

DEFINING MATERIALITY AND CREATING A MATERIALITY MATRIX [102-46]

Material topics were defined while preparing this annual report to ensure its compliance with international standards – the International Integrated Reporting Framework (<IR>), GRI SRS, and AA1000SES (the “applicable standards”).

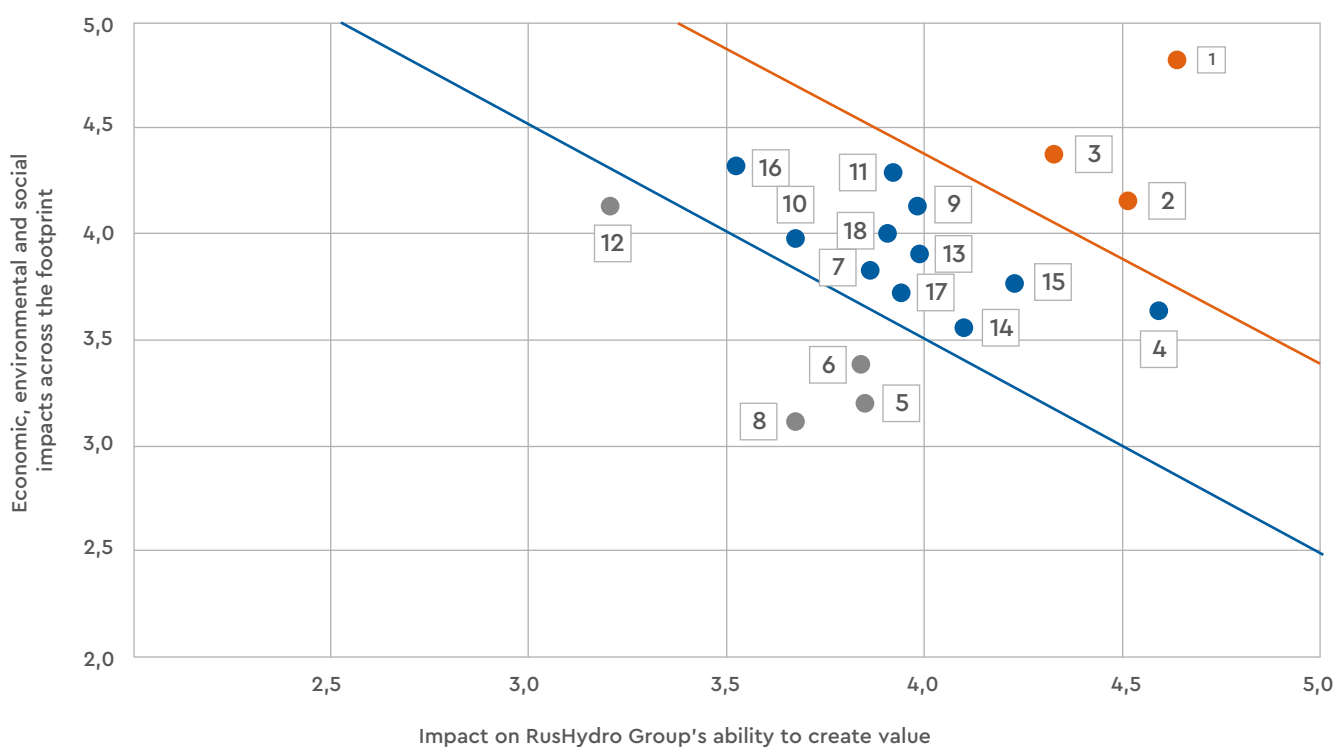
In 2018, the Company used an updated step-by-step methodology for defining material topics that involved the following stages:

1. the Annual Report Working Group prepared a master list of material topics (based on the analysis of the operational context of RusHydro Group’s business in the reporting year and analysis of best public reporting practices, including peer analysis both in Russia and globally);
2. RusHydro’s management verified the proposed list of topics, updating content and wording;
3. stakeholders assessed the significance of the topics submitted (with the possibility of adding topics significant for specific stakeholders);
4. stakeholders’ proposals were analyzed with additional material topics defined;
5. the final materiality matrix (matrix of material topics, or aspects of operations) was created.

List of material topics [102-47], [102-49]

№	Material topic
1	Ensuring reliable and safe operation of RusHydro Group’s facilities
2	Investment program implementation: new construction and replacement of retiring capacities and power facilities
3	RusHydro Group’s role in developing the Far Eastern energy sector
4	Ensuring financial strength and improving operational efficiency of RusHydro Group
5	Innovative development of RusHydro Group
6	Improving procurement excellence and countering unfair competition
7	Renewable energy promotion
8	Business process digitalization at RusHydro Group
9	Improving energy efficiency
10	Efforts to reduce GHG emissions
11	Efforts to reduce discharges and emissions of pollutants and waste
12	Saving rare species and other efforts to conserve biodiversity
13	Good working conditions and respect for employees’ rights
14	Personnel development
15	Occupational health and safety
16	Contribution to the social and economic development of regions where RusHydro Group operates (including charity projects)
17	Transparent operations and stakeholder relations
18	Anti-corruption initiatives

Materiality matrix



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As required by applicable standards, stakeholders defined the materiality of relevant topics using the following two criteria:

1. significant economic, environmental, and social impacts of RusHydro Group on stakeholders (102-47);
2. impact on RusHydro Group's ability to create value (<IR>).

Besides, based on the results of a stakeholder survey, as resolved by the Annual Report Working Group,¹

the list of material topics was expanded to include the following topics:

- performing obligations under collective bargaining agreements and the Industry Tariff Agreement;
- RusHydro Group's policy of long-term fuel contracts;
- RusHydro Group's dividend policy;
- introducing long-term tariff regulation in the Far East.



THE COMPANY DECIDED TO FOCUS ON ENERGY INFRASTRUCTURE EXPANSION AS AN IMPETUS TO REGIONAL DEVELOPMENT AS THE CENTRAL TOPIC OF THIS REPORT AS IT COVERS MATERIAL TOPICS 1, 2 AND 3, AND OFFERS AN OPPORTUNITY TO DISCUSS RUSHYDRO GROUP'S CONTRIBUTION TO THE ENERGY INFRASTRUCTURE EXPANSION ACROSS ITS FOOTPRINT.

¹ Minutes (unnumbered) dated February 14, 2019.