EMERCOM and MIA offices, executive authorities responsible for education in regions, urban malls, professional and scientific museums. In every region, the Company regularly hosts meetings, conferences, roundtables, and assemblies involving teachers, driving instructors, parents, heads of transport companies, representatives of fishing communities and horticultural unions to discuss electrical safety and prevention of electrical injuries.

IDGC of Center and Volga Region takes part in international, state, sectoral, regional and



In Q3-Q4 2019, the Company's specialists organized a unique special course titled Digital Transformation of the Power Grid Complex for the students of specialized universities located in the regions of the Company's presence. The course was designed to inform students on the promising grid development technologies used under the "Digital Transformation 2030" Concept.



In 2019, the Company's events aimed at reducing the pediatric injury rates involved more than 50 thous. children and teenagers in the regions of presence. These events included safe electricity handling classes our power engineers have been hosting for more than 12 years. In 2019 alone, our specialists organized some 1.5 thous. electrical safety lessons attended by some 40 thous. students in Vladimir, Ivanovo, Kaluga, Kirov, Nizhny Novgorod, Ryazan, Tula Regions, Mari El Republic, and Udmurt Republic.

Power engineers also held themed festivals, creative quizzes, adventure games, and web-based contests to remind schoolchildren of the need to observe the rules of behavioral safety near power facilities and the necessity for caution when handling electrical appliances.



Elektropatrul is a VK.com public page created by the employees of IDGC of Center and Volga Region for children, parents, and teachers; it is dedicated to the matters of electrical safety. In 2019, the page was visited more than 131.9 thous. times and has 2 thous. subscribers of various ages. The Company also posts video products on electric safety on its official YOUTUBE channel. These posts had a total of ~20 thous. views in 2019.

municipal programs and activities aimed at ensuring industrial safety and preventing injuries among the population: World Day for Safety and Health at Work, Children's Day (in terms of ensuring safety of electricity-generating equipment for children), all-Russian meetings and exhibitions on occupational and industrial safety, regional and district competitions on occupational safety, educational programs on the issues of electric safety, themed drawing competitions and a number of other events.

In 2019, the Company broadcast video and audio promos on electric safety for children

and adults through all available channels (mass media, EMERCOM system screens, displays in commercial centers, educational institutions, and public transport). About 8.5 thous. units of written content were published and posted on social media and in printed media. The Company organized multi-regional Internet contests on electric safety rules, in which more than 2 thous. children and teenagers took part. >44.5 thous. copies of printed media and souvenirs were given to fishermen, summer cottagers, truck drivers, and children as part of IDGC of Center and Volga Region's extensive effort to prevent electrical injuries.

SOCIALLY SIGNIFICANT AND CHARITABLE PROJECTS

Every year, IDGC of Center and Volga Region implements various infrastructural, social and charity projects and assists in spiritual and social economic development of the areas, where it operates.

IDGC of Center and Volga Region helps orphanages and boarding schools, charities, health care and education institutions, participates in the restoration and repair of cultural monuments, provides targeted assistance to children with serious illnesses, the disabled, elderly and veterans.

In 2019, IDGC of Center and Volga Region as well as its branches supported multiple foundations and non-profit organizations in the regions of presence, which further helped implement a number of socially significant projects in education, sports, and other important areas.

Every year, on the Power Engineers' Day, the Company runs its traditional campaign The Brightest Christmas Tree. As part of this campaign, the Company's representatives organize New Year celebrations and buy presents for orphans growing up in children's homes in the regions of the Company's presence using employee-raised funds. Beside some sweets, children get toys, books, sports gear, home appliances, etc.

Ivenergo's Youth Council initiated a charity campaign to raise funds for the May Day animal shelter. The Company's staff collected

bowls, pots, some necessary household goods, animal feed, and medications for the shelter.

Ivenergo's and Kalugaenergo's employees took part in Lights for the Big House, an inter-regional charity campaign. They donated funds to replace old bulbs with LEDs at Kozelsk Boarding School, Kaluga Region, as well as at Raduga, an Ivanovo-based orphanage for children with developmental delays.

Nizhnovenergo's staff helped the Specialized Pediatric Hospital for Rehabilitation of Psychoneurologically-Affected Children in Dzerzhinsk. Funds they collected were spent to purchase extra game sets for developing fine motor skills, logical thinking, and emotional interestedness of youngest patients.

On the eve of the 74th Victory Day, Ryazanenergo's power engineers took part yet another time in the 28th We Knee Before You, Veterans! TV and radio marathon to raise and transfer funds to the Ryazan Regional Office of the Russian Charity Foundation of War, Labor, and Armed Forces Veterans, to help combatants, workers of the rear, soldiers' widows, former prisoners of Nazi concentration camps, and illegally repressed persons.

The Company's workers have many times provided targeted help to their colleagues or former, now retired workers to resolve life difficulties.

IDGC of Center and Volga Region joined other Rosseti subsidiaries to finance a major project

that created Russia's first memorial to the WWII Eastern Front veterans that worked as power engineers; the monument rose in Tula, a city of military glory.

In 2019, the Company's branches made donations to the local clubs of such sports as football of rugby that are gaining foothold in Russia. The Company's efforts in this direction are designed to support regional programs that seek to promote sports and healthy lifestyles in general.

Udmurtenergo followed its tradition of supporting the Community Foundation in the Udmurt Republic. In 2019, they donated to the projects that sought to support and develop safe urban environment and better ecology.

IDGC of Center and Volga Region has for many years been in cooperation its CSKA and sponsored the country's premier professional football club. That cooperation continued in 2019.

SINGLE BRAND

“ROSSETI” GROUP IS HARMONIZING ITS BRAND ARCHITECTURE

In June 2019, the St. Petersburg International Economic Forum witnessed the presentation of the new Single Brand Style Standard for “Rosseti” and “Rosseti” Group companies, which had been approved by “Rosseti’s” Board of Directors on April 29, 2019. Since then, all the subsidiaries of the mainline and distribution grid complex have switched to this new brand architecture in their corporate and marketing communications, and started using new names comprising the “Rosseti” trademark coupled with regional or functional markers.



ROSSETI



P.A. Livinsky
Director General,
Chairperson of the Management Board
OJSC “Rosseti”

“Rosseti” Group is an umbrella firm that unites 70 % of Russia’s distribution grids and 90 % of mainlines; it relies on a set of harmonized approaches to the management and development of the country’s national grid infrastructure, thus being capable of continues expansion and quality improvement of its services. Operating under a new single brand will bring the “Rosseti” Group’s companies closer together and gain better brand recognition in the country and in the industry alike. It will facilitate customer-company interaction. Transition to a single name is part of the systemic process of large-scale transformations in all of the Holding’s activities”.

THIS TRANSITION TO A SINGLE-BRAND ARCHITECTURE WAS BI-PHASE:

Phase I

After “Rosseti’s” Board of Directors approved the Single Brand Style Standard, all the subsidiaries of the mainline and distribution grid complex undertook appropriate corporate procedures. Further replacement of branded elements to be done after depreciation to avoid increasing the existing budgets and to stay within the approved business plans.

Phase II

Since late December 2019, the subsidiaries of the distribution grid complex within the “Rosseti” Group began renaming themselves legally to be in line with the new brand architecture.

Single Brand Opportunities

As of early 2019, Russia’s power grid complex had no single identifying name that a broad audience would easily recognize and understand. Each company controlled by, or reporting to, “Rosseti” had but a portion of the public’s trust to the Group; each had to earn reputation with its customers, shareholders, and counterparties in its own segment. However, the existence of 15 seemingly independent brands confused laymen and kept them ill-informed. “Rosseti’s” brand was grossly undervalued as of early 2019. This in fact negatively affected the Company’s quotes in the public capital markets, bringing no additional benefits to the Group’s shareholders. A stronger corporate identity opened up more opportunities for the holding to attract investors.

A single ideological platform for all subsidiaries to make all the “Rosseti” Group’s companies easier to recognize will enable the Group to focus the stakeholders and the general public’s attention anywhere in the world on how the energy hold is doing under the aegis of a single reputable brand. Such large-scale rebranding promises greater investment attractiveness, capitalization, and loyalty of the Company in general. The transformations will bring the Company closer to the stakeholders, while the new holistic brand will symbolize the uniform quality standards the “Rosseti” Group will comply with across Russia.

Renaming the subsidiaries will not change their structure or staffing. More than that, communication based on a single brand in junction with the Group’s initiatives to popularize the energy sector will considerably improve the public view of jobs in power engineering to help attract promising newcomers. Thanks to adopting a single brand architecture, each employee can now feel belonging to a big team of 220 thous. people regardless of where they work — they will take part in solving the problems facing the entire holding. A strong, united team rallied to seek common goals will be capable of that much more.

MEMBERSHIP IN ASSOCIATIONS AND ORGANIZATIONS GRI 102-13

Name of the organization	Date of joining	Core activities
1. All-Russian Industrial Association of Employers in the Electric Power Industry "Energy Employers Association of Russia" (ERA of Russia Association)	Oct 10, 2008	<ul style="list-style-type: none"> Cooperation, representation, and protection of employers' interests in the industry in their relations with public authorities, local governments, trade unions and their associations, sundry employee organizations, and sundry associations
2. Research and Technology Council of the United Energy System, a nonprofit partnership (RTC UES NPP)	Nov 20, 2008	<ul style="list-style-type: none"> Discussion of the most pressing issues pertaining to the operation of the UES and its components Expert evaluation of various projects and works Analysis, concepts, and strategies of UES development Advanced tech and technology, priority research, R&D programs Technical regulation and standardization Publishing in the electric power industry
3. Kirov Union of Industrialists and Entrepreneurs (Regional Association of Employers), KUIE (RAE)	Dec 11, 2008	<ul style="list-style-type: none"> Coordination and harmonization of the Association members' position on regulating social and labor relations as well as the related economic relations Protecting the Association's position in its relations with trade unions and their associations, public authorities, and local governments
4. Chamber of Commerce and Industry of the Russian Federation (CCI of Russia, CCI RF)	Dec 16, 2008	<ul style="list-style-type: none"> Assistance to Russian firms and entrepreneurs Representation and protection of the Chamber members' interests domestically and internationally on any business matter
5. Vyatka Chamber of Commerce and Industry (Vyatka CCI)	Dec 16, 2008	<ul style="list-style-type: none"> Representation and protection of the Chamber members' interests, as well as assisting them domestically and internationally on any business matter
6. Association of Employers and Manufacturers of Vladimir Region, a regional association of employers (AEM VO RAE)	Dec 16, 2008	<ul style="list-style-type: none"> Coordinating the organization's members and their activities in social and labor relations, as well as in the pertaining economic relations Representation and protection of rights and legitimate interests of the member firms
7. Nizhny Novgorod Chamber of Commerce and Industry (NN CCI)	Jun 23, 2009	<ul style="list-style-type: none"> Assistance to Russian firms and entrepreneurs, including farms Representation and protection of Russian companies' and entrepreneurs' business rights and interests, including abroad Arrangement of cooperation between business entities Arrangement of private-public partnerships where the public parties are governmental agencies and social partners
8. Nizhny Novgorod Association of Industrialists and Entrepreneurs, a regional association of employers (NNAIE RAE)	Oct 23, 2009	<ul style="list-style-type: none"> Coordinating the members and their activities in social and labor relations, as well as in the pertaining economic relations Representation of the legitimate interests of the member firms
9. Tula Chamber of Commerce and Industry (TCCI, Tula CCI)	Oct 29, 2009	<ul style="list-style-type: none"> Assistance to Russian firms and entrepreneurs Protection of Russian companies' and entrepreneurs' business rights and interests, including abroad Arrangement of cooperation between business entities Arrangement of private-public partnerships where the public parties are governmental agencies and social partners
10. Union of Investor Relations Professionals, a non-profit partnership (UIRP NP)	Dec 24, 2009	<ul style="list-style-type: none"> Research in the fields of knowledge that are of professional interest for the Partnership's members Adoption of progressive methods for the organization of investment processes Informational, methodological, and analytical support for the Partnership's members Legal rights protection and representation of interests for the members
11. ENERGOPROEKT Association of Energy Facility Designers (the ENERGOPROEKT Association)	Dec 25, 2009	<ul style="list-style-type: none"> Drafting and approval of the Partnership's regulations binding upon all its members Design and adoption of comprehensive measures to improve the quality of architectural and construction design (i.e. the design of capital construction sites) as well as that of other design-related activities of the Partnership's members

Name of the organization	Date of joining	Core activities
12. Ryazan Chamber of Commerce and Industry (Ryazan CCI)	Dec 28, 2009	<ul style="list-style-type: none"> Assistance to organizations and entrepreneurs in Ryazan Region Representation and protection of Ryazan-based entrepreneurs business interests, including abroad Promoting the advancement in any business activity contextualized for the economic interests of Russia, Ryazan Region, national economy sectors, organizations, and entrepreneurs
13. The National CIRED Committee. Power Distribution Grids, a non-profit partnership (National CIRED Committee NPP)	Jun 19, 2012	<ul style="list-style-type: none"> Creation, maintenance, and advancement of knowledge exchange with the International Committee Reporting cutting-edge research data on: <ul style="list-style-type: none"> distribution grid design, distribution grid construction, distribution grid operation, distribution grid packaging
14. Non-Profit Partnership "Market Council on the Organization of an Effective System for Wholesale and Retail Electricity and Capacity Trading" Association (NPP Market Council Association)	Dec 24, 2012	<ul style="list-style-type: none"> Participation in rule-making for the wholesale and retail electricity markets, collection and analysis of proposals on amendments to such rules Monitoring the compliance with rules and regulations in the wholesale electricity market Drafting and approval of document forms for wholesale of electricity, capacity, or sundry goods traded in the wholesale market Design of the procedure for keeping a register of the wholesale electricity market actors, and keeping such a register; deciding on whether to grant or revoke the status of an electricity market actor Monitoring the pricing in the wholesale and retail electricity markets Analysis of the functional outcomes of the wholesale electricity (capacity) market; disclosure of data as required by the law of the Russian Federation
15. EnergoProfAudit Association of Energy Audit Professionals, a self-regulatory organization (EnergoProfAudit Audit SRO)	Jan 14, 2015	<ul style="list-style-type: none"> Development and adoption of codes of conduct Development and maintenance of quality control systems for professional self-regulation Promotion of better professional training for the members Representation of the members' interests before authorities Protection of the members' rights and legitimate interests
16. Nonprofit Partnership of Local Grid Operators Association (NP LGO Association)	Jun 30, 2017	<ul style="list-style-type: none"> Consolidation, representation, and protection of professional interests of the Association's members before authorities of any level, infrastructural and public organizations as well as nonprofits
17. Self-Regulatory Regional Industrial Association "Nizhny Novgorod Association of Construction Workers", an association (Nizhny Novgorod Association of Construction Workers, NNACW)	Jul 10, 2017	<ul style="list-style-type: none"> Securing the implementation of the development strategy for Russia's construction industry; construction product quality and competitiveness enhancement Promoting free enterprise and cooperation in construction, creation of production links, and cooperation of organizations and companies in construction industry in Russia Promoting a better construction market infrastructure for Russia as well as protecting the construction market from unscrupulous actors
18. Self-Regulatory Association of Construction Surveyors (SRACS)	Sep 20, 2019	<ul style="list-style-type: none"> Securing the implementation of the development strategy for Russia's construction surveying industry; engineering and construction product quality and competitiveness enhancement Promoting free enterprise and cooperation in construction surveying, creation of production links, and cooperation of organizations and companies in this industry in Russia Promoting a better construction surveying market infrastructure for Russia as well as protecting the market from unscrupulous actors

ENVIRONMENTAL PROTECTION¹

GRI 103-1
GRI 103-2
GRI 103-3



In 2019, IDGC of Center and Volga Region ranked 8th out of Russia's and Kazakhstan's Top 150 companies in Interfax ERA's Environmental and Energy Efficiency Rankings.

Environmental Policy

IDGC of Center and Volga Region considers environmental protection an integral part of its daily operation, fully recognizing the need to maintain the environmental balance and ensure environmentally sustainable social and economic development of the Company. IDGC of Center and Volga Region's Quality, Occupational Health and Safety, Environmental Protection, and Energy Management Policy focuses on the optimal utilization and preservation of natural resources, reducing the environmental impact, and lowering the environmental risks.

In 2017, IDGC of Center and Volga Region joined the Grid Complex Environmental Policy, which seeks to consistently limit the environmental burden associated with the fuel and energy complex by reducing hazardous emissions (discharge) and waste generation.

The Company has implemented and now successfully uses an environmental management system in accordance with the requirements of the international standard ISO 14001:2015. In

2019, the Company carried out internal supervisory audits and had its environmental management system recertified.

For its environmental management system to perform well, the Company has developed and adopted the following environmental standards:

- RK BP18/30-01/2019 IDGC of Centre and IDGC of Center and Volga Region Environmental Safety Guidelines;
- STO 01-018-2019 Environmental Management.

IDGC of Center and Volga Region actively adopts innovative solutions and deploys cutting-edge technologies for more reliable and safer electricity delivery, less prone-to-accident grid operation, and lesser environmental impact. The following was done in 2019:

- use of insulated wire only at 0.4 to 10 kV OPLs to fully prevent OPL-related bird deaths while clearing less of forest areas;
- oil circuit breakers replaced with vacuum and SF₆ circuit breakers to use less oil,

- reduce the soil contamination risks and fire hazard;
- use of insulated busbars only at SS to fully prevent bird and animal deaths.

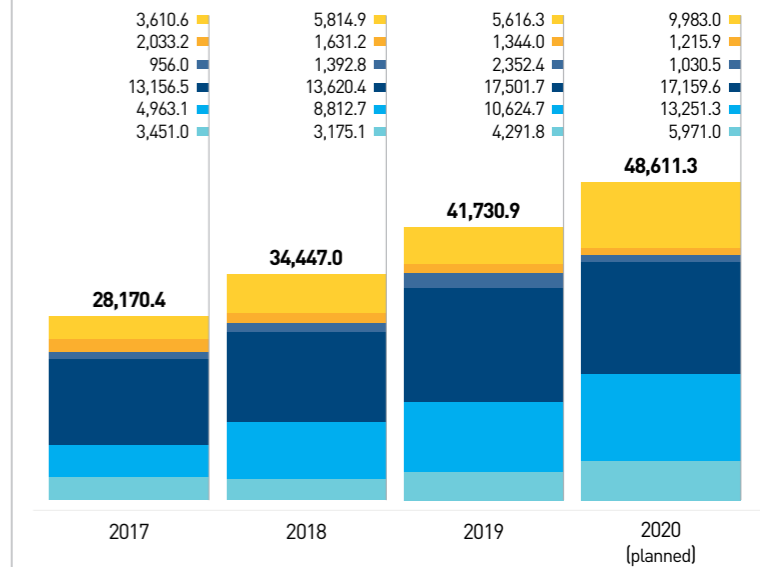
In 2019, the Company followed its Environmental Safety Program for 2019-2023 when planning and funding the environmental measures¹.

Environmental costs rose 23.0 % YoY in 2019. This was due to the rising prices of waste removal and dumping, as regional solid utility waste disposal operators emerged in 2019, as well as due to the rising water discharge prices.

However, as the environmental law was amended to no longer charge solid utility waste disposal fees, the environmental impact fees dropped in 2019 compared to 2018.

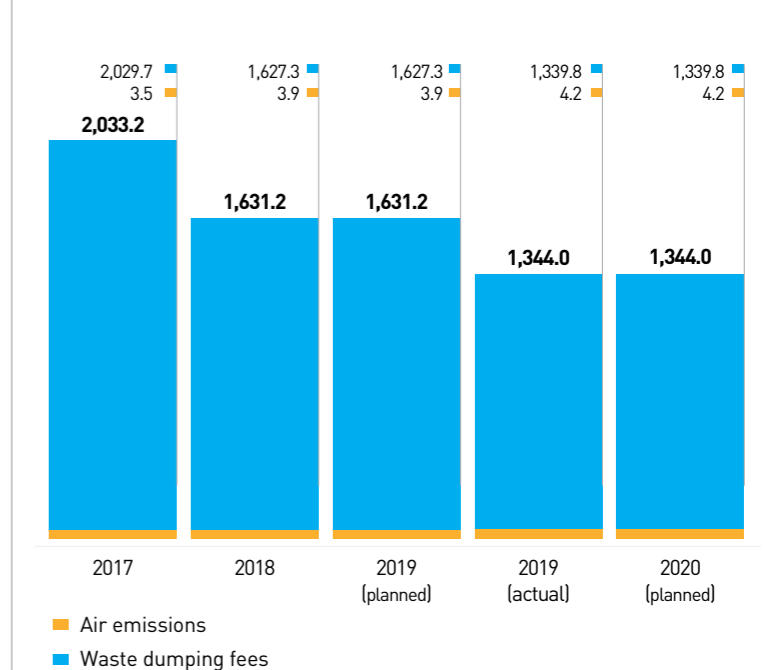
In 2019, 155 environmental specialists employed by the Company were dispatched to take industry-specific professional training, retraining, and advanced training programs.

Structure of Costs of the Environmental Protection, RUB thous.



- Biodiversity protection (purchase of bird protection devices)
- Environmental impact fees
- Employee training and retraining in environmental impact minimization
- Environmental (land) protection from production consumption waste
- Protection and rational use of water resources
- Air protection

Breakdown of Fees for Negative Environmental Impact, RUB thous. GRI 307-1



- Air emissions
- Waste dumping fees

¹ The projections are cited from the Business Plan approved by the Company's Board of Directors on December 31, 2019 (Minutes No. 393 dd. December 31, 2019); they are not adjusted for risks that actually occurred after approving such Business Plan and before publishing this Integrated Annual Report for 2019.

¹ Approved on March 6, 2019 by order No. 85_TsA.

AIR PROTECTION ACTIVITIES IN 2019:

- instrumental monitoring of air emissions from stationary sources (measurements did not detect any emissions in excesses of the standards);
- instrumental monitoring of the gas purification unit (GPU) performance that are used to clean the effluents of woodworking machinery (measurements prove the GPUs to be in line with their specifications);
- registering the emission sources and calculating the total emission of pollutants into the air (standard acceptable emission levels calculated for 26 facilities).

Air protection

GRI 305-1 GRI 305-5

The Company regularly conducts an in-process analytical monitoring of compliance with standards for emissions of pollutants and an instrumental verification of the efficiency of gas-cleaning plants with the assistance of the accredited laboratories. For all production sites of the Company with stationary emission sources (boiler houses, mechanical workshops, welding stations, forging shop areas, etc.), maximum permissible emissions (MPE) projects have been developed and the appropriate permits have been obtained.

The Company focuses on preventing the negative environmental impact of its logistics by doing the following:

- when planning the activities, the logistics of trips is worked out and optimal routes are used;
- road vehicles are regularly checked for compliance with technical standards for atmospheric emissions;
- transport and other mobile vehicles are banned from use if the pollutant load in their emissions exceeds the established technical standards.

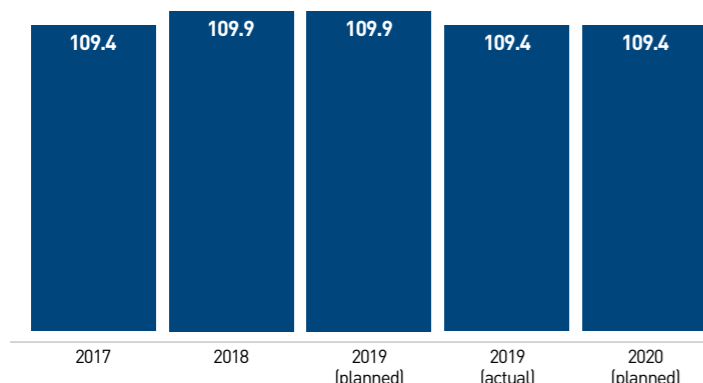
Protection and Rational Use of Water Resources

The household and production needs of the Company are provided by the municipal other water supply systems as well as 11 underground sources (wells) that are on the books of the Company. All available wells are licensed for the right to use subsurface mineral resources.

IDGC of Center and Volga Region's water consumption totaled 172.4 thous. cubic meters in 2019, a 2.7 % decrease YoY, of which 8.1 thous. cubic meters was groundwater, a 30.2 % decrease YoY or 4.7 % of the total water intake.

The Company's environmental services regularly carried out instrumental verification of the pollutant load in wastewater discharged into urban

Emissions of Harmful Substances into Atmosphere, t



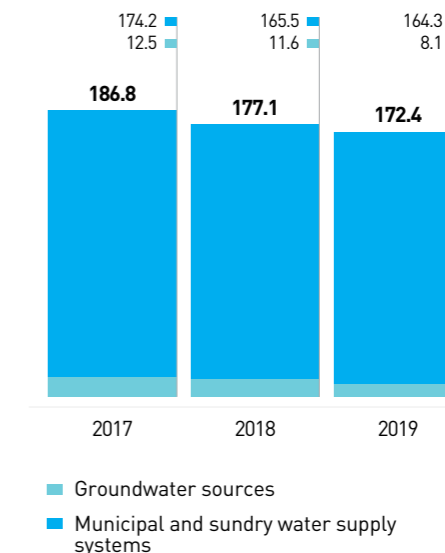
WATER CONSERVATION AND MANAGEMENT ACTIVITIES IN 2019:

- monitoring the quality of extracted groundwater involving accredited laboratories (measurements showed that water from the wells was in line with sanitation standards);
- contracting the washing of the Company's cars;
- laboratory testing of the wastewater discharged into urban sewerage systems for contamination.

municipal sewage systems, as well as monitoring the quality of groundwater produced.

IDGC of Center and Volga Region never discharged wastewater into water reservoirs, as all such water was transported to other companies for treatment.

GRI 306-1

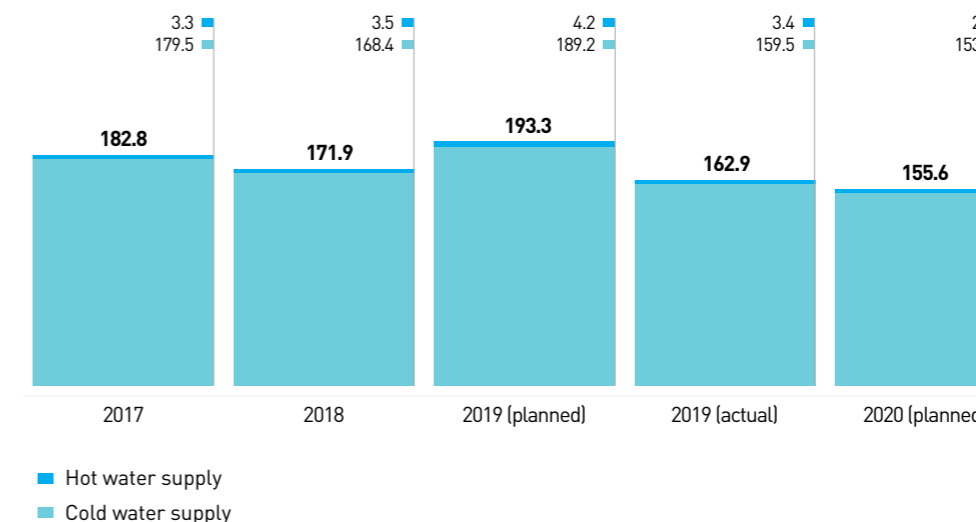


Water Sources, thous. m³

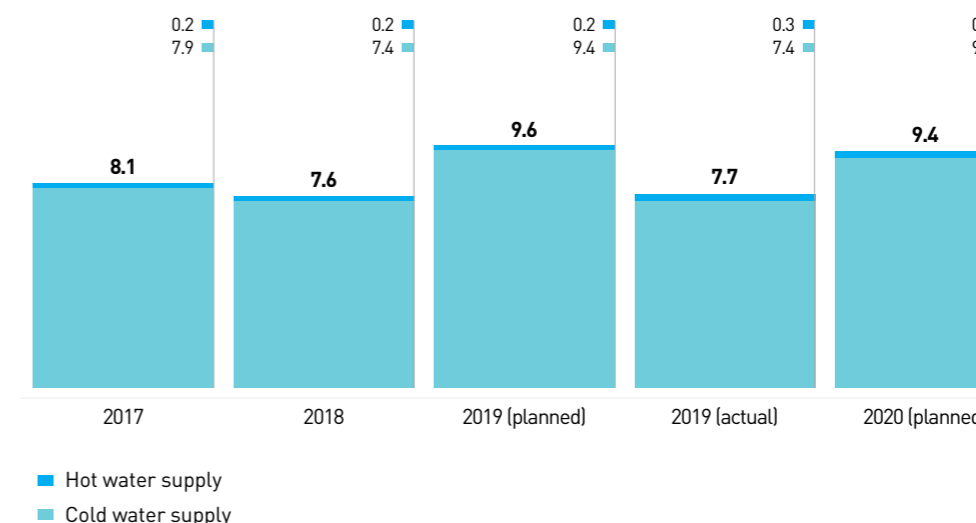
GRI 303-1 GRI 303-2

WATER SPENT TO COVER THE HOUSEKEEPING NEEDS OF ADMINISTRATIVE BUILDINGS AND PRODUCTION FACILITIES

In Real Terms, thous. m³



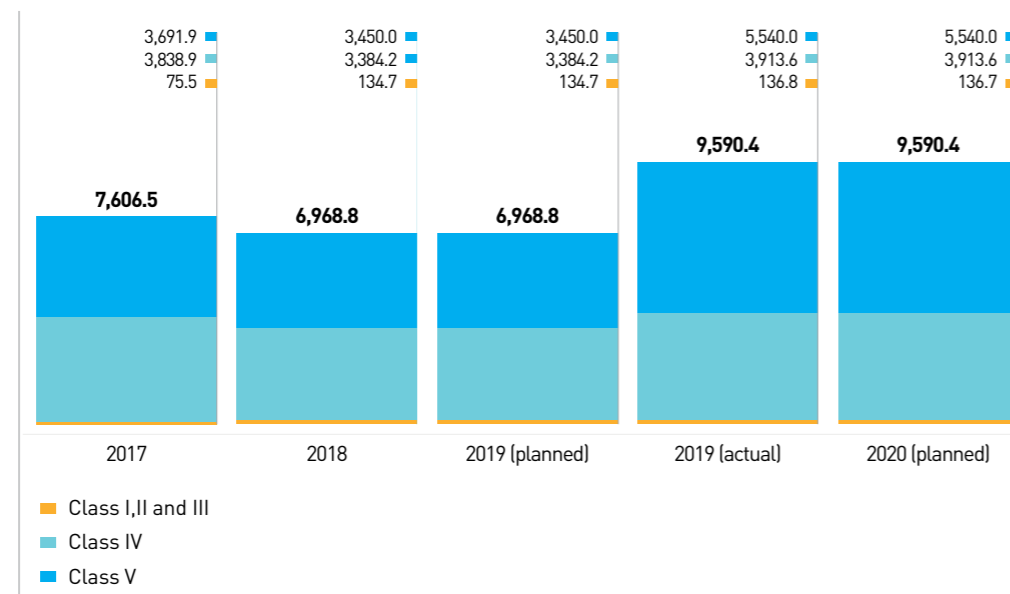
In Monetary Terms, RUB mn. (Exclusive of VAT)



Protection of Land from Industrial Waste and Hazardous Substances

Waste Generation, thous. t

GRI 306-2



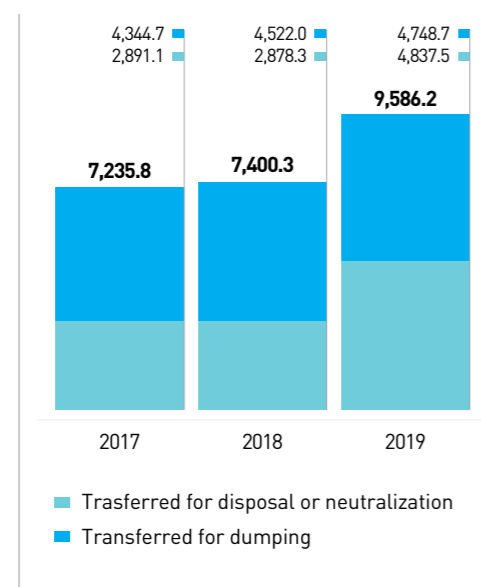
IDGC of Center and Volga Region generated a total of 9,590.4 tons of waste, a 37.6 % increase YoY attributable to generating more hazard Class V waste consisting mainly of sent-to-disposal ferrous metals and aluminum debris, which itself came from written-off grid assets and vehicles as well as from wires replaced with steel-insulated wires.

Monitoring showed that most of IDGC of Center and Volga Region's waste was Class V (57.8 %) or Class IV (40.8 %). Only 1.4 % was hazard Class I, II, or III waste.

To minimize the negative environmental impact of waste, the Company takes the following measures:

- a hazard class is established for all waste, determining the directions to its handling;
- the Company's industrial sites are equipped with places for temporary accumulation of waste in compliance with sanitary and environmental requirements;
- the executive officers are appointed to handle hazardous waste;
- almost all waste (over 99 %) is transferred to specialized third-party organizations, which have the appropriate licenses, for its subsequent use, neutralization and disposal in accordance with the concluded agreements.

Transfer of Waste for Dumping or Disposal, thous. tons



Over 2019, IDGC of Center and Volga Region did not record any spillage of substances harmful to the environment. However, the Company continuously takes measures to prevent and address the consequences of such events.

GRI 306-2

For example, IDGC of Center and Volga Region made provisions for a rapid collecting data on petroleum products spills and introduced an environmentally safe neutralizing agent for petroleum products to prevent soil contamination. In 2019, the Company purchased 1.2 t of absorbents and ecological neutralizers suitable for the elimination of oil product spills.

Besides, in 2019 the Company continued to replace oil-based units with vacuum and SF6 ones, which reduces the risks of soil contamination and contributes to fire safety.

Biodiversity Protection

Wildlife protection from industrial impacts is a focal point of the Company's Environmental Safety Program.

The areas of the Company's operation include national parks (Meshera, Ugra, Mariy Chodra, Nechkinsky), federal partial reserves and wildlife sanctuaries (Nurgush, Klyazminsky, Muromsky, Tarusa, etc.), as well as specially protected natural areas of local significance.

To preserve biodiversity, the Company conducts all works in these territories in full compliance with the established requirements, which imply the following:

- deciding against clearing overhead line routings using herbicides;
- deciding against clearing power transmission line rights-of-way during mating season;
- equipping overhead lines with bird protection devices (BPD).

ACTIVITIES TAKEN TO PROTECT SOILS FROM PRODUCTION WASTE AND HAZARDOUS SUBSTANCES IN 2019:

- 50 waste collection sites set up, 146 containers and 5 demercurization kits purchased to enable waste sorting at production sites;
- monitoring of waste generation and transport at branches and within the Company in general;
- production and consumption waste sent to specialized companies for further processing, disposal, and landfilling.

Birds often use the power line poles to rest and track their prey. BPDs are the most effective option for preventing electrocution in birds. BPDs are made from polymer dielectric materials to insulate the current-carrying parts, make it difficult for birds to land on traverses or make nests on the poles. Under its Environmental Safety Program, the Company's branches purchased and mounted 8,583 bird protection devices on their OPLs in 2019, which made some 500 km of OPLs safer for birds while also reducing the risks of bird-related power outages. The Company plans to purchase and mount 4,200 BPDs every year over 2020-2023.

IDGC of Center and Volga Region emphasizes the replenishment of forest resources in the areas of its operation. As part of the large-scale environmental campaigns, the employees of the Company's branches took an active part in activities aimed at restoring the natural balance, including tree planting, urban and rural improvement and greening, improvement of the areas around production departments and the power distribution zone.

GRI 302-4 GRI 302-5

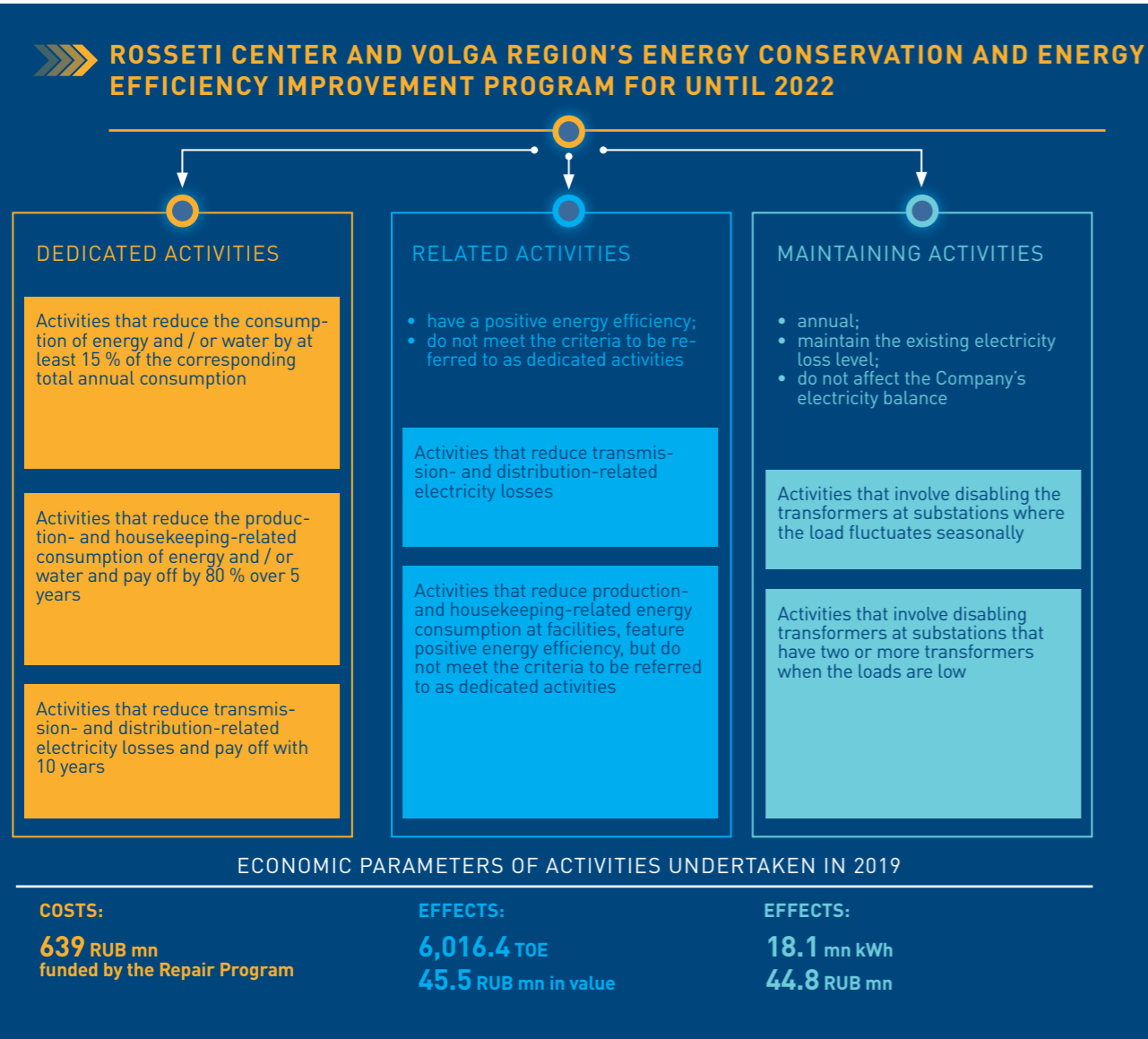
Energy Conservation and Energy Efficiency Improvement

Energy conservation and energy efficiency improvement efforts of IDGC of Center and Volga Region followed these regulations in 2019:

- Federal Law of Russia No. 261-FZ On Energy Conservation and Energy Efficiency Improvement as well as on Amending Certain Laws of the Russian Federation¹;

- Regulations on the drafting of Energy Conservation and Energy Efficiency Improvement Programs for “Rosseti’s” Subsidiaries²;
- IDGC of Center and Volga Region’s Energy Conservation and Energy Efficiency Improvement Program for Until 2022³.

IDGC OF CENTER AND VOLGA REGION’S ENERGY CONSERVATION AND ENERGY EFFICIENCY IMPROVEMENT PROGRAM FOR UNTIL 2022



¹. Passed by the State Duma on November 11, 2009; approved by the Federation Council on November 18, 2009.
². Approved by the Board of Directors of Rosseti on April 29, 2014, Minutes No. 156.
³. Approved by the Board of Directors of IDGC of Center and Volga Region on August 10, 2018, Minutes No. 328.

Under its Energy Conservation and Energy Efficiency Improvement Program, IDGC of Center and Volga Region took the following key steps in 2019:

- replacing incandescent and fluorescent bulbs with LEDs in the Company’s lighting systems;
- replacing outdated and worn-out electric boilers with advanced, automatically regulated ones;
- sealing and thermal insulation of buildings.

By the end of 2019, the Company achieved the following results with respect to energy conservation and efficiency:

- as a result of the measures taken to reduce the electricity consumption related to housekeeping needs, such consumption dropped by 2.92 mn kWh or 9.87 RUB mn, which exceeded the planned figures by 2.41 mn kWh and 8.73 RUB mn, respectively, an excess attributable to the unplanned wide-scale adoption of LEDs;
- heat consumption was reduced by 11.2 Gcal and 22.5 RUB thous., which exceeded the planned reduction figures by 9.6 Gcal and 21 RUB thous., an excess attributable to additional unplanned activities covered by the available funding sources;
- natural gas consumption was reduced by 23.6 thous. cubic meters and 216.5 RUB thous., which exceeded the planned figures by 22.5 thous. m³ and 210 RUB thous., an excess attributable to additional unplanned activities covered by the available funding sources;

IDGC of Center and Volga Region facilities’ equipment with LEDs as of year-end 2019

61 %

cf. planned 50 %

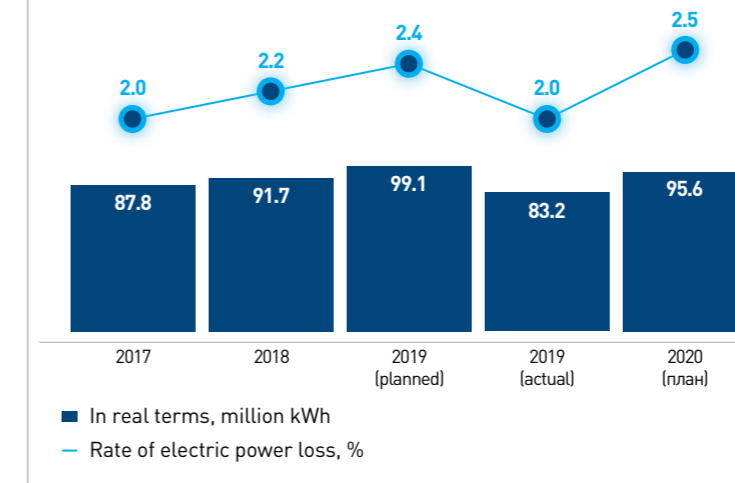
GRI 301-1

In 2019,

58

employees of IDGC of Center and Volga Region had advanced training in the matters of energy conservation and energy efficiency improvement, of whom 37 were trained to perform internal audit of the energy management system.

Electricity Consumption by the Company’s Substations

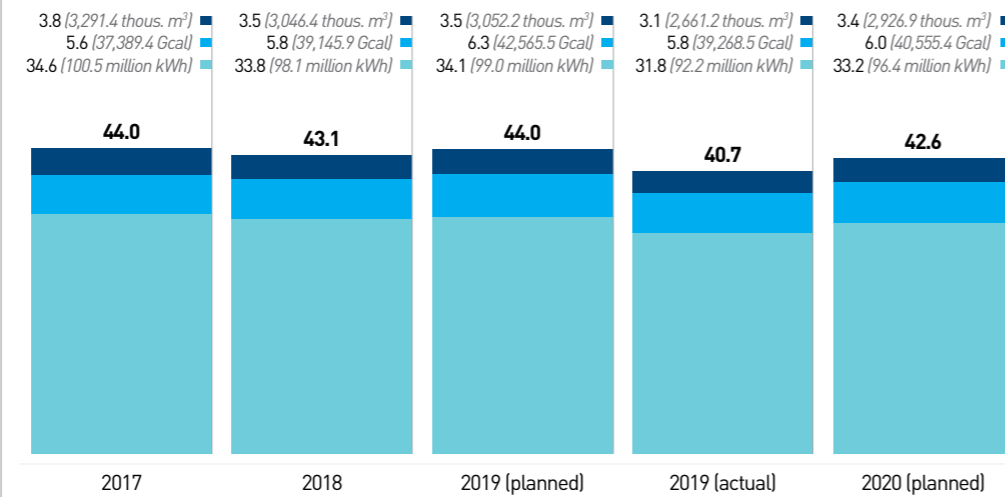


- motor fuel consumption dropped by 239.8 TOE or 321.5 thous. liters compared to the planned figures, mainly due to continuous monitoring of transport routes and imposing fuel consumption limits;
- electricity losses were reduced by 32.5 mn KWh or 80 RUB mn, which was in line with the plan and attained by taking the scheduled measures under the repair program.

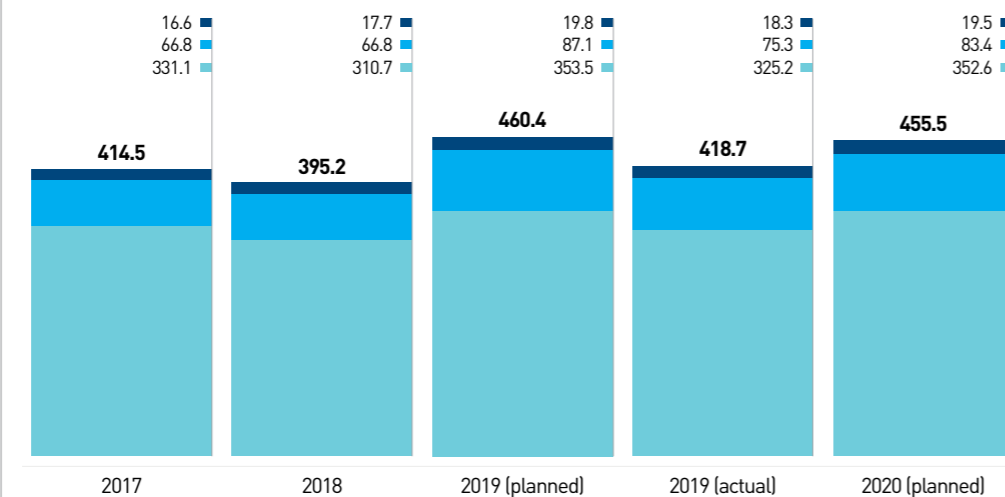
GRI 302-1

ENERGY SPENT TO COVER THE HOUSEKEEPING NEEDS OF ADMINISTRATIVE BUILDINGS AND PRODUCTION FACILITIES

In Real Terms, thous. TOE

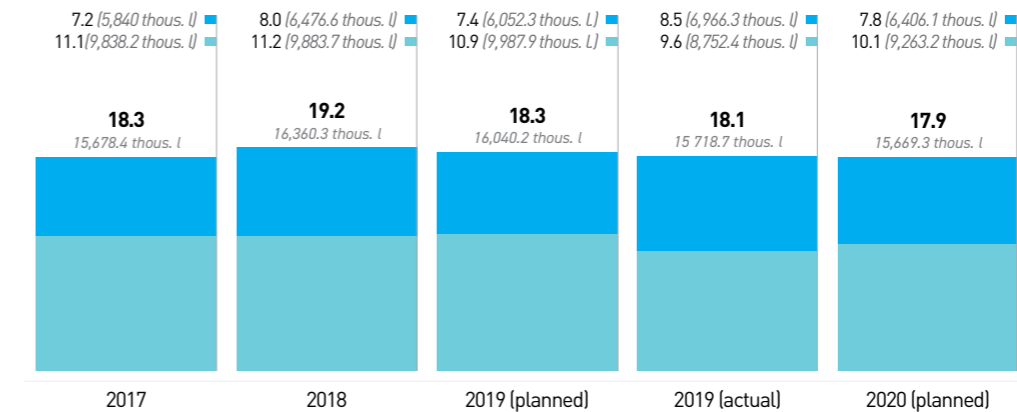


In Monetary Terms, RUB mn. (Exclusive of VAT)

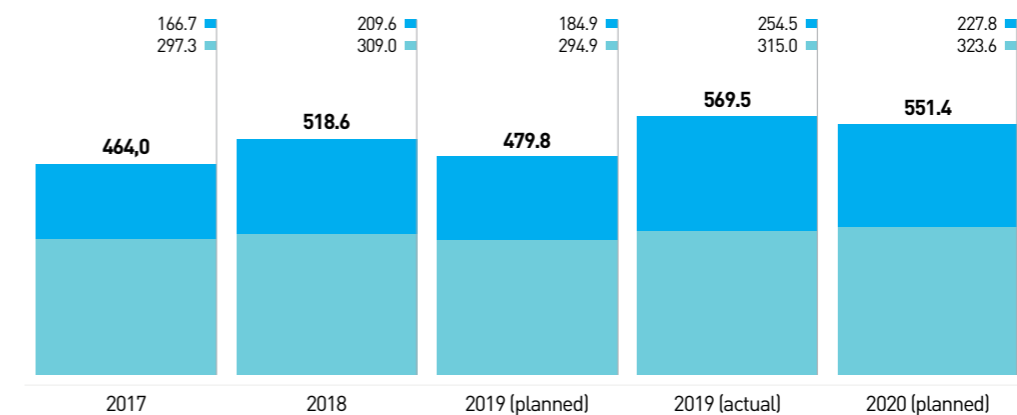


MOTOR FUEL CONSUMED BY VEHICLES AND SPECIALIZED EQUIPMENT

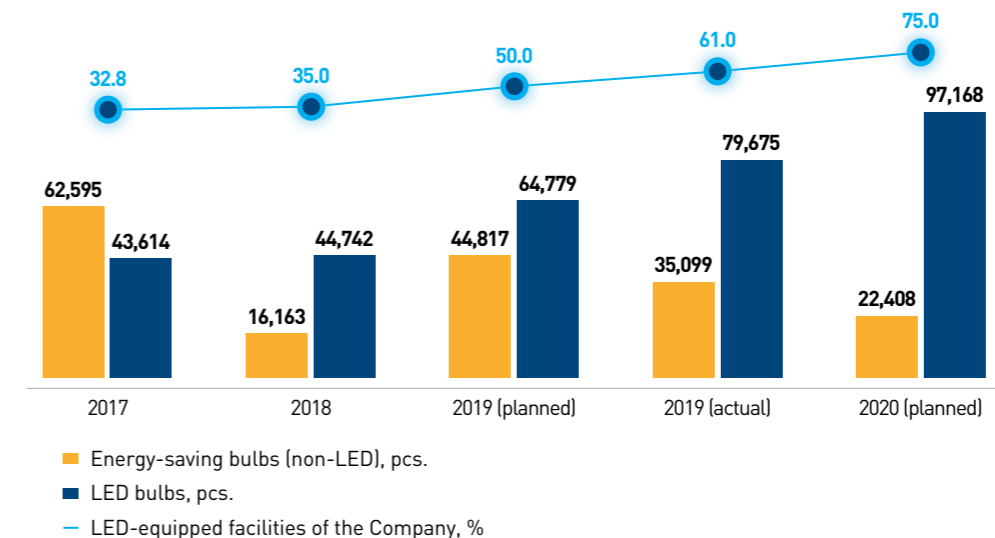
In Real Terms, thous. TOE



In Monetary Terms, RUB mn. (Exclusive of VAT)

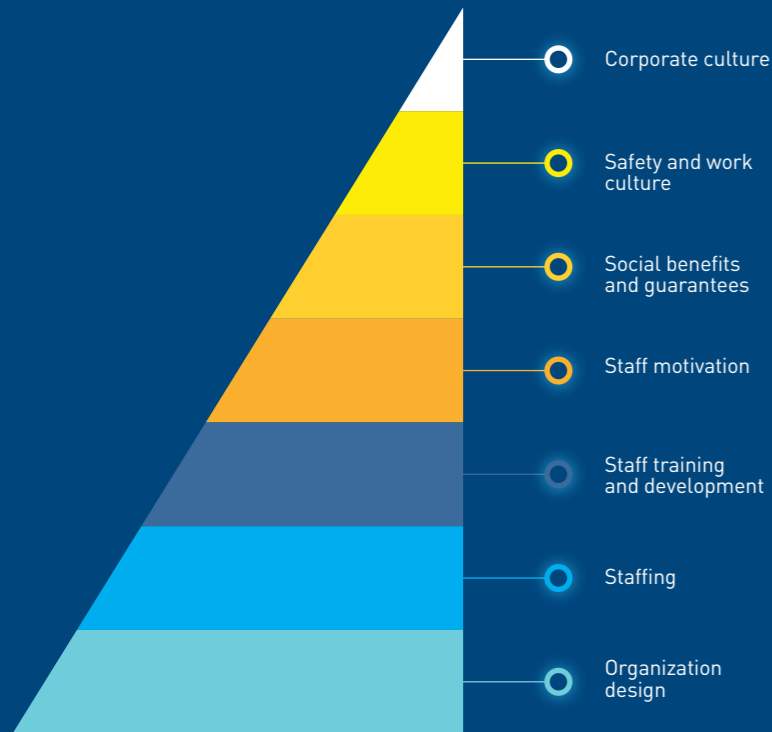


Use of Energy Saving Lighting



HUMAN CAPITAL MANAGEMENT AND SOCIAL RESPONSIBILITY

KEY ELEMENTS OF HR AND SOCIAL POLICY OF THE COMPANY



IDGC of Center and Volga Region relies on negotiations to resolve disputes with its employees on invoking the labor law or any other legal acts that regulate labor, in-house regulations, or employment contracts. Besides, every employee, whether incumbent or former, may complain about the Company's action or inaction that they deem unfair. The Company shall submit an official response to the complaint within 30 days of receiving it. In 2019, IDGC of Center and Volga Region received 16 such complaints from incumbent and former employees and managed to settle all the disputed matters.

HR and Social Policy

GRI 103-1
GRI 103-2
GRI 103-3

The HR and Social Policy of IDGC of Center and Volga Region is aimed at forming a cohesive team of employees, whose professional competence, responsibility, mutual respect and honesty underlie the commercial success and sustainable growth of the Company. Therefore, IDGC of Center and Volga Region seeks to create favorable working conditions, along with an atmosphere of trust and cooperation.

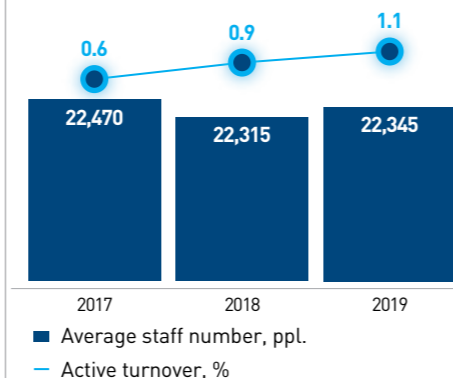
The Company's HR and Social Policy is developed according to the requirements of the Russian Federation legislation, the Sectoral Tariff Agreement for the Electric Power Industry, the collective bargaining agreement between the employees and the Employer, IDGC of Center and Volga Region, PJSC, as well as the international standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, and ISO 50001:2011.

Staff Number and Structure

GRI 102-7 GRI 102-8

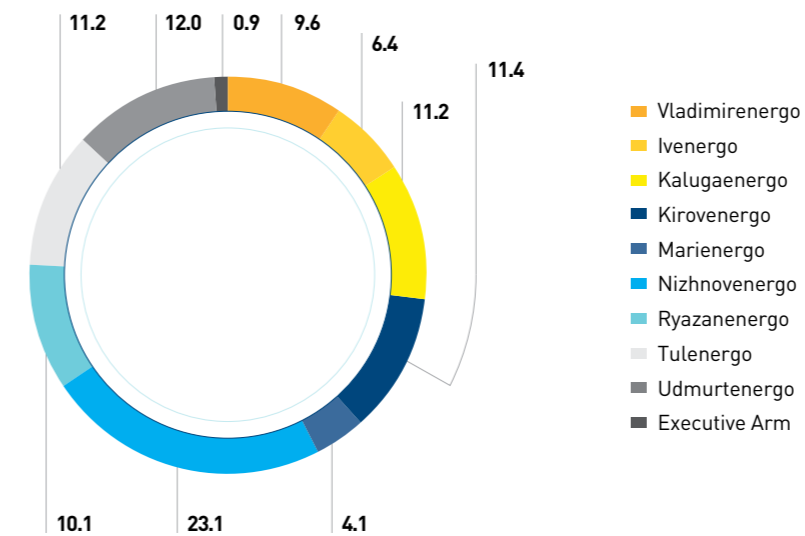
IDGC of Center and Volga Region's staff number averaged 22,345 persons in 2019, a 0.13 % reduction YoY due to some new jobs remaining vacant as well as due to greater productivity resulting from optimized business processes.

Staff Number and active turnover



Average Staff Number: Breakdown by Gender and Regions in 2017-2019, persons

Branch	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
Vladimirenergo	701	1,711	619	1,690	506	1,644
Ivenergo	213	1,232	220	1,239	214	1,216
Kalugaenergo	673	1,904	665	1,913	639	1,872
Kirovenergo	389	2,187	383	2,196	373	2,179
Marienergo	159	776	154	775	152	759
Nizhnovenergo	937	4,269	921	4,309	858	4,296
Ryazanenergo	503	1,797	498	1,795	491	1,773
Tulenergo	677	1,908	669	1,909	649	1,855
Udmurtenergo	287	1,884	296	1,867	399	2,274
Executive Arm	136	127	103	94	103	93
Total	4,675	17,795	4,528	17,787	4,384	17,961



Assignment of Staff to Branches, %

Over the past three years, the staffing level of the Company has been stable, maintained at the min. level of 97 % (97.7 % as of year-end 2019). Staff turnover was 1.1 % in 2019. The Company seeks to reduce its turnover. In more specific terms, the system of psychophysiological examinations is being improved to be used in the process of recruitment to identify which candidates suit the best in terms of qualifications and professional competence and are most eager to work for the Company. There are adaptation programs for young professionals in place.

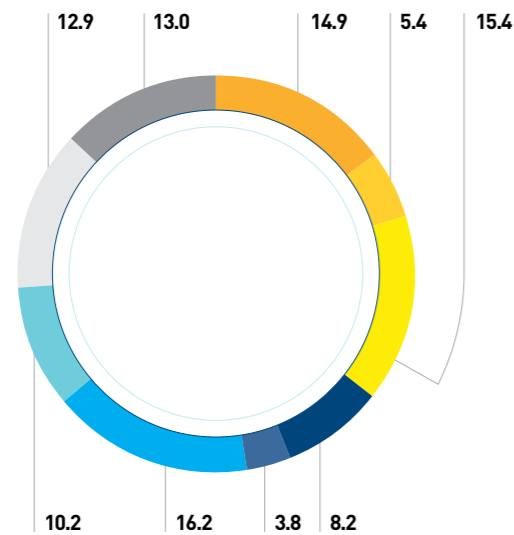
In 2019, the average age of the Company's employees remained at the level of 2018 and

was 43 years. Over 2017-2019, the percentage of workers aged 25-50 rose by 0.6 p.p., that of older-than-50 pre-retirement workers rose by 1.5 p.p., while the percentage of working persons of retirement age dropped by 2.1 pp. The Company had 3.4 % of employees aged below 25 as of late 2019, no change over 2017-2019.

89 % of the Company's employees have vocational education and training, and over the past three years this figure has increased by 2 p.p.

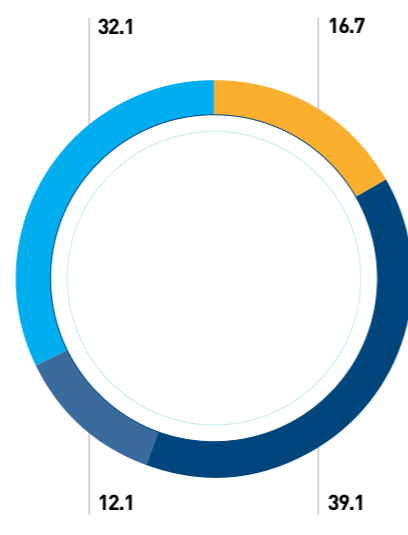
DISTRIBUTION OF PERSONNEL TURNOVER

By Region, %



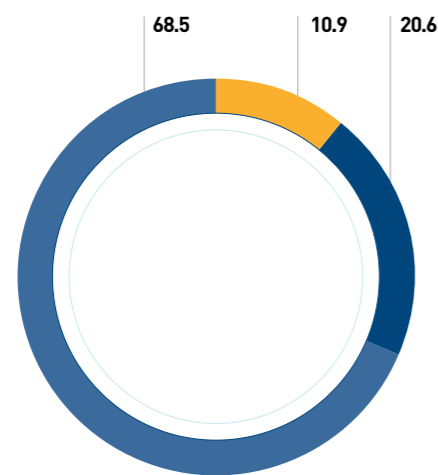
- Vladimir Region
- Ivanovo Region
- Kaluga Region
- Kirov Region
- Mariy El Republic
- Nizhniy Novgorod Region
- Ryazan Region
- Tula Region
- Udmurt Republic

By Age, %



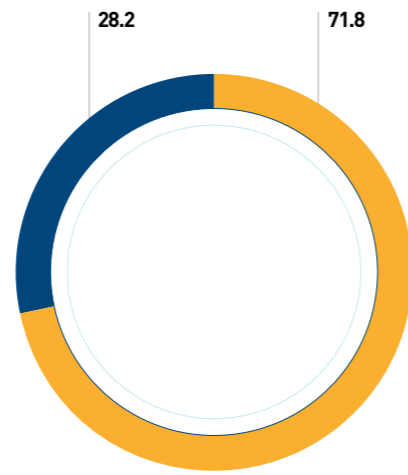
- Under 25
- 25-50
- Aged 50 to retirement age
- Working retirees

By Employee Category, %



- Managers
- Professional staff
- Workers

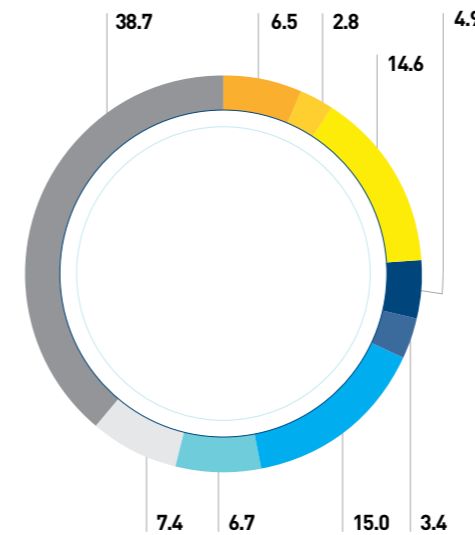
By Gender, %



- Men
- Women

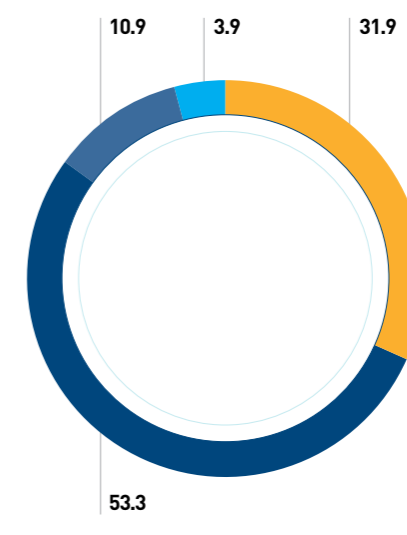
BREAKDOWN OF PERSONNEL HIRED IN 2019

By Region, %



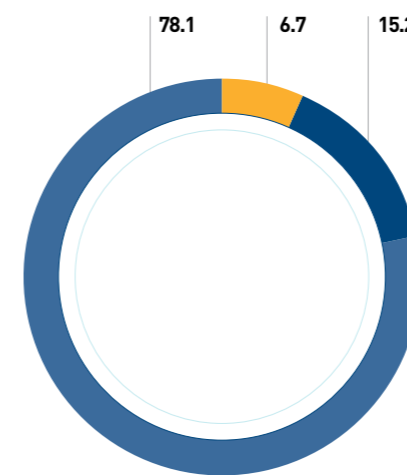
- Vladimir Region
- Ivanovo Region
- Kaluga Region
- Kirov Region
- Mariy El Republic
- Nizhniy Novgorod Region
- Ryazan Region
- Tula Region
- Udmurt Republic

By Age, %



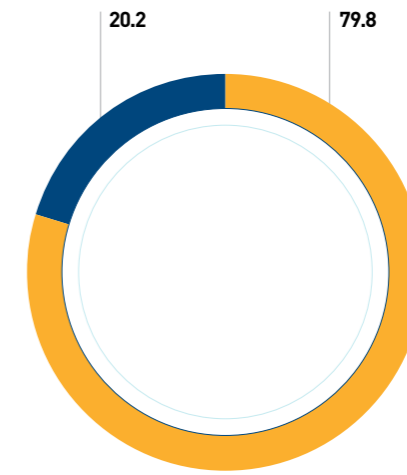
- Under 25
- 25-50
- Aged 50 to retirement age
- Working retirees

By Employee Category, %



- Managers
- Professional staff
- Workers

By Gender, %



- Men
- Women



Annually IDGC of Center and Volga Region participates in the All-Russian Thesis Contest for BScs and MScs in Electricity and Electric Power Engineering. In 2019, the Company appointed 8 experts from its staff to judge the contestants in topics they specialized in.

Selection, Recruitment and Professional Development of Staff

GRI 404-3 G4-DMA (earlier EU14)

IDGC of Center and Volga Region has a standardized procedure for search, recruitment, selection, and approval of candidates for vacant positions. Finding a candidate is a two-step effort: in-house and external recruitment. The Company prioritizes in-house recruitment i.e. filling vacant positions with the existing human resources, to which end it relies on talent pools, rotation, and mobility within the Company or the "Rosseti" Group. This not only allows for a timely filling of vacant positions with qualified personnel, but also gives employees some additional opportunities to gain new experience, supporting their interest and motivation.

TALENT POOL

The Talent Pool helps timely hire a skilled worker that will be ready to work effectively and professionally as a high-tier officer. Pooled candidates are trained to boost their professional and managerial skills as well as to motivate them more. In 2019, 90.9 % of vacant management jobs in the Executive Arm as well as at the branches (1,423 jobs out of 1,566) were given to in-house candidates, with 25.7 % (403 jobs) being given to persons from the talent pools.

The effectiveness of a talent pool directly depends on the conditions created for the professional growth of succession pool members and their preparedness to work in new conditions. The Company has approved target positions for each succession pool member, developed individual professional growth plans, identified mentors from the most competent employees, whose main task is to assist succession pool members in mastering the target positions.

The executive talent pool is bi-level: Level 1 is the Company (candidates for the positions of Deputy Directors General, Deputy Directors of branches responsible for specific activities, and Heads of Subdivisions in the Executive Arm); Level 2 is its branches (candidates for the positions of Heads of Divisions at management offices, production departments, and PDZs, as well as for the positions of Heads and Chief Engineers of production departments and PDZs). In 2019, the executive talent pool included 3,028 of the most high-potential employees of the Company. Thus, the talent

pool was sufficient to cover 83 % of management jobs as of the end of 2019.

PERSONNEL MOBILITY AND JOB ROTATION PROGRAM

Personnel mobility and job rotation program is aimed at supplying qualified personnel to those areas with staffing issues. As part of this program, the Company participates in building of a single corporate database of vacancies and candidates' resumes within the power grid complex.

RECRUITMENT OF YOUNG PROFESSIONALS

IDGC of Center and Volga Region actively recruits young professionals educated in relevant fields through cooperation with universities and vocational schools located in the regions of its branches' operation. In 2019, 1,241 students (mainly in power engineering) undertook an internship in the Company. During the summer work season, 240 students were enlisted in the Company's student teams, and 203 students received training as part of targeted training (those who had good academic performance received grants from the Company).

Open Doors Days and tours for schoolchildren and students of universities and vocational schools are regularly held at the branches of the Company along with students' meetings with the management and other experts. In the course of such meeting the young people are given the opportunity to visit the electricity generation facilities and meet the experienced specialists of the power industry to help them decide which career to pick in the future.

To recruit young professionals, IDGC of Center and Volga Region's officers regularly take part in job fairs and are involved in hiring the graduates of industry-specific educational institutions in the regions where it operates.

Training and Staff

Development GRI 404-2

Each employee of the Company receives ongoing training. The adoption of state-of-the-art technologies, as part of digitization of electric grids as well, increase the requirements to the skill level of operational and administrative staff of the Company. The Company organizes a proactive training of staff to work at the newly commissioned facilities and master new technology, and aims to integrate scientific work into the educational and production process. The main areas of training include the following¹:

- professional training (retraining) of blue-collar employees to obtain a field-oriented profession, a secondary (sideline) vocational profession;
- advanced training of staff of basic vocational professions;
- advanced training of managers and Company's experts;
- training and certification of personnel for the right to perform a certain type of work.

59 % (13,166 employees) took time off to participate training in 2019, a 3 p.p. (632 persons) more than in 2018. 92 % or 12,086 persons of those were production staff.

Most of them (60 % or 7,891 employees) underwent training at the corporate training centers, a 5 pp increase YoY. The corporate training centers offer the following advantages:

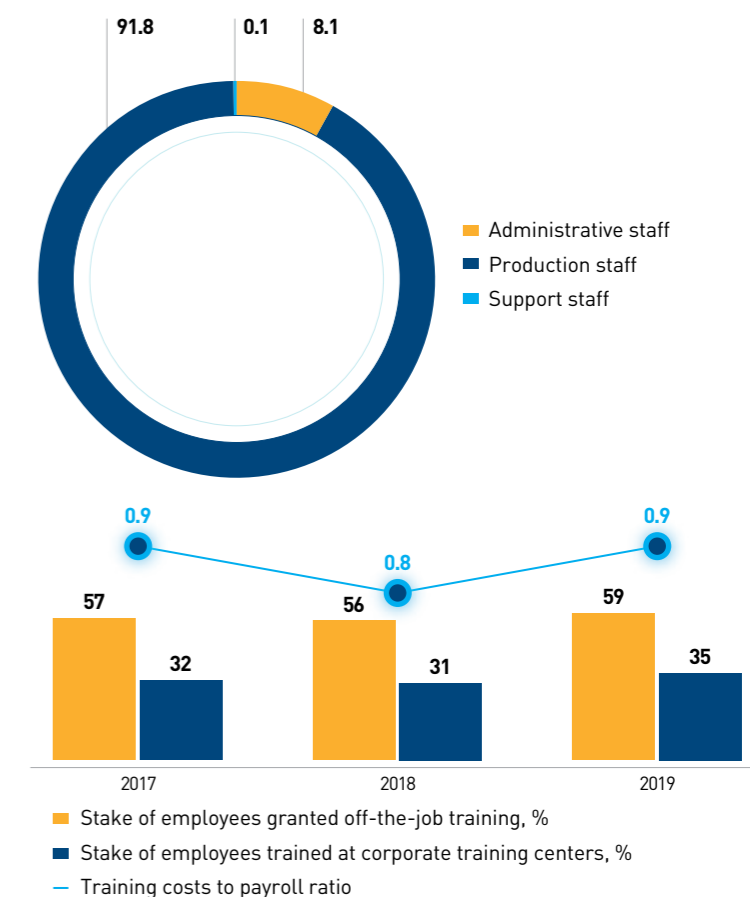
- creation of uniform standards and methods of education;
- development of the educational principles that comply with the Company's strategic plans;
- rapid response and adjustment of the learning process to better meet the managerial and production demands of the Company;
- use of the Company's training facilities;
- cost reduction;
- personnel qualifications comply with the Company's needs to the greatest possible extent;
- training effectiveness assessment available.

The company also places its employees for training in industry-specific universities and vocational, such as the following:

- National Research University Moscow Power Engineering Institute and its branches;

In 2019, the Company held an academic competition, the All-Russian "Rosseti" Olympiad for 9- and 10-Graders. The academic competition included testing the participants' theoretical knowledge in physics, mathematics, and computer science, as well as the ability to apply this knowledge when solving the applied problems of the electric power industry. This academic competition helps power grid companies find talented students with technical creativity and innovative thinking, who are planning to be professionally engaged in the power industry, and involve them in the development of advanced infrastructure and technological projects relevant to the power grid complex of Russia. Prize winners then took part in the "Rosseti" Energy Project Session at Russian Children's Centre Orlyonok, in the All-Russian Contest of Innovative Projects and Designs for the Electric Power Industry Energoproryv 2019, as well as in the All-Russian ProeKToriA Forum.

Breakdown of Trained Labor Force and Training Costs, %



¹ Regulated by the HR and Social Policy of IDGC of Center and Volga Region, the Procedures for HR Management, the Provisions on Staff Training and Development of IDGC of Center and Volga Region, and the requirements of the HR Management Rules for the Electric Power Industry of the Russian Federation.

In 2019, to improve the professional skills of maintenance personnel, popularize best practices, and promote the prestige of vocational professions, four experts and five professionals represented IDGC of Center and Volga Region at the Young Professionals WorldSkills Open Corporate Championship of Professional Skills, where they competed in:

- Operation of cable power transmission lines;
- Maintenance and repair of relay protection and automation equipment;
- Smart electricity metering system.

- State Educational Institution of Higher Professional Education Ivanovo State Power University named after V.I. Lenin;
- Skopin Electrotechnical College;
- Standardization, Metrology and Certification Academy and its branches;
- Petersburg Power Engineering Institute of Professional Development and its branches.

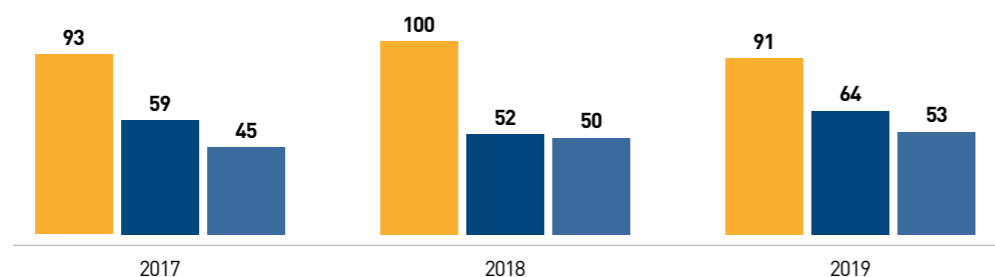
In 2019, IDGC of Center and Volga Region's employees took part in Leaders of Russia and Leaders of Power Engineering, all-Russian manager contests. The latter had

176 participants representing the Company, of whom 39 reached the finals and 7 were among winners.

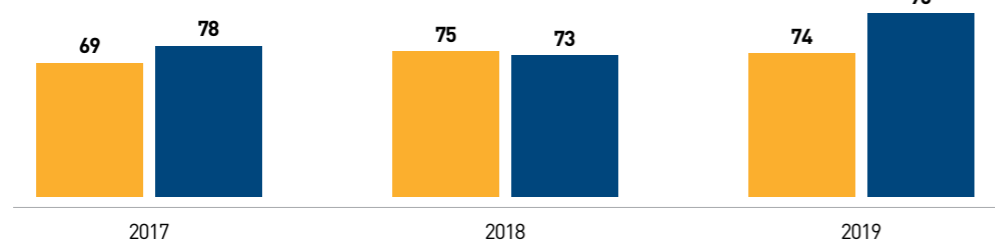
GRI 404-1

AVERAGE TIME OF EMPLOYEE TRAINING PER TRAINED EMPLOYEE, HOURS

By Employee Category



By Gender



Employee Remuneration and Engagement

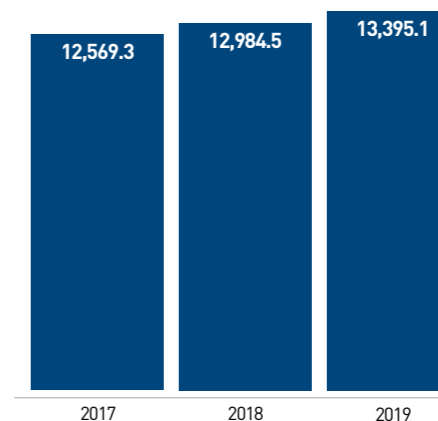
A uniform and transparent remuneration system for all occupational groups enables IDGC of Center and Volga Region to recruit and retain experienced staff members while also motivating them to perform the best they can.

Remuneration of the Company's employees is composed of the tariff component (tariff rates / basic salaries) and a variable component (additional payments as a percentage of the tariff rate / basic salary). For all employees of the production departments and divisions of the executive office ensuring operation of the production departments of the branches, there is a single wage rate scale. For the administrative staff of the branches and the executive office employees, the basic salary ranges are applied.

The current wage system provides for the following:

- imposition of tariff rates / basic salaries based on the qualifications, professional aptitude and experience of the employee;
- tenure pay;
- additional payments and bonuses depending on the functions performed, volume of work performed and working conditions;
- current bonuses (according to the results of work over a month, quarter, year) for the results of production and business activities;
- one-time bonuses for performance of particularly important tasks;
- additional bonuses payable when a branch completes the fall and winter season successfully, awarded for proper arrangement of coordination and decision-making with

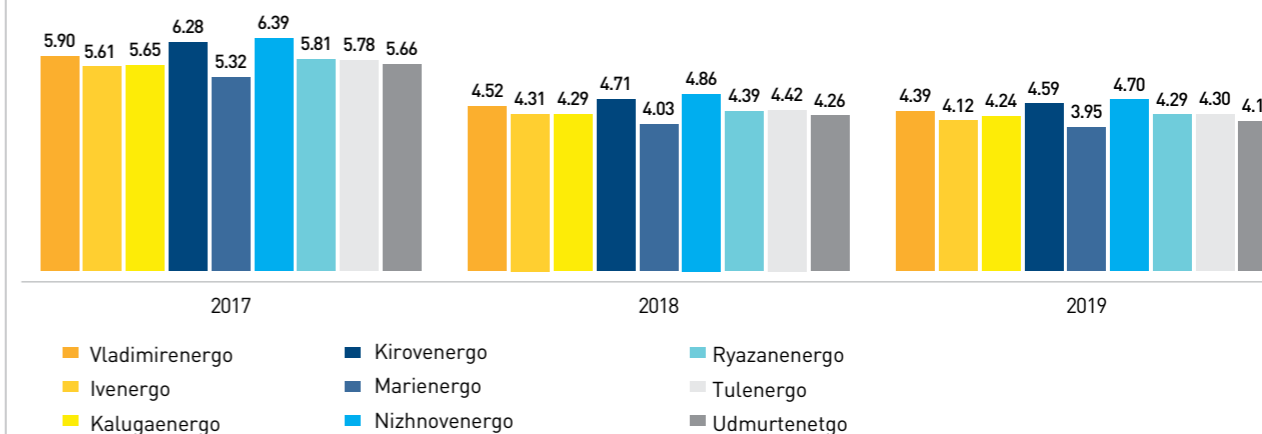
Payroll, RUB mn



- respect to specifying the grid connection conditions;
- bonuses as per results of the Accident-Free and Safe Department of IDGC of Center and Volga Region's Power Grids Contest.

The Company has a policy to keep its employees social security level high, which includes their wages. The average wage at the Company is higher than the regional average wherever it operates; the Company keeps it that way to recruit high-skilled professionals in the competitive labor market.

Average Wage to Minimum Wage Ratio at Branches GRI 202-1



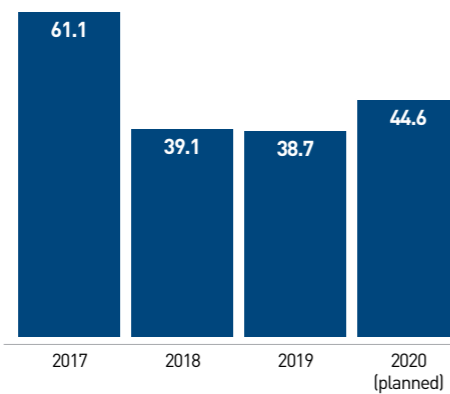
Average salary ratio: Company's branch vs its region GRI 102-38

Branches	Managers			Professionals and officers			Operational staff		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Vladimirenergo	2.65	2.51	2.41	1.58	1.50	1.54	1.35	1.27	1.27
Ivenergo	3.03	2.95	2.66	1.96	1.84	1.81	1.48	1.43	1.36
Kalugaenergo	2.11	2.00	1.86	1.28	1.18	1.18	1.04	0.99	0.94
Kirovenergo	3.23	2.99	2.85	1.92	1.80	1.75	1.44	1.38	1.31
Marienergo	2.72	2.62	2.59	1.57	1.52	1.48	1.10	1.10	1.04
Nizhnoenergo	2.44	2.38	2.23	1.68	1.62	1.56	1.35	1.34	1.26
Ryazanenergo	2.49	2.36	2.21	1.52	1.44	1.41	1.28	1.23	1.21
Tulenergo	2.45	2.40	2.21	1.44	1.37	1.32	1.16	1.13	1.07
Udmurtenergo	2.62	2.47	2.40	1.61	1.50	1.49	1.09	1.06	1.01

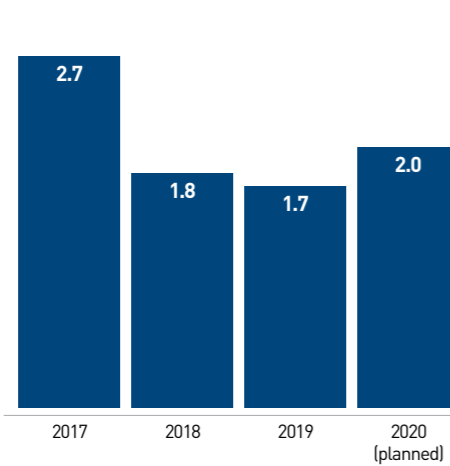
Social Assistance for Employees¹

SOCIAL PAYMENTS

Total, RUB mn



Per employee, RUB thous.



The average wage keeps rising thanks to the biannual indexation by the actual consumer price index value in Russia.

The average salary within the Company rose by 3 % YoY in 2019 due to the indexation of wages and raising the rates payable to employees in essential jobs on the basis of their professional traits.

IDGC of Center and Volga Region has a system of key performance indicators (KPI) for personnel assessment that is bound to the Company's strategic goals. Individual KPIs are determined for every subdivision and every official. Decisions on awarding the employees with bonuses are made with regard to compliance with these indicators. KPIs of production personnel and specialists are tied to the completion of current tasks, while bonus awards for the top and middle managers are based on the attainment of medium- and long-term objectives.

The most distinguished employees are presented with national, industry and corporate awards. In 2019, 83 employees of IDGC of Center and Volga Region were awarded by the Ministry of Energy, 137 gained corporate awards from "Rosseti", and 2,690 persons received industrial awards of inhouse awards of IDGC of Center and Volga Region/its branches.

¹ The projections are cited from the Business Plan approved by the Company's Board of Directors on December 31, 2019 (Minutes No. 393 dd. December 31, 2019); they are not adjusted for risks that actually occurred after approving such Business Plan and before publishing this Integrated Annual Report for 2019.

COLLECTIVE BARGAINING AGREEMENT GRI 102-41

The Collective Bargaining Agreement drafted in accordance with the Sectoral Tariff Agreement of the Electric Power Industry in Russia is the key document that defines the benefits package for the Company's employees. The Agreement sets forth a standard list of additional benefits, guarantees, and compensations available to the Company's employees in addition to what is required by the Russian law as well as by the Sectoral Tariff Agreement of the Electric Power Industry in Russia, including:

- voluntary health insurance (VHI);
- insurance against accidents and diseases;
- provision of additional paid leave for family reasons;
- support for socially vulnerable families;
- financial assistance to employees during the annual paid leave;
- financial assistance to employees on such occasions as marriage, birth or adoption of a child, as well as the child's birthday (from 1 to 3 years inclusive);
- financial assistance in organizing funerals of the employees and their close relatives;
- financial assistance to employees for anniversary celebrations;
- payment of benefits to employees who retire due to disability;
- payment of benefits to children of employees who died in the workplace;
- providing conditions for recreation and health improvement of employees;
- providing children of employees with vouchers to summer camps or leisure-and-health institutions, as well as New Year's gifts;
- non-state pension schemes for employees.

INSURANCE COVERAGE

Under its Insurance Coverage Regulations and the Insurance Coverage Program, the Company provides voluntary health insurance (VHI) as well as accident and disease insurance to all its employees.

The VHI Program provides the whole spectrum of health services: outpatient care (including at home), private ambulance, inpatient and dental care at specialized regional hospitals. VHI gives an option to choose any healthcare facility covered by the insurance to better suit the employee's condition and location; it also provides for faster examination, which improves the quality of treatment, thus boosting further productivity. Beside basic healthcare, the VHI Program provides for yearly vaccination against influenza and tick-borne encephalitis.

The Accident and Disease Insurance Program has a round-the-clock (24 hours a day) coverage.

NON-STATE PENSION SCHEMES (NPS)

As part of the NPS Program, the Company regularly transfers pension contributions to non-state pension funds it has NPS agreements with, and those employees that qualify for age-based pensions can count on receiving such non-state pensions in addition to public welfare. The NPS Program includes:

- the Corporate Plan, under which the Company fully finances additional non-state pension coverage of its employees at its own expense;
- the Parity Plan, which implies that the employee and the Company jointly, in certain proportions and according to certain rules, contribute to the employee's pension fund;
- the Co-Financing Program, which means that the employee, the Company, and the state all contribute to the employee's future pension under Federal Law No. 56-FZ dd. April 30, 2008.

HOUSING POLICY

IDGC of Center and Volga GRI 201-3 helps the employees to improve their housing. The Company has Housing Policy Regulations in place to recruit high-skilled specialists and young talents. In 2019, 138 employees of the Company received reimbursements for their rent, 39 employees received compensation for a part of the costs of mortgage loan interest.

ORGANIZATION OF RECREATION AND PROMOTION OF HEALTH OF EMPLOYEES' CHILDREN

Vouchers for children of the employees to children's camps and leisure-and-health institutions are partially funded by the Company as well as by the local self-governments. In 2019, over 600 children of employees used such vouchers.



In Spring 2019, shortly before the Victory Day, the employees of IDGC of Center and Volga Region in all regions of the Company's operation worked hard to complete Svet Pamyaty, a historical memorial project. To preserve the memory of participants and events of war, each branch of the Company collects data for commemorative museum exhibitions, sections of photographs and memories of participants of combat are created on the websites, meetings of the veterans dedicated to the Great Victory are held. Every year, the Company's employees take active part in the improvement of memorials and monuments to soldiers, who died during the Second World War, participate in solemn processions with the veterans and lay wreaths on monuments to fallen soldiers.

HEALTH, FITNESS AND SPORTS

IDGC of Center and Volga Region seeks to promote health, fitness and popular sports. Health Days, spartakiads and tourist rallies for branch employees take place in the regions of presence. Besides, the Company pays for its employees' swimming pool and gym memberships.

Branch teams represent the Company in regional inter-industry competitions with honor. In 2019, IDGC of Center and Volga Region's teams participated in "Rosseti's" ski racing, volleyball, futsal, ice hockey, table tennis, running, swimming, and chess tournaments.

YOUTH POLICY

In 2010, IDGC of Center and Volga Region established its Council of Young Professionals to bring together promising young specialists that have a proactive attitude, are willing to grow professionally, build a career, and take part in the Company's public life. The Council mainly seeks:

- professional and social adaptation of young employees to working in a collective;
- to promote professional growth;
- to boost young people's creative and research initiative;
- to encourage young people's active participation in the Company's and its branches' productive and cultural life.

Members of the Council are involved in sports and recreational activities, hiking, corporate events, subbotniks; they help organize festivities for children from the Company-patronized orphanages, etc.

In 2019, the Council took part in the First All-Russian Intercorporate Walking Contest The Walking Man (Rus: Человек идущий), the World Tree Planting Day, the International Sport Forum Russia-Sports Power, the International Youth Energy Forum, the Forsage 2019 International Forum for Young Power Engineers and Industrialists, the Youth Day of the Russian Energy Week, as well as in Leaders of Russia and Leaders of Power Engineering.

WORK WITH VETERANS

In 2019, the Coordination Veterans' Council of the Company continued its work. The Council supervises the activities of nine Veterans' Councils of the Company's branches, which unite 5,421 working and 5,142 retired veterans of the WWII Eastern Front, homefront workers, prisoners of concentration camps and residents of besieged Leningrad. Each of the veterans has worked in the electric power industry for over 20 years.

In 2019, non-state pensions were paid to 5,048 persons, while 214 WWII Eastern Front veterans received monetary support when they needed it the most. The Company continued its effort to compile an electronic almanac of archival documents, photographs, and recollections of EF and power engineering veterans. The Company's website keeps its Zhyvaya Ystoriya online museum of the electric power industry up-to-date and running.

Industrial and Occupational Safety GRI 403-1

One of the important performance indicators and a factor of sustainable growth for IDGC of Center and Volga Region lies in sustained occupational safety for the Company's staff and for the residents of the regions where it operates. To this end, the Company has its special Program for Prevention and Reduction of Risks of Injury to Personnel and Third Parties at Grid Facilities for 2019-2020 in place. The Program is based on audits and their related remarks, suggestions from occupational health and safety officers, and injury overviews. The key actions under the Program are:

- equipping staff and workplaces with new, modern protection devices and gear;
- accident prevention activities;
- implementation of sanitary measures to prevent occupational diseases;
- implementation of measures for a general improvement of working conditions.

The Company's occupational health and safety activities mainly seek to keep employees alive and healthy. At the same time, the Company seeks to improve the working conditions, have as little as possible physically taxing jobs, and promote healthy lifestyles.

All employees of IDGC of Center and Volga Region have full medical checkups before and during their employment. Production staff's health is monitored every day or every shift by their immediate superiors as well as by the medical officers employed by the Company's branches. Besides, people in core professions of the industry undergo psychophysiological testing every year to check their blood pressure, heart rate variability, visual and motor reactions, distribution of attention, etc. People at risk are subject to repeated tests. In case the checkups return contraindications to work, the employee is granted time off to undergo individual testing or may be transferred to a lighter-duty job upon consent. If necessary and so recommended by the healthcare provider, an employee can be provided in-depth examination, outpatient, inpatient, or spa treatment.

In its effort to keep each branch compliant with occupational safety standards, the Company follows local regulatory documents that comprise rules of conduct of works, personal protective equipment selection and use procedures, contractor selection procedures, and guidelines for contractors working at the

company's energy facilities. The Company also has Occupational Safety Violation Response Regulations in place, which state that only employees complying with the rules of occupational safety could receive the wage bonus in full.

The requirements for compliance with safety rules are imposed not only on the personnel of the Company, but also on the employees of contracting organizations working at the Company's energy facilities. These requirements are mandatory and are stipulated in the contracts signed with contracting organizations.

Monitoring and accounting of the violations of occupational safety and workplace hygiene is carried out as part of the comprehensive, targeted and thematic inspections, as well as during such activities as, for example, Occupational Safety Day, Fire Safety Day, Operational Worker Day, Day With the Crew, etc. G4-DMA (earlier EU 16)

IDGC of Center and Volga Region established Occupational Safety Committees that consist of managers and trade union representatives; they meet to review different subdivisions' occupational safety performance, analyze proposals on how to improve labor conditions and prevent injuries, and devise extra steps with respect to occupational safety.

IDGC of Center and Volga Region has 19,355 jobs that are subject to regular check for working conditions. In 2019, such checks identified 320 jobs (or 2 % of the Company's total job roster) that were categorized as Class 3.1 or 3.2 (i.e. hazardous jobs)¹; the Company planned and took 50 measures to improve the labor condition. Compared to 2018, 3 % less hazardous jobs (Class 3.1 and 3.2) were found in 2019.

In 2019, IDGC of Center and Volga Region had no cases of occupational injuries or diseases. Less employees had harmful or hazardous working conditions; productivity improved in general, as did the social and legal protection available to employees.

To prevent exposure to harmful or hazardous factors as well as to boost productivity, the Company equips workers with all the



In 2019, Tulenergo inaugurated the first-ever medical facility created by the Staff Health Management System, a digital project. The facility relies on advanced software to remotely check employees' health. This software enables every employee to monitor their medical test results online, and the managers to monitor the health of their subordinates on a daily basis.

¹ 98 % of the Company's jobs were recognized as Class 1 or 2 jobs (optimal or acceptable, respectively); no Class 3.3, 3.4, or 4 jobs were found.

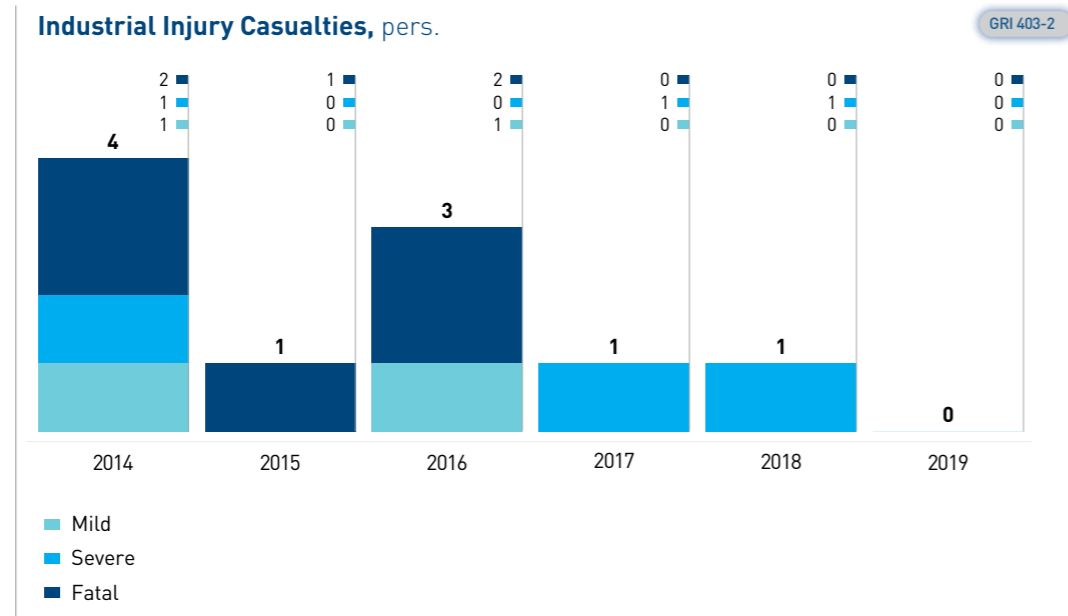
Personal protective equipment is chosen not only for protection (e.g. against electric current) but also for convenience. For instance, using induced voltage sensors helps not only measure the induced voltage before doing any work, but also prepare the workplace faster and easier.

necessary protections as required by the current regulations: special clothing and footwear, protective equipment, tools, and tooling to work safely.

In particular, in 2019 the Company purchased fall protections of a fundamentally refreshed design as well as special kits to protect OPL servicemen from induced voltage, as well as instrumentation to measure it. 15.5 RUB mn was spent for these purposes, which accounts

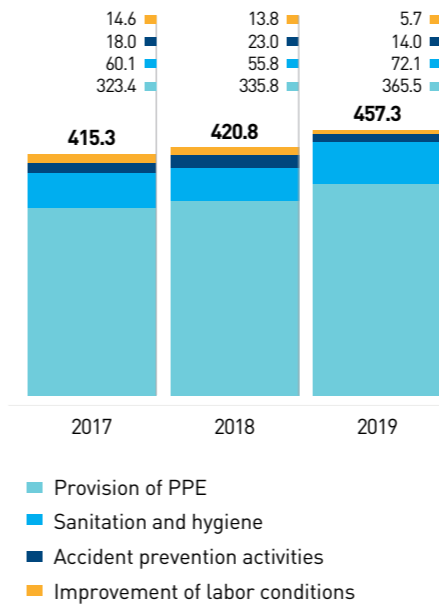
for 3.2 % of the total costs of occupational safety measures and 3.4 % of the total costs of providing employees with personal protective equipment.

The Company's occupational health and safety costs totaled 457.3 RUB mn in 2019, a 8.7 % increase YoY. The Company plans to spend over 460 RUB mn in 2020. Specific occupational health costs totaled 20.4 RUB thous. per

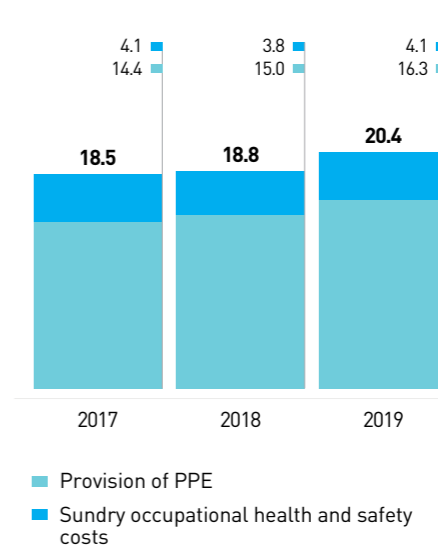


employee in 2019, a 8.5 % increase YoY. The specific costs of personal protective equipment totaled 16.3 RUB thous. per employee in 2019, a 8.6 % increase YoY.

Structure of Costs for Occupational Safety and Labor Protection, RUB mn



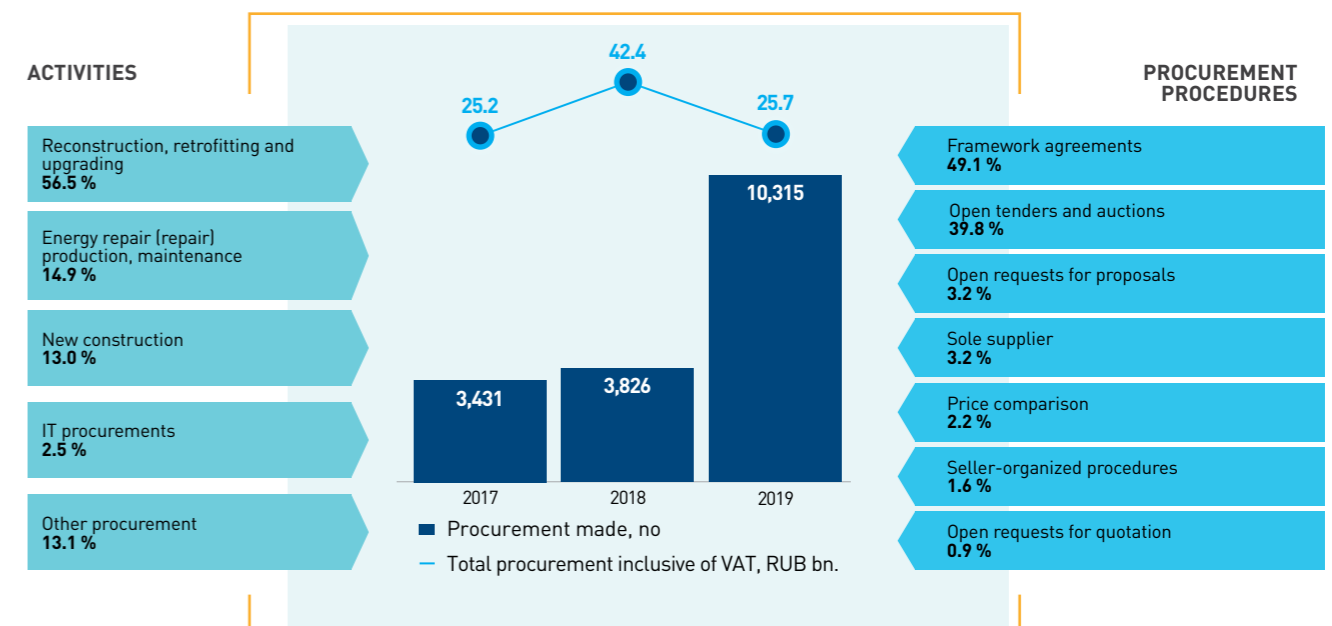
Specific Costs of Occupational Safety per Employee, RUB thous.



PROCUREMENT AND SUPPLIER RELATIONS

IDGC of Center and Volga Region's procurement is governed by Rosseti's Uniform Procurement Standard¹.

SUPPLY CHAIN GRI 102-9



¹ Rosseti's Uniform Procurement Standard (the Procurement Regulations) was approved by Rosseti's Board of Directors (Minutes No. 343 dd. December 25, 2018) as an inhouse regulation by joining it (Order No. 39-TsA dd. January 31, 2019), drafted in compliance with the Federal Law No. 39-FZ dd. July 31, 2019 On Purchasing Goods, Works and Services by Certain Types of Legal Entities.

Competitive procurement accounted for

96.8 %
of the total procurement value-wise, with 3.2 % being procured from a sole supplier.

IDGC of Center and Volga Region's procurement efforts follow these principles:

Principle	Description
Procurement transparency	<ul style="list-style-type: none"> as required by the current legislation; sufficient for potential counterparties to decide whether to engage in procurement
Equality, fairness, non-discrimination, no unreasonable competition restrictions for the bidders involved	<ul style="list-style-type: none"> competitive selection; equal competitive opportunities for all bidders; non-discrimination and no unreasonable competition restrictions for the bidders involved; reasonable requirements to potential bidders, procured goods, works, and services
Targeted and cost-effective spending of funds	<ul style="list-style-type: none"> commercial proposals must be selected on a basis of price and non-price criteria; the cost-effectiveness and sundry efficiency criteria must be set forth in advance
No unmeasurable requirements to bidders	<ul style="list-style-type: none"> no restrictions on admission to bidding; no unmeasurable requirements to bidders
Transparency and controllability of all bidding phases	<ul style="list-style-type: none"> planning; accounting; monitoring; control; audit
Only professional and competence employees of the Company to be involved in procurement	<ul style="list-style-type: none"> officers' personal responsibility for any procurement procedure and any decisions made with respect to procurement; impeccable compliance with all the procurement regulations
Compliance with law	<ul style="list-style-type: none"> compliance with procurement-regulating laws; compliance with anti-corruption law

Following these principles, IDGC of Center and Volga Region uses the procurement methods below:

Procurement methods (in descending priority order)	Terms and conditions
Competition	<ul style="list-style-type: none"> priority method; choosing any other method must be allowed by Rosseti's Uniform Procurement Standard
Auction	<ul style="list-style-type: none"> a competitive market exists for the procured products; the procurement initiator has drawn a specification that sets forth the requirements in detail
Request for proposal	<ul style="list-style-type: none"> the initial (maximum) contract price is within 15 RUB mn inclusive of VAT; the winner must be selected by at least two criteria set forth in the procurement documentation
Request for quotation	<ul style="list-style-type: none"> a competitive market exists for the procured products; the procurement initiator has drawn a specification that sets forth the requirements in detail; the initial (maximum) contract price is within 7 RUB mn inclusive of VAT; contract price is the only winning criterion
Competitive pre-selection	<ul style="list-style-type: none"> the Customer is unable to define the scope and/or timing of delivery of works, goods, or services as of the time of bidding; competitive pre-selection is subject to no limits on the initial (maximum) contract price; prices are requested on the basis of competitive pre-selection
Price comparison	<ul style="list-style-type: none"> procurement of simple goods; the initial (maximum) price of purchase is within 500 RUB thous. inclusive of VAT;
Procurement from a sole supplier (contractor)	<ul style="list-style-type: none"> procurement of one-of-a-kind goods, works, or services from a sole supplier (contractor); procurement from a sole supplier (contractor) to prevent or address the consequences of, an emergency
Procurement by participation in the seller-organized procedures	<ul style="list-style-type: none"> the seller must ensure fair competition for procurers

In 2019, IDGC of Center and Volga Region carried out

3,898 analyses of bidders, where it had

124 negative opinions and rejected

75 bidders

In cooperation with IDGC of Center and Volga Region's Security Service and the Department of Anti-Corruption Compliance Procedures, it identified 9 cases of affiliated bidders.

Below are the key challenges facing the Company's procurement departments:

- timely and complete satisfaction of the Company's needs in products with the adequate price, quality, reliability and energy efficiency;
- efficient use of funds;
- regularly increasing the possibility of legal entities and individuals to participate in the Company's procurement procedures and attracting new participants;
- contributing to the development of fair competition;
- ensuring maximum openness and transparency of procurement;
- prevention of corruption and other improper actions during procurement.

In an effort to optimize its procurement activities, IDGC of Center and Volga Region prefers the following tools:

- e-commerce platforms;
- procurement planning;
- purchases from small and medium-sized enterprises.

In 2019, e-commerce trading covered 93.3 % of the total procurement in terms of value, or 23,913.87 RUB mn inclusive of VAT.

Use of E-Commerce Platforms

To publish information about orders, IDGC of Center and Volga Region uses a specialized official website of the Russian Federation (www.zakupki.gov.ru), Rosseti's e-commerce platforms (www.etp.rosseti.ru) its B2B-Center (www.b2b-center.ru), as well as the official websites of the Company (www.mrsk-cp.ru) and its branches.

Purchases from Small and Medium-Sized Enterprises GRI 204-1

To fulfill the Decree of the Russian Government No. 867-r dated May 29, 2013 On Approval of the Action Plan (Roadmap) Expanding Access of Small and Medium-Sized Enterprises to the Procurements of Infrastructural Monopolies and Companies Partially Owned by the Government, the Company has the Program for IDGC of Center and Volga Region / SME Partnership in place.

In 2019, 80.0 % of all procurement was made from small and medium-sized enterprises. SME-exclusive procurement accounted for 27.4 % of the total procurement.

Procurement Improvement

During 2019, the following measures were taken to improve the organization and carrying out procurement:

- quarterly assessment of procurement effectiveness;
- training the employees of branch-based procurement offices as well as those of the Executive Arm to organize and carry out procurements;
- informing small and medium-sized enterprises about the Company's procurement activities.

The measures taken allowed the Company to obtain an economic advantage based on the results of procurement procedures worth 851.0 RUB mn with VAT or 3.2 % of the target declared value of competitive purchases.

PREVENTING CORRUPTION AND CONFLICTS OF INTEREST

GRI 102-16 GRI 102-17 GRI 205-3

Anti-Corruption Policy

The department responsible for the prevention of, and combating corruption at IDGC of Center and Volga Region follows the Anti-Corruption Policy of Rosseti and IDGC of Center and Volga Region as approved by the Board of Directors of IDGC of Center and Volga Region on February 28, 2017 (Minutes No. 258 of March 2, 2017).

In 2019, this department did the following:

- drafting the in-house regulations under Article 13.3 of the Federal Law No. 273-FZ dd. December 25, 2008 On Combating Corruption;
- review and verification of information on possible facts of corruption and other corruptive practices in the Company.

In the event of a possible corruptive practice, the Company's employees, contractors and other natural persons and legal entities can report the case through the Company's website, a hot line, mail or during a personal

appointment. Any such corruption reports from employees, counterparties, or sundry natural persons or legal entities are registered in the Complaint Log of the Anti-Corruption Policy Implementation Division of the Department of Anti-Corruption Compliance Procedures. Over 2019, the Company had 188 reported cases of corruption.

Each report was carefully considered. One reported case of corruption was confirmed, and appropriate measures were taken.

When carrying out procurement procedures, the Company follows the requirements of the uniform Anti-Corruption Standard to check the procurements for possible corruption. It involves an assessment of the degree of trustworthiness and integrity of contractors, exception of possible conflicts of interest, affiliation or other abusive practices associated with positions held in the Company. Over 2019, 123,670 expenditure and revenue agreements and 12,586 additional agreements concluded

by the Company passed these verification procedures.

IDGC of Center and Volga Region independently implements measures to prevent and counter-act corruption and also takes an active part in collective anti-corruption initiatives. In particular, the Company cooperates on these issues with the Chamber of Commerce and Industry of the Russian Federation and all-Russian public organizations such as the Russian Union of Industrialists and Entrepreneurs, Delovaya Rossia, OPORA RUSSIA and others.

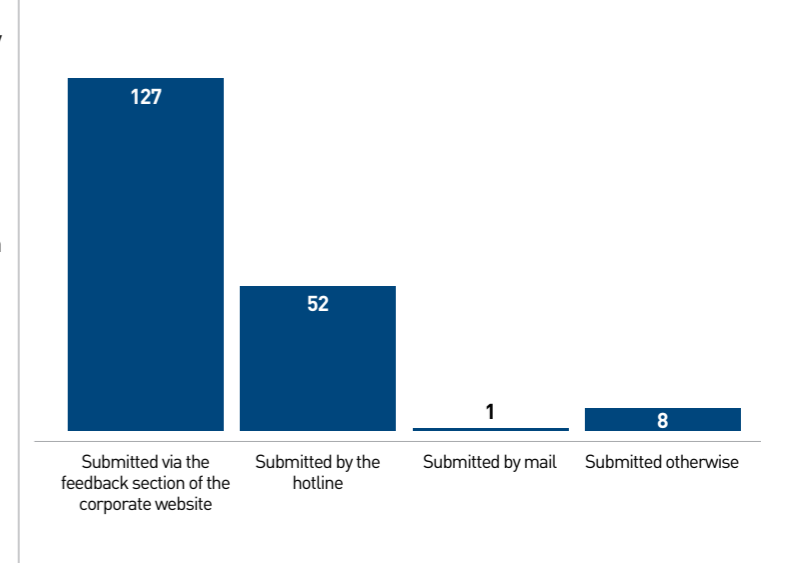
Identification and Clearing of Conflicts of Interests

The conflicts of interest are managed by the Company's Commission on Corporate Ethics Compliance and Conflict of Interest Resolution, formed following the Rosseti Order No. 35 dd. March 4, 2015 On Measures to Prevent Corruption: Preventing and Resolving Conflicts of Interests at Rosseti.

In 2019, to prevent conflicts of interest, the Company took the following measures:

- candidates applying for vacant positions in the Company filled out the declarations of conflict of interest;
- candidate-declared information validated to make statements whether this or that candidate was suitable for a vacant office;
- the Company annually collects, analyzes, and evaluates the declarations of conflict

Statistics of the Company-received Reports of Corruption in 2019, pcs.



of interest not only from newly employed, but also from already employed specialists. In 2019 alone, it checked 5,347 such declarations;

- the Commission for Corporate Ethics Compliance and Conflict of Interest Resolution, IDGC of Center and Volga Region held 3 meetings, identified and resolved 43 preconflict and 6 conflict situations.

¹: Pursuant to the Corruption Report Reception, Review, and Resolution Procedure as approved by the Order No. 389-TsA dd. November 17, 2017.

04

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IMPROVING THE QUALITY OF CORPORATE GOVERNANCE

In 2019, the following was done at IDGC of Center and Volga Region:

- the number of independent directors on the Board of Directors has been increased;
- an external independent evaluation of the effectiveness of internal systems risk control and management has been conducted;
- self-assessment of the performance of the Board of Directors and Committees under the Board of Directors was carried out;
- a contract of liability insurance of members of the Board of Directors was concluded.

[➤ See more on p. 152](#)



CORPORATE GOVERNANCE

MEMORANDUM OF THE CONTROLLING SHAREHOLDER



“Rosseti” is a public holding company with a state share in the share capital of 88.04 %, created in accordance with the Decree of the President of the Russian Federation of November 22, 2012 No. 1567 in order to improve the efficiency and development of the electricity grid complex of the Russian Federation, as well as coordinate the management of this complex through subsidiaries and dependent societies.

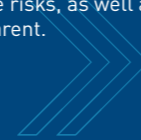
PJSC “Rosseti” owns controlling interest in 14 distribution grid operators¹ (Kubanenergo PJSC, Lenenergo PJSC, MOESK PSJC, IDGC of Volga PJSC, IDGC of North-West PJSC, IDGC of Northern Caucasus PJSC, IDGC of Siberia PJSC, IDGC of Urals PJSC, IDGC of Centre PJSC, IDGC of Center and Volga Region PJSC, IDGC of South PJSC, TDC PJSC, Rosseti Tyumen JSC, Yantarenergo JSC) and one mainline grid operator (FGC UES). Alienation of these assets is not considered.

“Rosseti” has the following strategic development priorities for its subsidiaries:

- reliable, high-quality, and affordable electricity delivery in the new digital environment;
- further efficiency improvement for the core electricity delivery business;
- promotion of legislative initiatives to enhance the industry;
- balancing the interests of the state, customers, shareholders, and investors;

- development of new service categories (non-tariff and consumer services) by virtue of digital transformation to keep the Company stable in the light of the industry’s changes.

“Rosseti” manages the Group’s companies in accordance with the uniform corporate standards designed to assure the efficiency and quality of business processes, minimize all kinds of corporate risks, as well as keep them open and transparent.



PJSC “Rosseti”

¹ These subsidiaries use the following brands: Rosseti Kuban for Kubanenergo, Rosseti Lenenergo for Lenenergo, Rosseti Moscow Region for MOESK, Rosseti Volga for IDGC of Volga, Rosseti Northwest for IDGC of North-West, Rosseti North Caucasus for IDGC of Northern Caucasus, Rosseti Siberia for IDGC of Siberia, Rosseti Urals for IDGC of Urals, Rosseti Centre for IDGC of Centre, Rosseti Centre and Volga Region for IDGC of Center and Volga Region, Rosseti South for IDGC of South, Rosseti Tomsk for TDC, Rosseti Yantar for Yantarenergo, Rosseti FGC UES for FGC UES.

PRINCIPLES OF CORPORATE GOVERNANCE

The Corporate Governance System of IDGC of Center and Volga Region is based on the legal requirements valid for Russia, the Moscow Exchange listing rules, and the guidelines of the Corporate Governance Code.

The corporate governance principles of IDGC of Center and Volga Region include:

- equal and fair treatment of shareholders;
- commitment of the Board of Directors;
- control and accountability of the executive

- bodies to the Board of Directors;
- effective operation of the Internal Control and Risk Management System;
- timely and full disclosure of corporate information;
- transparent and fair reward system;
- social responsibility and stakeholder engagement.

CHANGES IN CORPORATE GOVERNANCE AND FUTURE PLANS

Internal Audit of Corporate Governance Efficiency

In the corporate year 2018/2019, IDGC of Center and Volga Region audited its corporate governance efficiency. The results of the audit were reviewed and approved by the Audit Committee (Minutes No. 3/124 dated August 28, 2019) and the Board of Directors (Minutes No. 376 dated October 4, 2019). Following on from its results, the Company implemented a set of measures to improve the corporate governance as well as the Internal Control and Risk Management System.

IDGC of Center and Volga Region was assigned the corporate governance rating NCGR 7+ standing for Advanced Corporate Governance Practice on the National Corporate Governance Rating scale (NCGR®).

NCGR is an indicator of the corporate governance quality, which makes it possible to compare the development level of corporate governance and the risks related to it in different companies. It reflects the opinion of independent experts about the development level of corporate governance in the company and compliance with international and Russian best practices.

The Russian Institute of Directors’ audit confirms that the Company complies with the corporate governance requirements of the Russian law and follows the bulk of guidelines under the Russian Corporate Governance Code. The risks of loss of owners associated with the corporate governance quality are evaluated as quite low.

Independent Assessment of Corporate Governance Quality

In December 2019, following the inspection of the corporate governance system carried out jointly by the Russian Institute of Directors, NP,

Changes in Corporate Governance of the Company in 2019

To improve its corporate governance, IDGC of Center and Volga Region did the following in 2019:

- the number of independent directors in the Board of Directors rose to 4 and thus exceeded 1/3 of the Board;
- first-ever independent external performance audit of the Internal Control and Risk Management System;
- self-assessment of performance for the Board of Directors and its Committees, the results of which were approved by the Board of Directors on May 31, 2019, Minutes No. 365;
- short-term incentives removed from the Board of Directors' remuneration schemes;
- Liability Insurance Contracts made for the Board of Directors' members.

To bring corporate governance in line with the current legislation, the requirements of the Moscow Exchange, and the guidelines of the Corporate Governance Code (CGC) in 2018-2019, the Company drafted and approved the following revised in-house documents regulating the activities of the management and control bodies:

- Articles of Association (AGSM Minutes No.

13 dd. June 16, 2019);

- General Shareholders' Meeting Regulations (AGSM Minutes No. 13 dd. June 16, 2019);
- Board of Directors Regulations (AGSM Minutes No. 13 dd. June 16, 2019);
- Management Board Regulations (AGSM Minutes No. 13 dd. June 16, 2019);
- Board of Directors Remuneration and Reimbursement Regulations (AGSM Minutes No. 13 dd. June 16, 2019);
- Insider Information Regulations (Board of Directors' Minutes No. 367 dd. June 14, 2019);
- Board of Directors' Strategy Committee Regulations (Board of Directors' Minutes No. 377 dd. October 8, 2019);
- Audit Commission Remuneration and Reimbursement Regulations (AGSM Minutes No. 12 dd. June 4, 2019);
- Information Policy Regulations (Board of Directors' Minutes No. 311 dd. April 2, 2018);
- Dividend Policy Regulations (Board of Directors' Minutes No. 300 dd. February 5, 2018 amended by virtue of the Board of Directors' Minutes No. 325 dd. August 2, 2018).

Plans to Improve Corporate Governance Quality GRI 102-28

In 2020, IDGC of Center and Volga Region plans to further improve the corporate governance level by analyzing the best practices in general while also relying on the Board of Directors and Committees' self-assessment for 2019-2020.

The Company further plans to amend its internal documents, including the Articles of Association, the General Shareholders' Meeting Regulations, the Board of Directors Regulations, the Management Board Regulations, and the Board of Directors' Committees Regulations. These amendments

will bring better corporate governance as recommended by the Corporate Governance Code approved by the Bank of Russia.

IDGC of Center and Volga Region follows the principles of completion, truthfulness, and comparability of disclosed information, as well as the best practices of corporate governance; thus, it seeks to disclose more complete and objective information. In particular, it plans to continue to yearly disclose its results of the reporting year in Integrated Annual Reports.

ASSESSMENT OF CORPORATE GOVERNANCE COMPLIANCE WITH THE PRINCIPLES OF THE CORPORATE GOVERNANCE CODE (CGC)

Methodology of Assessment

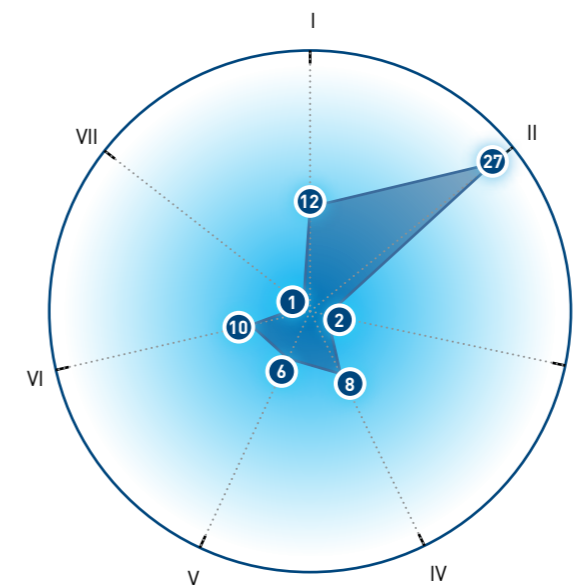
In 2014, the Bank of Russia approved and recommended to use the Corporate Governance Code (CGC). This document is recommended for joint-stock companies whose securities are allowed for on-exchange trading.

This Report contains the Company's assessment of the current corporate governance level for compliance with the CGC

principles. The assessment was carried out by the Company independently based on a comparison with the CGC recommendations, provisions of the existing internal documents and the Company's corporate governance practices. Comments are provided regarding those CGC principles, which, in the opinion of the Company, are being not observed or partially observed.

Assessment Results

Compliance with the Principles of CGC According as at the End of 2019, pcs.

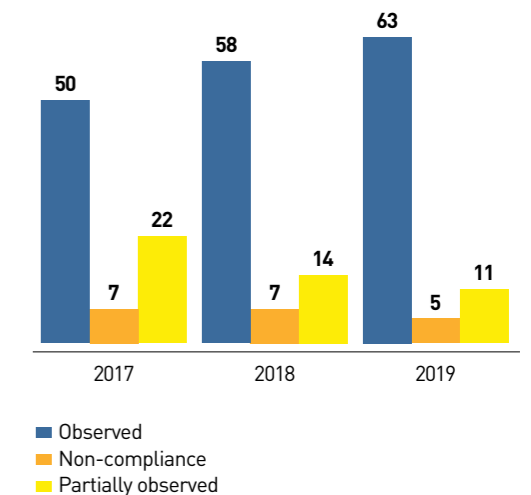


- Shareholders' rights and the equality of shareholders in the exercise of their rights
- Board of Directors of the Company
- Corporate Secretary of the Company
- System of remuneration of the members of the Board of Directors, executive bodies and other key managers of the Company
- Risk management and internal control system
- Company's information disclosure and information policy
- Major corporate actions



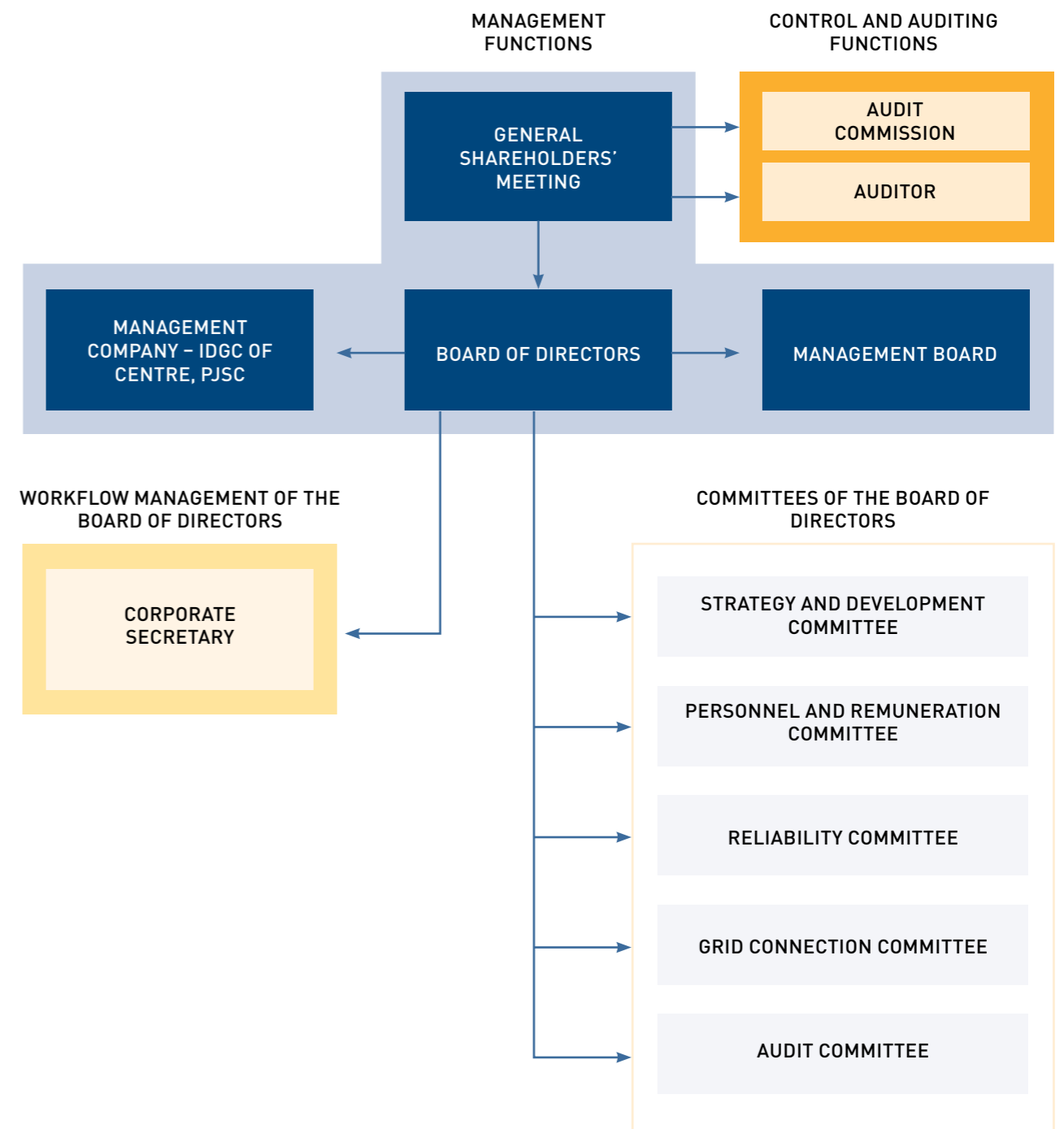
In 2019, the number of CGC principles observed by the Company significantly increased.

Compliance with the CGC Principles in 2017-2019, %



Subsection	Number of the principles recommended by the Code	Status of compliance with the criteria					
		Year-end 2018			Year-end 2019		
		Full compliance	Non-compliance	Partial compliance	Full compliance	Non-compliance	Partial compliance
1. SHAREHOLDERS' RIGHTS AND EQUALITY OF SHAREHOLDERS IN THE EXERCISE OF THEIR RIGHTS							
1.1.	6	6	-	-	6	-	-
1.2.	4	3	-	1	3	-	1
1.3.	2	2	-	-	2	-	-
1.4.	1	1	-	-	1	-	-
2. BOARD OF DIRECTORS OF THE COMPANY							
2.1.	7	7	-	-	7	-	-
2.2.	2	2	-	-	2	-	-
2.3.	4	4	-	-	4	-	-
2.4.	4	2	2	-	3	1	-
2.5.	3	2	-	1	2	-	1
2.6.	4	2	-	2	4	-	-
2.7.	4	2	-	2	3	-	1
2.8.	6	2	2	2	2	2	2
2.9.	2	-	1	1	-	1	1
3. CORPORATE SECRETARY OF THE COMPANY							
3.1.	2	2	-	-	2	-	-
4. SYSTEM OF REMUNERATION OF THE MEMBERS OF BOARD OF DIRECTORS, EXECUTIVE BODIES, AND OTHER KEY MANAGERS OF THE COMPANY							
4.1.	4	4	-	-	4	-	-
4.2.	3	3	-	-	3	-	-
4.3.	3	1	1	1	1	1	1
5. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM							
5.1.	4	4	-	-	4	-	-
5.2.	2	2	-	-	2	-	-
6. COMPANY'S INFORMATION DISCLOSURE AND INFORMATION POLICY							
6.1.	2	1	-	1	4	-	-
6.2.	3	3	-	-	2	-	-
6.3.	2	2	-	-	4	-	-
7. MAJOR CORPORATE ACTIONS							
7.1.	3	-	1	2	-	-	3
7.2.	2	1	-	1	1	-	1
Total	79	58	7	14	63	5	11

CORPORATE GOVERNANCE STRUCTURE GRI 102-18



GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is the Company's supreme management body. The scope of its powers include the issues of reorganizing and liquidating the Company, amending the Articles of Association and changing the size of the authorized capital, issuing and delisting of securities, determining the composition and remuneration of the Board of Directors and the Audit Commission along with the other fundamental issues of the Company's operation.

The Company has approved the revised General Shareholders' Meeting Regulations¹ that detailed the procedure for preparing and holding general meetings of shareholders. Two General Shareholders' Meetings were held in 2019.

- revised Articles of Association of the Company, Board of Directors Regulations, General Shareholders' Meeting Regulations, Management Board Regulations, Board of Directors Remuneration and Reimbursement Regulations were approved;
- the Company has been approved to join the Self-Regulatory Association of Construction Surveyors (SRACS).

Report on the Extraordinary General Shareholders' Meeting

An extraordinary General Shareholders' Meeting took place on December 31, 2019 by absentee voting. The following resolutions were made:

- pay dividends on the Company's ordinary shares for Q1 Q3 2019 for a total of 1,839,668 RUB thous. (0.0163239 RUB per one ordinary share);
- set the deadline for listing the dividend recipients as 14th day of the Extraordinary Meeting's resolution to pay dividends.

Report on the General Shareholders' Meeting

The General Shareholders' Meeting took place on June 14, 2019 in presentia. The following resolutions were made:

- the Company's Annual Report and the annual accounting (financial) statements of the Company for 2018 were approved;
- the proposed distribution of profit (losses) of the Company for 2018 was approved;
- the decision was made to pay dividends equal to 4,591,985 RUB thous. on the Company's ordinary shares based on the results of 2018 (0.040746 RUB per ordinary share);
- June 25, 2019 was set as the deadline for making the list of dividend recipients;
- members of the Board of Directors and the Audit Commission of the Company were elected;
- Ernst & Young was approved as the Company's auditor;



Materials and resolutions of the General Meetings of Shareholders are available on the Company's official website.

Agenda of the General Shareholders' Meeting in 2020

- Approval of the Annual Report, the annual accounting (financial) statements of the Company for 2019.
- Distribution of the Company's profit (including payment (declaration) of dividends) and losses according to the year-end results of 2019.
- Election of members to the Board of Directors of the Company.
- Election of members to the Audit Commission of the Company.
- Approval of the Company's auditor.
- Amending the Company's Articles of Association, which requires filing an application with the Ministry of Justice of the Russian Federation to request permit to use a word derived from the official names Russia and the Russian Federation in the Company's new brand name.
- Approval of the revised Board of Directors Regulations of IDGC of Center and Volga Region.

BOARD OF DIRECTORS

GRI 102-22

IDGC of Center and Volga Region's Board of Directors exercises general management of the Company in accordance with the legislation of the Russian Federation, the Company's Articles of Association, and the internal documents except matters referable to the General Shareholders' Meeting.

The resolutions of the Board of Directors are passed by majority voting of the Board members present at the meeting except otherwise allowed by Russian Law and the Company's Articles of Association. The quorum for holding a meeting is at least a half of the elected members of the Company's Board of Directors. Meetings of the Board of Directors are held regularly, at least once every six weeks.

GRI 102-28

In 2019, the first-ever self-assessment of performance of the Board of Directors and Committees of the Board of Directors was carried out according to the Methodology for Assessing the Board of Directors and Committees of the Board of Directors' Performance approved by the Board of Directors on November 30, 2018 (Minutes No. 338).

For this assessment, the Board of Directors analyzed its own needs in professional expertise, experience, and business skills; they also discussed whether the number of Directors was in line with the Company's needs as the shareholders' interests.

The results of the assessment, the average score for which was 4.55, were reviewed at the meeting of the Personnel and Remuneration Committee and also approved by the Board of Directors on May 31, 2019 (Minutes No. 365).

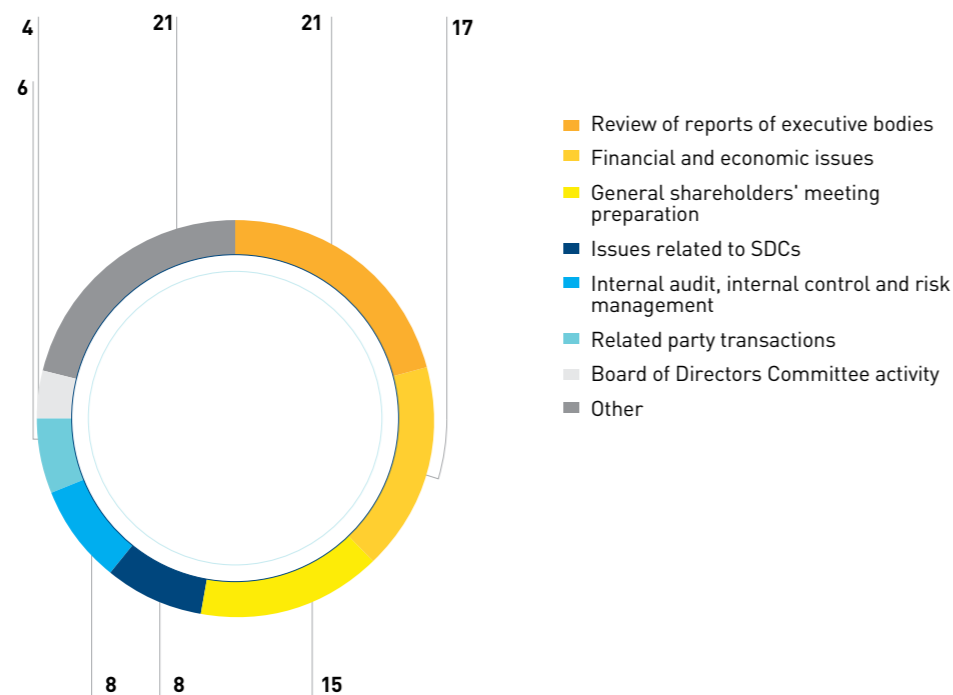
In 2019, IDGC of Center and Volga Region's Board of Directors held

48 meetings
(3 of them were held in person and in absentia)

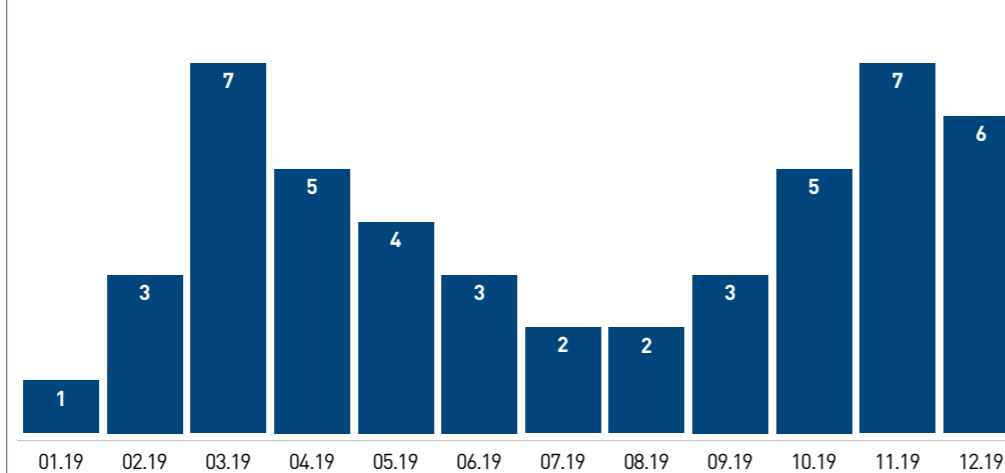
193 issues
were discussed.

¹ Revised General Shareholders' Meeting Regulations (approved by Resolution of the Annual General Shareholders' Meeting dd. June 14, 2019, Minutes No. 13).

Breakdown of Issues Considered by the Board of Directors in 2019, %



No. of Board of Directors' meetings in 2019



Report on the Work of the Board of Directors in 2019



Alexander Ivanovich Kazakov

Chairperson of the Board of Directors, IDGC of Center and Volga Region; Chairperson of the Board of Directors, IDGC of Centre, professional director. Holds no shares in IDGC of Center and Volga Region or its subsidiaries.

Dear Colleagues!

The Board of Directors prioritizes specific activities of IDGC of Center and Volga Region that will determine the Company's distribution of resources and effort. In 2019, those priorities included innovation-driven development (in particular the implementation of the "Digital Transformation 2030" Concept), reliability and quality of services, as well as further improvement of the Internal Control and Risk Management System:

1. Drafting the Innovative Development Program (made priority by the Board of Directors on February 28, 2011, Minutes No. 70).

In 2019, IDGC of Center and Volga Region's Board of Directors approved the following documents on this:

- Regulations on Drafting and Implementation of IDGC of Center and Volga Region's Innovative Development Program, revised (Minutes No. 351 dd. March 5, 2019);
- Report on the Implementation of IDGC of Center and Volga Region's Innovative Development Program for 2016-2020 and up to 2025 in 2018 (Minutes No. 376 dd. October 3, 2019);
- Medium-term Implementation Plan of IDGC of Center and Volga Region's Innovative Development Program for 2019-2021, including the Research and Development Plan (Minutes No. 376 dd. October 3, 2019).

The approved documents are crucial for the corporate innovation management system to function coherently. First of all, they laid the foundations for further implementation of an effective mechanism for innovation cycles that create favorable conditions for the invention and mastering of key innovations, development and adoption of targeted innovative solutions for grids, and management of intellectual property.

2. The Company's effort to keep the established level of service quality and reliability pursuant to regulations: made priority by the Board of Directors on August 30, 2011, Minutes No. 84.

In 2019, IDGC of Center and Volga Region's Board of Directors considered the following matters in this respect:

- attainment of the service reliability and quality indicators established by the regulatory bodies of the Russian Federation over the reporting year of 2018 (Minutes No. 360 dd. April 25, 2019);
- proposals on the planned service reliability and quality targets for Udmurtenergo for 2020-2024 (Minutes No. 361 dd. May 6, 2019);
- sole executive body's Company-wide data on the reliability of services subject to tariff regulation on the basis of long-term activity regulations, collected for 6 months of 2019 (Minutes No. 380 dd. November 1, 2019);
- sole executive body's Report on the Completion of the Board of Directors' Assignment (Minutes No. 84 dd. August 30, 2011) to Submit Refined Proposals on the Planned Service Reliability and Quality Targets for Udmurtenergo for 2020-2024 (Minutes No. 389 dd. December 24, 2019).

The Board of Directors' consistent supervision of such matters enables making timely and feasible decisions to keep the required service quality and reliability level in the light of the rapidly changing external and internal circumstances, under which the Company operates. Given that this is a priority, updating the Board of Directors regularly helps them make balanced and effective decisions on the matters within their purview.

3. Improvement of the Internal Control and Risk Management System, and Enhancement of Internal Audit (made priority by the Board of Directors on August 27, 2014, Minutes No. 164).

In 2019, the Board of Directors reviewed the following documents as part of the effort to improve the Internal Control and Risk Management system:

- sole executive body's Report on the Management of the Company's Key Operational Risks in 2018 (Minutes No. 360 dd. April 25, 2019);
- Internal Audit Report on the Efficiency Evaluation of the Internal Control and Risk Management System in 2018 (Minutes No. 360 dd. April 25, 2019);
- results of an independent external efficiency evaluation of IDGC of Center and Volga Region's Internal Control and Risk Management System (Minutes No. 370 dd. August 1, 2019).

Below are the primary documents approved in 2019 regarding the ICRMS improvement:

- IDGC of Center and Volga Region's Register of Key Operational Risks, revised (Minutes No. 380 dd. November 1, 2019);
- Plan of Measures to Develop and Keep Efficient the Internal Control System of IDGC of Center and Volga Region (Minutes No. 380 dd. November 1, 2019);
- Company's Risk Management System Development and Enhancement Plan (Minutes No. 393 dd. December 31, 2019).

To improve the internal audit function, the Board of Directors discussed the following issues in 2019:

- the Internal Audit Department's reports on progress made in 2018 and the results of internal audit, including the self-assessment of internal audit quality in 2018 and the Progress Report on the Internal Audit Development and Improvement Plan (Minutes No. 360 dd. April 25, 2019);
- internal audit data on the identification and sale of non-core assets in 2018 (Minutes No. 360 dd. April 25, 2019);
- the Company's Internal Audit Report on the Corporate Governance Efficiency Assessment for the Corporate Year 2018-2019 (Minutes No. 376 dd. October 4, 2019).

To improve the internal audit function, the Board of Directors approved the following in 2019:

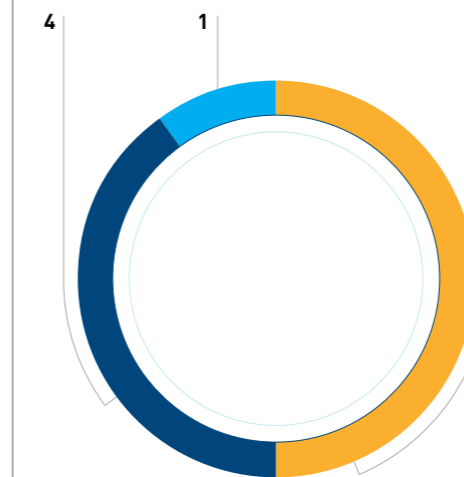
- Revised Internal Audit Policy of the Company (Minutes No. 385 dd. December 2, 2019);
- a format for independent external assessment of the Company's internal audit (Minutes No. 370 dd. August 1, 2019);
- a methodology for calculating and assessing the accomplishment of functional key performance indicators of the internal audit unit's executive and employees at IDGC of Center and Volga Region (Minutes No. 383 dd. November 20, 2019);
- Budget and Plan for IDGC of Center and Volga Region's Internal Audit Department for 2020 (Minutes No. 389 dd. December 24, 2019).

To be ready for the the new trends and challenges, whether external or internal, the Company continuously improves its corporate Internal Audit System as well as the Internal Control and Risk Management System. It regularly updates the lists of targets and activities pertaining to internal audit, internal control, and risk management. All these processes call for the Board of Directors' involvement, and 2019 was no exception.

Composition of the Board of Directors

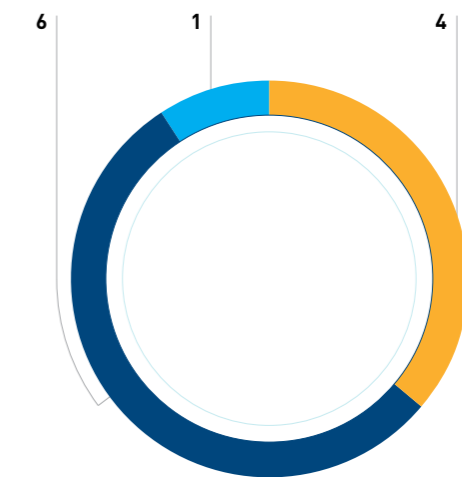
STRUCTURE OF THE CURRENT BOARD OF DIRECTORS, PPL

By Status



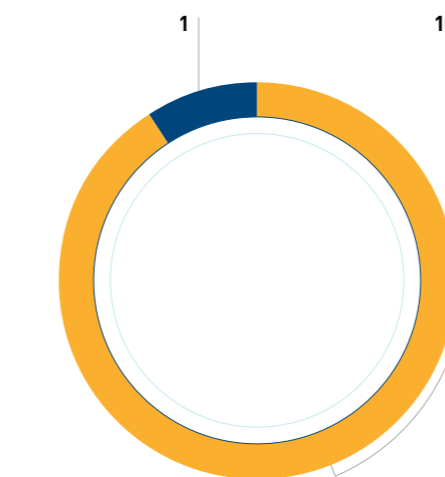
- Non-executive directors
- Independent directors
- Professional directors

By Age



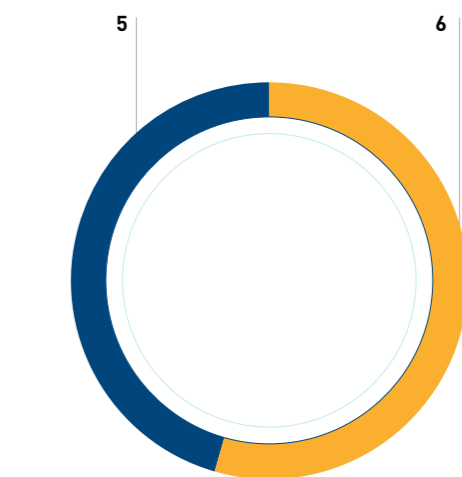
- 31-40
- 41-50
- >60

By Gender



- Men
- Women

By Duration of Service on the Board of Directors of IDGC of Center and Volga Region



- Up to 1 year
- 1 year to 7 years

Main Competencies of the Members of the Current Board of Directors

Members of the Board of Directors	Period of service on the Board of Directors	Main competencies			
		Strategy	Finance and audit	Legal issues	Corporate governance
Alexander Ivanovich Kazakov	Less than two years (elected for the first time on June 1, 2018)	+	+	-	-
Dmitry Alekseyevich Bobkov	Less than one year (elected for the first time on: June 14, 2019)	+	-	-	-
Denis Lvovich Guriyanov	Less than five years (elected and re-elected five times: June 16, 2015; June 9, 2016; June 5, 2017; June 1, 2018; and June 14, 2019)	+	-	+	+
Vitaly Yurievich Zarkhin	Less than one year (elected for the first time on June 14, 2019)	+	+	+	+
Yury Kazbekovich Zafesov	Less than three years (elected and re-elected thrice: August 22, 2012; June 1, 2018; June 14, 2019)	+	+	-	-
Anastasia Igorevna Krupenina	Less than one year (elected for the first time on June 14, 2019)	+	+	+	+
Igor Vladimirovich Makovskiy	Less than one year (elected for the first time on June 14, 2019)	+	+	+	+
Andrey Vladimirovich Morozov	Less than two years (elected two times: June 1, 2018 and June 14, 2019)	-	+	+	+
Egor Vyacheslavovich Prokhorov	Less than one year (elected for the first time on June 14, 2019)	+	+	-	-
Andrey Olegovich Romankov	Less than one year (elected for the first time on June 14, 2019)	+	+	-	-
Alexander Viktorovich Shevchuk	Less than six years (elected and re-elected six times: June 26, 2014; June 16, 2015; June 9, 2016; June 5, 2017; June 1, 2018; and June 14, 2019).	+	+	+	+

GRI 102-25

During 2019, the Company had two line-ups of the Board of Directors. The Board of Directors elected by the Annual General Shareholders' Meeting¹ on June 1, 2018 that was in office from June 1, 2018 to June 13, 2019, comprised²:

- Alexander Ivanovich Kazakov (Chairperson of the Company's Board of Directors), Chairman of the Board of Directors, Far-East Energy Management Company JSC (DVEUK), professional director;
- Denis Lvovich Guryanov, Director of the Corporate Governance and Shareholder/Investor Relations Department, "Rosseti";
- Vitaly Anatolyevich Domnich, Chief of the Strategic Projects Office, Strategic Development Department of "Rosseti";
- Oleg Yurievich Isayev, Director General of IDGC of Centre;
- Yury Kazbekovich Zafesov, Director of the Procurement Department of "Rosseti";
- Andrey Vladimirovich Morozov, Legal Director of the Professional Investors

Association;

- Vladimir Leonidovich Pelymsky, Deputy Chief Engineer of "Rosseti";
- Larisa Anatolyevna Romanovskaya, Chief Advisor of "Rosseti";
- Roman Alekseyevich Filkin, Director, the electric power industry, mechanical engineering at the Representative office of Prosperity Capital Management (Russia), Ltd;
- Vladimir Sergeevich Chistyakov, First Deputy Director General of JSC Investment Holding "E-Union";
- Alexander Viktorovich Shevchuk, Executive Director of the Professional Investors Association.

¹. Minutes of the Annual General Shareholders' Meeting No. 12 dd. June 4, 2018.

². Details about the members of the Board of Directors of IDGC of Center and Volga Region in office from June 1, 2018 to June 13, 2019 are contained in the Company's 2018 Annual Report published on the Company's official website, https://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/godovye-otchet/.

The current Board of Directors elected by Resolution of the General Shareholders Meeting dd. June 14, 2019 (Minutes No. 13) includes the following people¹:



Alexander Ivanovich Kazakov **GRI 102-23**

Chairperson of the Board of Directors, IDGC of Center and Volga Region; Chairperson of the Board of Directors, IDGC of Centre, professional director.

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

Elected member of IDGC of Center and Volga Region's Board of Directors twice on: June 1, 2018, and June 14, 2019.

Born in 1948

He graduated from the Ordzhonikidze Moscow Institute of Engineering and Economics as an Engineer Economist in 1971; was named a Doctor of Economics in 1993.

Over the past five years, he has served as: Chairperson of the Board of Directors, IDGC of Center and Volga Region (June 2018 – present); Chairperson of the Board of Directors, IDGC of Centre (May 2018 – present); Chairperson of the Board of Directors; Far-East Energy Management Company (December 2011 – July 2019).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

Not a member of any Committee of the Board of Directors at IDGC of Center and Volga Region.

Not an independent director.



Dmitry Alekseyevich Bobkov

Director of the Information Policy and Public Relations Department, Rosseti.

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

First elected to the Board of Directors of IDGC of Center and Volga Region on June 14, 2019.

Born in 1982

Graduated from Lomonosov Moscow State University as a Philologist, Teacher of Spanish and Foreign Literature in 2004. Was granted a PhD in Economics at the Institute of Social and Political Studies, Russian Academy of Sciences in 2008.

Over the past five years, he served as: member of the Board of Directors, IDGC of Center and Volga Region (June 2019 – present); member of the Board of Directors, IDGC of Urals (May 2019 – present), member of the Board of Directors, IDGC of Northern Caucasus (June 2019 – present), Director of the Public and Media Relations Department, then Director of the Information Policy and Public Relations Department, Rosseti (April 2013 – present).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

Not a member of any Committee of the Board of Directors at IDGC of Center and Volga Region.

Not an independent director.

¹. The positions are indicated as of the time of election.



Denis Lvovich Guriyanov

Director of the Corporate Governance and Shareholder/
Investor Relations Department, Rosseti.

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

Elected member of IDGC of Center and Volga Region's Board of Directors five times on: June 16, 2015; June 9, 2016; June 5, 2017; June 1, 2018; and June 14, 2019.

Born in 1977

He graduated from Peoples' Friendship University of Russia, Master of Laws. In 2013, he completed the basic Management Pool Training Program at Lomonosov Moscow State University.

Over the past five years, he has served as: Director of the Corporate Governance Department, Director of the Corporate Governance and Shareholder/Investor Relations Department (April 2013 – present); member of the Board of Directors, UES Engineering Center Real Estate PJSC (June 2018 – present); member of the Board of Directors, IDGC of Northern Caucasus (June 2017 – present); member of the Board of Directors, IDGC of Center and Volga Region (June 2015 – present); member of the Board of Directors, FTC PJSC (November 2014 – present); member of the Board of Directors, IDGC of Siberia (June 2014 – June 2016), member of the Board of Directors, Sevkavkazenergo JSC (June 2014 – present), member of the Board of Directors of VOLS-VL Administration JSC (March 2014 – present).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

He's been a member of the Audit Committee since July 20, 2018; a member of the Personnel and Remuneration Committee since September 5, 2019 (chaired the latter until June 28, 2019)

Not an independent director.



Vitaly Yurievich Zarkhin

An independent director.

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

First elected to the Board of Directors of IDGC of Center and Volga Region on June 14, 2019.

Born in 1976

He graduated from Higher School of Economics as Bachelor of Economics in 1998, then as Master of Management in 2000.

Over the past five years, he served as: member of the Board of Directors, IDGC of Center and Volga Region (June 2019 – present); member of the Board of Directors, Enel Russia (June 2019 – present); member of the Board of Directors, IDGC of Centre (May 2019 – present), member of the Board of Directors, IDGC of South (May 2019 – present); member of the Board of Directors, KTK PJSC (June 2018 – November 2019); Managing Director of Gazprombank JSC (May 2011 – March 2018).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

He has been a member of the Grid Connection Committee since September 5, 2019, and a member of the Strategy Committee since October 7, 2019.

An independent director. Pursuant to the Moscow Exchange Listing Rules, he was recognized an independent director by the Board of Directors on July 24, 2019 (Minutes No. 369).



Yury Kazbekovich Zafesov

Director of the Procurement Department, Rosseti

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

Elected member of IDGC of Center and Volga Region's Board of Directors thrice on: August 22, 2012; June 1, 2018; June 14, 2019.

Born in 1975

In 1999 graduated from Lomonosov Moscow State University majoring in Management. In 1997 graduated from Moscow State University of Food Production as an Industrial Engineer. In 2006, received an academic degree of Candidate of Economic Sciences at the Russian Presidential Academy of Public Administration. In 2019, he was trained under the PwC MBA Program in General Management.

Over the past five years, he has served as: member of the Board of Directors of IDGC of Center and Volga Region (June 2018 – present); member of the Board of Directors of IDGC of Urals (May 2018 – present); member of the Board of Directors of Tyumenenergo (June 2017 – present); member of the Board of Directors of Lenenergo (June 2014 – June 2016); Director of the Procurement Department and Director of the Procurement Activities Department, Rosseti (May 2013 – present); Director General of ESSK UES JSC (October 2009 – present); member of the Board of Directors of ESSK UES (January 2010 – present).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

A member of the Audit Committee of the Board of Directors, IDGC of Center and Volga Region since June 29, 2018.

Not an independent director.



Anastasia Igorevna Krupenina

Director for Strategy and Investment, 5Plus LLC
An independent director.

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

First elected to the Board of Directors of IDGC of Center and Volga Region on June 14, 2019.

Born in 1985

She graduated from Tver State University majoring in Finance and Credit as an Economist in 1999.

Over the past five years, she has served as: member of the Board of Directors, IDGC of Center and Volga Region (June 2019 – present); Director for Strategy and Investment, 5Plus LLC (June 2018 – present); Head of the Securities Office and Category I Economist of the Department of Dealerships, Securities Office of GUTA-BANK JSC (June 2012 – February 2018).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

She has been a member of: the Audit Committee since July 24, 2019, the Reliability Committee since September 5, 2019, and the Strategy Committee since October 7, 2019.

An independent director.



Igor Vladimirovich Makovskiy

Director General of IDGC of Centre

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

First elected to the Board of Directors of IDGC of Center and Volga Region on June 14, 2019.

Born in 1972

In 1993, he graduated from the Alma-Ata Higher Front-Line Command College named after F.E. Dzerzhinsky majoring in Command, Tactics with a degree in Border Force Officer; in 2000, graduated from Kaliningrad State University with a degree in Law, qualified as a lawyer. In 2004, he was retrained under the Public and Municipal Administration program.

Over the past five years, has served as: Chairperson of the Board of Directors, YarESK JSC (June 2019 – present); member of the Board of Directors, IDGC of Center and Volga Region (June 2019 – present); member of the Board of Directors, IDGC of Centre (May 2019 – present); Director General of IDGC of Centre (September 2018 – present); Chairperson of the Management Board, IDGC of Centre (September 2018 – present); Chairperson of the Management Board, IDGC of Center and Volga Region (September 2018 – present); member and Chairperson of the Board of Directors, Kaliningrad Generating Company JSC (February 2013 – present); member and Chairperson of the Board of Directors, Yantarenergoservis (February 2013 – present); member and Chairperson of the Board of Directors, Yantarenergosbyt (February 2013 – present); Acting Director General and Director General, Yantarenergo (August 2012 – September 2018); Chairperson of the Management Board, Yantarenergo (August 2012 – September 2018); member and Chairperson of the Board of Directors, Yantarenergo (June 2012 – present).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

Not a member of any Committee of the Board of Directors at IDGC of Center and Volga Region.

Not an independent director.



Andrey Vladimirovich Morozov

Legal Director of the Professional Investors Association
An independent director.

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

Elected member of IDGC of Center and Volga Region's Board of Directors twice on: June 1, 2018, and June 14, 2019.

Born in 1978

In 2000, he graduated from the Russian Academy of Law of the Russian Ministry of Justice majoring in Law. In 2016, he was awarded a Master of Law, LL.M., by Harvard Law School.

Over the past five years, he has served as: member of the Board of Directors, IDGC of North-West (June 2019 – present); member of the Board of Directors, IDGC of Center and Volga Region (June 2018 – present); member of the Board of Directors, IDGC of South (June 2018 – present); Legal Director of the Professional Investors Association (September 2017 – present); Head of the Legal Department, Moscow Office of NCH Advisors, Inc. (September 2003 – August 2015).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

He has been a member of: the Strategy Committee since October 7, 2019; the Reliability Committee since September 5, 2019; and the Grid Connection Committee since September 5, 2019.

An independent director. Pursuant to the Moscow Exchange Listing Rules, he was recognized an independent director by the Board of Directors on July 24, 2019 (Minutes No. 369).



Egor Vyacheslavovich Prokhorov

Deputy Director General for Finance, Rosseti

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

First elected to the Board of Directors of IDGC of Center and Volga Region on June 14, 2019.

Born in 1982

He graduated from St. Petersburg State University majoring in Mathematical Methods in Economics as an Economist and Mathematician. He is a Ph.D. in Economics.

Over the past five years, he has served as: Acting Deputy Director General for Strategy, Deputy Director General for Finance, Rosseti (December 2013 – present); member of the Board of Directors, IDGC of Center and Volga Region (June 2019 – present); member of the Board of Directors, DVEUK (September 2017 – June 2019); Member of the Board of Directors, IDGC of Volga (May 2017 – June 2018); member of the Board of Directors, Yantarenergo (June 2017 – June 2018); member and Chairperson of the Board of Directors, FGC UES (June 2016 – June 2019); member and Chairperson of the Board of Directors, UES Engineering Center Real Estate (June 2016 – June 2018); member of the Board of Directors, TDC (November 2015 – June 2016); member of the Board of Directors, FTC (November 2014 – June 2016); member and Chairperson of the Board of Directors, Lenenergo (March 2014 – February 2018); member of the Board of Directors, IDGC of Siberia (June 2014 – June 2017); member of the Board of Directors, Rosseti Volga (June 2013 – June 2015).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

He has chaired the Strategy Committee since October 7, 2019, the Personnel and Remuneration Committee since September 5, 2019, and the Audit Committee since July 24, 2019.

Not an independent director.



Alexander Viktorovich Shevchuk

Executive director of the Professional Investors
Association

An independent director.

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

Elected member of IDGC of Center and Volga Region's Board of Directors six times on: June 26, 2014; June 16, 2015; June 9, 2016; June 5, 2017; June 1, 2018; and June 14, 2019.

Born in 1983

In 2005, graduated from the Finance Academy under the Government of the Russian Federation majoring Finance and Credit.

Over the past five years, he has served as: member of the Board of Directors, Detsky Mir PJSC (May 2018 – present); member of the Board of Directors, TGK-1 PJSC (June 2017 – December 2017); member of the Board of Directors, IDGC of Urals (June 2016 – present); member of the Board of Directors, IDGC of North-West (June 2016 – June 2019); member of the Board of Directors, IDGC of Centre (June 2015 – present), member of the Board of Directors, OGC-2 PJSC (June 2015 – June 2019); member of the Board of Directors, IDGC of Center and Volga Region (June 2014 – present); Executive Director of the Professional Investors Association (March 2014 – present); member of the Board of Directors, MOSTOTREST PJSC (June 2012 – June 2016); member of the Board of Directors, IDGC of South (June 2011 – June 2017).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

A member of the Personnel and Remuneration Committee of the Board of Directors, IDGC of Center and Volga Region since September 5, 2019, Chairperson of the Audit Committee of the Board of Directors, IDGC of Center and Volga Region since July 24, 2019, and member of the Strategy and Development Committee of the Board of Directors, IDGC of Center and Volga Region since October 7, 2019.

An independent director. Pursuant to the Moscow Exchange Listing Rules, he was recognized an independent director by the Board of Directors on July 24, 2019 (Minutes No. 369).



Andrey Olegovich Romankov

Deputy Chief Engineer of Rosseti

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

First elected to the Board of Directors of IDGC of Center and Volga Region on June 14, 2019.

Born in 1971

He graduated from the Moscow Aviation Institute (Technical University) majoring in Engineering, Energy and Energy Physics Plants for Spacecraft in 1994; then from the Management Academy of the Russian Ministry of Internal Affairs majoring in Municipal and Public Administration in 2005.

Over the past five years, he has served as: Director of the Technology Policy Department, Deputy Chief Engineer of Rosseti (March 2020 – present); Director of Department, the Ministry of Digital Development, Communications and Mass Media of the Russian Federation (October 2019 – March 2020); member of the Board of Directors, IDGC of Center and Volga Region (June 2019 – October 2019); Director of the Technology Policy Department, Deputy Chief Engineer of Rosseti (February 2019 – October 2019); Advisor to the Director General of UNECO (September 2018 – February 2019); Deputy Director of Department, the Ministry of Digital Development, Communications and Mass Media of the Russian Federation (September 2016 – September 2018), Head of Department, FMS of Russia (March 2005 – September 2016).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

A member of the Strategy Committee since October 7, 2019, he did not serve as a member of the Company's Board of Directors or its Committees from October 25, 2019 to March 24, 2020 due to being hired as a public official.

Not an independent director.

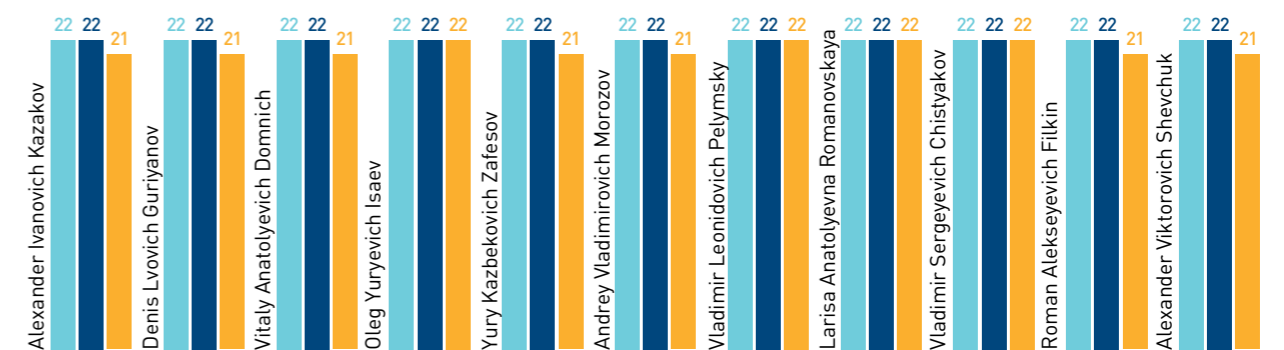
CONFLICT OF INTEREST

In 2019, no member of the Board of Directors of IDGC of Center and Volga Region:

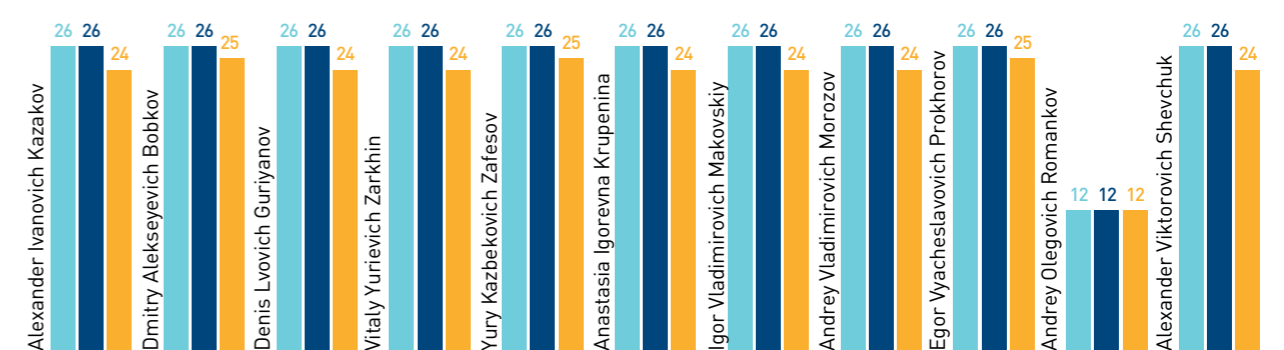
- had family ties with the officials of management bodies and (or) financial and business officers of the Company;
- was held administratively liable for financial improprieties, offense regarding tax and fees or security market, or had any criminal record for economic crimes and (or) crimes against the state;
- held any positions in the management bodies of any for-profit organization that would be initiated an insolvency proceeding against, or have to defend itself in court of law under a proceedings case under the law of Russia during the Director's office as such;
- had a conflict of interest with the executive bodies of the Company.

ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS

Participation of Members in the Meetings of the Board of Directors between January 1 and June 14, 2019



Participation of Members in the Meetings of the Board of Directors between June 15 and December 31, 2019



- Total number of meetings the member could attend
- Number of meetings the member actually attended
- Number of meetings the member attended by absentee voting



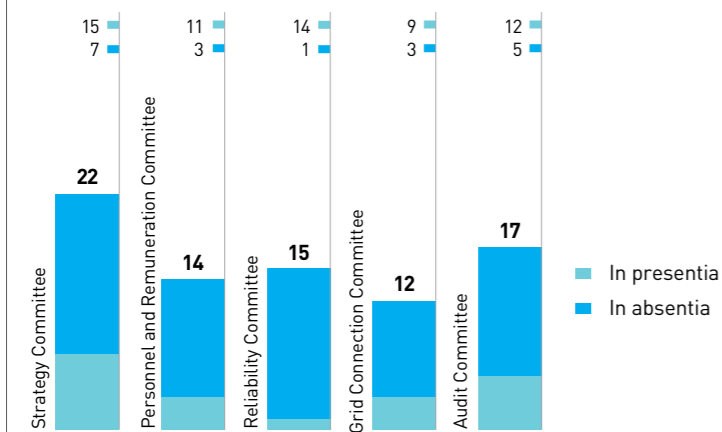
The average percentage of attendance of the meeting by the Board of Directors' members was 97%. Of the 48 meetings of the Company's Board of Directors, 34 meeting were held with 100% attendance of the Board's members.

TRAINING OF THE MEMBERS OF THE BOARD OF DIRECTORS

In 2019, there was no training of the Members of the Board of Directors organized at the Company's expense.

COMMITTEES OF THE BOARD OF DIRECTORS

Number of the Meetings Held by the Board of Directors' Committees in 2019



- business planning;
- Dividend Policy;
- risk management;
- assessing the Company's and its subsidiaries' performance;
- sundry objectives and areas as set forth in the Corporate Governance Code¹.

The current lineup² of the Strategy Committee was approved by the Board of Directors on October 7, 2019, Minutes No. 377:

- Egor Vyacheslavovich Prokhorov (Chairperson of the Committee, non-executive director), Deputy Director General for Finance, Rosseti PJSC;
- Aleksey Igorevich Pavlov (non-executive director), Director of the Strategy Department, Rosseti PJSC;
- Irina Aleksandrovna Shagina (non-executive director), Director of the Tariff Policy Department, Rosseti;
- Olga Vladimirovna Tikhomirova (non-executive director), Director of the Treasury Department, Rosseti;
- Alexander Viktorovich Pilyugin (executive director), First Deputy Director General, Chief Engineer of IDGC of Centre;
- Dmitry Dmitriyevich Mikheyev (non-executive director), Director of the Service Sales Department, Rosseti;
- Andrey Olegovich Romankov³ (non-executive director), Director of the Technical Policy Department, Deputy Chief Engineer of Rosseti;
- Vitaly Yurievich Zarkhin (independent director);
- Anastasia Igorevna Krupenina (independent director), Director for Strategy and Investment, 5Plus LLC;
- Andrey Vladimirovich Morozov (independent director), Legal Director, Professional Investors Association;
- Alexander Viktorovich Shevchuk (independent director), Executive Director, Professional Investors Association.

The Board of Directors of IDGC of Center and Volga Region has five committees: Strategy Committee, Audit Committee, Personnel and Remuneration Committee, Reliability Committee, and Grid Connection Committee. These Committees are advisory bodies that preliminarily consider the most important issues of the Company's activities and draw recommendations to the Board of Directors. Their main goal is to ensure that the Board of Directors performs its functions effectively in compliance with the principles stipulated in the Corporate Governance Code.

Strategy Committee

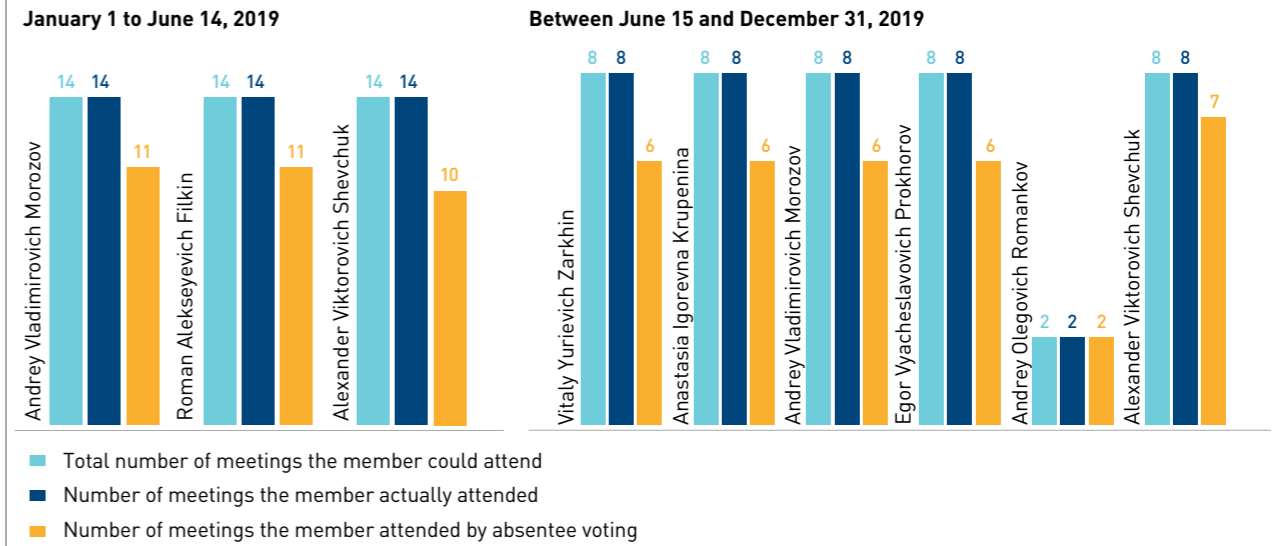
Pursuant to the Strategy Committee Regulations approved by the Company's Board of Directors on October 7, 2019 (Minutes No. 377). The Strategy Committee's core task is to draw and submit recommendations or opinions to the Company's Board of Directors on the Board's activities within the Committee's purview:

- strategic development and its priorities;
- innovative development;
- organization of business processes;

The Strategy and Development Committee was renamed the Strategy Committee by the Board of Directors on October 7, 2019, Minutes No. 377.

In 2019, the Strategy Committee held 22 meetings and discussed 56 issues.

Participation of the Committee Members in the Meetings of the Strategy Committee in 2019



REPORT ON THE WORK OF THE STRATEGY COMMITTEE IN 2019

Dear Colleagues!

Most of what the Strategy Committee discussed in 2019 had to do with monitoring the progress of the Company's programs and projects. Those were first of all the Company's investment projects on the priority list.

Financial planning was the Committee's another important area of focus in 2019, namely issues related to drafting and approval of the Business Plan as well as monitoring the related progress. Beside the Business Plan, the Committee also discussed the Company's planned long-term performance indicators for up to 2023.

The Strategy Committee is a key actor of the Corporate Risk Management System. Consequently, many of the matters discussed during the reporting year pertained to that system, independent audit, and the Company's effort to improve it.

Since the Company's Investment Program and innovative development are within the Strategy Committee's purview, many of the Committee-discussed issues of 2019 were related to it, including drawing recommendations for the Board of Directors on the approval of, and amendments to, the Investment Program for up to 2024 as well as monitoring its progress.

Some of the matters had to do with the Company's stakes in other companies. Those included alienating the Company's shares in Berendeevskoye JSC as well as the acquisition of Votkinsk Municipal Power Grids.

Over the reporting year, the Strategy Committee analyzed these important documents: Loss Reduction Program of IDGC of Center and Volga Region for 2019-2023, the Medium-Term Implementation Plan under the Innovative Development Program of IDGC of Center and Volga Region for 2019-2021, the Program for Digital Transformation of IDGC of Center and IDGC of Center and Volga Region for 2019-2030, IDGC of Center and Volga Region's Business Plan for 2020, as well as projections for 2021-2024.

¹ Recommended for use by the Bank of Russia's Letter No. 06-52/2463 dd. April 10, 2014 On the Corporate Governance Code.

² The positions are indicated as of the time of election.

³ Mr. Romankov did not serve as a member of the Company's Board of Directors or its Committees from October 25, 2019 to March 24, 2020 due to being hired as a public official.

¹ The positions are indicated as of the time of election.

Personnel and Remuneration Committee

In accordance with the Personnel and Remuneration Committee Regulations approved by the Company's Board of Directors on 25 July 2014 (Minutes No. 163), the Committee is mainly tasked to draw and submit to the Board of Directors recommendations on:

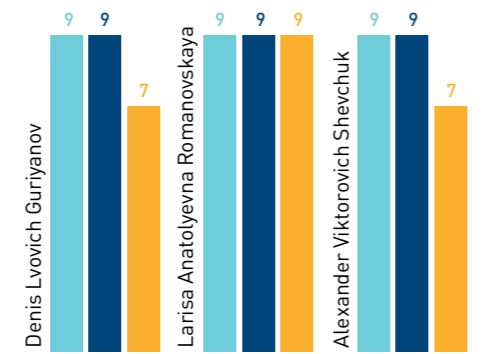
- determining the amount of remuneration paid to the members of the Company's Board of Directors;
- principles and criteria for determining the amount of remuneration paid to the members of the Board of Directors, members of the collective executive body and the person serving as the sole executive body of the Company (including the Management Company or the manager), as well as determining the essential terms of contracts with them;
- criteria for selecting candidates to the Company's Board of Directors, members of the collective executive body and a person to serve as the sole executive body of the Company, as well as a preliminary assessment of these candidates;
- regular assessment of performance of the person serving as the sole executive body (the Management Company, manager) and members of the collective executive body of the Company, and preparation of proposals for the Board of Directors on their reappointment.

The current lineup¹ of the Personnel and Remuneration Committee of the Board of Directors, IDGC of Center and Volga Region, was approved by the Company's Board of Directors on September 5, 2019 (Minutes No. 328):

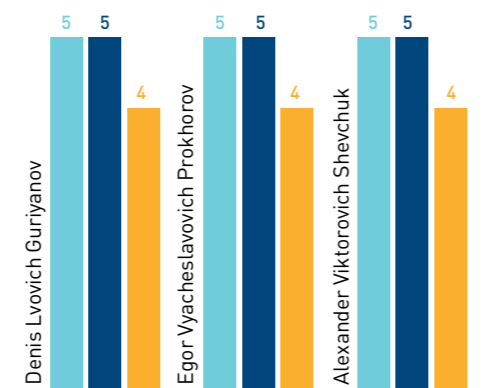
- Egor Vyacheslavovich Prokhorov (Chairperson of the Committee, non-executive director), Acting Deputy Director General for Strategy, Rosseti;
- Denis Lvovich Guryanov (non-executive director), Director of the Corporate Governance Department, Rosseti;
- Alexander Viktorovich Shevchuk (independent director), Executive Director of the Professional Investors Association.

Participation of the Committee Members in the Meetings of the Personnel and Remuneration Committee in 2019

January 1 to June 14, 2019



From June 15 until December 31, 2019



- Total number of meetings the member could attend
- Number of meetings the member actually attended
- Number of meetings the member attended by absentee voting



In 2019, the Personnel and Remuneration Committee held 14 meetings, in the course of which 25 issues were considered.

¹ The positions are indicated as of the time of election.



Egor Vyacheslavovich Prokhorov

Chairperson of the Personnel and Remuneration Committee, non-executive director
Deputy Director General for Finance, Rosseti¹

REPORT ON THE WORK OF THE PERSONNEL AND REMUNERATION COMMITTEE IN 2019

Dear Colleagues!

The most pressing issues discussed by the Personnel and Remuneration Committee in 2019 include the Board of Directors' and its Committees' self-assessment as well as revising the Board of Directors Remuneration and Reimbursement Regulations.

Due to the Committee's specific purview, most of the matters it discussed were related to the approval of candidates for positions of various levels in the Company's Executive Arm. Focus

was made on evaluating the candidates for the Board of Directors and its committees, including analysis of their independence.

In 2019, members of the Personnel and Remuneration Committee followed their tradition of submitting recommendations to the Board of Directors on the approval of KPI accomplishment.

Each of the discussed issues was crucial for improving the Company's HR Policy and recruiting and motivating best-qualified specialists.



Reliability Committee

Pursuant to the Reliability Committee Regulations as approved by the Board of Directors on July 20, 2017 (Minutes No. 276), the Reliability Committee's core task is to draw and submit recommendations to the Board of Directors on the following:

- analysis of production programs, plans for retrofitting and upgrading, reconstruction, new construction and repair of power supply facilities, analysis of their development and execution from the point of view of meeting the requirements for operational reliability and technical condition of electric grids;
- assessing the completeness and sufficiency of measures according to the results of accident investigation per the Electric Power Industry Accident Investigation Rules², as well as control over their implementation;
- analysis of the quality of investigations into the causes of technological violations (accidents);
- inspection of the Company's emergency response work (preparedness, organization and conduct of emergency response and restoration work at power supply facilities);
- analysis of programs for prevention and

reduction of risks of injury to the Company's personnel and third parties at the Company's power units, as well as control over their implementation;

- monitoring and evaluation of the Company's engineering teams in terms of ensuring reliability of electric grids and industrial safety;
- analysis of the internal technical control system of the Company;
- examination of the occupational safety management system of the Company;
- analysis of the Environmental Policy Implementation Program;
- examination of fire and industrial safety systems.

The current lineup³ of the Reliability Committee of the Board of Directors, IDGC of Center and Volga Region was approved by the Company's Board of Directors on September 5, 2019 (Minutes No. 373):

- Vasily Vladimirovich Rozhkov (Chairperson of the Committee), Head of Office, Director of the Production Department, Rosseti;
- Sergey Vladimirovich Shpilevoy, Head of the Analytical Management, Situation and Analytical Center of Rosseti;
- Alexander Viktorovich Pilyugin, First Deputy Director General, Chief Engineer of IDGC of

¹ The positions are indicated as of the time of election.

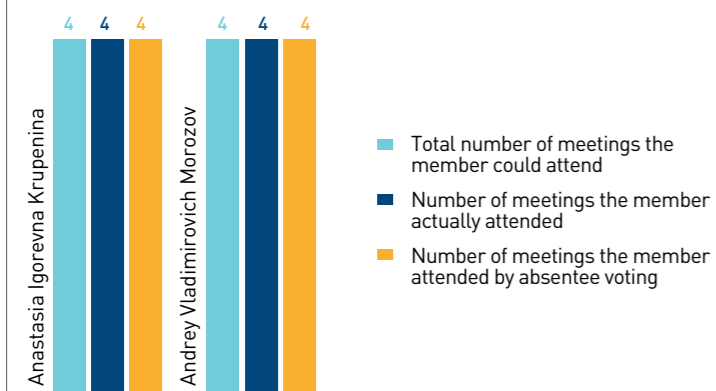
² Approved by the Decree of the Russian Government No. 846 dd. October 28, 2009.

³ The positions are indicated as of the time of election.

- of Center, PJSC;
- Artyom Gennadyevich Alyoshin, Acting Deputy Director General for Economics and Finance, IDGC of Center;
- Anastasia Igorevna Krupenina, Director for Strategy and Investment, 5Plus LLC;
- Andrey Vladimirovich Morozov, Legal Director of the Professional Investors Association.

Participation of the Committee Members in the Meetings of the Reliability Committee in 2019

From June 15 until December 31, 2019



In 2019, the Reliability Committee held 15 meetings, in the course of which 44 issues were considered. All the Reliability Committee-drawn recommendations were taken into consideration by the Board of Directors when making their resolutions.



Vasily Vladimirovich Rozhkov

Chairperson of the Reliability Committee
Head of Office, Director of the Production Department, Rosseti

REPORT ON THE WORK OF THE RELIABILITY COMMITTEE IN 2019

Dear Colleagues!

Much information analyzed by the Reliability Committee is related to regular condition monitoring of the fixed assets at the Company's energy facilities, as well as to monitoring the progress of the Reliability Improvement Programs. In 2019, the Committee discussed this on a quarterly basis.

The Reliability Committee also discussed matters of passing through special periods, i.e. reports on the Company's preparations, preparedness for, and outcomes of, the fall and winter season 2019-2020/flooding season of 2019. Besides, the Committee discussed

another strategic issue in 2019: preliminary approval of merging the grid districts of Vladimirenergo.

The Reliability Committee's essential purview lies in monitoring the progress of Investment and Repair Programs; in this regard, the Committee members discussed reports on the Repair Program, the Grid Bottlenecks Elimination Program, as well as the Report on the Quality of Accident Cause Investigation and Adequacy of Investigation-Based Measures.



Grid Connection Committee

Pursuant to the Grid Connection Committee Regulations as approved by the Company's Board of Directors on July 20, 2017 (Minutes No. 276), the Grid Connection Committee is mainly tasked to draw and submit to the Board of Directors recommendations on the following:

- improvement of the legal framework of the antitrust law and ensuring equal-opportunity access to the grid connection services;
- improvement of the Company's internal rules and standards for ensuring equal-opportunity access to the services of connecting customers to power grids;
- principles and criteria for assessing the Company's performance efficiency regarding connecting customers to power grids;
- assessment of the Company's performance efficiency regarding connecting customers to power grids;
- analysis of the current situation in the Company regarding connecting customers to power grids.

Center and Volga Region, was approved by the Company's Board of Directors on September 5, 2019 (Minutes No. 373):

- Aleksandr Yurievich Korneyev (Chairperson of the Committee), Deputy Director of the Service Sales Department, Rosseti;
- Vladimir Aleksandrovich Davydkin, Head of the Grid Connection Office, Service Sales Department of Rosseti;
- Alisa Aleksandrovna Manaka, Head of the Entrepreneur Support Project Development Office, MOESK;
- Vitaly Yurievich Zarkhin, member of the Board of Directors, IDGC of Center and Volga Region;
- Andrey Vladimirovich Morozov, Legal Director of the Professional Investors Association.

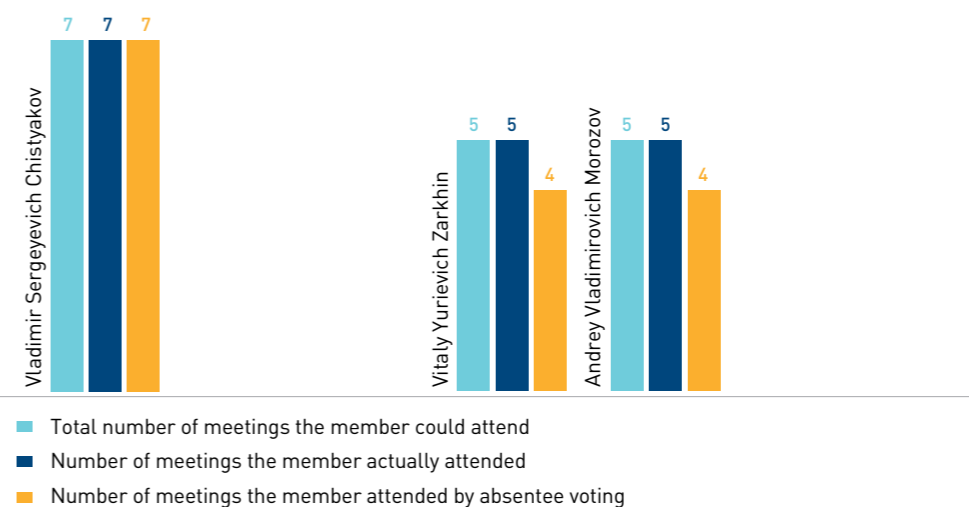
The current lineup¹ of the Grid Connection Committee of the Board of Directors, IDGC of



Participation of the Committee Members in the Meetings of the Grid Connection Committee in 2019

January 1 to June 14, 2019

From June 15 until December 31, 2019



In 2019, the Grid Connection Committee held 12 meetings and discussed 26 issues. All the Grid Connection Committee-drawn recommendations were taken into consideration by the Board of Directors when making their resolutions.

¹ The positions are indicated as of the time of election.



Aleksandr Yurievich Korneyev

Chairperson of the Grid Connection Committee
Director of the Grid Connection and Infrastructure Development Department, Rosseti

REPORT ON THE WORK OF THE GRID CONNECTION COMMITTEE IN 2019

Dear Colleagues!

The Committee's specific objectives mean that some of the matters have to be discussed regularly. Thus, we quarterly evaluate the attainment of two KPIs (Grid Connection Deadline Compliance and Improving the Utilization Rate of the Grid Equipment Capacity) and draw recommendations for the Board of Directors pertaining to the current situation with respect to grid connections. Besides, the Committee regularly discusses the Company's compliance with the Russian law on grid connection, as well as the conformance of its services to the requirements set forth by the regional regulators.

In 2019, the Committee also focused on planning corrective actions to address the shortcomings identified by the Ministry of Energy's field inspections of Rosseti's subsidiaries; quarterly progress monitoring of such actions was also paid attention to.

In 2019, the Grid Connection Committee discussed a number of important documents, including: analysis of the Company's grid development plans and communications with executive authorities on the prospects of

grid complex development in the Company-served region; analysis of grid connection of small and medium-sized enterprises in 2018; analysis of progress in making grid connection more available; Report on the Company's Involvement in Drafting the Regional Electric Power Industry Development Roadmap for 2019; results of marketing studies of the concluded grid connection contracts that involve investment; and the Report on the Reduction in Effective Contracts with Breached Deadlines.

The Committee's effort, above all, enabled the Company to take further steps to openness and non-discriminatory access to grid connection for all consumers.

Besides, the Committee had its purview and objectives expanded in 2019 by virtue of amended Regulations to improve non-tariff and additional customer services as well as to enhance sundry activities.

Audit Committee

Pursuant to the Audit Committee Regulations as approved by the Board of Directors on March 14, 2016 (Minutes No. 216), approved with amendments by the Board of Directors on October 31, 2016 (Minutes No. 246), the Committee is mainly tasked to draw and submit recommendations to the Board of Directors on the following:

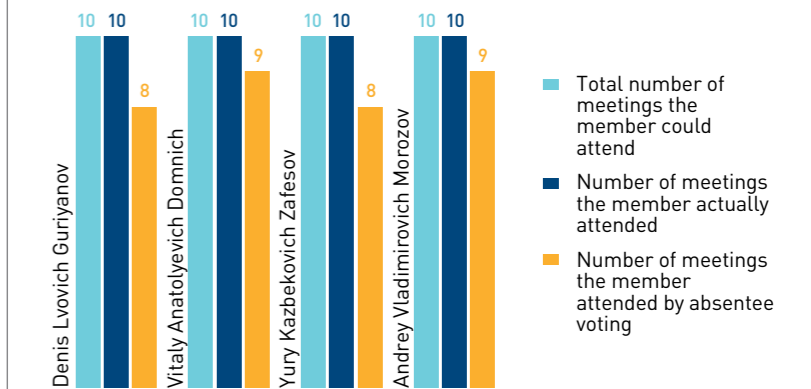
- consideration of the accounting (financial) statements of the Company and supervision over the process of its preparation;
- supervision over the systems of risk management, internal control and corporate governance;
- supervision over the performance of an external audit and selection of an auditor;
- arrangement and ensuring independence and objectivity of the internal audit function;
- performance management of the system of counteracting unethical practices on the part of the Company's employees and third parties.

The current lineup¹ of the Audit Committee of the Board of Directors, IDGC of Center and Volga Region was approved by the Company's Board of Directors on July 24, 2019 (Minutes No. 369):

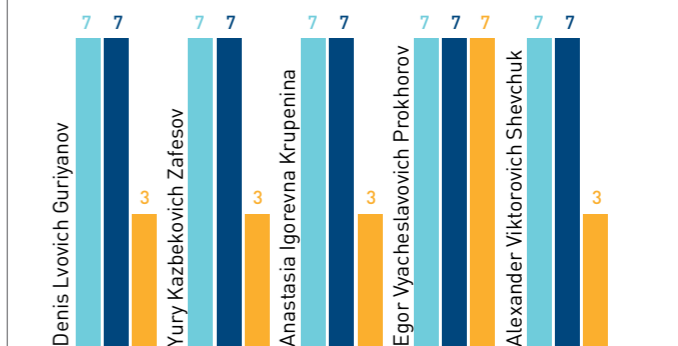
- Alexander Viktorovich Shevchuk (Chairperson of the Committee, independent director), Executive Director of the Professional Investors Association;
- Denis Lvovich Guriyanov (non-executive director), Director of the Corporate Governance and Shareholder/Investor Relations Department, Rosseti;
- Yury Kazbekovich Zafesov (non-executive director), Director of the Procurement Department, Rosseti;
- Egor Vyacheslavovich Prokhorov (non-executive director), Deputy Director General for Finance, Rosseti;
- Anastasia Igorevna Krupenina (independent director), Director for Strategy and Investment, 5Plus LLC.

PARTICIPATION OF THE COMMITTEE MEMBERS IN THE MEETINGS OF THE AUDIT COMMITTEE IN 2019

January 1 to June 14, 2019



Between June 15 and December 31, 2019



In 2019, the Audit Committee held 17 meetings and discussed 47 matters.

¹ The positions are indicated as of the time of election.



Alexander Viktorovich Shevchuk

Chairperson of the Audit Committee
Independent Director
Executive director of the Professional Investors Association

REPORT ON THE WORK OF THE AUDIT COMMITTEE IN 2019

Dear Colleagues!

In 2019, the Audit Committee actively discussed and made recommendations for the Board of Directors on the following:

1. Independent performance assessment of the Internal Audit System, which proved our internal audit function to be efficient and advanced;
2. Internal Audit System-related reports and development plans, including an independent evaluation by an external advisor. The Committee is satisfied with the specialized unit's work and keeps track of the efforts to improve the system and maximizing its utility for the Company;
3. Cooperation with an external auditor to draw the Auditor's opinion on the RAS accounting statements and the IFRS financial statements. The Committee has taken note of the Auditor's significant remarks that were not addressed by the Company, and made sure in its communications with the auditors that the latter did not have significant remarks on the reserves, the impairment of fixed assets (within the IFRS reporting), the recognition and appreciation of revenues. On a side note, the Committee asked the auditors to justify the level of

significance they cited, to further prove their independence in view of the earlier non-audit services, and to inform the Committee members on how labor-intensive this Audit Contract was compared to earlier periods;

4. Analysis of the Company's expenditure dynamics for non-standard transactions, including those with related parties. The Committee members did not note any significant changes from the available data;
5. Performance assessment of the Internal Control, Risk Management, and Corporate Governance System. The Committee members studied the reports of the Audit Commission for 2018 and in due order resolved to additionally evaluate the efficiency of the approved Plan to Address Audit Commission-Identified Shortcomings.

The Committee sought to have as many meetings as possible in presentia and/or by conference calls. All interested members of the Board of Directors were regularly invited to attend the Committee, while some meetings with external auditors were held in the absence of managers.



MANAGEMENT BOARD

The Management Board is a collective executive body intended to directly manage the Company, guided by the resolutions of the General Shareholders' Meeting and the Board of Directors. The Management Board operates in accordance with the legislation of the Russian Federation, the Articles of Association, the Management Board Regulations, and the Corporate Governance Code of the Company.

The key objectives of the Management Board are as follows:

- ensuring respect for the rights and legitimate interests of the Company's

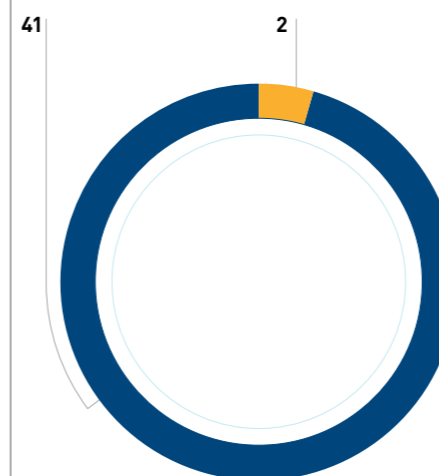
shareholders;

- preparing proposals concerning the Company's development strategy;
- implementing the Company's Financial and Economic Policy, developing decisions on the major issues related to the Company's current economic operations and coordinating the operation of the Company's units;
- increasing the efficiency of the internal control and risk monitoring systems;
- ensuring a high level of income from the Company's assets and the maximum profit from the Company's operations.

Report on the Work of the Management Board in 2019

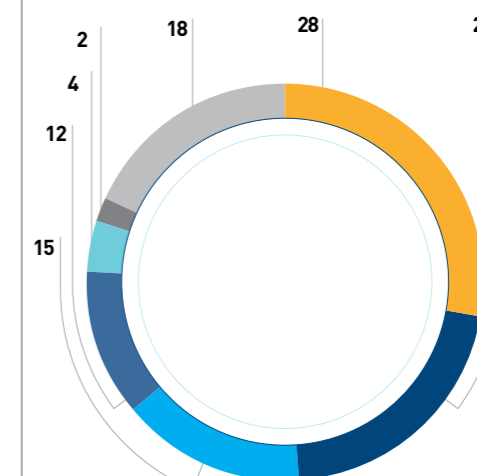


Breakdown of Meetings Held by the Management Board in 2019



- Held in presentia
- Held in absentia (by absentee voting)

Breakdown of Issues Considered by the Management Board in 2019, %



- Management of educational institutions
- Recommendations for the Board of Directors
- Financial and economic activities
- Effective risk management
- Subsidiary management
- Transactions above 1% of the book value of assets
- Other

In 2019, the Management Board held 43 meetings and discussed 108 issues.

Below are the main issues preliminarily considered by the Management Board and submitted to the Board of Directors in 2019:

- priorities and strategy of the Company;
- approval of (adjusted) target values of key performance indicators (KPI) of the Company, and reports on their attainment;
- recommendations on the size of share dividends and the payment procedures;
- approval of candidacies for independent assessors;
- making a decision on the Company's affiliation with other organizations;
- preliminary approval of transactions involving a transfer of the Company's property without compensation.

Management Board Lineup

In 2019, Konstantin Aleksandrovich Mikhailik¹ and Inna Vitalyevna Gromova² had their powers of Management Board members terminated.

As of December 31, 2019, the current Management Board of IDGC of Center and Volga Region³ comprised:



Igor Vladimirovich Makovskiy

Chairperson of the Management Board, Director General of IDGC of Centre

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

Born in 1972

In 1993, he graduated from the Alma-Ata Higher Front-Line Command College named after F.E. Dzerzhinsky majoring in Command, Tactics with a degree in Border Force Officer; in 2000, graduated from Kaliningrad State University with a degree in Law, qualified as a lawyer. In 2004, he was retrained under the Public and Municipal Administration program.

Over the past five years, has served as: Chairperson of the Board of Directors, YarESK JSC (June 2019 – present); member of the Board of Directors, IDGC of Center and Volga Region (June 2019 – present); member of the Board of Directors, IDGC of Centre (May 2019 – present); Director General of IDGC of Centre (September 2018 – present); Chairperson of the Management Board, IDGC of Centre (September 2018 – present); member and Chairperson of the Board of Directors, Kaliningrad Generating Company JSC (February 2013 – present); member and Chairperson of the Board of Directors, Yantarenergoservis (February 2013 – present); member and Chairperson of the Board of Directors, Yantarenergosbyt (February 2013 – present); Acting Director General and Director General, Yantarenergo (August 2012 – September 2018); Chairperson of the Management Board, Yantarenergo (August 2012 – September 2018); member and Chairperson of the Board of Directors, Yantarenergo (June 2012 – present).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.



Alexander Viktorovich Pilyugin

Deputy Chairperson of the Management Board, First Deputy Director General, Chief Engineer of IDGC of Centre [the Management Company of IDGC of Center and Volga Region]

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

Born in 1968

In 1992 graduated from Kursk Polytechnic Institute majoring in Electrical Engineering and from the State Educational Institution of Higher Professional Education Kursk State Technical University as a Manager.

Over the past five years, he has served as: member of the Board of Directors, ATKh JSC (June 2019 – present); member of the Management Board, IDGC of Center and Volga Region (November 2016 – present); Advisor at IDGC of Centre and Volga Region (November 2016 – October 2017); First Deputy Director General, Chief Engineer of IDGC of Centre (November 2014 – present); member of the Management Board, IDGC of Centre (February 2014 – present).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

¹ Resolution of the Board of Directors dd. March 5, 2019, Minutes No. 351.

² Resolution of the Board of Directors dd. July 24, 2019, Minutes No. 369.

³ Was elected by resolutions of the Company's Board of Directors dd. October 14, 2016, Minutes No. 243, December, 2016, Minutes No. 249, July 10, 2017, Minutes 1 No. 275, March 5, 2019, Minutes No. 351, and July 24, 2019, Minutes No. 369.



Vitaly Olegovich Akulichev

First Deputy Director General, Director for Development of IDGC of Centre [the Management Company of IDGC of Center and Volga Region]

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

Born in 1987

In 2010 graduated from the Federal State Educational Institution of Higher Professional Education Kaliningrad State Technical University majoring in Power Plants as an Engineer.

Over the past five years, he has served as: First Deputy Director General, Director for Development of IDGC of Centre (September 2019 – present); member of the Board of Directors, MEK Energoeffektivniye Tekhnologii JSC (June 2019 – present); Member of the Board of Directors, Svet JSC (June 2019 – present); member of the Management Board, IDGC of Centre (March 2019 – present); member of the Management Board, IDGC of Center and Volga Region (March 2019 – present); Acting First Deputy Director General, Director for Development, and Acting First Deputy Director General (part-time), Advisor to the First Deputy Director General, IDGC of Centre (October 2019 – September 2019); Chief Specialist and Director of the Strategic Development Directorate, Yantarenergo (April 2019 – October 2018); Informer and Supervisor of the Operations Management and Process Control Department, Supervisory Control Service of Yantarenergo (Municipal Tidal Power Plants) (April 2013 – April 2015).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.



Vyacheslav Aleksandrovich Gorev

Deputy Director General, Director of Nizhnovenergo, IDGC of Center and Volga Region

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

Born in 1977

Graduated from Vyatka State Technical University as an Electric Power System and Grid Engineer in 1999, Vyatka State University with a degree in Management in 2007; had advanced training at the Industrial Center of Competence in Construction and Power Engineering in Industrial and Civil Engineering. Construction Company Management. Construction in 2016.

Over the past five years, he has served as: Deputy Director General, Director of Nizhnovenergo, IDGC of Center and Volga Region (May 2019 – present); Deputy Director General for Capital Construction, IDGC of Centre (September 2017 – April 2019); member of the Management Board of IDGC of and Volga Region (October 2016 – present); Advisor to the Director General, IDGC of Centre (2017 – September 2017), Head of the Capital Construction Department, Deputy Chief Engineer for Reconstruction and Repair, Deputy Director General for Investment, IDGC of Center and Volga Region (2007 – November 2017), member of the Board of Directors of Svet, CJSC (June 2015 – June 2017).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.



Vladislava Vladimirovna Rezakova

Deputy Director General for Service Sales and Improvement, IDGC Centre (the Management Company of IDGC of Center and Volga Region)

Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

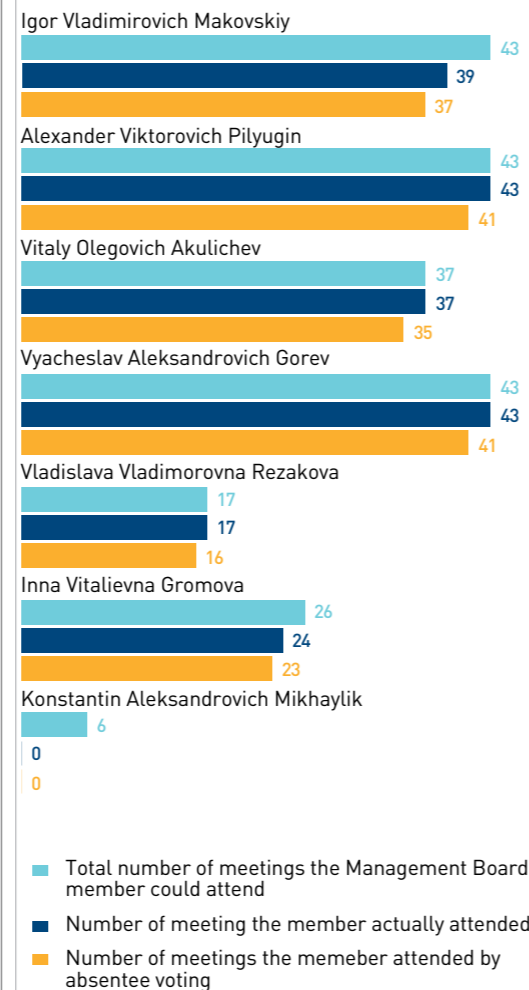
Born in 1973

Graduated from Orenburg State Technical University majoring in Industrial Electronics as an Electronics Engineer.

Over the past five years, she has served as: member of the Board of Directors, Votkinsk Municipal Power Grids (November 2019 – present); member of the Management Board, IDGC of Centre (July 2019 – present); member of the Management Board, IDGC of Center and Volga Region (July 2019 – present); Deputy Director General for Service Sales and Development, and Advisor to the Director General, IDGC of Centre (April 2019 – present); Director General and Acting Director General, Yantarenergosbyt (April 2016 – April 2019); Head of the Service Sales and Electricity Metering Department, Yantarenergo (October 2014 – April 2016).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

Participation of Members in the Meetings of the Management Board in 2019



The average percentage of attendance of the meetings by members of the Management Board was

87%

THE SOLE EXECUTIVE BODY – THE MANAGEMENT COMPANY

The Sole Executive Body is responsible for managing IDGC of Center and Volga Region's day-to-day operations unless referred to the General Shareholders' Meeting, the Board of Directors, or the Management Board of the Company.

The Sole Executive Body presents the reports on fulfillment of resolutions of the Board of Directors and other reports for the consideration of the Board of Directors in compliance with the current legislation, the operations plan of the Board of Directors and the internal documents of the Company.

The Sole Executive Body completed all assignments of the the Company's Board of Directors for 2019.

The powers of the Sole Executive Body of IDGC of Center and Volga Region were delegated to the Management Company, IDGC of Centre as resolved by the General Shareholders' Meeting on June 5, 2017.

Management Company Details

Complete trade name	Public Joint-Stock Company "Interregional Distribution Grid Company of Centre"
Abbreviated company name	IDGC of Centre, PJSC
Grounds for the delegation of powers	Agreement No. 7700/00313/17 dated September 11, 2017 on the delegation of powers of the Sole Executive Body of IDGC of Center and Volga Region to IDGC of Centre
Address	Russia, Moscow
INN	6901067107
OGRN	1046900099498
Phone:	+7(495) 747-9292
Email	post@mrsk-1.ru
Information on license to carry out activities on the management of investment funds, mutual investment funds and private pension funds	No such license

CORPORATE SECRETARY

The Corporate Secretary of IDGC of Center and Volga Region acts upon the Articles of Association and the Corporate Secretary Regulations as approved by the Board of Directors on September 26, 2016 (Minutes No. 242).

The corporate secretary is functionally subordinate to the Board of Directors of the Company. The corporate secretary's main task is to ensure that the governing bodies and officials of the Company comply with procedural requirements, which guarantee the exercise of rights and legal interests of the Company's shareholders.

The core functions of the Corporate Secretary are the following:

- prepare the Company to host the General Shareholders' Meeting as required by the current law of Russia, the Articles of Association, and other internal documents of the Company;
- facilitating the work of the Board of Directors and Committees of the Board of Directors of the Company;
- assisting the members of the Board of Directors and Committees of the Board of Directors of the Company in exercise of their functions;
- arranging the interaction between the Company (represented by the Board of Directors and the Director General) and its shareholders; storage of the Company's documents.

The Company's Corporate Secretary is obliged to submit their progress report to the Personnel and Remuneration Committee and to the Board of Directors of the Company every year no later than 30 calendar days before the Annual General Shareholders' Meeting. The recommended form of the report is annexed to the Regulations. In 2019, the Report of IDGC of

Center and Volga Region's Corporate Secretary was preliminarily reviewed by the Personnel and Remuneration Committee of the Board of Directors on March 21, 2019 (minutes No. 15/122) and approved by the Board of Directors on May 31, 2019 (minutes No. 365).

Yulia Stanislavovna Guseva

Corporate Secretary of IDGC of Center and Volga Region (elected by the Company's Board of Directors on June 19, 2017 (Minutes No. 273)), Head of the Corporate Relations Division under the Corporate Governance and Shareholder Relations Department. Holds no shares of IDGC of Center and Volga Region or its subsidiaries.

Born in 1975

Graduated from Nizhny Novgorod Commercial Institute majoring in Law. In 2014, she received occupational retraining at the Higher School of Economics, National Research University under the Presidential Program for Training Managers for National Economy Enterprises in Russia (the Innovation Management program).

Over the past five years has served as: Head of the Corporate Relations Division, Corporate Governance and Shareholder Relations Department of IDGC of Center and Volga Region (2007 – present), member of the Board of Directors of ATKh JSC (June 2017 – June 2018), member of the Board of Directors of Energetik Health Resort (June 2017 – June 2018), member of the Board of Directors of MEK Energoeffektivniye Tekhnologii (June 2018 – June 2019).

IDGC of Center and Volga Region has no information about acquisition or alienation of the Company's shares made by the person in 2019.

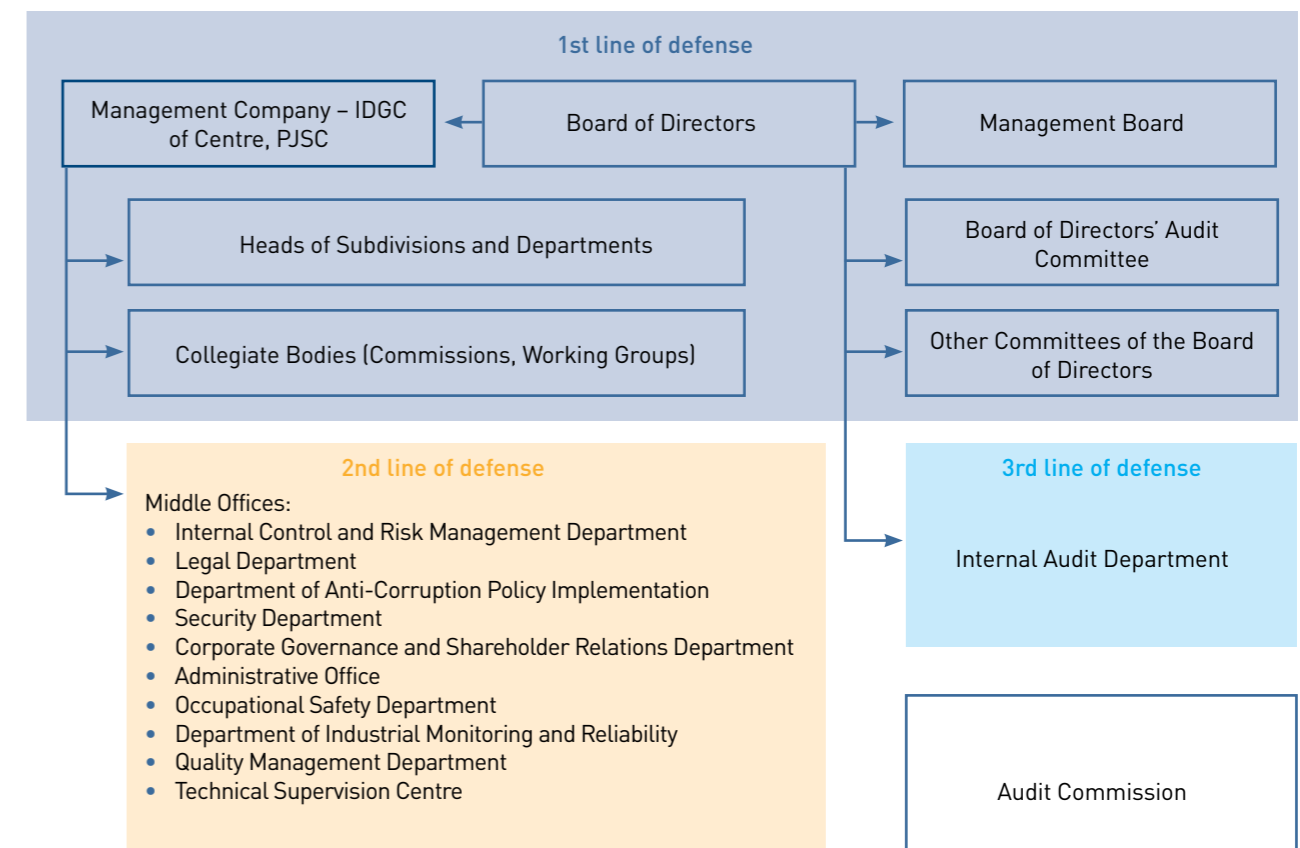
Not related to any members of the governing bodies and shareholders of the Company. Has no criminal record, did not commit administrative offense in the field of business, finance, taxes and fees or security market.

descriptions and the managerial instructions by the subordinates;

- the second line of defense is at the level of control units: they ensure the implementation of and compliance with the Company's Policies regarding internal control, risk management, environmental protection, compliance with safety regulations, quality assurance, etc.;
- the third line of defense is at the level of the Internal Audit Department: using a risk-based approach, it examines and reports to

the Board of Directors and top management on how efficiently the Company assesses and manages its risks, and how effectively the internal control is carried out on the first and second lines of defense.

STRUCTURE OF THE INTERNAL CONTROL SYSTEM



Internal Audit Department

The Internal Audit Department is the unit responsible for the implementation of the internal audit function in the Company. It is immediately subordinate to the Board of Directors, which monitors and organizes the operation of this unit, including the approval of performance plans and reports on their implementation, adoption of budgets, and approval of decisions on the appointment, dismissal,

and remuneration of an executive. In 2019, the Internal Audit Department included 11 people.

The operations of the Internal Audit Department of IDGC of Center and Volga Region are regulated by the following documents:

- the Company's Internal Audit Policy and the Code of Ethics for Internal Auditors (revised) approved by the Board of Directors on March 29, 2019 (Minutes No. 385);
- Internal Audit Department Regulations approved by the Board of Directors on

For 2019, the Corporate Secretary was paid 618,749 RUB before tax.

- compliance with applicable laws and local regulations in the Company's commercial activities and financial accounting;
- reliability and timelines of accounting (financial) and other reports.

INTERNAL CONTROL SYSTEM

GRI 102-56

IDGC Center and Volga Region's Internal Control System is an integral part of the Company's General Management System and is regulated by:

- the Company's Internal Control Policy as approved by the Board of Directors on March 11, 2016 (Minutes No. 216);
- the Company's revised Internal Audit Policy as approved by the Board of Directors on November 29, 2019 (Minutes No. 385).

IDGC of Center and Volga Region's Internal Control System is designed to reasonably warrant the attainment of the following targets;

- operational efficiency and strong performance of the Company including achievement of financial and operating results, protection of the Company's assets;

Structure of the Internal Control System

The Internal Control System of IDGC of Center and Volga Region is designed to provide control procedures that consistently cover the entire spectrum of the Company's activities. The Internal Control System of IDGC of Center and Volga Region is based on the "three lines of defense" model, which means the internal control in the Company is administered at three levels:

- The first line of defense is at the level of management bodies (the Sole and Collective Executive Bodies) and heads of the Company's units and subdivisions: they are responsible for achievement of results, and control the compliance with the job

- August 24, 2016, Minutes No. 238;
- Program on Assurance and Improvement of Internal Audit Quality approved by the Company's Board of Directors on December 29, 2016, Minutes No. 252;
- in-house standards of internal audit and standards of practical application, developed according to the International Professional Standards of Internal Audit.

The Internal Audit Department receives feedback from the Audit Committee of the Board of Directors in various forms, including questionnaires filled out by its members. The satisfaction rate of the Audit Committee with performance of the Internal Audit Department is calculated as a ratio of the weighted average score on the questionnaire forms of the voting members to their total number. Following the results of 2019, the Audit Committee of the Board of Directors assessed the performance of the Internal Audit Department as "adequate".

In 2019, KPMG carried out an independent external evaluation of IDGC of Center and Volga Region's corporate Internal Audit System. This produced an opinion that the Company's Internal Audit System was "generally compliant" with the International Standards for the Professional Practice of Internal Auditing, the Ethics Code, and the Internal Audit Policy. KPMG also drew recommendations on how to improve the Company's internal audit practices.

Audit Commission

The Audit Commission is a permanent internal control body regularly monitoring the Company's financial and business activities, its separate divisions, officials of the management bodies and subdivisions of the executive office for compliance with the legislation of the Russian Federation, the Articles of Association and internal documents of the Company. The Audit Commission acts in the interests of the Company's shareholders and reports only to the General Shareholders' Meeting.

The Audit Commission's activities are

regulated by the Company's Articles of Association and the revised IDGC of Center and Volga Region's Audit Commission Regulations as approved by the resolution of the General Shareholders' Meeting dd. June 6, 2017 (Minutes No. 11).

The key objectives of the Audit Commission of the IDGC of Center and Volga Region are the following:

- control of the financial and business operations of the Company;
- independent assessment of reliability of the data contained in the Company's Annual Report and the annual accounting (financial) statements.

In 2019, the Commission held 4 meetings in presentia and discussed 10 matters. The Audit Commission audited the Company's financial and business operations for 2018 as scheduled.

During 2019, IDGC of Center and Volga Region's Audit Commission had two lineups. Between June 2, 2018 and June 14, 2019, the Commission included the following members elected by Resolution of the Annual General Shareholders' Meeting dd. June 4, 2018, Minutes No. 12¹:

- Marina Alekseyevna Lelekova (Chairperson of the Audit Commission), Head of the Control and Audit Department, Rosseti;
- Svetlana Anatolievna Kim, Head of the Audit Office, Control and Audit Department of Rosseti;
- Elena Aleksandrovna Kabizskina, Deputy Head of the Audit Office, Control and Audit Department of Rosseti;
- Oksana Alekseyevna Medvedeva, Chief Expert of the Audit Office, Control and Audit Department of Rosseti;
- Artem Nikolaevich Kirillov, Deputy Head of the Audit Office, Control and Audit Department of Rosseti.

The current Audit Commission was elected by Resolution of the Annual General Shareholders' Meeting dd. June 14, 2019, Minutes No. 13¹:

<p>Sergey Vladimirovich Kiryukhin</p> <p>Chairperson of the Audit Commission, Acting Deputy Director General, Head of the Executive Arm, Rosseti</p> <p>Holds no shares of IDGC of Center and Volga Region or its subsidiaries.</p>	<p>Born in 1979</p> <p>First elected a member of the Audit Commission on June 14, 2019.</p> <p>Over the past five years has served as: Chairperson of the Audit Commission, IDGC of Center and Volga Region (2019 – present); Chief Advisor, Director of the Organizational Support Department (part-time in-house), and Acting Deputy Director General, Head of the Executive Arm, Rosseti (2018 – present); Deputy Head of the Department of Control and Analysis, Head of the Administration Department of the Federal Environmental, Industrial and Nuclear Supervision Service of Russia (Rostekhnadzor) (2017-2018); Advisor to the Director General of Research Institute of Labor, Ministry of Labor of the Russian Federation (2017); Deputy Head of the Internal Affairs Office under Directorate General for Interagency Cooperation and Internal Affairs, Head of the Internal Investigation Division, Head of the Second Investigation Division under the First Investigation Office within the Directorate General for Investigation, Deputy Head of the Internal Affairs Office under the Directorate General for Interagency Cooperation and Internal Affairs, Head of the Internal Investigation Unit of the Russia's Investigation Committee (2012-2016).</p>
<p>Marina Alekseyevna Lelekova</p> <p>Director of the Control and Audit Department, Rosseti.</p> <p>Holds no shares of IDGC of Center and Volga Region or its subsidiaries.</p>	<p>Born in 1961</p> <p>Elected to IDGC of Center and Volga Region's Audit Commission seven times: June 18, 2013; June 26, 2014; June 16, 2015; June 9, 2016; June 5, 2017; June 1, 2018; and June 14, 2019.</p> <p>Over the past five years has served as: member of the Audit Commission, IDGC of Center and Volga Region (2013 – present); Chairperson of the Audit Commission, IDGC of Center and Volga Region (2013 – 2019), Director of the Control and Audit Department, Director of the Monitoring Department and Director of the Control and Audit Department, Rosseti (2013 – present).</p>
<p>Artem Nikolaevich Kirillov</p> <p>Deputy Head of the Audit Office, Control and Audit Department, Rosseti.</p> <p>Holds no shares of IDGC of Center and Volga Region or its subsidiaries.</p>	<p>Born in 1984</p> <p>Elected to IDGC of Center and Volga Region's Audit Commission three times on: June 26, 2014, June 1, 2018 and June 14, 2019</p> <p>Over the past five years has served as: member of the Audit Commission, IDGC of Center and Volga Region (2018 – present); member of the Audit Commission, IDGC of Center and Volga Region (2014 – 2015); Head of the Investment Audit Division of the Audit and Internal Audit Office under the Control and Audit Department, Deputy Head of the Audit Office, Control Department, Deputy Head of the Audit Office, Control and Audit Department of Rosseti (2013 – present).</p>
<p>Elena Stanislavovna Erandina</p> <p>Chief Expert of the Control and Expert Office, Control and Audit Department, Rosseti.</p> <p>Holds no shares of IDGC of Center and Volga Region or its subsidiaries.</p>	<p>Born in 1972</p> <p>Elected member of IDGC of Center and Volga Region's Audit Commission thrice on: June 9, 2016, June 5, 2017, and June 14, 2019</p> <p>Over the past five years has served as: member of the Audit Commission, IDGC of Center and Volga Region (2019 – present); member of the Audit Commission, IDGC of Center and Volga Region (2016 – 2018); Chief Expert of the Control and Expert Office, Control and Audit Department of Rosseti (2016 – present); Chief Specialist of the Internal Audit Service, Elektroservis ENES JSC (2013 – 2015).</p>
<p>Sergey Vladimirovich Malyshev</p> <p>Chief Expert of the Audit Office, Control and Audit Department, Rosseti</p> <p>Holds no shares of IDGC of Center and Volga Region or its subsidiaries.</p>	<p>Born in 1965</p> <p>Elected member of IDGC of Center and Volga Region's Audit Commission twice on: June 26, 2014 and June 14, 2019</p> <p>Over the past five years has served as: member of the Audit Commission, IDGC of Center and Volga Region (2019 – present); member of the Audit Commission, IDGC of Center and Volga Region (2015 – 2016); Chief Expert of the Audit Office, Control and Audit Department of Rosseti (2013 – present).</p>

¹. The positions are indicated as of the time of election.

¹. The positions are indicated as of the time of election.

Evaluation and Improvement of the Internal Control System

The Company regularly makes internal and external evaluations of efficiency of the current Internal Control System. In 2019, the Internal Audit Department carried out internal evaluation.¹ According to its results, the maturity level of the Company's Internal Control System was "optimal" at the year-end 2018 and 2019 alike.

A consortium of contractors comprising Ernst&Young Assessment and Advisory Services LLC and RSM RUS LLC carried out an independent external assessment of the Internal Control System and concluded that its was efficient as of March 31, 2019.² In light of these recommendations, the Company has approved³ and implements its Internal Control Maintenance and Improvement Plan. The following milestone measures were taken under this Plan in 2019 to improve the Internal Control System:

- business process control matrices updated⁴;
- Risk Management System Improvement Action Plan approved⁵;
- Antitrust Policy approved⁶;
- heads of subdivisions performed a self-assessment of efficiency of the control procedures and the Internal Control System of the business processes under their supervision.

For 2020, the Company plans to improve its Internal Control System by doing the following:

- keeping specialists appropriately trained and continuous acquisition of new skills;
- integration of the Quality Management System, Internal Control System, and Risk Management System in a single General Management System;
- being the current risk evaluation procedure in line with the requirements of the updated Risk Management System;
- integration of the existing Anti-Corruption and Antitrust Compliance Systems in the General Internal Control System and the Risk Management System;
- automation of control procedures in the context of the "Digital Transformation 2030" Concept;
- optimization and automation of reporting and communications between IDGC of Center and Volga Region and Rosseti.

¹ The Internal Auditor's Report on the Performance Assessment of the Internal Control System for 2019 has been discussed by the Board of Directors, Minutes No. 407 dd. April 24, 2020, preliminarily discussed by the Board of Directors' Audit Committee, Minutes No. 10/131 dd. March 23, 2020.

² The Board of Directors discussed the results of the external independent assessment of the Internal Control System on July 31, 2019, Minutes No. 370.

³ Approved by the Board of Directors on October 31, 2019, Minutes No. 380.

⁴ Orders of Rosseti Centre No. 212-TsA dd. May 28, 2019; No. 255-TsA dd. June 27, 2019; and No. 626-TsA dd. December 31, 2019.

⁵ Approved by the Board of Directors on December 31, 2019, Minutes No. 393.

⁶ Rosseti Centre Order No. 508-TsA dd. November 11, 2019.

EXTERNAL AUDIT

The external auditor carries out an independent audit of the Company's RAS accounting records and financial (accounting) statements as well as of its IFRS consolidated statements to draw up an opinion about their reliability and whether the accounting procedures comply with the legislation of the Russian Federation.

The Central Procurement Committee of Rosseti selects the external auditor, and the Audit Committee of the Board of Directors at IDGC of Center and Volga Region assesses its qualifications, quality of work, compliance with the requirements for independence to conclude on the auditor's candidacy. IDGC of

Center and Volga Region's Board of Directors nominates an auditor for consideration and approval at the General Shareholders' Meeting.

Resolution of the Annual General Shareholders' Meeting of IDGC of Center and Volga Region dd. June 14, 2019 (Minutes No. 13) appointed Ernst & Young the Company's auditor to audit the financial (accounting) statements for 2019. Ernst & Young was also selected to audit the consolidated financial statements of IDGC of Center and Volga Region for 2018.

Auditor's details

Complete trade name	Ernst&Young Limited Liability Company
Abbreviated company name	Ernst&Young LLC
Address	115035 Russia, Moscow, 77 Sadovnicheskaya Naberezhnaya, bld. 1
Main state registration number	1027739707203
INN/KPP	7709383532/770501001
OGRN	1027739707203
Phone, fax	+7 (495) 755 97 00, +7 (495) 755 9701
Email	rfp@ru.ey.com www.ey.com
Membership in a self-regulatory organization	Self-Regulatory Organization of Auditors Association "Sodruzhestvo" (RUA SRO) 119192, Russia, Moscow, 21 Michurinsky Prospekt, bld. 4. Registration entry number in the register of auditors and audit organizations RUA SPO 12006020327.

IDGC of Center and Volga Region and Ernst & Young entered into the Audit Services Contract No. ECU-2019-00172 of August 21, 2019 to audit the RAS and IFRS reports for a total of 6.09 RUB mn inclusive of VAT. Under this Contract, Ernst & Young was paid 3.7 RUB mn inclusive of VAT in 2019.

The Auditor is not affiliated with the Company's employees or managers. Neither the Company nor its employees have any business relations

(involvement in the promotion of goods and services, joint enterprises, etc.), contracts for non-audit services, or family ties with the Ernst&Young officers. The Auditor does not provide any non-audit services to the Company.

CORPORATE RISK MANAGEMENT SYSTEM

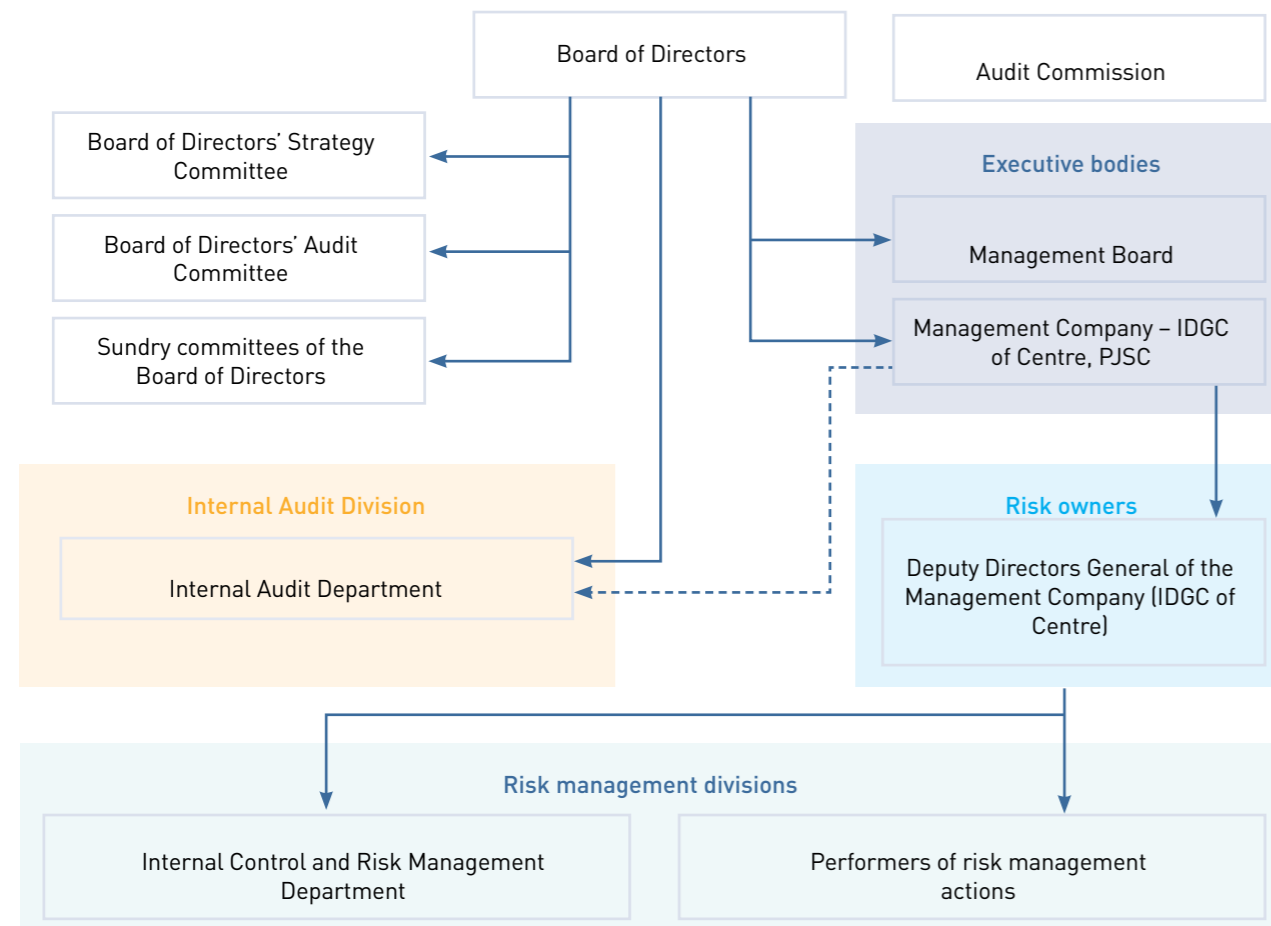
IDGC of Center and Volga Region has a Risk Management System (RMS) in place. The purpose of the RMS is to ensure sustainable continuous operation and development of the Company through timely identification, assessment, and efficient management of risks that threaten to hamper the efficient business or damage the reputation of the Company, the health of its employees, the environment, or property interests of its shareholders and investors.

To develop the RMS, the Company has the following documents in place:

- Risk Management Policy (approved by the Board of Directors on March 21, 2016, Minutes No. 217);
- Rosseti Group Operational Risk Evaluation Methodology (Order No. 448 dd. August 14, 2015);

- Instructions for Use and Filling of the Operational Risk Data Sheet (Order No. 448 dd. August 14, 2015);
- Guidelines on Using the Operational Risk Evaluation Methodology, the Probability Scale Limits, the Risk Consequence and Significance Scales (Order No. 448 dd. August 14, 2015);
- Instructions on Planning and Implementation of Risk Management Measures at IDGC of Center and Volga Region (Order No. 705 dd. December 17, 2015);
- Functional Risk Evaluation Guidelines (Order No. 38-TsA dd. January 31, 2019);
- IDGC of Center and Volga Region Risk Appetite Determination Procedure (Order No. 38-TsA dd. January 31, 2019).

STRUCTURE OF THE RISK MANAGEMENT SYSTEM



Parties of the Risk Management System

Parties of the Risk Management Process	Main functions	
	Pursuant to the Company's Risk Management Policy	Pursuant to other internal documents
Board of Directors of the Company GRI 102-29	<ul style="list-style-type: none"> • approval of internal documents, which define the organization and functioning of the RMS; • approval of the Risk Management Policy; • annual review of reports from the executive bodies concerning the organization, performance and effectiveness of the RMS, assessment of the RMS functioning and production of recommendations for its improvement; • annual review of a report from the internal audit unit on the RMS efficiency; • consideration of the results of external independent evaluation of the RMS efficiency in case of its execution. 	Pursuant to the Company's revised Articles of Association dated June 14, 2019 (Minutes No. 13 of the Annual General Shareholders' Meeting): <ul style="list-style-type: none"> • defining the principles of, and approaches to, the arrangement of Internal Audit, the Risk Management and Internal Control Systems, including the approval of the Company's internal documents that set forth its Risk Management, Internal Control, and Internal Audit Policies; • risk evaluation as well as setting such risk levels that may be deemed acceptable for the Company; • arrangement of annual or more frequent analysis and assessment of the Risk Management and Internal Control Systems, which shall draw, among other things, upon the regular reporting from the Company's executive bodies, Internal Audit, and external auditors.
Strategy Committee	<ul style="list-style-type: none"> • monitoring the efficiency of risk management procedures; • performance assessment of risk management measures and RMS improvements; • preliminary consideration of reports from the executive bodies concerning the organization and performance of the RMS prior to their presentation to the Board of Directors; • analysis of proposals for the RMS improvement, including the identification of risks and adjustment of risk parameters; • preliminary review of the Company's internal documents defining the organization and functioning of the RMS along with the Risk Management Policy and subsequent amendments thereto prior to their approval by the Board of Directors; • preliminary consideration and preparation of a statement on the text of the RMS-concerning section of the Company's Annual Report prior to its approval by the Board of Directors. 	Pursuant to the Board of Directors' Strategy Committee Regulations dd. October 7, 2019 (Minutes No. 377): <ul style="list-style-type: none"> • risk evaluation as well as setting such risk levels that may be deemed acceptable for the Company; • annual review of the arrangement, operation, and performance of the Company's risk management systems.
Audit Committee of the Board of Directors of the Company	<ul style="list-style-type: none"> • preliminary review of the results of the RMS efficiency evaluation and examination of compliance with the provisions of the Policy based on the internal auditor's report on the stated issues prior to their submission to the Board of Directors. 	In accordance with the Company's Board of Directors' Audit Committee Regulations dated March 14, 2016 (Minutes No. 216) as amended and supplemented on November 2, 2016 (Minutes No. 246): <ul style="list-style-type: none"> • at least once a year, preliminary review of the report from the Internal Audit on the efficiency of the internal control system, RMS and corporate governance, as well as preliminary review of reports based on the external independent assessment of the efficiency of the internal control system, RMS and corporate governance; • drafting of proposals for improving the RMS, internal control, and corporate governance practices.
Audit Commission of the Company	<ul style="list-style-type: none"> • review of reports before submitting to the Board of Directors; • drafting of proposals and recommendations for improving the RMS based on the results of the audit. 	In accordance with the Articles of Association of the Company: <ul style="list-style-type: none"> • verification and analysis of the financial position of the Company, financial solvency, performance of the internal control system and the RMS, liquidity of assets, debt-equity ratio, correctness and timeliness of accrual and payment of bond interests, and yield on other securities

Parties of the Risk Management Process	Main functions	
	Pursuant to the Company's Risk Management Policy	Pursuant to other internal documents
Executive bodies (the Company's Management Board and the Management Company, IDGC of Center)	<ul style="list-style-type: none"> ensuring that an efficient RMS is in place and remains functional by applying common approaches and standards developed and approved for the Rosseti Group; responsibility for the compliance with resolutions of the Board of Directors on the organization and operation of the RMS. 	<p>In accordance with the Articles of Association of the Company:</p> <ul style="list-style-type: none"> efficient risk management as part of the Company's day-to-day operations; approval of risk management budgets within the limits approved by resolution of the Company's Board of Directors; Resolution of cross-functional (multiple-division) risk management objectives.
Risk owners	<ul style="list-style-type: none"> timely risk identification and evaluation; selection of a risk response methods; timely development and organization of risk management activities; regular risk monitoring; provision of timely informing of the Company's executive bodies on the results of risk management work; enabling resolution cooperation with the Risk Management Division to draft documents and reports on risk management. 	<p>Pursuant to Regulations On the Distribution of Responsibility and Authority Between the Deputy Directors General, Managers Subordinate to the Director General, and Deputy Directors General – Directors of the Branches of IDGC of Centre (Order No. 287-TsA dd. July 9, 2019):</p> <ul style="list-style-type: none"> ensuring regular monitoring of status of risks of the supervised processes; ensuring timely update of risks of the supervised processes; ensuring a quarterly analysis and rating of factors contributing to the realization of risks of the supervised processes; arranging the development and adoption of measures for risk management of the supervised processes.
Performers of risk management actions	<ul style="list-style-type: none"> timely identification and/or minimization of risks in accordance with job descriptions and regulating documents; implementation of measures aimed at risk management timely and in full. 	-
Risk Management Division – Internal Control and Risk Management Office	<ul style="list-style-type: none"> general coordination of risk management processes, including the coordination of all the RMS participants; introduction of methodology documents into the Company that would ensure the process of risk management and the RMS operation; organization of RMS training of the Company's employees; timely aggregation of information on all identified risks and drafting of proposals for updating the risk register; securing that the risk management process in the Company and the entities it controls are monitored per the established procedures; timely and full provision of all stakeholders (including the Company's executive bodies) with information on the main trends, risks, challenges and threats in the Company's activities. 	The main functions are enshrined in the Internal Control and Risk Management Office Regulations.
Internal Audit Division – Internal Audit Department	<ul style="list-style-type: none"> internal independent assessment of the RMS efficiency and provision of recommendations to the risk management unit aimed at improving the RMS efficiency and performance; informing the Company's executive bodies and the Board of Directors (the authorized committee of the Board of Directors) on the RMS status. 	The main functions are enshrined in the Internal Audit Department Regulations.

Performance Assessment of the Corporate Risk Management System GRI 102-30

The Internal Audit Department of IDGC of Center and Volga Region assesses the performance of the Company's existing Risk Management System on a yearly basis. This keeps the system efficient and in line with the continuously changing requirements and the Company's internal and external operating conditions.

The Internal Audit Department's Report on the Performance Assessment of the Corporate Risk Management System for 2019 has been discussed by the Board of Directors (Minutes No. 407 dd. April 24, 2020), preliminarily discussed by the Board of Directors' Audit Committee (Minutes No. 10/131 dd. March

23, 2020). The Company's Risk Management System had an "optimal" maturity level as of year-end 2018 and 2019 alike.

In 2019, the Company's Risk Management System also underwent an independent external assessment and was deemed "moderately efficient" as of March 31, 2019. The results of such independent external assessment were discussed by the Board of Directors on July 31, 2019 (Minutes No. 370), preliminarily discussed by the Board of Directors' Strategy Committee on May 31, 2019 (Minutes No. 24/223).

Improving the Corporate Risk Management System

Pursuant to resolution of the Company's Board of Directors dd. December 31, 2019 (Minutes 393), IDGC of Center and Volga Region has approved and implements its Risk Management System Improvement Action Plan. In 2019, under this Plan, the Company:

- updated its Registers of Operational Risks;
- elaborated measures to adopt and update a new Risk Identification, Evaluation, Registration, and Management Methodology.

For 2020, the Company plans to further improve its corporate Risk Management System by:

- attaching greater significance to risk management issues and raising the risk awareness;
- arranging systematic training in risk management for the key decision makers as well as for other officers involved in risk management;

- adopting information support practices for the risk management processes;
- adopting a risk appetite determination methodology aligned with the development strategy, defining the key risk indicators;
- updating the Risk Register in the context of the Company's Development Strategy and business targets under the same Strategy;
- adapting a new methodology for risk identification, evaluation, registration, and management;
- updating the regulations on the self-assessment of the risk management system performance.

REMUNERATION AND MOTIVATION

GRI 102-35

Remuneration for the Members of the Board of Directors

The total remuneration paid to the members of the Board of Directors in 2019 was 14,848,250.82 RUB before deduction of personal income tax. In 2019, 38,198 RUB was paid to the members of the Company's Board of Directors in reimbursement. The Company's internal documents provide for no non-financial remuneration. Over 2019, wages, bonuses and commission fees were not paid to the members of the Board of Directors who were not the Company's employees.

- it sets forth the remuneration for the Board of Directors be paid on a quarterly basis;
- no additional remuneration for increased capitalization;
- partaking in the meetings of the Board of Directors' Committees and in the General Shareholders' Meetings to be reimbursed;
- remuneration to be paid at the expense of profits from unregulated activities.

Remuneration is not paid to the following people:

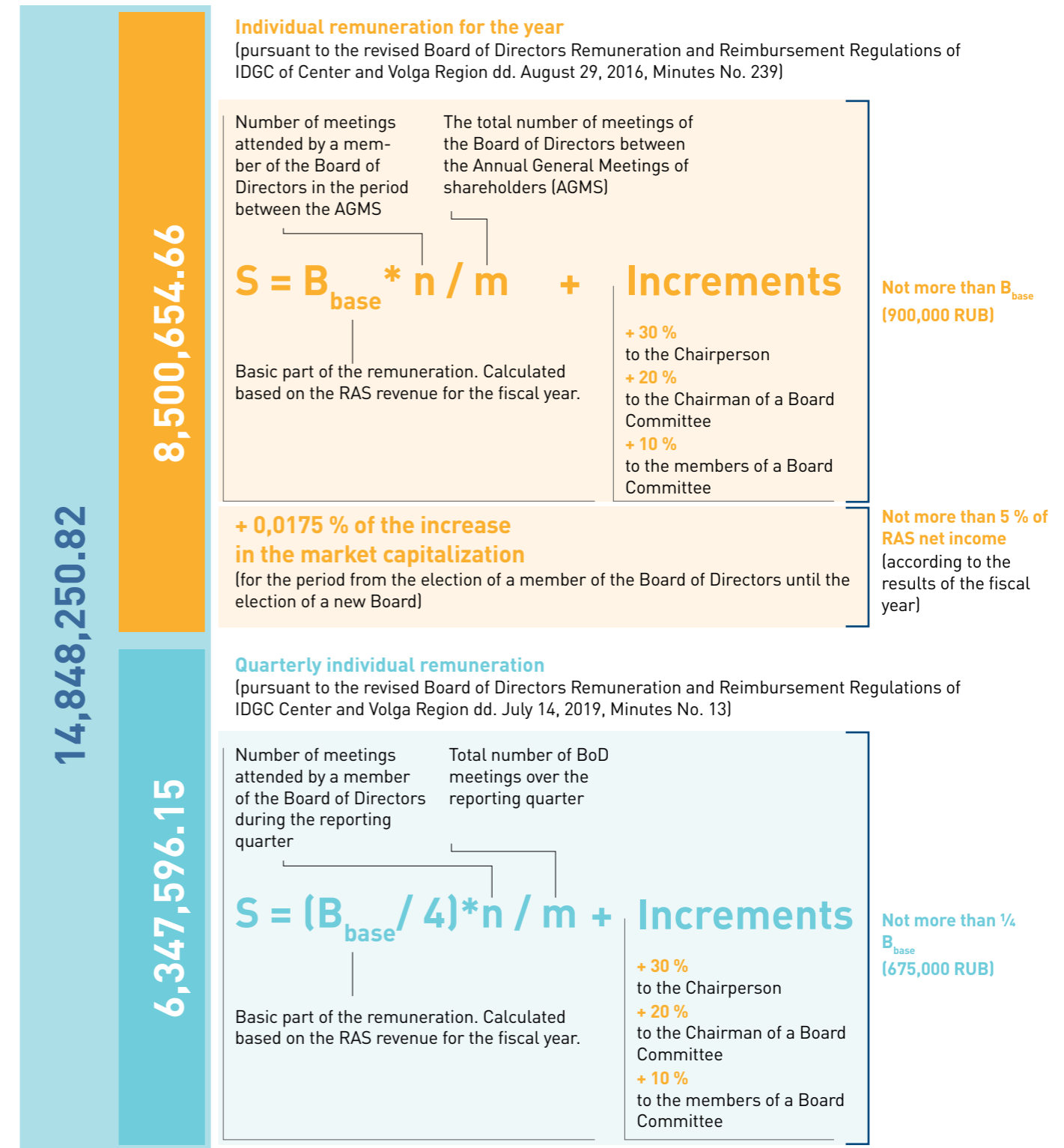
- members of the Board of Directors, in respect of which the federal law prescribes a restriction or prohibition on receipt of any payments from commercial organizations;
- members of the Board of Directors who are also members of the Collective Executive Body of the Company.

The General Shareholders' Meeting resolves to remunerate and (or) reimburse the members of IDGC of Center and Volga Region's Board of Directors. Such remuneration follows the criteria set forth in the Board of Directors Remuneration and Reimbursement Regulations of IDGC of Center and Volga Region. In 2019, the Company's General Shareholders' Meeting approved the revised Regulations (Minutes No. 13 dd. June 14, 2019). The new revision is different from its predecessor:

- it applies only to the members of the Board of Directors elected by virtue of the AGSM Resolution dd. June 14, 2019 (Minutes No. 13) as well as by resolutions of subsequent General Shareholders' Meetings¹;

¹ Members of the Board of Directors elected by the AGSM Resolution per Minutes No. 12 dd. June 1, 2019 received their remuneration pursuant to the Board of Directors Remuneration and Reimbursement Regulations approved by the Board of Directors on August 29, 2016 (Minutes No. 239 dd. August 31, 2016) as a lump sum for the entire period from being elected a member of the Board of Directors to the election of a new Board.

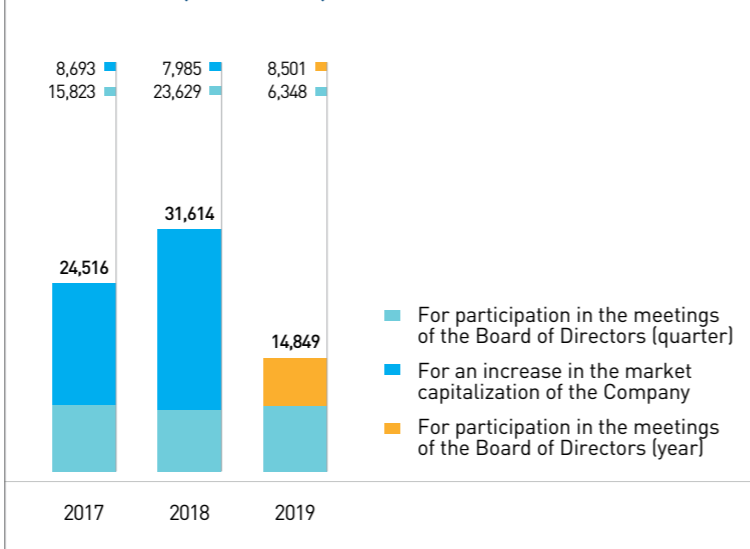
STRUCTURE AND FORMATION OF REMUNERATION PAID IN 2019 TO THE MEMBERS OF THE BOARD OF DIRECTORS



Personal remuneration paid to members of the Company's Board of Directors in 2019, RUB (without deduction of personal income tax)

Members of the Board of Directors	Board of Directors remuneration and Reimbursement Regulations, 2016 rev.		Board of Directors Remuneration and Reimbursement Regulations, 2019 rev.		Total
	For participation in the meetings of the Board of Directors	For the Company's increasing capitalization	Q2 2019	Q3 2019	
Alexander Ivanovich Kazakov	900,000.00	-	56,250.00	675,000.00	1,631,250.00
Denis Lvovich Guriyanov	900,000.00	-	56,250.00	623,076.92	1,579,326.92
Alexander Viktorovich Shevchuk	900,000.00	-	60,576.92	675,000.00	1,635,576.92
Yury Kazbekovich Zafesov	761,538.46	-	47,596.15	571,153.85	1,380,288.46
Andrey Vladimirovich Morozov	830,769.23	-	51,923.08	623,076.92	1,505,769.23
Roman Alekseyevich Filkin	761,538.46	-	-	-	761,538.46
Vladimir Sergeevich Chistyakov	745,335.52	-	-	-	745,335.52
Oleg Yuryevich Isaev	486,088.38	-	-	-	486,088.38
Vitaly Anatolyevich Domnich	761,538.46	-	-	-	761,538.46
Vladimir Leonidovich Pelymsky	692,307.69	-	-	-	692,307.69
Larisa Anatolyevna Romanovskaya	761,538.46	-	-	-	761,538.46
Igor Vladimirovich Makovskiy ¹	-	-	-	-	-
Dmitry Alekseyevich Bobkov	-	-	-	519,230.77	519,230.77
Vitaly Yurievich Zarkhin	-	-	-	571,153.85	571,153.85
Anastasia Igorevna Krupenina	-	-	-	623,076.92	623,076.92
Egor Vyacheslavovich Prokhorov	-	-	-	675,000.00	675,000.00
Andrey Olegovich Romankov	-	-	-	519,230.77	519,230.77
Total	8,500,654.66	0,00	272,596.15	6,075,000.00	14,848,250.82

Remuneration Paid to the Members of the Board of Directors in 2017-2019 (Before Tax)



¹ No remuneration accrued and paid to Mr. Makovskiy pursuant to Cl. 2 of the revised Board of Directors Remuneration and Reimbursement Regulations.

Remuneration of Members of Committees of the Board of Directors

Remunerations to members of Committees of the Company's Board of Directors are paid in cash for each meeting within 30 days after it was held. Remuneration is calculable per the Board of Directors' Committee Remuneration and Reimbursement Regulations as approved by the Company's Board of Directors on August 29, 2016, Minutes No. 239.

of the members of the Board of Directors' Committees is the minimum monthly tariff rate of a first-grade worker (MMTR) with regard to the indexation, established by the industry tariff agreement in the power industry of the Russian Federation as of the date of the Committee meeting.

A basis for calculating the remunerations

Remuneration for Participation in the Work of Committees of the Board of Directors

	For each in-person meeting, in which the member participated	For each meeting in absentia, in which the member participated
For the members of the Board of Directors' Committees	2*MMTR	1*MMTR
For the Secretaries of the Board of Directors' Committees	3*MMTR	1.5*MMTR
For the Chairpersons of the Board of Directors' Committees	1*MMTR	0.5*MMTR

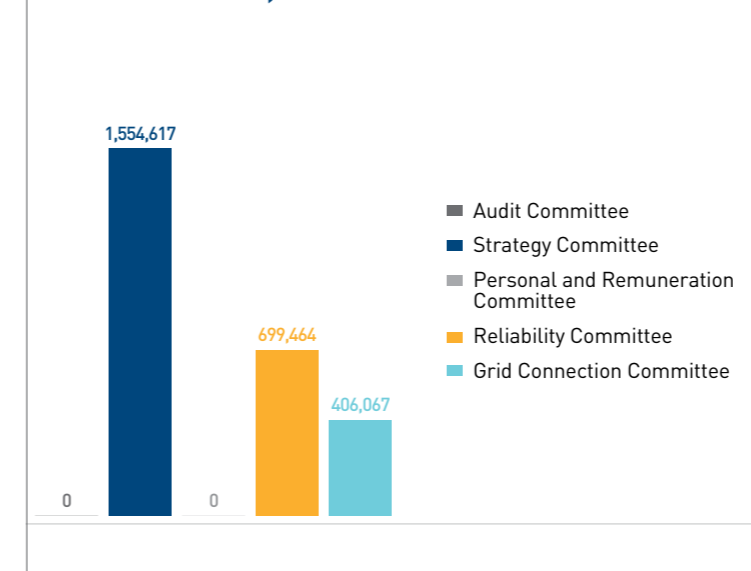
The remuneration is neither accrued nor paid to the members of the Company's Board of Directors, in respect of which the federal law prescribes a restriction or prohibition on receipt of any payments from for-profit organizations.

of payment to the members of the Board of Directors and are approved by the General Shareholders' Meeting.

If the Chairperson or members of the Committees of the Company's Board of Directors are also members of the Board of Directors, the remunerations are paid in accordance with the terms and conditions

A member of the Committee of the Board of Directors may, in whole or in part, refuse to receive a remuneration by sending an appropriate application to the Management Company, IDGC of Center. In 2019, none of the members of the Committees of the Board of Directors refused their remuneration.

Remuneration Paid to the Members of the Board of Directors' Committees in 2019, RUB before tax



In addition to remuneration, the Company reimburses the Board of Directors Committees' members their costs of attending the Committee meetings (transport, accommodation, daily allowances, etc.) in the manner and amount approved by the General Shareholders' Meeting. In 2019, none was reimbursed for partaking in the Committee meetings.

Remuneration of the Members of the Management Board

All members of the Management Board are top managers of IDGC of Center and Volga Region and work on the basis of employment contracts with the Company. Remuneration of the members of the Management Board is regulated by the Top Manager Incentives and Benefits Package Regulations as approved by the Board of Directors on June 8, 2016, Minutes No. 231. Following this Regulation, the members of the Company's Management Board are granted a market premium worth 15 % of the fixed official salary for exercising their powers.

A dismissal of a member of the Management Board from a full-time position in the Company is not a reason for termination of his or her powers as a member of the Management Board and termination of the relevant employment contract.

Quarterly and annual bonuses for the Company's top managers, including the members of the Management Board, depend on the degree of KPI accomplishment, which KPIs are defined by the Board of Directors, related to the Company's strategy, measurable, incentivize the employees to achieve, and represent an objective evaluation of their performance.

Amount and Structure of Remuneration and Reimbursement Paid to the Members of the Management Board, RUB thous. before tax

	2017	2018	2019
Remuneration for involvement with a governance body	2,176.6	-	-
Wage	23,364.6	-	-
Bonuses	35,494.7	59,688.5	-
Commissions	-	-	-
Other types of remuneration	1,268.5	-	-
Total	62,304.4	59,688.5	-

Remuneration of Top Executives

The list of top managers or top executives of the Company comprises Deputy Directors General (branch directors). Incentives, benefits, and reimbursement for top managers are regulated by the Top Manager Incentives and Benefits Package Regulations¹. These Regulations set forth the procedure for approval and adjustment of salaries, types of bonuses, bonus calculation and payment procedures, bonus terms and conditions, benefits, and compensations (including the termination of employment compensation), procedure for housing conditions improvement or housing provision.

The Regulations set forth the following bonus types:

- bonuses for the accomplishment of KPIs (on quarterly and yearly bases);
- extra bonuses for attaining the Rate of

- Electric Power Loss in 0.4-20 kV Grids KPI by the end of the year;
- special bonuses for a high value of priority KPI by the end of the corporate year;
- one-time bonuses for completion of particularly important tasks (jobs).

Deputy Directors' General (branch directors') KPIs are calculated and evaluated on a per-branch basis. At the same time, the KPI targets and their accomplishment are subject to IDGC of Center's approval.

Remuneration Paid to Key Executives in 2019

	RUB thous.
Wage	17,635
Bonuses	34,572
Other types of remuneration	13,032
Total	65,239

¹ Approved by the Board of Directors on June 8, 2016, Minutes No. 231.

Remuneration for the Management Company (IDGC of Centre)

IDGC of Center and Volga Region pays remuneration to the Management Company, IDGC of Centre, for acting as the Sole Executive Body. The remuneration consists of two parts: a fixed component and a variable component.

FIXED REMUNERATION COMPONENT

Fixed remuneration component is paid to the Management Company monthly for the exercise of the powers of the Sole Executive Body.

Its size is determined within the expense budget and is calculated following the Methodology for establishing the fixed remuneration component for exercising the powers of the Sole Executive Body, which is an annex to the contract concluded with the Management Company. In 2019, the fixed component of the Management Company's remuneration was 11,170,668.53 RUB per month including 1,861,778.9 RUB in VAT. The fixed component of the Management Company's remuneration totaled 133,546 RUB thous. in 2019.

VARIABLE REMUNERATION COMPONENT

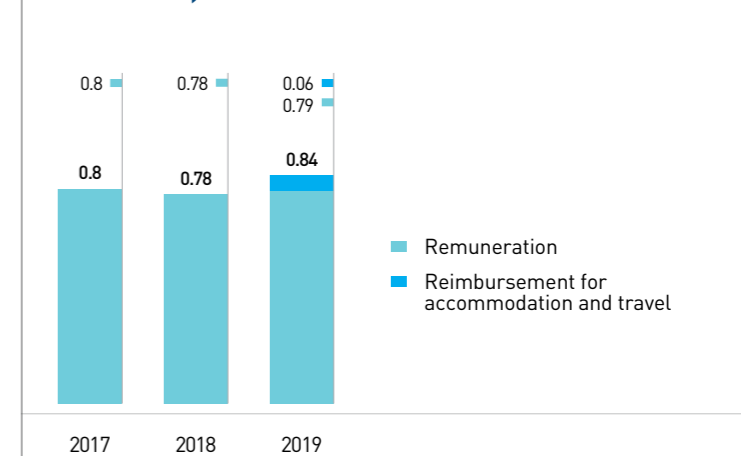
Variable remuneration component is paid to the Management Company based on the results of evaluation of its performance as the Sole Executive Body.

The variable remuneration component is paid for each reporting year and is calculated on the basis of the KPIs, the list of which, along with the approval procedure and calculation, is specified in the annex to the contract with the Management Company. For a 100 % attainment of all KPIs, the variable remuneration component equals 3 % of the net income of IDGC of Center and Volga Region per RAS.

Remuneration for the Audit Commission

According to the revised Audit Commission Remuneration Regulations of IDGC of Center and Volga Region as approved by Resolution of the Annual General Shareholders' Meeting dd. June 4, 2018, Minutes No. 12, remuneration is payable to a member of the Company's Audit Commission on the basis of performance over the business year and depends on his or her participation in the work of the Audit Commission.

Remuneration Paid to the Members of the Audit Commission in 2017-2019, RUB mn before tax



SHAREHOLDER VALUE GENERATION

Share Capital

COMPANY'S SHARES

As of December 31, 2018, the authorized capital of IDGC of Center and Volga Region was 11,269,781,704.3 RUB split into 112,697,817,043 ordinary shares with a par value of 10 kopecks each. The Company did not place any preferred shares.

The number of authorized shares is 2,182,957 units of registered ordinary shares with a par value of 10 kopecks each. These shares were formed as the difference between authorized (112,600,000,000 units) and placed (112,597,817,043 units) shares in the course of the Company's reorganization in 2008 through merger with 9 grid distribution companies (GDC). No additionally issued shares were placed in 2019.

Issues of IDGC of Center and Volga Region's Shares

Issue	Issue registration date	State registration number of the issue	Number of shares in the issue, units	Par value, RUB
First issue	Aug. 20, 2007	1-01-12665-E	100,000,000	0.1
Additional share issue 001	Feb. 21, 2008	1-01-12665-E-001D	9,933,178,038	0.1
Additional share issue 002	Feb. 21, 2008	1-01-12665-E-002D	5,238,075,351	0.1
Additional share issue 003	Feb. 21, 2008	1-01-12665-E-003D	10,154,553,057	0.1
Additional share issue 004	Feb. 21, 2008	1-01-12665-E-004D	8,579,998,539	0.1
Additional share issue 005	Feb. 21, 2008	1-01-12665-E-005D	4,095,509,962	0.1
Additional share issue 006	Feb. 21, 2008	1-01-12665-E-006D	31,184,103,348	0.1
Additional share issue 007	Feb. 21, 2008	1-01-12665-E-007D	13,343,991,837	0.1
Additional share issue 008	Feb. 21, 2008	1-01-12665-E-008D	7,567,715,086	0.1
Additional share issue 009	Feb. 21, 2008	1-01-12665-E-009D	9,990,288,421	0.1
Additional share issue 010	Feb. 21, 2008	1-01-12665-E-010D	665,242,563	0.1
Additional share issue 011	Feb. 21, 2008	1-01-12665-E-011D	2,574,822,120	0.1
Additional share issue 012	Feb. 21, 2008	1-01-12665-E-012D	327,892,112	0.1
Additional share issue 013	Feb. 21, 2008	1-01-12665-E-013D	7,749,197,134	0.1
Additional share issue 014	Feb. 21, 2008	1-01-12665-E-014D	1,193,249,475	0.1
Combining first and additional issues (Jul. 1, 2008)	Aug. 20, 2007	1-01-12665-E	112,697,817,043	0.1
The total number of outstanding shares			112,697,817,043	0.1

COMPANY'S BONDS

On December 3, 2019, IDGC of Center and Volga Region placed exchange bonds (ID 4B02-02-12665-E dd. May 23, 2013). The total nominal value of this issue was 5 RUB bn, with the rate of Coupons 1 to 6 being 6.85 % per annum, and a coupon period of 182 days. The bond circulation term is 10 years; the issue provides for offer in 3 years after the initial placement. The nominal value of the exchange bonds is 1,000 RUB.

In 2019, the following unplaced bonds of the IDGC of Center and Volga Region were on the List of securities admitted to trading in MICEX Stock Exchange CJSC:

- exchange bonds series BO-03 with the nominal value of 5 RUB bn and the maturity of 10 years (identification number of the issue 4B02-03-12665-E dated May 23, 2013);
- exchange bonds series BO-04 with the nominal value of 5 RUB bn and the maturity of 10 years (identification number of the issue 4B02-04-12665-E dated May 23, 2013).

On October 10, 2016, MICEX Stock Exchange assigned an identification number to the Program of Exchange Bonds series 001P. Exchange bonds of the Company with the total nominal value up to 25 RUB bn and the maturity of up to 30 years will be floated under the Program. The program has indefinite duration.

The authorized capital stock of Rosseti is 200,903,014,525 RUB and is split into 200,903,014,525 shares with a par value of 1 RUB, including 198,827,865,141 ordinary shares and 2,075,149,384 preferred shares. At the same time, the majority of Rosseti shares are publicly owned.

REGISTRAR OF THE COMPANY

The Company's register of security holders has been maintained and stored by VTB Registrar, which has been successfully rendering the registrar services for over 20 years.

CROSS-HOLDING AND PRIMARY BENEFICIARY

The Company holds shares in Rosseti due to the legal succession of the shares of RAO UES of Russia OJSC from Kirovenergo OJSC by its merger with IDGC of Center and Volga Region OJSC. During the reorganization of RAO UES of Russia OJSC the shareholders in the latter were given shares in a number of power industry companies, including the IDGC Holding OJSC (currently Rosseti).

Cross-holding of IDGC of Center and Volga Region as of December 31, 2019

Shareholding	Number of ordinary shares, units	Nominal value per share, RUB	Nominal value of the deposit, RUB	% of the authorized capital
Shares in IDGC of Center and Volga Region held by Rosseti	56,799,338,107	0.1	5,679,933,810.7	50.4
Shares in Rosseti held by IDGC of Center and Volga Region	2,080,389	1.0	2,080,389.0	0.001

The number of Publicly Owned Shares in Rosseti as of March 30, 2019

Shareholding	Number of shares, units		% of the authorized capital
	Ordinary	Preferential	
Federal Agency for State Property Management	176,729,514,113	145,523,224	88.04

As of December 31, 2019, the Shareholder Register of IDGC of Center and Volga Region comprised

18,989 entities

Thus, the Russian Federation is the primary beneficiary of IDGC of Center and Volga Region.

No special right reserved for the Russian Federation, its region, or municipalities in managing IDGC of Center and Volga Region ("the golden share").

Information About Shareholders (Excluding Data on Customers of Nominee Shareholders)

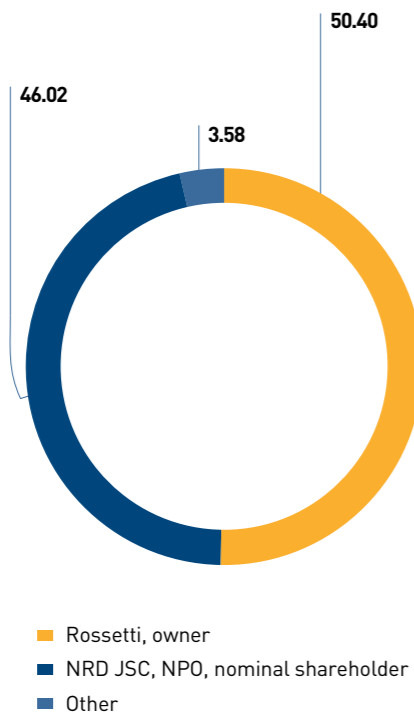
Shareholder type	As of December 31, 2018		As of December 31, 2019	
	Number of holders	Share of the authorized capital, %	Number of holders	Share of the authorized capital, %
Physical entities	18,907	3.309	18,833	3.292
(including non-residents)	27	0.008	26	0.008
Legal entities	150	0.279	148	0.2256
(including non-residents)	13	0.07	13	0.051
Nominee shareholders	6	96.408	6	96.447
Trustees	1	<0.001	1	<0.001
Unidentified persons accounts	1	0.004	1	0.004
Total	19,065	100	18,989	100

IDGC of Center and Volga Region is not aware of any shareholdings exceeding 5% except those disclosed by the Company. The Company is not aware of any shareholders that may acquire or have acquired a degree of control

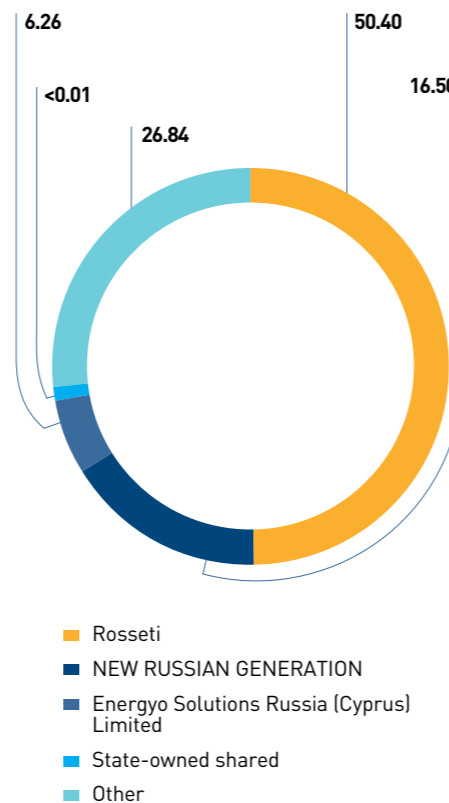
disproportionate to their shareholdings in the Company, including pursuant to shareholder agreements.

SHAREHOLDER EQUITY STRUCTURE

Major Shareholders of the Company (5% Share and More) as of December 31, 2019, %



Holding of the Company's Equity by Entities Entitled to Participate in the General Shareholders' Meeting as of December 6, 2019, %



Equity Concentration as of December 6, 2019¹

Number of shares on the account	Number of accounts	Share in the total number of accounts, %	Share in the equity capital, %
1 to 1,000	2,921	7.80	<0.01
1,001 – 10,000	8,087	21.59	0.04
10,001 – 100,000	12,401	33.11	0.52
100,001 – 1,000,000	11,471	30.63	3.41
1,000,001 to 10,000,000	2,262	6.04	5.30
10,000,001 to 100,000,000	276	0.74	6.56
100,000,001 to 1,000,000,000	34	0.09	9.66
1,000,000,001 to 10,000,000,000	2	<0.01	7.61
10,000,000,001 to 56,799,338,107	2	<0.01	66.90
Total	37,456	100	100

Shareholders' rights are enshrined in the Law of Russia as well as in IDGC of Center and Volga Region's Articles

of Association. The Company guarantees a proper observance of rights.

¹ The date of compilation of the list of entities entitled to participation in the General Shareholders Meeting.

Stock Market

STATUS OF THE COMPANY'S SHARES

Since 2008, after consolidation of the primary issue and 14 additional issues of the Company's shares, the ordinary shares of IDGC

of Center and Volga Region have been traded on the leading Russian stock market, the Moscow Exchange, under registration number 1-01-12665-E, with the ticker MRKP. As of December 31, 2019, the Company's shares are listed in the Second Tier quotation list.

History of the Company's Shares Presence in the Quotation Lists of the Moscow Exchange

	Date of quotation
Admission to the non-listed securities	April 7, 2008
Admission to Quotation List B	September 23, 2008
Admission to Quotation List A2	May 18, 2011
Admission to Quotation List A1	February 27, 2012
Admission to Quotation List A2	April 8, 2014
Admission to Quotation List of the First (Top) tier	June 9, 2014
Admission to Quotation List of the Second tier	January 31, 2017

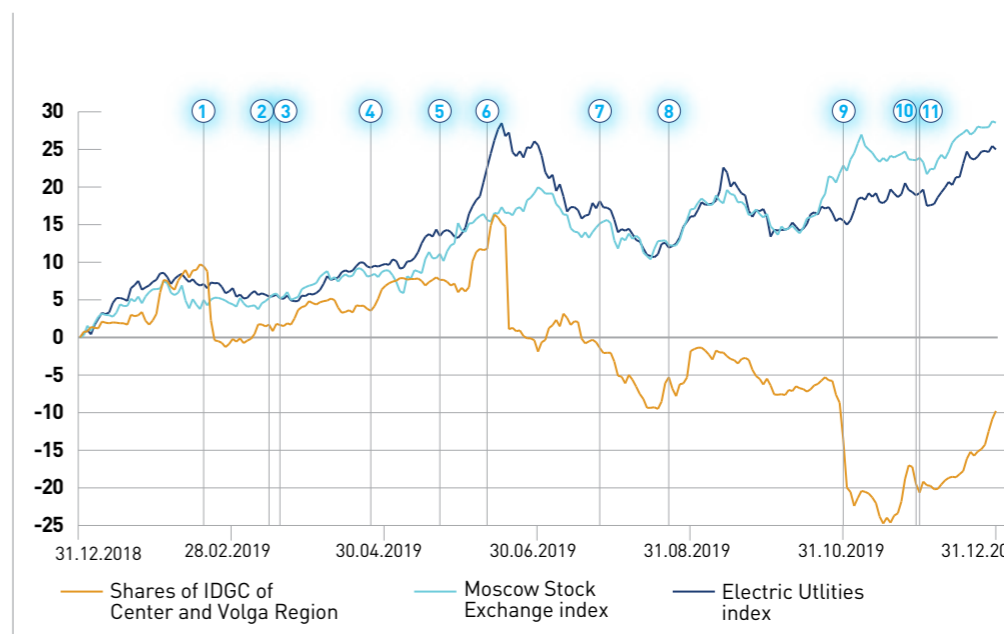
Inclusion of the Company's Shares into the Basis for Calculation of the Stock Indexes

Index	Stock exchange tickets	Weight of the Company's securities in index as of December 31, 2019, %
Medium and small capitalization-weighted index of the Moscow Exchange	MCXSM	1.11
Medium and small capitalization-weighted index of the Moscow Exchange, USD	RTSSM	1.11
Electric Utilities Index of the Moscow Exchange	MOEXEU	2.52
Electric Utilities Index of the Moscow Exchange, USD	RTSEU	2.52
The Moscow Exchange Broad Market Index	MOEXBMI	0.05
The Moscow Exchange Broad Market Index, USD	RTSBMI	0.05
MOEX Regulated Companies Index	RCI	2.31

Changes in Share Price, Capitalization and Indexes of the Moscow Exchange

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	2017	2018	2019	Change 2019 / 2018, %
Share price (minimum), year end, RUB	0.2964	0.2641	0.1980	-25.03
Share price (maximum), year end, RUB	0.3021	0.2662	0.2015	-24.31
Share price (at close), year end, RUB	0.3015	0.2650	0.2390	-9.81
Share price (weighed average), year end, RUB	0.2989	0.2651	0.2392	-9.77
Capitalization (at weighted average price), year end, RUB mn	33,685.38	29,876.19	26,957.32	-9.77
Moscow Exchange index (at close), year end	2,109.74	2,369.33	3,045.87	28.55
Electric Utilities Index (at close), year-end	1,816.30	1,608.85	2,010.99	25.00
Regulated Company Index (at close), year end	1,142.84	1,161.42	1,501.42	29.27



The following events influenced the trends of trade of the Company's share:

1. Publication of accounting (financial) RAS results of the Company for 2018.
2. Publication of accounting (financial) IFRS results of the Company for 2018.
3. Approval of the Company's Business Plan for 2019;
4. Publication of accounting (financial) RAS results of the Company for Q1 2019.
5. Publication of consolidated financial IFRS statements of the Company for three months of 2019.
6. Holding the Annual General Shareholders' Meeting of IDGC of Center and Volga Region with the announcement of voting results and made resolutions, including those pertaining to the payment of dividends for 2018.
7. Publication of accounting (financial) RAS results of the Company for H1 2019.
8. Publication of consolidated financial IFRS statements of the Company for 6 months of 2019.
9. Publication of accounting (financial) RAS results of the Company for 9 months of 2019.

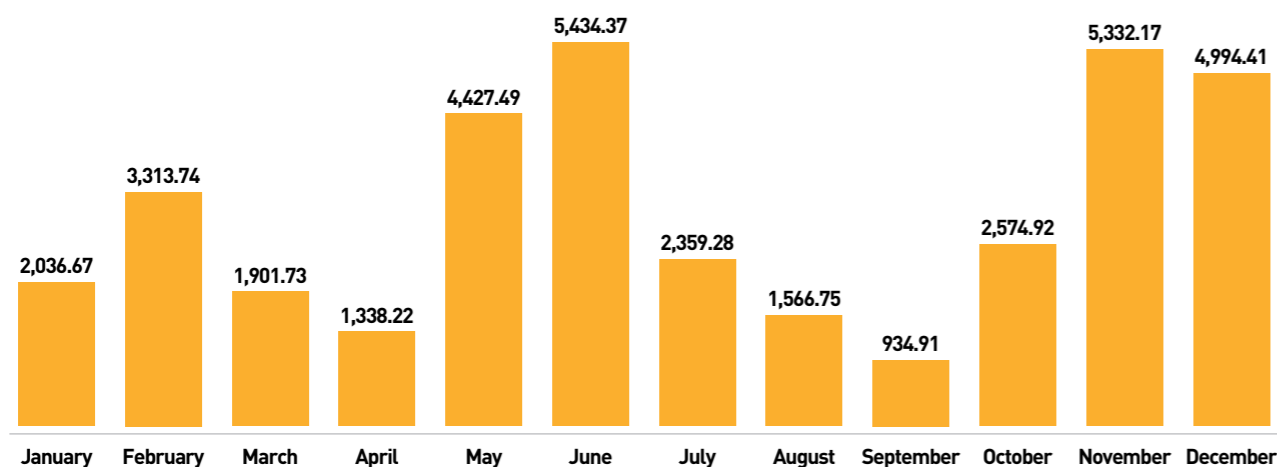
10. Publication of consolidated financial IFRS statements of the Company for 9 months of 2019.

11. The Russian Institute of Directors (RID), a non-profit partnership, confirmed IDGC of Center and Volga Region's rating of NCGR 7+ (Advanced Corporate Governance Practice) on the scale of the National Corporate Governance Rating (NCGR®).

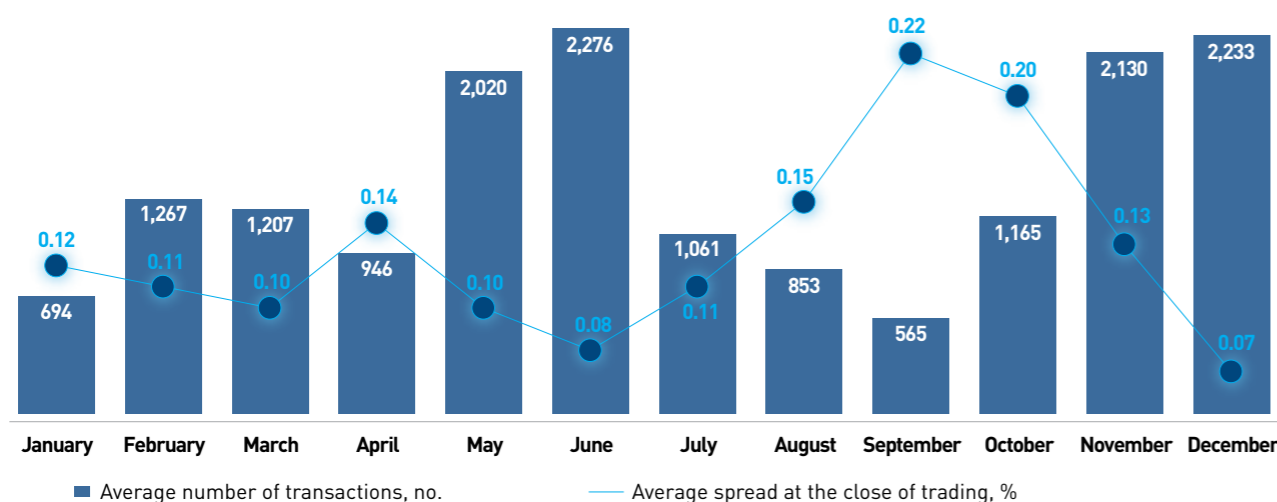
TRADED VALUE AND A NUMBER OF TRANSACTIONS WITH THE COMPANY'S SHARES IN 2017-2019

The value of trading in shares of IDGC of Center and Volga Region on the Moscow Exchange (basic mode T+) at year-end 2019 was 36,214.66 MN units, 19,301.1 increase YoY. In 2019, 341,110 transactions with the Company's shares were made, an increase of 206,094 YoY.

Trading of Stocks of IDGC of Center and Volga on the Moscow Exchange in 2019, mn pcs.



Spread Dynamics and a Number of Transactions on IDGC of Center and Volga Region Shares at the Moscow Exchange in 2019



According to the Moscow Exchange Index Committee, as of December 31, 2019, the free-float ratio of IDGC of Center and Volga Region was 27 %.

Key Analysts' Recommendations on IDGC of Center and Volga Region's Shares as of Year-end 2019

Company	Target, RUB	Recommendation	Recommendation date
Zerich IC	0.24 (+dividend)	Buy	November 26, 2019
Renaissance Capital	0.20	Hold	December 2, 2019
FINAM	0.225	Hold	December 9, 2019

Dividend Policy

The Dividend Policy of IDGC of Center and Volga Region is designed to maximize the observance of the shareholders' rights, enable increase in capitalization and investment attractiveness, as well as balancing the distribution of net income between dividend payouts and the Company's development. The Company has a clear algorithm for the shareholders for determining the amount of dividends; it also provides the shareholders with a convenient payment procedure.

On February 2, 2018 IDGC of Center and Volga Region's Board of Directors approved the revised Dividend Policy Regulations, see Minutes No. 300¹. The changes were aimed at bringing the Company's Dividend

Policy in compliance with the Decree of the Government of the Russian Federation No. 1094-r dd. May 29, 2017 and mainly applied to the dividend calculation procedure.

According to the revised Dividend Policy Regulations of IDGC of Center and Volga Region, two dividend amounts are calculated based on the results of the reporting year: one per RAS net income and one per IFRS net income. In fact, shareholders are paid the largest amount of the two reduced by the amounts of interim dividends previously paid for the results of three, six and nine months of the reporting year.

Dividend Payout History

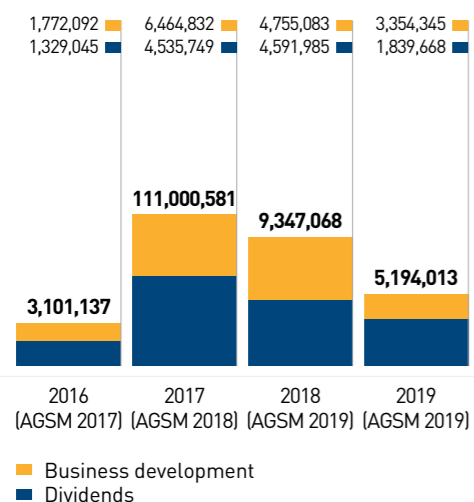
Reporting period for which dividends were accrued and paid	Date of decision on the dividend payout	Dividends accrued, RUB thous.	Dividend share in net income, %	Amount of dividend payout per one share, RUB	Dividends paid, RUB thous.	Share of the paid out dividends ² , %	Dividend yield at the year-end ³ , %
2010	Jun 14, 2011	141,000	10.1	0.0012511337	139,226.14	98.74	0.4
2011	June 22, 2012	315,554	7.5	0.0028	312,475.43	99.02	1.9
2012	Jun 18, 2013	478,966	25.0	0.00425	473,179.30	98.79	2.5
2013	Jun 26, 2014	634,489	25.0	0.00563	626,199.15	98.69	8.3
2014	Jun 16, 2015	349,363	25.4	0.0031	345,404.93	98.87	3.2
2015	Jun 9, 2016	942,560	100.0	0.008363605	933,391.26	99.03	13.3
2016	Jun 5, 2017	1,329,045	42.9	0.011793	1,316,275.48	99.04	8.0
2017	Jun 1, 2018	4,535,749	41.2	0.040247	4,501,154.23	99.24	13.5
2018	Jun 11, 2019	4,591,985	49.1	0.040746	4,556,653.36	99.23	15.4
9 months 2019	Dec 31, 2019	1,839,668	35.7	0.0163239	1,825,432.27	99.23	6.8

¹ Amendments were made by the Board of Directors on August 2, 2018, Minutes Nu. 325.

² As of December 31, 2019, the deviation from 100 % payment of the accrued dividends is due to the fact that some shareholders included in the system for maintaining the register of shareholders have no or unreliable information about bank and postal details for transferring the income.

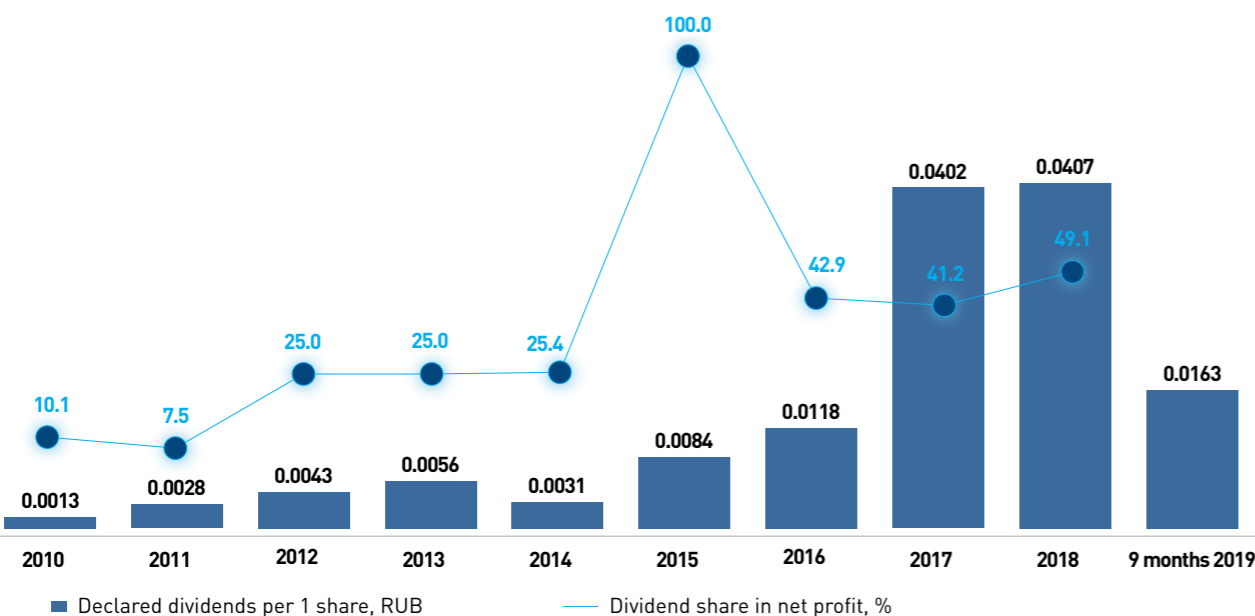
³ The value is calculated as (the ratio of dividends per one share to the weighted average price of one share at year-end) * 100 %.

Unappropriated Balance, RUB thous.



An extraordinary General Shareholders' Meeting of IDGC of Center and Volga Region took place on December 31, 2019¹ and resolved to pay interim dividends for Q1–Q3 2019, which was 1,839,668 RUB thous. or 0.0163239 RUB per ordinary share. The Meeting set the deadline for listing the dividend recipients as 14th day of the Extraordinary Meeting's resolution to pay dividends. Dividends transferred to the Federal Budget in 2019 totaled 182,608.05 RUB. As of year-end 2019, the Company had no arrears in dividends payable to the Federal Budget.

Dividends



Shareholder and Investor Relations

IDGC of Center and Volga Region is continuously engaged in activities to promote capitalization, liquidity and corporate transparency and protects the rights and legitimate interests of its shareholders and investors. When disclosing information to shareholders and investors, the Company follows the principles of timeliness, completeness and availability.

IDGC of Center and Volga Region has a specialized IR unit in place, the Shareholder and Investor Relations Division of the Corporate Governance and Shareholder Relations Department. The Company's website lists contact details of the Division's specialists.

Below are the major projects carried out by IDGC of Center and Volga region for shareholders and investors in 2019:

- March 27, 2019: Analyst Day for the representatives of the investment community, dedicated to the Company's performance in 2018 and forecasts for 2019;

- June 26, 2019: the managers of the Management Company (IDGC of Center) had a meeting with securities specialists and experts specializing in electric power industry investment. The meeting took place as part of the 23rd Annual Russian Investors' Conference of Renaissance Capital. The attendees discussed the financial and operational outcomes of IDGC of Center and IDGC of Center and Volga Region's cooperation in 2018 and Q1 2019. They also presented the projected business plans of both Companies regarding the net supply of electricity, revenues, and financial results for the current year;
- August 2019: Director General of the Management Company (IDGC of Center) Igor Makovsky and the managers of both companies met representatives of minority shareholders to discuss the results of the first half of 2019 as well as short-term plans;
- September 3 and December 3, 2019: the Company had phone conferences with investors and streamed its presentation over the Internet on the results of publishing the Consolidated IFRS Statements for six and nine months of 2019;
- information subject to mandatory disclosure per Russian law, IR releases, information bulletins, and presentations posted on the Company's official website

The Company proceeded with its practice of prompt submission of the current information about the Company's financial and business activities at the request of shareholders, analysts of investment companies and other stakeholders.

PRELIMINARY CALENDAR OF EVENTS FOR SHAREHOLDERS AND INVESTORS FOR 2020

- January 9, 2020: approval of the Company's Business Plan for 2020;
- February 1–29, 2020: financial results of 2019 (RAS);
- March 1–31, 2020: financial results of 2019 (IFRS);
- March 1–31, 2020: Analyst Day, dedicated to the release of IFRS reporting for 2020;
- April 1–30, 2020: financial results for Q1 2020 (RAS);
- April 1–30, 2020: Annual Exchange Forum (plenary and panel sessions);
- May 1–31, 2020: financial results for Q1 2020 (IFRS);
- May 1 – June 30, 2020: meetings with minority shareholders before the Annual General Shareholders' Meeting;
- May 1 – June 20, 2020: AGSM for 2019;
- June 1 – 30, 2020: 24th Annual Russian Investor Conference of Renaissance Capital IC;
- July 1 – 30, 2020: financial results for the first half of 2020 (RAS);
- July 1 – 30, 2020: Day of Energy Companies (a group meeting), organized by ATON IC;
- August 1 – 31, 2020: financial results for the first half of 2020 (IFRS);
- August 1 – September 30, 2020: audio webcast on the release of IFRS statements for H1 2020;
- October 1 – 31, 2020: financial results for Q1–Q3 2020 (RAS);
- November 1 – 30, 2020: financial results for Q–Q3 2020 (IFRS);
- November 1 – 30, 2020: audio webcast on the release of IFRS statements for Q1–Q3 2020;
- November 1 – 30, 2020: Russia Calling! Annual Investment Forum organized by VTB Capital;
- December 1 – 31, 2020: a panel meeting with shareholder representatives and independent directors.

¹. Minutes No. 14 dd January 9, 2020.

ANNEXES

[Corporate Code of Conduct Compliance Report](#)

[GRI Standards Content Index](#)

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[Details of Major Transactions and Related-party Transactions](#)

[Company's RAS Statements for 2019 and the Auditor's Opinion](#)

[Company's IFRS Financial Statements for 2019 and the Auditor's Opinion](#)

[Report on Public Hearings](#)

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AUDITOR INFORMATION

AUDITOR	
Name	Ernst&Young Limited Liability Company
Address	115035 Russia, Moscow, 77 Sadovnicheskaya Naberezhnaya, bld. 1
Phone / fax	+7 (495) 755-9700 / +7 (495) 755-9701
E-mail	rfp@ru.ey.com
SRO memberships	Sodruzhestvo Association, a self-regulatory organization of auditors (SAA SRO) 119192 Russia, Moscow, 21 Michurinsky Prospekt, Bld. 4 SAA SRO's Registration Number in the Register of Auditors and Auditing Organizations 12006020327

REGISTRAR'S DETAILS

REGISTRAR	
Name	VTB Registrar JSC
Address	127015, Moscow, 23 Pravdy ul.
Postal address	127137, Moscow, P.O.Box 54
Phone	+7 (495) 787-44-83
Web	http://www.vtbreg.ru/
E-mail	info@vtbreg.ru
Permission to Operate	Federal Financial Markets Service's Register Keeping Permit No. 045-13970-000001 dd. February 21, 2008 (indefinite)
Director General	Konstantin Sergeevich Petrov
Vladimir branch of VTB Registrar JSC	Actual / postal address: 600005 Vladimir, 45 Traktornaya ul. Phone: +7 (910) 775-53-75, +7 (980) 755-72-21
Kaluga branch of VTB Registrar JSC	Actual / postal address: 248002 Kaluga, 23 Saltykova-Shchedrina ul., Room 3 Phone: +7 (4842) 56-31-90, +7 (495) 787-44-83 add. 400, 401
Nizhny Novgorod Branch of VTB Registrar JSC	Actual / postal address: 603000 Nizhny Novgorod, 30 3rd Yamskaya ul. Phone: +7 (831) 430-11-33, +7 (831) 430-13-21, +7 (831) 430-14-30

CONTACT DETAILS

GRI 102-3 GRI 102-53

CONTACTS	
Name	Public Joint-Stock Company Interregional Distribution Grid Company of Center and Volga Region
Actual and mailing address:	603950 Russia, Nizhny Novgorod, 33 Rozhdestvenskaya ul.
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Web	www.mrsk-cp.ru
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IR DIVISION	
Head	Natalya Gennadyevna Kiselyova
E-mail	ir@mrsk-cp.ru ; kiseleva.ng@mrsk-cp.ru
Phone	+7 (831) 431-74-46
DISCLOSURE	
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E-mail	Rassmagina.AZ@mrsk-1.ru
Phone	+7 (495) 747-92-92
PRESS CENTER	
Head	Anzhelika Vladimirovna Shcherbakova
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Contact Center	+7 (800) 50-50-115
Internet Reception for Customers	https://utp.mrsk-cp.ru/Pages/default.aspx