

Stakeholder relations

Stakeholder relations principles and approaches

In the course of its operations, RusHydro strives to balance the interests of all its stakeholders, ensuring the most complete and timely disclosure of relevant information.

To this end, in preparation of the integrated annual report for 2018, RusHydro Group's stakeholders ranking map was updated following a survey among internal and external stakeholders. Those who scored over 2.8 points as part of the assessment of

stakeholder group impact on RusHydro Group (and vice versa) were recognized as the key stakeholders. [102-42]

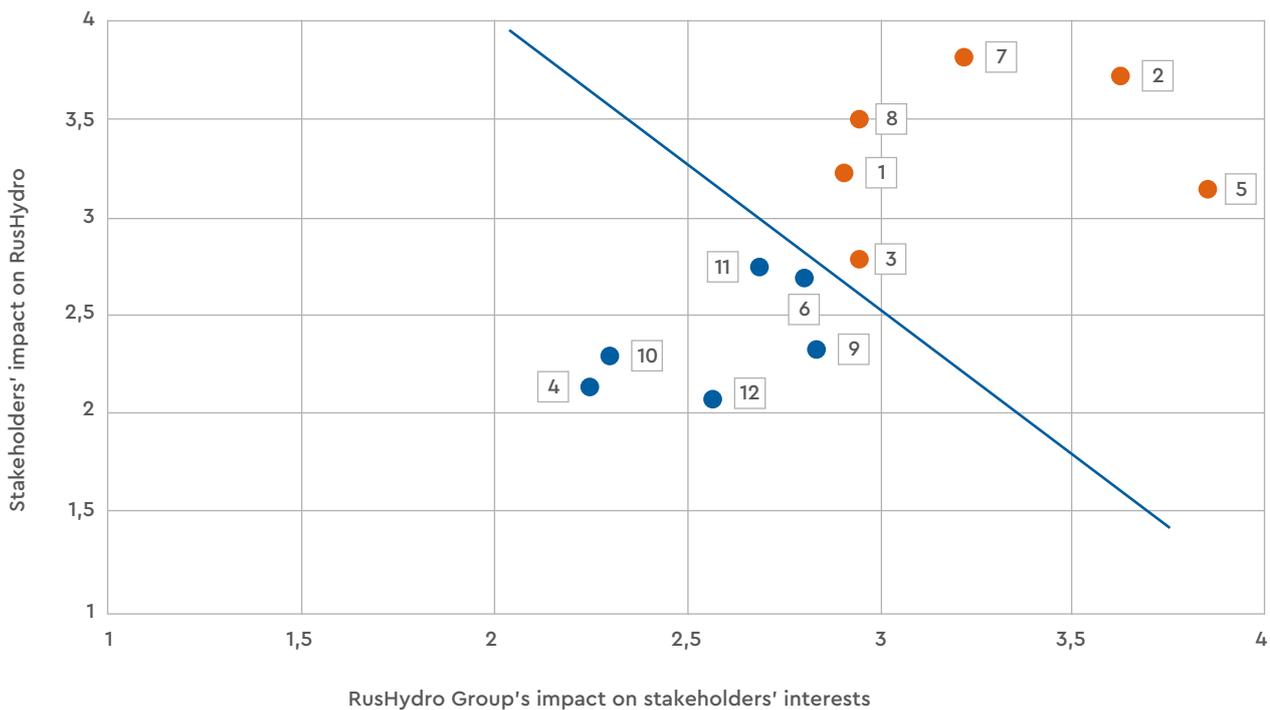
In building a framework for successful relations with stakeholders, RusHydro Group follows four fundamental principles of the AA1000 [102-43]¹ Series of Standards:

- **inclusivity** – relates to identifying stakeholders and their needs and arranging interaction with them on material sustainability topics.
- **materiality** – relates to identifying and prioritizing the most relevant sustainability topics, taking into

account the effect each topic has on the stakeholders.

- **responsiveness** – relates to providing timely reaction from the Company to events related to material sustainable topics, expressed in specific actions or communication with the stakeholders.
- **impact** – relates to assessing the Company's positive and/or negative effect on sustainable development aspects and stakeholders' interests.

Stakeholder map [102-40]



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|--|---|
| 1 Shareholders and investors | 8 Regulators and infrastructure organizations |
| 2 Customers and consumers | 9 Educational institutions |
| 3 Business partners, suppliers and contractors | 10 Local communities |
| 4 Environmental organizations | 11 Media |
| 5 Employees and trade unions | 12 Public social and charitable organizations |
| 6 Professional associations and expert community | |
| 7 Government authorities | ● Key stakeholders |

¹ AA1000AP (2018) Standard.

RusHydro Group's stakeholder relations in 2018 [102-43], [102-44]

Key mechanisms	Responses to requests and relations stakeholders in 2018
1. Shareholders and investors	
Stakeholders' interests: economic efficiency; business resilience; business process transparency	
<p>Preparing and holding Annual General Meetings of Shareholders</p> <p>Preparing IR presentations and arranging IR activities</p> <p>Public reporting</p> <p>Maintaining business contacts with analysts of investment banks and other financial institutions</p> <p>Preparing press releases and information materials about the Company</p> <p>Arranging meetings between investors and the Company's management</p> <p>Preparing and conducting roadshows</p> <p>Disclosing information on the Company and its subsidiaries' websites in accordance with the disclosure rules as per resolutions of the Government of the Russian Federation</p> <p>The Investors section is available on the Company's website at http://www.eng.rushydro.ru/investors/</p>	<p>➤ The meetings focused on discussing RusHydro Group's strategic priorities and plans, including those related to the dividend policy, implementation of the Value Growth Plan, management efforts aimed at improving operational efficiency, and plans for asset modernization.</p> <p>➤ Feedback from the investment community, including weekly analytical coverage of RusHydro and the industry's other companies, was communicated to the Company's management.</p> <p>»» For more information, see the Shareholder and Investor Relations section on p. 159.</p>
2. Customers and consumers	
Stakeholders' interests: reliable power supply; improved quality of products and services; high standards of service	
<p>Online consultations on the websites of sales companies</p> <p>Line of Trust</p> <p>Mobile service centers</p> <p>Online reception desk</p> <p>Contact center</p> <p>Personal accounts for consumers of guaranteed suppliers</p> <p>Developing front offices</p> <p>More information for potential energy-intensive consumers is available on the Company's website at: http://www.rushydro.ru/activity/elektrosnabzhenie-krupnykh-potrebiteley/</p> <p>Single information and settlement centers</p>	<p>➤ Carrying out activities to change the tariff system in the Far East in order to switch to long-term tariff regulation methods.</p> <p>➤ Implementing agreements related to regional energy development, ensuring sustainable power and heat supply to consumers, as well as social and economic activities.</p> <p>»» For more information, see the Production and sales section on p. 74.</p>
3. Business partners, suppliers and contractors	
Stakeholders' interests: fair competition and responsible market behavior; transparent operations, including procurement	
<p>Forums, exhibitions, conferences, dialogues</p> <p>Open and competitive procurement procedures</p> <p>Joint projects</p>	<p>➤ In 2018, RusHydro became a partner of the Eastern Economic Forum and took part in the Russian Energy Week international forum and the St. Petersburg International Economic Forum.</p> <p>➤ RusHydro, the Government of the Sakha Republic (Yakutia) and Japan's New Energy and Industrial Technology Development Organization signed memorandum on the construction of a wind diesel power station in the Tiksi settlement.</p> <p>➤ RusHydro, the Government of the Magadan Region and Polyus Magadan signed cooperation agreements.</p>

Key mechanisms

Responses to requests
and relations stakeholders in 2018

4. Environmental organizations

Stakeholders' interests: environmental protection

Environmental impact assessments
Environmental projects in the regions of operations

- Development and approval of low-carbon development goals as part of RusHydro Group's Environmental Policy.
- Improvement of the volunteer movement and initiatives aimed at environmental protection.
- Environmental awareness raising.
- Implementation of biodiversity protection programs.

»» | For more information,
see the Environmental Protection section on p. 131.

5. Employees and trade unions

Stakeholders' interests: professional and career development; safe working conditions; solid remuneration

Personnel training
Social support of employees
Communication through internal channels
Interaction with trade unions

- RusHydro Group provides voluntary health insurance and non-government pension insurance plans. Employees receive support as part of existing collective bargaining agreements and internal documents.
- In 2018, Chairman of the Management Board – General Director of RusHydro Nikolay Shulginov and managers of RusHydro met with representatives of territorial and regional organizations of the All-Russian Electrounion in the Far Eastern Federal District.
- Following the meeting, Minutes No. 56pr/2 of December 11, 2018 was signed in order to further improve social partnership at all levels, enhance social dialogue between authorized representatives of employers and employees of RAO ES East, and maintain the existing level of social guarantees.
- RusHydro has a corporate newsletter and runs an intranet portal.

»» | For more information,
see the HR and Social Policy section on p. 117.

6. Professional industry associations and expert community

Stakeholders' interests: energy science development; development of innovative technologies; partnership prospects; transparent operations

Forums, conferences, exhibitions
Joint programs
Public reporting
Implementation/association programs

- RusHydro's participation in committees and working groups of a number of non-profit partnerships and international organizations, including:
 - Global Sustainable Energy Partnership;
 - International Hydropower Association;
 - International Commission on Large Dams;
 - World Energy Council.

Key mechanisms

Responses to requests
and relations stakeholders in 2018

7. Federal and local executive authorities

Stakeholders' interests: ensuring reliable and uninterrupted power supply and heat supply; tax revenues; development regions of presence; improvement of the regulatory framework for energy based on renewable energy sources

Agreements on social and economic cooperation with regions of the Russian Federation

Public hearings on plant construction projects

Engagement in joint committees, commissions, and expert groups on energy sector development

In 2018, a working group was set up to address matters related to the development of hydropower generating facilities of the Republic of Dagestan and social and economic matters in the regions of the Company's operations.

- As part of cooperation with federal authorities, the management of RusHydro took part in commissions and working groups under the President and the Government of the Russian Federation on development of the energy sector and social economic development of Russian regions, including development of proposals and updates for the Schemes and Programs to Develop Regional Energy Systems, heating layouts for Russian cities and towns, the general layout of power generation facilities in Russia, and the territorial planning layout for the Russian power industry.
- RusHydro works with committees of the Federal Assembly of the Russian Federation on matters related to the Company's operations. RusHydro is actively involved in the preparation and holding of the round table session Development of Hydropower in Russia: Prospects and Challenges arranged by the State Duma Committee on Energy.
- In promoting development of Russian regions, RusHydro and government authorities are governed by agreement on social and economic cooperation with regional and a number of municipal governments. As at December 31, 2018, agreements and memoranda were signed with government authorities of the following regions: Republic of Dagestan, Republic of Sakha (Yakutia), Republic of Tatarstan, Republic of Khakassia, Kamchatka Territory, Chukotka Autonomous Area, Volgograd Region, Magadan Region, Moscow Region, and Sverdlovsk Region.
- Preparation of proposals for facilities to be included in RusHydro's Long-term Program for Replacement of Retiring Capacities, primarily of the government program of the thermal power plants modernization with a return on invested capital of at least 14% (the cost of projects is determined based on design and cost estimate documents), with all consumers of the wholesale market paying for the cost of new projects.
- Calculation of a possible option to complete the construction of Cheboksarskaya HPP at the full reservoir level of 63.0 m as per instruction by RusHydro for the Analytical Center for the Government of the Russian Federation was carried out. The calculation served as the basis for the decision of the Government of the Russian Federation (No. DK-P9-179pr of October 1, 2018) on maintaining the full reservoir level of Cheboksarskaya HPP at 63.0 m.

8. Regulators and infrastructure organizations

Stakeholders' interests: compliance with Russian and international laws

Reporting

Development of proposals to improve legislation

- Disclosure of information in accordance with the requirements of the Bank of Russia and other regulators.

Key mechanisms

Responses to requests
and relations stakeholders in 2018

9. Educational institutions

Stakeholders' interests: targeted training programs; energy science development; development of innovative technologies, including those which reduce the environmental impact

Cooperation in R&D

Training, retraining, and skills improvement for employees

Orders for R&D projects

- Launching the Institute of Hydropower and Renewable Energy Sources, part of Moscow Power Engineering Institute, in 2018 supported by RusHydro; implementation of the advanced personnel development program From School to Workplace; and participation in the organization of various events, including Energy for Education Industry contest, ProeKToriYa, a national career guidance forum, and project sessions in the Russian Children's Education Centers (Sirius, Ocean, Smena, Orlyonok).
- Energy for Development contest for university undergraduates.

»» For more information,
see the HR and Social Policy section on p. 117.

10. Local communities and regions of presence

Stakeholders' interests: local development; reliable and smooth power supply; creation of new jobs at the Group's facilities

Conducting public hearings on energy construction projects

Providing good working conditions and solid remuneration

- RusHydro builds and commissions energy facilities that help create new jobs. In 2018, 1,253 new jobs were provided, mainly in the Far Eastern Federal District.
- RusHydro helps develop social infrastructure in the regions where it operates. As one example, construction of the new department of the Srednekansk Central Hospital supported by RusHydro Group makes free medical care more available to people and creates additional jobs for healthcare professionals.
- Implementation of over 300 charitable projects to provide financial support to educational, medical, social, environmental, cultural, and sports institutions and organizations across the Company's footprint. Involvement of RusHydro Group's employees as corporate volunteers in socially important projects and events in the Company's regions of operations.

»» For more information,
see the HR and Social Policy section on p. 117.

11. Media

Stakeholders' interests: receiving full reliable information on the Company's operations; quick informed responses to media inquiries; timely handling of media inquiries

Preparing and providing the media with press releases, statements, and comments of the Company

Publishing information on the corporate website and social media

Preparing background materials, presentations, and other information

Organizing and holding briefings, press conferences, interviews, media scrums, press tours and other media events

Providing information in a timely manner in response to media inquiries

- Coverage of RusHydro Group's key projects and focus areas across its footprint. Media coverage, including arranging and holding of press tours, of the launches of Vostochnaya CHPP in Vladivostok, the third hydropower unit of Ust-Srednekanskaya HPP in the Magadan Region, and a wind power plant in the Arctic settlement of Tiksi, as well as projects for comprehensive modernization of RusHydro's HPPs, construction of power facilities, and HPP operations during high water seasons and floods.
- Information support for events in the financial sector: the first offshore renminbi-denominated offering among Russian corporates and Eurobonds offerings in rubles.
- Information support during the engineering and blasting works for clearing a landslide at the Bureyskoye water reservoir.
- Information coverage for RusHydro's social initiatives, such as a project to recover the population of leopards in North Ossetia, as well as projects aimed at developing internal corporate culture and professional training: RusHydro's spartakiads and contests among HPP and CHPP operating personnel.

Key mechanisms

Responses to requests
and relations stakeholders in 2018

12. Public social and charitable organizations

Stakeholders' interests: support for social activities and securing financial assistance; environmental protection; support for charitable initiatives and volunteers

Social and charitable programs

Public reporting

Social events and initiatives

Regular meetings with charitable foundations
and non-governmental organizations

➤ In 2018, RusHydro provided support across all the focus areas outlined by the Company's Charity and Sponsorship Policy. In 2018, RusHydro provided financial support to 18 kindergartens, 28 secondary schools, 10 music schools and community centers, 13 centers of additional education and leisure for children and youth, and 5 universities. As part of the Ecological Paths project, an additional tourist route was laid out in the Prielbrusye National Park, RusHydro continued working on a joint project with Severtsov Institute of Ecology and Evolution (Russian Academy of Sciences) to recover the population of Persian leopards in North Ossetia, having released two animals of this rare species in the Alaniya National Park (Republic of North Ossetia) in summer 2018. As part of the Energy Born charity event, RusHydro provided medical equipment for 14 healthcare facilities. A total of 26 sports schools and clubs in the Company's regions of presence received charitable assistance. Financial support was also provided to the Russian Whitewater Slalom Federation, the Russian Union of Martial Arts, the Russian Judo Federation, the Karachayev-Cherkessian Regional Sports Federation of Kyokushin, and the Yenisei-STM Rugby Club. Last year, the Company provided financial assistance for the Russian Geographical Society to put in place a grant fund designed to encourage research on natural disasters and rare animal species, while also supporting the organization's publishing activities and environmental and geographical expeditions. Financing was also allocated to ensure the preservation of cultural and historical heritage by upgrading a wide range of cultural institutions, including museums, community centers, and libraries. In 2018, 18 orphanages and asylums and nine rehabilitation centers for children and teenagers became eligible for financial support. Funds were allocated to support 35 charitable foundations and non-profit organizations at the regional and national levels. In 2018, charitable foundations benefiting from the Company's financial assistance included the Vera Hospice Charity Fund, Center for Humanitarian Programs, Russian Children's Foundation, Live Now Charity Foundation, and Illustrated Books for Little Blind Children, a regional charitable foundation.

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see the HR and Social Policy section on p. 117.