The 2016 Corporate Social Responsibility and Sustainability Report of ROSSETI is prepared in accordance with the GRI G4 Guidelines.

Key Indicators

- Average employee age: 41.7
- Average monthly pay in the Group: 494 thousand rubles
- Personnel turnover: 4.5% (4.9% in 2015)
- Average employee age: 49.4
- Average monthly pay: 70 thousand rubles
- Labor union members: 80%
- Employees on the payroll: 216 thousand people
- Occupational safety expenses: 3.74 billion rubles
- Environmental protection expenses and investments: 457 million rubles
- Participants in training, retraining, and advanced training programs: 107.6 thousand people
- Personnel turnover: 4.5% (4.9% in 2015)

Position in the environmental performance ranking of Russian energy and metallurgical companies in 2016: 4th
Geography of Suppliers, Contractors, and Service Providers

1. Moscow
2. St. Petersburg
3. Sverdlovsk Region
4. Moscow Region
5. Nizhni Novgorod Region
6. Krasnoyarsk Territory
7. Perm Territory
8. Khanty-Mansiysk Autonomous Okrug – Yugra
9. Krasnodar Territory
10. Chelyabinsk Region
11. Samara Region
12. Saratov Region
13. Belgorod Region
14. Kaliningrad Region
15. Tver Region
16. Amur Region
17. Voronezh Region
18. Altai Territory
19. Bryansk Region
20. Omsk Region
21. Altai Territory
22. Belgorod Region
23. Penza Region
24. Novosibirsk Region
25. Omsk Region
26. Lipetsk Region
27. Lipetsk Region
28. Udmurt Republic
29. Kalinin Region
30. Astrakhan Region
31. Nizhni Novgorod Region
32. Saratov Region
33. Volgograd Region
34. Kaliningrad Region
35. Yaroslavl Region
36. Russia
37. Khabarovsk Territory
38. Murmansk Region
39. Arkhangelsk Region
40. Republic of Karelia
41. Penza Region
42. Republic of Moldova
43. Other territories
44. Kaluga Region
45. Tula Region
46. Republic of Mordovia
47. Ivanovo Region
48. Republic of Tatarstan
49. Kaluga Region
50. Yamalo-Nenets Autonomous District
51. Republic of Bashkortostan
52. Irapov Region
53. Kaluga Region
54. Republic of Buryatia
55. Pskov Region
56. Republic of Kalmykia
57. Republic of Khakassia
58. Republic of Bashkortostan
59. Republic of Kalmykia
60. Republic of Buryatia
61. Leningrad Region
62. Republic of Bashkortostan
63. Republic of Kalmykia
64. Republic of Buryatia
65. Republic of Khakassia
66. Republic of Tatarstan
67. Republic of Bashkortostan
68. Republic of Kalmykia
69. Republic of Buryatia
70. Republic of Khakassia
71. Republic of Bashkortostan
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79. Republic of Bashkortostan
80. Republic of Kalmykia
81. Republic of Buryatia
82. Republic of Khakassia
83. Republic of Bashkortostan

Geography of Suppliers, Contractors, and Service Providers

1. Moscow
2. St. Petersburg
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13. Krasnodar Territory
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Geography of Suppliers, Contractors, and Service Providers

1. Moscow
2. St. Petersburg
3. Perm Territory
4. Moscow Region
5. Nizhni Novgorod Region
6. Krasnoyarsk Territory
7. Khanty-Mansiysk Auton
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Message from the Director General

Dear Colleagues and Partners:

I am pleased to present to you the 2016 Corporate Social Responsibility and Sustainability Report of ROSSETI, which contains key information about the Company’s results in social policy, environmental protection, and customer and society relations. ROSSETI is a socially responsible business. We are confident that significant economic achievements are impossible without respecting the interests of all stakeholders, having concern for future generations, and carrying out careful social and environmental management. Therefore, our priorities have remained unchanged: reliable and affordable electricity supply, higher customer confidence, social responsibility, and environmental safety.

A crucial indicator of the Company’s social responsibility is to secure an uninterrupted electricity supply. The specific accident rate and the average duration of power outages decreased by half and by a third respectively in 2016 compared with 2012. Our efforts achieved recognition from World Bank experts: Russia was ranked among 18 countries with the highest reliability of supply in 2016. As the operator of the country’s strategically important sector, ROSSETI contributes to securing Russia’s national interests and carrying out large-scale nationwide projects. For instance, the Company continued in 2016 to prepare the power infrastructure for the 2018 FIFA World Cup in Russia. The construction of power facilities was completed ahead of schedule in Russian host cities such as Saint Petersburg, Kaliningrad, and Saransk.

In the area of sustainability, a key objective in the area of sustainability is to introduce innovative technology helping the electric grid sector and the national economy as a whole become more competitive. The promotion of electric transportation as an efficient and eco-friendly alternative to vehicles with internal combustion engines has been top of the agenda in recent years. There are currently about 1,000 registered electric vehicles in Russia, and the EV charging infrastructure includes around 60 stations. ROSSETI opened 18 more charging stations in Saint Petersburg and Yekaterinburg in 2016 and has plans to install an additional 1,000 stations in ten Russian regions by the end of 2018. For its part, ROSSETI will switch about 20% of its corporate vehicles to electric transportation by 2020.

We paid close attention to environmental issues in 2016. ROSSETI continued to make electrical installations safer for birds and provide power lines with bird protection equipment in order to prevent bird injuries and deaths. The Company’s achievements in environmental protection and resource conservation were recognized by the Live Planet television network and the Modern Media Research Institute (MOMRI), ranking ROSSETI fourth in the environmental performance ranking of Russian companies in 2016.

2017 is the Year of Environmental Protection in Russia. In this connection, the approval of the Environmental Policy of the Electric Grid Sector was of particular significance. In the short term, this will provide the basis for the Program of the Implementation of the Environmental Policy of the Electric Grid Sector for 2017–2019.

As part of stakeholder relations, ROSSETI constantly improves its non-financial reporting system. Our corporate social responsibility and sustainability reports are subject to external assurance on an annual basis, and recommendations provided by independent experts are taken into account for the preparation of future reports.

We hope that continued constructive dialog on the most important aspects of the Company’s activities will contribute in the long term to the electric grid sector’s sustained development, enhanced transparency, and higher confidence between the Company and all stakeholders.

Sincerely,
Oleg Budargin
Director General and Chairman of the Management Board ROSSETI
Highlights in 2016

The Unified Register of Technical Standard Documents, composed of 463 documents relating to grid companies' core activities (design and construction, equipment testing and diagnostics, operational process control), is approved.

The Board of Directors of ROSSSETI resolves to use dividends received from ROSSSETI SDCs in 2016 to support the financial stability of specific subsidiaries and implement major government projects associated with improving the reliability of the electric grid sector.

As a traditional strategic partner, ROSSSETI participates in the St. Petersburg International Economic Forum, the exhibition of which includes the Company’s stand showing tomorrow’s energy system built through internal integration.

A meeting of the chief technical officers of ROSSSETI’s subsidiaries discusses the results of the 2015/16 heat deficit period, including the reduction of accident rates in electricity networks, equipment damage rates, and occupational injury prevention.

A quadripartite memorandum to jointly set up the global energy interconnection system covering Northeast Asia is signed by ROSSSETI; State Grid Corporation of China, China; Korea Electric Power Corporation, South Korea; and SoftBank Group Corp., Japan.

Based on the analysis of ROSSSETI’s and SDCs procurement management quality, Expert RA upgrades the rating of the Group to RKZ 9.

ROSSSETI is involved in organizing the 5th Rugrids-Electro International Electric Power Forum “Growth Infrastructure. Optimization. Opportunities.”

After the reporting period

March 2017

The Environmental Policy of the Electric Grid Sector is approved, setting the targets and defining the main measures to consistently curb the Company’s environmental impact by reducing pollutant emissions (effluents) and decreasing waste generation.

ROSSSETI is ranked among the top 10 environmentally friendly companies in Russia.

April 2017

The Program to Renew Electric Grid Facilities of Subsidiaries and Dependent Companies of ROSSSETI for 2017–2026 is approved, making it possible to select, under the existing scenario conditions of financing capital investment programs, the optimal areas and distribute financial resources of ROSSSETI’s subsidiaries for ensuring the required reliability of existing electric grid facilities.
The Report highlights ROSSETI’s approach to sustainable development and corporate responsibility. Material for the Company and its stakeholders topics were taken into account while defining content of the Report.
Development of the Reporting System

The ROSSETI Group has been committed to the principles of sustainability and social responsibility for many years. These principles underlie the Company’s corporate strategy to a large extent. The annual publication of non-financial reports is an important element of the Group’s corporate social responsibility. ROSSETI publishes its non-financial report simultaneously with its annual report, which allows the Company to give a comprehensive view of the economic, environmental, and social aspects of its activities in the reporting year. ROSSETI publishes social reports every year and intends to keep using an annual reporting cycle in the future.

The Company used the following guidelines to prepare the Report:

- GRI Sustainability Reporting Guidelines
- Guidance on Social Responsibility ISO 26000:2010
- AA1000 Stakeholder Engagement Standard.

In recent years, ROSSETI has disclosed information on sustainability and social responsibility in accordance with the Guidelines released by the Global Reporting Initiative (GRI). The structure and contents of the key sections of this Report are in accordance with the GRI G4 Guidelines. In 2016, ROSSETI conducted a survey of key stakeholders. Based on the results of the survey, precedence was given to the following topics of the Company’s social report for 2016:

- Economic Performance
- Procurement Transparency
- Compliance (Environmental)
- Anti-corruption
- Compliance

To increase stakeholders’ confidence in the completeness and accuracy of disclosures, ROSSETI’s reports are subject to external assurance by independent experts. Recommendations and feedback received from experts are analyzed and taken into account in subsequent work on sustainability reporting. For example, the pre-publication of the 2016 Report took account of independent experts’ recommendations to disclose more detailed information about the Company’s measures in the area of biodiversity conservation. This Report includes information on this subject in “Environmental Responsibility.” This Report was submitted to experts in corporate governance, environmental protection, and social policy in May 2017. External assurance statements and recommendations prepared by experts are contained in Appendix 2.

You can request further information on this Report and its contents and send feedback by contacting the Division for Administrative Support for the Board of Directors and the Management Board and Shareholder and Investor Relations of ROSSETI by mail to Moscow, ul. Belovezhskaya, 4 or by email at info@rosseti.ru.

Identified Material Topics and Topic Boundaries

As part of stakeholder relations, ROSSETI conducted an extensive study in 2015 to identify the material topics and aspects of the Company’s activities considered significant by both internal and external stakeholders. The topics and aspects identified by the study provided the basis for non-financial reporting in 2016. Based on the results of the survey of internal and external stakeholders, the materiality matrix for aspects was updated in the reporting year. After preliminary consultation with stakeholders, the working group on the preparation of the social report prepared a survey questionnaire covering 20 topics divided into three categories, namely economic, environmental, and social.

<table>
<thead>
<tr>
<th>List of Material Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>MATERIAL TOPIC</td>
</tr>
<tr>
<td>GRI INDICATORS DISCLOSED IN THE CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY REPORT</td>
</tr>
<tr>
<td>Category: Economic</td>
</tr>
<tr>
<td>Economic performance of the ROSSETI Group</td>
</tr>
<tr>
<td>G4-EC1 Direct economic value generated and distributed</td>
</tr>
<tr>
<td>G4-EC3 Coverage of the organization’s defined benefit plan obligations</td>
</tr>
<tr>
<td>Procurement transparency in the ROSSETI Group (selection of bona fide suppliers, engagement of local suppliers at locations of the Company’s operations)</td>
</tr>
<tr>
<td>G4-EC9 Proportion of spending on local suppliers at significant locations of operation</td>
</tr>
<tr>
<td>Category: Environmental</td>
</tr>
<tr>
<td>Environmental compliance of the ROSSETI Group’s services</td>
</tr>
<tr>
<td>G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations</td>
</tr>
<tr>
<td>Category: Social</td>
</tr>
<tr>
<td>Sub-Category: Labor Practices and Decent Work</td>
</tr>
<tr>
<td>Employment. The Company’s investment in human resources. Reduction of employee turnover. The Company’s desire to hire qualified employees at various locations of operation</td>
</tr>
<tr>
<td>G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region</td>
</tr>
<tr>
<td>G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation</td>
</tr>
</tbody>
</table>
The involvement of stakeholders in preparing the Report increased: as compared with the previous year, the number of questionnaires received from stakeholders increased almost twofold.

After consultation with stakeholders, the materiality matrix for various topics related to the ROSSETI Group’s activities was updated. All topics were divided into two groups:

**High-priority material topics:**
- Economic performance of the ROSSETI Group
- Procurement transparency in the ROSSETI Group (selection of bona fide suppliers, engagement of local suppliers at locations of the Company’s operation)
- Energy consumption. The ROSSETI Group’s desire to reduce energy consumption and efficiently use energy
- Use of natural resources from both renewable and nonrenewable sources.

**Important material topics:**
- Economic Performance
- Procurement Transparency
- Compliance (Environmental)
- Anti-corruption
- Occupational Health and Safety
- Use of Natural Resources

The boundaries of the selected high-priority and important topics disclosed in this Report take into account the results of interviews with stakeholders and the scores resulting from the survey.
COMPANY PROFILE

ROSSETI is a strategic asset of the government. The Company is one of the global leaders in electricity transmission and distribution.
Principal Functions and Geographic Presence

The ROSSETI Group is the largest, systemically important electric grid company in Russia and a strategic asset of the government. The Company is a global leader in electricity transmission and distribution.


ROSSETI coordinates the activities of Russian grid organizations in the areas of tariffs, technical policy, investment planning, transparent financial and economic operations, and anti-corruption policy. In accordance with the Strategy, in order to ensure the necessary level of power supply reliability and quality, ROSSETI performs the principal strategic, coordinating, and controlling functions and accomplishes institutional goals faced by the entire industry.

ROSSETI’s controlling shareholder is the Russian Federation represented by the Federal Agency for State Property Management. The government owns 87.9% of shares in the Company.

The ROSSETI Group today includes:
- transmission grid companies (88% of electricity transmission services in Russia);
- interregional and regional distribution grid companies (74% of electricity distribution services in Russia);
- R&D and design institutes;
- construction and retail organizations.

The ROSSETI Group’s mission is to secure a reliable, high-quality, and affordable power supply in the long run in Russia by organizing a grid infrastructure, as efficient as possible and conforming to world standards, with electricity transmission and distribution tariffs that will make electricity expenses acceptable to the Russian economy and enable the industry to be attractive to investors through adequate return on invested capital.
In accordance with the Strategy for Development of the Electric Grid Sector, the ROSSETI Group carries out measures to consolidate territorial grid organizations and increase its own market share. ROSSETI SDCs’ market share in the regions where they have a presence is currently 74%.
**Business Model**

The ROSSETI Group’s activities are aimed at securing a reliable, high-quality, and affordable power supply and are fully in accordance with the Strategy of the Electric Grid Sector of the Russian Federation. In addition to its core operations of providing power supply services, the ROSSETI Group pays close attention to creating the conditions for economic growth, contributing to sustainable development, and keeping a balance between the interests of different key stakeholders: primarily shareholders and investors, the Company’s employees, equipment manufacturers and partners, Russian governmental authorities.

To achieve its corporate goals as efficiently as possible with due consideration to the particularities of business processes, the ROSSETI Group developed an integrated risk management system. In its activities, ROSSETI adheres to the principles of sustainability and responsibility to society and the government. An essential element of the ROSSETI Group’s corporate social responsibility is to secure a reliable and uninterrupted power supply. The Company’s strategic priorities are linked to the priorities of social development and incorporated into the government’s commitment to the innovative development of the Russian economy. ROSSETI’s sustained development means keeping a balance among economic efficiency, social responsibility, and environmental safety.
Charters and Membership in Associations

ROSSETI is a member of several industry associations and nonprofit organizations.

All-Russia Trade Association of Employers in the Power Industry

ROSSETI plans and monitors methodological activities carried out by the Association for the benefit of the entire electric grid sector. Additionally, the Company participates in the General Meeting of Members of the Association and in the Supervisory Board of the Association.

Council on Professional Qualifications in the Electric Power Industry

ROSSETI takes part in the Council’s activities related to monitoring the labor market, developing professional standards and organizing their application, updating educational standards, accrediting professional education programs, and setting up a uniform certification system for professional qualifications in the electric power industry.

Corporate Educational and Scientific Center of Unified Energy System (Nonprofit Partnership)

ROSSETI facilitates the acquisition of knowledge and the enhancement of business and professional skills among personnel engaged in the electric power industry. The Company participates in the General Meeting of Members of the Partnership and in the Supervisory Board of the Partnership.

Scientific and Technical Council of Unified Energy System Non-profit Partnership

ROSSETI takes part in discussing the most significant issues of operating and developing the UPS and in examining various projects, R&D programs, technical regulation, and standardization.

WorldSkills Russia

ROSSETI formally became an Associated Partner of WorldSkills Russia in 2016. In order to develop the social and professional mobility of young employees, the organizations intend to jointly introduce innovative educational technologies, establish uniform requirements for employee proficiency and ensure practice-oriented training at educational institutions.

In addition, ROSSETI’s Director General Oleg Budargin is a member of the Board of Trustees and the Scientific Council of the Moscow Power Engineering Institute (National Research University). ROSSETI’s general partner in personnel training, and a member of the Supervisory Board of the North Caucasus Federal University. Representatives of ROSSETI are also members of federal educational and methodological associations in the system of higher and secondary occupational education in group 13.00.00 of major subjects and training programs (electric and thermal power).

Participation in International, Nationwide, and Regional Events

Participation in Conferences and Exhibitions

ROSSETI took an active part in major conferences and exhibitions in 2016, which resulted in signing several cooperation agreements with regional authorities, financial and educational institutions, and other organizations interested in the development of the electric grid sector.

St. Petersburg International Economic Forum

June 16-18, 2016. ROSSETI traditionally participated in the St. Petersburg International Economic Forum as a strategic partner. The exhibition included the ROSSETI stand. The main idea of which reflected the theme of building tomorrow’s energy system through internal integration. ROSSETI’s Director General Oleg Budargin spoke at the roundtable dealing with the issues of energy integration. During the event, global experts in energy discussed the possibilities of forming a single electric grid infrastructure on various continents and development models for the electricity markets. Oleg Budargin also became a participant in the discussion about Russian companies’ ability to influence the development of the global infrastructure services market.

International cooperation in energy, including the project to integrate the energy systems of Northeast Asian countries by using an EHV power line and implement the Asia Super Grid concept to create links between the energy systems of Russia, Japan, South Korea, and China, was discussed at the St. Petersburg International Economic Forum at the working meeting of the Minister for the Development of the Russian Far East, the Director General of ROSSETI, the Chairman & CEO of SoftBank Group Corp., and the COO & Senior Managing Director of the Japanese Bank for International Cooperation (JIBC).
INNOPROM 2016
International Industrial Innovation Forum

July 11–14, ROSSETI took part in the INNOPROM 2016 International Industrial Innovation Forum. The exhibition included the stand of ROSSETI’s subsidiary, IDGC of Urals, which displayed modern technical equipment of the company. Visitors to the electric utility’s stand became acquainted with innovative development trends of the electric grid sector and saw equipment used by energy workers to secure a reliable and uninterrupted electricity supply for households and industrial customers in the Urals and the Kama region. The technical area was constructed to show working conditions as realistically as possible. Domestically made special equipment used in the energy industry was delivered to the stand from working sites. Another area of the company’s stand displayed electric vehicles and Russian-made charging stations. At the meeting of the working group on the development of production and use of environmentally friendly vehicles at the forum of innovations, ROSSETI gave a report on the development of EV charging infrastructure.

Eastern Economic Forum

September 2–3, 2016, ROSSETI took part in the Eastern Economic Forum (EEF) as an official partner. The event focuses on strengthening ties among the international investor community, Russian businesses, and federal, regional, and local authorities. The forum was visited by more than 1,500 guests and delegates from 24 countries with the largest delegations coming from China, Japan, South Korea, Singapore, and Malaysia. ROSSETI’s Director General spoke at the Russian-Japanese business forum, part of the EEF, about the experience of cooperation with Japanese companies in the manufacture of high-technology equipment, noting the responsibility and reliability of Japanese partners.

Rugrids-Electro International Electric Power Forum

October 18–19, 2016, with the active involvement of ROSSETI, the 5th Rugrids-Electro International Electric Power Forum took place, bringing together Russian and international experts from 18 countries, including Germany, France, Italy, and Japan, as well as the official delegation APEC. Two days of the Forum’s business program included over 30 discussion events, the key event being the plenary session “Electric Power 4.0. On the Threshold of Global Technological Changes.” The Forum also included roundtables, signed agreements, panel discussions, meetings of the technical club, and communication between experts and journalists. One of the most important events was the awarding ceremony for the winners of the “Energy Breakthrough 2016” All-Russia Contest of Innovative Smart Energy Projects. The awards were granted by ROSSETI’s Director General Oleg Budargin.
## Cooperation Agreements Signed at Conferences and Exhibitions in 2016

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<tr>
<th>ITEM</th>
<th>DOCUMENT NAME</th>
<th>SUBJECT MATTER</th>
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<tr>
<td>1</td>
<td>Agreement of Intent with ABB LLC and ABB Power and Automation Systems LLC</td>
<td>Introducing localized communication systems and automated control and monitoring systems for substations' electrical equipment, including relay protection for 6-750 kV facilities of Russian electric grids</td>
</tr>
<tr>
<td>2</td>
<td>Cooperation agreement with Power Grid Optical Networks Engineering and Megapo to integrate grid infrastructure and use modern communication IT for the higher reliability and manageability of electric grids</td>
<td>Integrating grid infrastructure and using modern communication IT for the higher reliability and manageability of electric grids</td>
</tr>
<tr>
<td>3</td>
<td>Agreement with Prysmian Group to cooperate in the localized production of cables and the pilot introduction of localization facilities</td>
<td>Cooperating in the localized production of cables at the Rybinsk facility, the invention of new technologies facilitating the enhancement of reliability, observability, and energy efficiency, and the selection of pilot facilities for the introduction of Prysmian Group's innovative solutions</td>
</tr>
<tr>
<td>4</td>
<td>Cooperation agreement with FTC and CESI S.p.A.</td>
<td>Organizing the joint management of FTC's activities in the construction and commissioning phases of FTC's primary laboratory facilities</td>
</tr>
<tr>
<td>5</td>
<td>Action plan (road map) to secure a reliable electricity supply and consolidate electric grids in the Komi Republic</td>
<td>Cooperating in the introduction of electricity metering systems for 10 kV overhead lines into the Russian market</td>
</tr>
<tr>
<td>6</td>
<td>Letter of intent to further cooperation with Tezmelec S.p.A. as specified in the agreement of November 23, 2013</td>
<td>Cooperating in the introduction of electricity metering systems for 10 kV overhead lines into the Russian market</td>
</tr>
<tr>
<td>7</td>
<td>Agreement with the Murnansk Region</td>
<td>Consolidating electric grids in the Murnansk Region</td>
</tr>
<tr>
<td>8</td>
<td>Agreement with Torchino Agricultural Production Corporation</td>
<td>Cooperating and sharing information on the development of utility infrastructure related to electricity supply systems to provide network connection for facilities under the Sputnik Agrotechnology Park project</td>
</tr>
<tr>
<td>9</td>
<td>Agreement with the Republic of Ingushetia</td>
<td>Cooperating in developing the Unified National (All-Russian) Electric Grid (UNEG) and electricity distribution grid facilities, and securing a reliable electricity supply in the Republic of Ingushetia</td>
</tr>
<tr>
<td>10</td>
<td>Agreement with PIN Group</td>
<td>Cooperation</td>
</tr>
<tr>
<td>11</td>
<td>Agreement between MOESK and Sberbank</td>
<td>Providing a credit line</td>
</tr>
<tr>
<td>12</td>
<td>Agreement between LENENERGO and Siemens</td>
<td>Cooperating on the comprehensive modernization project for electricity networks in Saint Petersburg</td>
</tr>
<tr>
<td>13</td>
<td>Cooperation agreement among LENENERGO, Tavrida Electric Group, Russian Telecom Equipment Company, and Systems and Technologies Group</td>
<td>Cooperating on the comprehensive modernization project for electricity networks in Saint Petersburg</td>
</tr>
<tr>
<td>14</td>
<td>Agreement between FTC and ITMO University</td>
<td>Cooperating in education, research, and production</td>
</tr>
<tr>
<td>15</td>
<td>Cooperation agreement between FSC UES and the Russian Small and Medium Business Corporation</td>
<td>Cooperating in providing small and medium-sized businesses with access to purchases of goods, work, and services</td>
</tr>
<tr>
<td>16</td>
<td>Agreement between IDGC of North-West and Universal Electronic Card (a wholly owned subsidiary of Sberbank)</td>
<td>Cooperation</td>
</tr>
<tr>
<td>17</td>
<td>Agreement between Yantarenergo and Oldiam</td>
<td>Cooperation</td>
</tr>
<tr>
<td>18</td>
<td>Cooperation agreement with New Concentrating Technologies</td>
<td>Creating the favorable conditions for mutually beneficial cooperation in the use of domestically made, fully functional office software for workstations and mobile devices to reduce dependence on imports</td>
</tr>
<tr>
<td>19</td>
<td>Cooperation agreement with VNIMES for standardization and metrological assurance</td>
<td>Cooperating in international standardization and agreement upon the joint action plans for standardization between PK-2 and PK 445 (VNIMES's base organization)</td>
</tr>
<tr>
<td>20</td>
<td>Cooperation agreement with Massa (Isolator Plant)</td>
<td>Contract supervision (bushings rated 110 kV and above as agreed upon between the parties), supervising the preparation and installation of high-voltage bushings, supervising pre-installation and post-installation electrical tests of bushings, and providing work-in-progress advice</td>
</tr>
<tr>
<td>21</td>
<td>Agreement with Concern Radio-Electronic Technologies</td>
<td>Cooperation</td>
</tr>
<tr>
<td>22</td>
<td>Energy service agreement between Power Service Company of Siberia (PSC of Siberia), a subsidiary of IDGC of Siberia, and Avelar Solar Technology (AST), a subsidiary of Hevel</td>
<td>Cooperating in the introduction of electricity metering systems for 10 kV overhead lines into the Russian market</td>
</tr>
<tr>
<td>23</td>
<td>Agreement between FTC and R&amp;D Center FSC UES</td>
<td>Cooperating in ensuring the scientific, technical, and innovative development of the electric power industry and sharing the experience of testing electrical equipment and collaborating with international testing centers</td>
</tr>
<tr>
<td>24</td>
<td>Agreement between IDGC of Center and Velga Region and Tavrida Electric Group</td>
<td>Intending to implement the comprehensive automation project for the Sudzul electric grid district of the Vladimir-Engron branch under the innovative development program of IDGC of Center and Velga Region</td>
</tr>
<tr>
<td>25</td>
<td>Cooperation agreement between IDGC of South and Tavrida Electric Group under the comprehensive automation projects for electric grid districts</td>
<td>Cooperation</td>
</tr>
<tr>
<td>26</td>
<td>Cooperation agreement between IDGC of Siberia and Tavrida Electric Group under the comprehensive automation projects for electric grid districts</td>
<td>Cooperation</td>
</tr>
</tbody>
</table>
International Activities of ROSSETI

In cooperation with major European and Asian electric utilities, ROSSETI continued in 2016 to develop integration projects in Eurasia.

Regions

NORTHEAST ASIA

ROSSETI cooperates with electricity companies of Northeast Asian countries (Japan, China, and South Korea) in studying and analyzing the development of interconnections under the Asia Super Grid megaproject.

The creation of the Asia Super Grid was at the top of the agenda during the quadrilateral negotiations in September 2016 among the chief executives of ROSSETI and SoftBank Group Corp. and executives of State Grid Corporation of China (SGCC) and Korea Electric Power Corporation (Kepco). The meeting included discussing measures to implement the instructions issued by the Russian President to establish an intergovernmental working group to support the project.

As part of the 2016 Global Energy Interconnection Conference in Beijing, the companies signed the Memorandum of Understanding to jointly promote the Northeast Asian energy interconnection system. The Memorandum specifies work on exploring the possibilities of expanding power generation in Northeast Asia with a view to the potential creation of the Northeast Asian energy interconnection system.

Integration Projects with Japan

The Asia Super Grid is to include an energy bridge between Russia and Japan. In the reporting year, initial practical steps were taken: ROSSETI studied the feasibility of electricity supply from Russia to Japan, considered possible options for energy routes, and estimated the costs of building grid infrastructure for the interconnection.

Integration Projects with China

In June 2016, ROSSETI and State Grid Corporation of China (SGCC) signed a JV agreement to rehabilitate the Russian electric grid sector’s infrastructure and construct new power facilities in Russia and, in the longer term, other countries. The joint venture will carry out projects to build and rehabilitate power facilities and will also act as an EPC contractor in Russia and other countries. It is planned that financing will be provided by Chinese and other foreign financial institutions.

Integration Projects with South Korea

In June 2016, ROSSETI cooperated with Korea Electric Power Corporation (Kepco) in studying the feasibility of electricity (capacity) supply to South Korea, promoting the Asia Super Grid project, sharing the experience of creating smart grids, providing network connection, and facilitating scientific and technical development.

In accordance with the Memorandum of Understanding signed in 2015 by ROSSETI and Kepco to study the possibility of connecting the energy systems of Russia and South Korea, the joint working group on scientific and technical cooperation held the first meeting in January 2016 and established priorities for cooperation.

CENTRAL ASIA

In 2016, ROSSETI’s initiatives to develop energy corridors as part of the Caspian grid reached a practical level. Jointly with electric utilities of Georgia, Armenia, and Iran, work started on preparing technical solutions for developing the North-South energy corridor and ensuring the future electricity supply.

On September 16, 2016, the parties signed the agreement for the feasibility study of the interconnection of Russia, Armenia, Georgia, and Iran and further measures for its implementation in accordance with the decision of the Ministers of the parties to the Coordinating Council. The project capacity is up to 1,000 MW.

Integration Projects with Major European and Asian Electric Utilities

In cooperation with major European and Asian electric utilities, ROSSETI continued in 2016 to develop integration projects in Eurasia.
Integration associations

EUROPEAN UNION

Development of Russia-Finland Cross-Border Transmission

ROSSETI continued in 2016 to cooperate with Fingrid Oyj in studying and modeling the Finnish and Russian electricity markets under the strategic cooperation agreement signed in November 2015. In accordance with the roadmap for joint research, ROSSETI held a series of joint meetings with Fingrid Oyj to discuss the interim results of cooperation and agree on subsequent steps to conduct joint research. It is planned to prepare joint proposals for the development of Russian Finland electricity transmission by the end of 2017.

BRELL Cooperation

In December 2016, the Heads of the parties to the agreement for the parallel operation of the energy systems of the countries of the BRELL (Belarus, Russia, Estonia, Latvia, and Lithuania) Energy Ring approved the new regulations for the planning of electricity (capacity) supply balances between the United Power System of Russia and the Integrated Power System of Belarus, including taking into account the priorities established for the member states of the Treaty on the Eurasian Economic Union and giving consideration to the operating results of Nord Pool.

COMMONWEALTH OF INDEPENDENT STATES


Eurasian Economic Union

As part of measures carried out by the Eurasian Economic Commission jointly with the member states of the Customs Union and the Single Economic Space to form a common electricity and capacity market in the Eurasian Economic Union (OREM Concept, OREM Formation and Operation Program). ROSSETI participates in drawing up documents that govern the opening and subsequent operation of the common electricity market of the Eurasian Economic Union (OREM Concept, OREM Formation and Operation Program). ROSSETI takes part in formulating the rules for mutual electricity trade in the common electricity market of the Eurasian Economic Union under the action plan to implement the Program to Form the Common Electricity Market of the Eurasian Economic Union. In December 2016, the member states of the Eurasian Economic Union (Russia, Armenia, Kazakhstan, and Kyrgyzstan) signed the rules for determining and allocating transmission capacity and developing interstate cross-sections with due consideration to the rules for access to natural monopolies’ services in the Eurasian Economic Union in order to provide the common electricity market’s participants with access to natural monopolies’ electric power services in the member states.

Cooperation with Belenergo

In 2016, ROSSETI continued extensive cooperation with Belenergo under the strategic cooperation agreement signed in 2015 and in accordance with the approved plan of joint actions for 2016. The key events were republican and interregional professional competitions among equipment repair and maintenance personnel, joint seminars on the operation and repair of electrical equipment, and emergency training to remedy large-scale power outages in distribution grids.

Goals for 2017

The Company’s high-priority goals in the area of sustainability are as follows:

– improve the reliability of the energy system;
– ensure environmental safety;
– ensure innovative development.

Improving the Reliability of the Energy System

The ROSSETI Group today delivers 75% of produced electricity to the ultimate customer in 78 Russian regions (74% via distribution grids and 84% via transmission grids). Electricity delivery from networks exceeded 742 billion kWh in 2016. The Group put into operation 22,000 kilometers of power lines and 14,000 MVA of transformer capacity in 2016. One of ROSSETI’s most important objectives is to secure a reliable and uninterrupted electricity supply by providing customers with high-quality and affordable energy.

The specific accident rate and the average duration of power outages decreased by half and by a third respectively at the end of 2016 compared with 2012. According to World Bank survey data, Russia was ranked among 18 countries with the highest reliability of supply in 2016, which is largely due to the operations of the Group as Russia’s leading grid operator and one of the world’s largest electric utilities. New customers were provided with more than 12 GW of capacity in 2016. ROSSETI’s subsidiaries received over 475,000 network connection requests for a total of 55 GW. Almost 385,000 network connection contracts were completed. By the end of 2016, the average network connection fee was decreased to about 2,000 rubles for 1 kW of connected capacity. In addition, ROSSETI considerably reduced the number of stages required to obtain an electricity connection, from 10 to 3.

ROSETI will continue to implement the Company’s Long-Term Development Program in 2017 with the aim of improving the efficiency of production processes and enhancing the reliability and accessibility of grid infrastructure.

Participation in International, Nationwide, and Regional Events

www.rosseti.ru/eng
ENSURING ENVIRONMENTAL SAFETY IN THE ELECTRIC GRID SECTOR

2017 is the Year of Environmental Protection in Russia. As part of this initiative, the Management Board of ROSSETI approved the action plan to gradually reduce the adverse environmental impact of electric grids. The Company’s principal goals of providing technical support for environmental safety for 2017 are as follows:

— decommission at least 7,900 units of equipment containing polychlorinated biphenyls for their subsequent transfer for destruction (pursuant to the Stockholm Convention on Persistent Organic Pollutants);
— ensure that at least 11,000 kilometers of self-supporting insulated wires are introduced;
— install at least 69,500 units of bird protection equipment.

In addition to traditional technical measures to ensure environmental safety in the electric grid sector, ROSSETI has plans to implement a series of public environmental actions and initiatives in 2017:

— organize the All-Russia Electric Vehicle Rally and the annual seminar aimed at popularizing electric transportation in Russia;
— set up a network of EV charging stations in the regions of ROSSETI’s operations;
— take measures to ensure that ROSSETI SDCs accede to the National Public Standard “Environmental Security in the Arctic” and accept the Declaration of Environmental Security in the Arctic;
— ensure that ROSSETI and the Council on the Conservation of National Natural Heritage of the Federation Council of the Federal Assembly of the Russian Federation enter into an agreement to develop social and educational projects in environmental protection;
— take part in nationwide volunteering and environmental events.

ENSURING INNOVATIVE DEVELOPMENT IN THE ELECTRIC GRID SECTOR

ROSSETI gives particular attention to the introduction of innovative technical solutions, which corresponds to the Russian Government’s commitment to modernizing the country’s economy and switching over from industrial expansion to innovation.

To implement decisions of the Russian Government and provide continuous technological development and modernization for the electric grid sector, ROSSETI approved in late 2016 the Innovative Development Program for 2016–2020 with Long-Term Plans Until 2025. Under the Program, the aim of the electric power sector’s innovative development is to switch over to a technologically new electricity supply with improved characteristics of reliability, efficiency, accessibility, manageability, and customer orientation in the Russian electric grid sector as a whole.

The high-priority objectives in this area until 2035 are as follows:

— introduce digital substations rated 35–110 (220) kV on a large scale;
— switch over to actively adaptive digital grids (Smart Grids) with a distributed intellectual automation and control system;
— automate control systems;
— use new technologies and materials in the electricity industry.

In 2016, Russian Prime Minister Dmitry Medvedev approved the EnergyNet road map for the electric power industry’s new revolutionary strategy based on flexible, actively adaptive systems. ROSSETI’s involvement in the EnergyNet initiative is basically to provide pilot sites to test new solutions. In the short run (2017–2020), it is planned to implement initial projects based on available scientific and technical reserves, carry out educational programs, and develop measures to promote products, services and companies. In the long run (before 2035), ROSSETI’s Federal Testing Center will provide resources to set up a testing site for services. ROSSETI will continue in 2017 to introduce innovative technical solutions that will help the Company achieve outrunning development and increase its customer focus. For instance, the plans for 2017 include setting up and expanding a network of EV charging stations under the All-Russia Development Program for the Electric Vehicle Charging Station Infrastructure.

ROSSETI supports the testing of innovations at its own facilities, includes them on the Register of Innovative Solutions, and gives preference to their testing and certification at the Federal Testing Center. In this connection, SDCs’ employees oversee project implementation, and the winners receive grants of up to 5 million rubles from the Skolkovo Foundation.

Beginning in 2013, ROSSETI organizes the “Energy Breakthrough” Contest in cooperation with the Skolkovo Foundation to provide comprehensive support for innovative projects from idea to implementation (i.e. product launch and mass production). The Contest is designed to combine efforts and expertise from various areas of science and technology to create the future of energy.

In 2016, more than 4,000 people from registered on the website of the “Energy Breakthrough” Contest 50 Russian cities applications for participation were received 255 winning projects have been selected

By 2016, several projects were tested at SDCs’ facilities, and their authors became Skolkovo residents. Successful work is underway on introducing two solutions into the Company’s facilities. ROSSETI regards the “Energy Breakthrough” Contest as an important component of its Innovative Development Program. ROSSETI strives to find new technological solutions and provide support for creative talent.
ROSSETI strives for sustainable growth, balance of interests between business and society, reasonable management of economic, environmental and social issues.

SUSTAINABILITY STRATEGY

- Stakeholder Engagement p. 41
Sustainability Priorities of the Company

Ensuring a high level of social responsibility is a strategic objective and one of the most important principles of ROSSETI’s operations. The Company’s activities in this area are systematic and are aimed at creating jobs, providing social support for employees, consistently reducing occupational injuries, and maintaining a favorable social and environmental situation.

The ROSSETI Group adheres to the following fundamental principles of sustainability:

- keeping a balance between economic efficiency and social and environmental responsibility (for more detailed information, see Company Profile and Sustainability Strategy);
- respecting the rights and interests of customers, suppliers, shareholders, employees, and the general public (for more detailed information, see Responsibility to Customers and Personnel Policy);
- ensuring business efficiency (for more detailed information, see Economic Performance and Governance);
- maintaining partnership relations with federal and regional authorities in relation to social policy and regional development (for more detailed information, see Society Relations);
- recruiting and retaining qualified employees (for more detailed information, see Personnel Policy);
- using natural resources in an efficient and careful manner and consistently reducing the environmental load of the electric grid sector (for more detailed information, see Environmental Responsibility).

The key areas of the Company’s activities in the area of sustainable development are defined by the Long-Term Development Program and the Policy on Society, Customer, and Government Relations and are adjusted based on regular dialog with stakeholders.

Stakeholder Engagement

FUNDAMENTAL PRINCIPLES AND GOALS OF STAKEHOLDER ENGAGEMENT

Stakeholder engagement is one of the ROSSETI Group’s most important activities in the area of sustainable development, enabling the Company to enhance its social responsibility. The key groups of ROSSETI’s and SDCs’ stakeholders are defined by the Policy on Society, Customer, and Government Relations.

External stakeholders are as follows:
- customers of ROSSETI’s subsidiaries;
- territorial grid organizations;
- federal and regional authorities;
- investors;
- manufacturers of electrical equipment;
- international partners and organizations;
- general public (public organizations and the media).

Internal stakeholders are as follows:
- shareholders of the Company and SDCs;
- employees of the Company and their family members;
- management of the Company and SDCs;
- All-Russian Electrounion.
**Sustainability Strategy**

**Stakeholder Engagement**

Map of the Mutual Influence of the ROSSETI Group’s Stakeholders

### Stakeholder Relations in 2016

#### CUSTOMERS
- Consultations at customer service centers (receipt of requests for services, provision of reference information, and receipt of complaints) and via hotlines.
- Distribution of information (disclosures on Портал-ТП.рф and corporate websites of the Group’s entities, publications in the media).
- Feedback (through online inquiry forms).

#### EQUIPMENT MANUFACTURERS
- Improved electricity supply reliability and quality.
- Transition to global standards.
- Prompt accident recovery work.
- Timely and affordable network connections.
- Territorial accessibility and convenient conditions of customer service.
- Improvement of the regulatory and legal framework.
- Efficient handling of customer requests.

#### MANAGEMENT OF THE COMPANY AND SDCS
- The ROSSETI Group received 4.5 million face-to-face inquiries and remote inquiries by telephone or on the Internet in 2016.
- Work was done to upgrade the uniform portal of electric grid services (Портал-ТП.рф): the website concept was changed; the functionality related to ROSSETI SDCs services was expanded.
- The number of website visitors grew by 24%.
- Agreements were signed with energy retail companies to simplify the network connection procedure.
- Agreements were signed with regional authorities to simplify the right-of-way procedure for grid infrastructure construction.
- The Unified Register of Technical Standard Documents, composed of 463 documents relating to grid companies’ core activities (design and construction, equipment testing and diagnostics, operational process control, etc.), was approved.

#### TERRITORIAL GRID ORGANIZATIONS
- Joint activities within the Noncommercial Partnership of Territorial Power Grid Organizations.
- Roundtables of the All-Russian Forum on Network Connection “Accessible Networks”.
- Creation of a common information space regarding the key issues of market operation.
- Improvement of legislation as related to relationships among grid organizations and government regulation.
- Optimal distribution of resources connected with the operation and development of electric grid facilities.

The Company strives for constructive, open, and honest dialog with all stakeholders on the principles of materiality and stakeholder engagement contained in GRI G4 Guidelines.
**FEDERAL AND REGIONAL AUTHORITIES**

**FEDERAL LEVEL**
- Rulemaking (activities of the Regulation Commission with the aim of initiating amendments to and enacting new legal regulations).
- Roundtables of the State Duma.
- Parliament hearings.
- Conferences and forums.
- Discussion and expert examination of energy-related draft decisions prepared by governmental authorities.
- Planning and implementation of regional development programs.
- Compliance with legal regulations and technical standards.
- Industrial and environmental safety of electric grid facilities.
- Maintenance of social stability.
- 222 draft regulations were processed in 2016 in relation to the rights and legitimate interests of the electric grid sector’s entities, including 97 covered by comments and proposals submitted to federal executive authorities in accordance with the current Regulation for Rulemaking of ROSSETI. In the reporting year, ROSSETI took part in five roundtable discussions held by the State Duma and the Institute of State and Law of the Russian Academy of Sciences, along with economic forums, working groups, and expert councils.
- ROSSETI participated in the annual all-Russia meeting held by the Ministry of Energy of the Russian Federation, discussing the results of the 2016/17 heat deficit period.

**REGIONAL LEVEL**
- Работа комиссий и комитетов.
- Взаимодействие с региональными домами.
- Публичная информация о Компании в региональных СМИ.
- Efficient use of budgetary funds.
- Contribution made by the Company to socioeconomic development in the regions of its operations.
- Transparency of the Company’s activities and decisions.
- An agreement was signed with the Federal Bailiff Service of the Russian Federation to accelerate communication between the Federal Bailiff Service and ROSSETI by developing electronic document management.
- An agreement was signed with the Agency for Housing Mortgage-Lending to define the procedure for providing long-term loans to ROSSETI SDs for the purchase of electricity supply facilities built under the Housing for Russian Families program.
- A cooperation agreement was signed with the Republic of Tatarstan as part of implementing the Russian President’s instructions to develop domestic information technology.

**SHAREHOLDERS AND INVESTORS**
- Implementation of the Plan of IR Events and Efforts to Raise the Liquidity of Securities issued by ROSSETI and its Subsidiaries and Dependent Companies.
- Regular meetings with shareholders and investors, including at investor forums.
- Distribution of information through the publication of annual reports and corporate social responsibility and sustainability reports, regular disclosures on the Company’s website and newsletters, conference calls following the publication of the IFRS results.
- Regular written and oral communications on the hotline, information responses to the investor request, the preparation and holding of the General Meeting of Shareholders.
- Feedback from the investor community.
- Improved appeal for investors.
- Growing market capitalization.
- Transparent and efficient corporate governance.
- Timely and complete disclosures.
- One-on-one and collective meetings with representatives of investment banks and the Company’s and SDCs’ shareholders were held in 2016. Several conference calls were organized for investors, including conference calls following the publication of the IFRS results.
- Regular written and oral communications on the hotline, information responses to the investor request, the preparation and holding of the General Meeting of Shareholders.

**MANUFACTURERS OF ELECTRICAL EQUIPMENT**
- Negotiations and meetings.
- Publications in the media.
- Competitive purchases.
- Conferences and forums.
- Reliable and predictable partner relations.
- Support for domestic manufacturers.
- Mutually beneficial cooperation.
- Fair competition.
- Accurate fulfillment and transparency of contractual obligations.
- Public and competitive selection of suppliers.
- Business ethics and anti-corruption.
- ROSSETI was ranked among the top three government linked companies in the ranking of procurement transparency.
- Based on the analysis of procurement management quality, Expert RA upgraded the rating of the Group to RKZ 9.
- ROSSETI and the Federal Road Agency of the Russian Federation signed a memorandum to jointly work for the use of energy efficient equipment and materials for electric lighting systems of federal highways.

**EMPLOYEES**
- Implementation of the corporate personnel training system.
- Face-to-face meetings between the Company’s management and employees.
- Corporate media.
- Internal portal of the Company.
- Corporate social programs.
- Occupational safety.
- Advanced personnel training.
- Social guarantees and benefits.
- Improvement of the employee compensation system.
- In November 2016, ROSSETI formally became an Associated Partner of WorldSkills Russia. ROSSETI, together with IDGC of Northern Caucasus, acted as the general partner of the Mashuk North Caucasian Youth Forum in Pyatigorsk. The Forum brought together over 2,500 participants from various Russian regions.
- An interregional professional competition was held in 2016 among 15 teams representing the ROSSETI Group’s entities.
- The first ROSSETI Cup football tournament took place in April 2016 among the teams representing ROSSETI and 15 SDs.

**INTERNATIONAL PARTNERS AND ORGANIZATIONS**
- Joint implementation of social projects.
- Negotiations and meetings.
- Publications in the media.
- Conferences and forums.
- Reliable and predictable partner relations.
- Cooperation with international partners in the development of the electric power industry and in the international integration of grid infrastructure.
- Introduction of international best practices in the area of power supply.
- The Company took part in major conferences and exhibitions in 2016, which resulted in signing several cooperation agreements with regional authorities, financial and educational institutions, and other organizations interested in the development of the electric grid sector. In cooperation with major European and Asian electric utilities, ROSSETI continued to develop integration projects in Eurasia.

**GENERAL PUBLIC**
- Distribution of information.
- Publications in the media.
- Social media (Facebook, VK, Twitter, Instagram, YouTube).
- Advice from media centers.
- Exchange of views.
- Business breakfasts.
- Public events.
- Reliability, relevance, and completeness of information.
- Enhanced transparency and openness of work.
- High professionalism in communications.
- Support for socially important initiatives.
- Child assistance.
- Support for physical culture and sports.
- October 18–19, 2016, the Rğıtıs Electro International Electric Power Forum took place with the support of the Ministry of Energy of the Russian Federation. ROSSETI acted as the general partner of the International Orthodox Singing Festival “Prosveshčit.”
The ROSSETI Group’s successful activities and sustainable growth are assured by transparent and efficient governance system.
ROSSETI constantly improves the governance system in order to increase its efficiency and ensure its compliance with the best Russian and global standards. The transparent governance system is a key component of ROSSETI’s sustainability strategy.

ROSSETI continued in 2016 to introduce the principles and standards of the Corporate Governance Code recommended the Bank of Russia into SDGs’ activities. It is worth noting the formulation and approval of the following regulatory documents among the key initiatives in this area:

- Model Regulations for the Corporate Secretary of Subsidiaries and Dependent Companies of ROSSETI;
- Model Regulations for the Nomination and Remuneration Committee of the Board of Directors of Subsidiaries and Dependent Companies of ROSSETI;

### General Meeting of Shareholders

The Company’s highest governance body is the General Meeting of Shareholders, prepared and held in accordance with the procedure specified in the Regulations for the General Meeting of Shareholders of ROSSETI. The Annual General Meeting of Shareholders discussing performance results in 2015 took place on June 30, 2016. As resolved by the AGM, ROSSETI paid interim dividends on ordinary shares for the first time in its history.

### Board of Directors

The Board of Directors is in charge of the general management of the Company’s activities except for any issues that, in accordance with the Federal Law ‘On Joint-Stock Companies’ and the Articles of Association, fall within the competence of the General Meeting of Shareholders. On an annual basis, the Board of Directors approves the Action Plan for the corporate year. Meetings of the Board of Directors are in accordance with the approved Action Plan and as and when necessary, but at least once every six weeks. If necessary, the Chairman of the Board of Directors may decide to hold an unscheduled meeting to discuss urgent issues. To make the consideration of issues more effective, the committees of the Board of Directors, within their competence, formulate recommendations and provide the Board of Directors with opinions on all issues. With the aim of exercising proper supervision over the implementation of instructions issued by the Board of Directors, the Company analyzes, on a quarterly basis, information on the implementation of decisions adopted by the Board of Directors.

### In 2016, there was one change of the composition of the Board of Directors of ROSSETI.

Starting from June 30, 2016, the Board of Directors is composed of the members elected by the Annual General Meeting of Shareholders on June 30, 2016.
### Members of the Board of Directors as of June 30, 2016

<table>
<thead>
<tr>
<th>NO</th>
<th>NAME</th>
<th>YEARS OF SERVICE</th>
<th>POSITION AS OF THE TIME OF ELECTION</th>
<th>INFORMATION ON INDEPENDENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Alexander Valentinovich Novik</td>
<td>2 years</td>
<td>Minister of Energy of the Russian Federation</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Stanislav Olegovich Ashurov</td>
<td>3 years</td>
<td>Director General, Mezhregionenergosbyt</td>
<td>Independent member of the Board of Directors Member of the Strategy Committee Member of the Nomination and Remuneration Committee</td>
</tr>
<tr>
<td>3</td>
<td>Boris Ilyich Ayuyev</td>
<td>4 years</td>
<td>Chairman of the Management Board, SO UPS</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Oleg Gennadyevich Barkin</td>
<td>3 years</td>
<td>Deputy Chairman of the Board, NP Market Council</td>
<td>Member of the Strategy Committee</td>
</tr>
<tr>
<td>5</td>
<td>Vasily Mikhailovich Belov</td>
<td>2 years</td>
<td>Senior Vice-President for Innovations, Skolkovo Foundation</td>
<td>Independent member of the Board of Directors Chairman of the Audit Committee Member of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee Member of the Nomination and Remuneration Committee</td>
</tr>
<tr>
<td>6</td>
<td>Oleg Mikhailovich Budargin</td>
<td>4 years</td>
<td>Chairman of the Management Board and Director General, ROSSETI</td>
<td>Executive director</td>
</tr>
<tr>
<td>7</td>
<td>Oleg Markovich Dubnov</td>
<td>1 year</td>
<td>Advisor to the Director General, Institute of Professional Directors</td>
<td>Independent member of the Board of Directors Chairman of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee Member of the Strategy Committee Member of the Nomination and Remuneration Committee Member of the Audit Committee</td>
</tr>
<tr>
<td>8</td>
<td>Alexander Sergeyevich Kalinin</td>
<td>3 years</td>
<td>President, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business</td>
<td>Independent member of the Board of Directors Chairman of the Nomination and Remuneration Committee Member of the Audit Committee</td>
</tr>
<tr>
<td>9</td>
<td>Vyacheslav Mikhailovich Kravchenko</td>
<td>7 years</td>
<td>Deputy Minister of Energy of the Russian Federation</td>
<td>Chairman of the Strategy Committee</td>
</tr>
<tr>
<td>10</td>
<td>Andrey Yevgenyevich Murov</td>
<td>4 years</td>
<td>Chairman of the Management Board, FGC UES</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Nikolay Radyevich Podguzin</td>
<td>1 year</td>
<td>Deputy Minister of Economic Development of the Russian Federation</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Mikhail Igorovich Polubiyaritsa</td>
<td>1 year</td>
<td>First Deputy Chairman and member of the Board, Vnesheconombank</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Nikolay Dmitriyevich Rogaliev</td>
<td>1 year</td>
<td>Rector, Moscow Power Engineering Institute (National Research University)</td>
<td>Member of the Strategy Committee</td>
</tr>
<tr>
<td>14</td>
<td>Sergey Ivanovich Shmatko</td>
<td>4 years</td>
<td>Special Representative of the President of the Russian Federation on International Cooperation in the Electric Power Industry</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Nikolay Grigoryevich Shulgin</td>
<td>1 year</td>
<td>Chairman of the Management Board and General Director, RUSHYD</td>
<td></td>
</tr>
</tbody>
</table>

Before June 30, 2016, the Board of Directors was composed of the members elected by the Annual General Meeting of Shareholders on June 30, 2015.

### Members of the Board of Directors from June 30, 2015, before June 30, 2016

<table>
<thead>
<tr>
<th>NAME</th>
<th>POSITION AS OF THE TIME OF ELECTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexander Valentinovich Novik</td>
<td>Minister of Energy of the Russian Federation</td>
</tr>
<tr>
<td>Stanislav Olegovich Ashurov</td>
<td>Director General, Mezhregionenergosbyt</td>
</tr>
<tr>
<td>Boris Ilyich Ayuyev</td>
<td>Chairman of the Management Board, SO UPS</td>
</tr>
<tr>
<td>Oleg Gennadyevich Barkin</td>
<td>Deputy Chairman of the Board, NP Market Council</td>
</tr>
<tr>
<td>Vasily Mikhailovich Belov</td>
<td>Senior Vice-President for Innovations, Non-Profit Organization, the Fund for Development of the Center for Elaboration and Commercialization of New Technologies</td>
</tr>
<tr>
<td>Oleg Mikhailovich Budargin</td>
<td>Director General, ROSSETI</td>
</tr>
<tr>
<td>Andrey Yarikovich Ivanov</td>
<td>Deputy Minister of Finance of the Russian Federation</td>
</tr>
<tr>
<td>Alexander Sergeyevich Kalinin</td>
<td>President, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business</td>
</tr>
<tr>
<td>Alexei Aleksandrovich Makarov</td>
<td>Member of the Presidium, Russian Academy of Sciences</td>
</tr>
<tr>
<td>Denis Stanislavovich Morozov</td>
<td>Representative of the Russian Federation on the Board of Directors of the European Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>Andrey Yevgenyevich Murov</td>
<td>Chairman of the Management Board, FGC UES</td>
</tr>
<tr>
<td>Oleg Romanovich Fyodorov</td>
<td>Member of the Supervisory Board, ALROSA</td>
</tr>
<tr>
<td>Andrey Nikolayevich Shishkin</td>
<td>Vice President for Energy and Localization, RosHydro</td>
</tr>
<tr>
<td>Sergey Ivanovich Shmatko</td>
<td>Special Representative of the President of the Russian Federation on International Cooperation in the Electric Power Industry</td>
</tr>
</tbody>
</table>

More detailed information about the members of the Board of Directors, the members of the Management Board, and the Director General is disclosed in the section “Corporate Governance” of the Annual Report for 2016.

In 2016, the Board of Directors held 32 meetings in person and 27 issues in absentia.
The most important issues concerning sustainability included as follows:

- approval of the Information Policy;
- approval of a restated version of the Anti-Corruption Policy;
- approval of the Innovative Development Program of ROSSETI for 2016–2020 with Long-Term Plans until 2025;
- procedure for identifying and selling noncore assets;
- review of the Concept of Managing the ROSSETI Group’s Research, Development, and Innovation Activities and the related implementation plan;
- introduction of professional standards into the Company’s activities;
- amendments to the Uniform Procurement Standard (Procurement Regulations) of PJSC ROSSETI-T as related to the wider use of factoring in the fulfillment of contracts for the supply of goods (performance of work, provision of services).

The internal audit division made an internal independent evaluation of the effectiveness of ROSSETI’s corporate governance for 2016 in accordance with the Company’s evaluation technique with respect to each of the six components of corporate governance and with respect to the corporate governance system as a whole:

- shareholder rights;
- Board of Directors;
- executive management;
- risk management, internal control, and internal audit;
- corporate social responsibility, business ethics, and compliance.

The Board of Directors may annually perform evaluation in relation to the effectiveness of its work independently or engage an independent external organization (consultant) duly qualified for such evaluation. In 2016, the Russian Institute of Directors made an independent evaluation and issued the report on the performance evaluation of the Board of Directors and its committees with recommendations to improve the quality and effectiveness of their activities. In addition, the Russian Institute of Directors prepared the Technique for Self-Assessment in Relation to the Performance of the Board of Directors, Committees of the Board of Directors, and Members of the Board of Directors, which will be used for annual self-assessment in order to comply with the recommendations of the Corporate Governance Code.

### Governance Structure

<table>
<thead>
<tr>
<th>Subjects of the Issues Considered by the Board of Directors in 2016</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of internal documents</td>
<td>4%</td>
</tr>
<tr>
<td>Key performance indicators</td>
<td>5%</td>
</tr>
<tr>
<td>Procurement (including the Annual Comprehensive Procurement Program, contracts)</td>
<td>14%</td>
</tr>
<tr>
<td>Budget and monitoring of SDCs’ financial and economic condition</td>
<td>4%</td>
</tr>
<tr>
<td>Finance, Investment, and R&amp;D</td>
<td>12%</td>
</tr>
<tr>
<td>Audit, control, and risks</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>17%</td>
</tr>
<tr>
<td>Administration of SDCs with respect to key issues of their operations</td>
<td>29%</td>
</tr>
<tr>
<td>Strategic planning and development</td>
<td>7%</td>
</tr>
</tbody>
</table>

The total result of evaluating the effectiveness of corporate governance for 2016 was 84%, which is 6 pp higher than the total evaluation for 2015 and corresponds to the criterion of “effective” corporate governance (80% to 100%). To preliminarily consider the most important issues, the Board of Directors set up committees. Decisions made by the committees are recommendatory.

Remuneration is paid to members of the Board of Directors in accordance with the Regulations for Remuneration and Compensation for Members of the Board of Directors of ROSSETI. No remuneration is accrued or paid to the Chairman or members of the Board of Directors falling within the purview of such restriction or ban on the receipt of any payments from business entities as imposed by federal law.

Remuneration is paid to members of the Board of Directors for their work for the period from their election to the Board of Directors until the election of new members of the Board of Directors. Each member of the Board of Directors is also the Director General of the Company. The Chair or the Director General in the area of sustainability include the approval of the Corporate Social Responsibility and Sustainability Report.

No remuneration was accrued and paid to the members of the Board of Directors in 2016 due to the absence of the Company’s net profit.

### EXECUTIVE BODY

The Company's collegial executive body is the Management Board. The number of the members of the Management Board is determined by the decision adopted by the Board of Directors at the suggestion of the Director General. Chairman of the Management Board of ROSSETI Oleg Budargin is also the Director General of the Company. The powers of the Director General in the area of sustainability include the approval of the Corporate Social Responsibility and Sustainability Report.

### Dividend Policy

ROSSETI’s Dividend Policy focuses on protecting shareholder rights, achieving acceptable return on investment, and making the Company more attractive to investors.

The Company’s Dividend Policy is governed by the Regulations for Dividend Policy of ROSSETI approved by the Board of Directors in 2014. As specified in the Regulations, at least 25% of the Company’s net profit according to accounting (financial) statements is used for dividend payment. In this connection, the amount used for dividend calculation is equal to net profit less income from the revaluation of subsidiaries’ shares traded in the securities market, less the portion of net profit used for the reserve fund and other funds for investments and development, and less the portion of net profit used to cover losses of previous years.

The size of dividends payable on the Company’s shares is determined by the General Meeting of Shareholders on the recommendation of the Board of Directors and may not be in excess of the size recommended by the Board of Directors (subject to directives and ordinances of the Government of the Russian Federation). As resolved by the Annual General Meeting of Shareholders, ROSSETI allocated 1.8 billion rubles as interim dividends for the 1st quarter of 2016.

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4% Governance

Governance Structure

ROSSETI Corporate Social Responsibility and Sustainability Report

www.rosseti.ru/eng
Internal Control System and Risk Management System

The ROSSETI Group set up and develops the internal control system (ICS) applicable to financial and economic activities and consistent with modern international practices.

This system is a combination of internal control bodies and methods intended to provide reasonable assurance regarding the achievement of the Company’s goals:

- ensure efficiency and productivity of the ROSSETI Group’s activities; safeguard assets;
- ensure compliance with the applicable legal requirements and local regulatory documents, including in economic events and business accounting;
- ensure the reliability and timeliness of accounting (financial) and other reporting.

The internal control system of ROSSETI is based on the principles of the COSO Internal Control — Integrated Framework recommended by the Corporate Governance Code

The principal ICS participants are as follows:

- Internal Audit Commission
- Board of Directors
- Audit Committee of the Board of Directors
- Other committees of the Board of Directors
- Executive bodies
- Divisions
- Internal control division
- Internal audit division

INTERACTION DIAGRAM OF ROSSETI’S ICS PARTICIPANTS

Shareholders

Board of Directors (committees)

Internal Audit Commission

Executive bodies

Business units

Internal control division

Internal audit division

Accountability

Information

Recomendations to improve the ICS

Approval of local regulatory documents

Support for ICS operation

Accountability

Proposals to improve the ICS

Methodology

Interaction between the Company and subsidiaries under shareholders laws

Approval of the Policy and regulatory documents

Supervision of the ICS

Proposals to improve the ICS

Information

Recomendations to improve the ICS

Approval of local regulatory documents

Support for ICS operation

Accountability

Proposals to improve the ICS
ROSSETI’s internal control system is constantly improved. In order to increase its effectiveness and ensure its compliance with changing requirements and conditions, the following documents were prepared and introduced in 2016:


In accordance with the Strategy for Developing and Improving the Internal Control System of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI and the Internal Control Policy of ROSSETI based on the COSO concept and the Corporate Governance Code, the Company evaluates ICS effectiveness on an annual basis. This assures ICS effectiveness and ICS compliance with objectively changing requirements and conditions.

The internal audit division made the internal independent evaluation of ROSSETI’s internal control system effectiveness in 2016, using the Company’s evaluation technique for each of the five components and for the entire system.

- control environment;
- risk assessment;
- control activities;
- information and communication;
- monitoring;

Based on the results of the evaluation, ROSSETI’s internal control system achieved the “Optimal” level in 2016.

The Company will continue in 2017 to work on improving the internal control system pursuant to the Strategy for Developing and Improving the Internal Control System of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI and ensuring that the internal control system will reach the “High” level in 2018. This level not only makes it possible to provide reasonable assurance regarding the achievement of the goals, but also contains elements that take account of best practices. As a result, in 2016, ROSSETI received a prestigious award, annually granted by the National Union of Internal Auditors and Controllers, namely the national award “Effective Internal Control and Audit of the Year” in the category “Best Company in Internal Control System Reliability.” The units responsible for internal audit conducted 517 inspections in the reporting year, resulting in proposing 2,945 corrective measures. Out of 2,371 corrective measures to be implemented in 2016, 2,212 were completed.

Several significant events took place in the area of internal audit in 2016:

- The system of internal corporate auditing standards was created;
- A system was implemented for the continuous quality monitoring of internal audit activities and for periodic internal (at least once a year) and external (at least every five years) quality evaluations of ROSSETI’s and SDCs’ internal audit;
- Self-assessment was performed in relation to the internal audit function;
- The efficiency and effectiveness of the internal audit division was evaluated by an external auditor;
- The Action Plan to Develop and Improve Internal Audit was formulated for 2017.

In 2016, the system of internal control of ROSSETI and ensuring that the internal control system will reach the “High” level in 2018. This level not only makes it possible to provide reasonable assurance regarding the achievement of the goals, but also contains elements that take account of best practices. As a result, in 2016, ROSSETI received a prestigious award, annually granted by the National Union of Internal Auditors and Controllers, namely the national award “Effective Internal Control and Audit of the Year” in the category “Best Company in Internal Control System Reliability.” The units responsible for internal audit conducted 517 inspections in the reporting year, resulting in proposing 2,945 corrective measures. Out of 2,371 corrective measures to be implemented in 2016, 2,212 were completed.

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Based on the results of the evaluation, ROSSETI’s internal control system achieved the “Optimal” level in 2016.

ROSSETI applies the reasonable precautionary principle. The Company strives to regularly identify hazards, assess the level of risks associated with its activities, and take appropriate risk management measures.

ROSSETI’s main risks are analyzed in detail in the Annual Report for 2016. This section contains a detailed description of non-financial risks affecting the Company’s sustainability.

For more detailed information, see the sections “Responsible to Customers”.
### Governance

**Internal Control System and Risk Management System**

<table>
<thead>
<tr>
<th>COUNTRY AND REGIONAL RISKS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks associated with possible military conflicts and their implications, imposition of the state of emergency, and strikes in the regions</td>
<td>ZAO TAT «Россети» Failure to ensure the uninterrupted operation of the electric grid sector</td>
</tr>
</tbody>
</table>

| Risks associated with the geographical characteristics of the country and regions, including the potential effects of natural disasters, interruptions to transportation due to remoteness and/or inaccessibility, etc. | ROSSETI SDCs | Natural and climatic emergencies (hurricanes, heavy rains, high water and floods, snow drifts, icing, power outages due to fires, domestic gas explosions, etc.) that can result in interruptions to the region's electricity supply and transportation | Weather conditions | Long-term climatic changes | Emergencies are monitored | The Group’s entities interact with the Ministry of Civil Defense, Emergencies and Disaster Relief of the Russian Federation |

<table>
<thead>
<tr>
<th>LEGAL RISKS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal and compliance risks</td>
<td>ROSSETI</td>
</tr>
</tbody>
</table>

For more detailed information, see the section “Ethics and Anti-Corruption”

---

**Ethics and Anti-Corruption**

**CORPORATE CODE OF ETHICS AND BUSINESS CONDUCT**

ROSSETI pays special attention to business ethics and integrity. The ethical standards are clarified in the Corporate Code of Ethics and Business Conduct. The Code defines the principal standards and rules for the individual and collective behavior of all employees, members of the Company’s management and control bodies.

### Corporate values

<table>
<thead>
<tr>
<th>VALUES</th>
<th>DECLARATION OF COMMITMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>RELIABILITY</td>
<td>The Company strives to secure a reliable and uninterrupted electricity supply for the Russian economy and social sector, taking the necessary measures to ensure the safety of subsidiaries’ electric power facilities.</td>
</tr>
<tr>
<td>EFFICIENCY</td>
<td>The Company understands its responsibility to shareholders, investors, and partners and strives to improve its operating efficiency and make its business more attractive to investors and more transparent.</td>
</tr>
<tr>
<td>SAFETY</td>
<td>The Company applies a strictly regulated and balanced approach to the implementation of security measures and works to prevent and avoid potential offenses.</td>
</tr>
<tr>
<td>HUMAN RESOURCES</td>
<td>The key resource of the ROSSETI Group’s operations is personnel. The Company strives to create safe working conditions, enable employees to develop their potential, and provide opportunities for professional self-actualization. Achieving the Company’s strategic goals and objectives set by the government depends to a large extent on high qualifications and integrity of employees.</td>
</tr>
<tr>
<td>SOCIAL RESPONSIBILITY</td>
<td>The Company adheres to the principles of social responsibility in its activities and gives much attention to environmental protection, occupational safety, and the implementation of social programs.</td>
</tr>
</tbody>
</table>
The anti-Corruption Policy provided the basis for local regulatory documents governing common mechanisms for combating corruption in the ROSSETI Group with respect to:

- verifying information on the owner chain of counterparties of ROSSETI and its subsidiaries, including beneficiaries (including ultimate beneficiaries);
- implementing anti-corruption standards of procurement;
- managing conflicts of interest.

The Company took measures in 2016 to maintain contact with corporate entities and individuals, including launching an online whistleblower reporting channel via the corporate website, and appointed new members of the Central Commission on Corporate Ethics Compliance and Conflict of Interest Resolution. ROSSETI systematically works to prevent corruption, provide legal education, and inculcate law-abiding behavior into the electric grid sector’s employees.

The national plan of combating corruption makes it necessary for ROSSETI to develop a package of organizational, clarifying, and other measures to ensure that employees comply with the prohibitions, restrictions, and requirements established to combat corruption and harmonize anti-corruption standards. One of the principal objectives is to exercise supervision over the application of legal liability provided for in law, including with respect to:

- avoiding and/or resolving conflicts of interest;
- overseeing the fulfillment of obligations to provide information on any enticement into corruption offenses;
- inculcating anti-corruption into employees.

At present, the ROSSETI Group implements the uniform Anti-Corruption Policy of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI (in accordance with the recommended guidelines released by the Ministry of Labor and Social Protection of the Russian Federation). In December 2016, the Company’s Board of Directors approved a restated version of the Anti-Corruption Policy. Grid organizations’ anti-corruption efforts are coordinated and supervised by the Department for Economic Security and Anti-Corruption of ROSSETI.

The Company received over 140 allegations of corruption in 2016, 64 of which were received on the hotline. Each allegation was followed by investigations.

In accordance with the provisions of the Code, none of the Company’s employees have the right to use their official positions to resolve any conflict in their favor and/or for the benefit of themselves or related third parties.

Employees of the Company are obliged to:

- safeguard the interests of ROSSETI and its subsidiaries in making decisions on business matters and performing their official duties;
- avoid any situations and circumstances that may lead to a conflict of interest;
- disclose any existing (real) or potential conflict of interest, including reporting a conflict of interest and submitting a declaration of a conflict of interest;
- facilitate the resolution of an existing conflict of interest.

ROSSETI applies the principle that persons in direct subordination or controllability in relation to each other must not be relatives. Only the Cen-
Record economic figures for 2016 are the result of measures implemented to improve the efficiency of management and operations of subsidiaries and ensure the financial stability and loss-free operations of all ROSSETI Group’s companies.
## Financial Results

All of the ROSSETI Group’s main profitability indicators grew in 2016.

### Revenue Structure of the ROSSETI Group by Segment

<table>
<thead>
<tr>
<th>INDICATORS</th>
<th>2016 BN RUB</th>
<th>2015 BN RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity transmission and distribution</td>
<td>725.5</td>
<td>650.4</td>
</tr>
<tr>
<td>Electricity and capacity sales</td>
<td>74.7</td>
<td>55.9</td>
</tr>
<tr>
<td>Network connection</td>
<td>68.1</td>
<td>34.2</td>
</tr>
<tr>
<td>Other revenue and government subsidies</td>
<td>35.7</td>
<td>26.3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>904.0</strong></td>
<td><strong>766.8</strong></td>
</tr>
</tbody>
</table>

The ROSSETI Group’s consolidated revenue totaled 904 billion rubles, or 179% up on 2015, largely due to a growth in revenue from electricity transmission and distribution because of increased net electricity delivery, compensation for lost income resulting from the termination of last mile agreements, and the restored smoothing mechanism of minimum regulated revenue in tariff decisions in accordance with the Forecast of the Socioeconomic Development of the Russian Federation.

### Opex Structure Analysis

<table>
<thead>
<tr>
<th>INDICATORS</th>
<th>2016 BN RUB</th>
<th>2015 BN RUB</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncontrollable expenses, including</td>
<td>524.4</td>
<td>407.0</td>
<td>28.8%</td>
</tr>
<tr>
<td>Electricity transmission and distribution services</td>
<td>131.0</td>
<td>119.3</td>
<td>9.8%</td>
</tr>
<tr>
<td>Electricity purchased for compensation for electricity network losses</td>
<td>111.5</td>
<td>101.2</td>
<td>10.2%</td>
</tr>
<tr>
<td>Electricity purchased for resale</td>
<td>46.0</td>
<td>31.2</td>
<td>47.4%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>113.8</td>
<td>100.5</td>
<td>13.2%</td>
</tr>
<tr>
<td>Taxes and levies except profit tax</td>
<td>20.8</td>
<td>17.6</td>
<td>18.2%</td>
</tr>
<tr>
<td>Impairment of fixed assets</td>
<td>38.5</td>
<td>51.1</td>
<td></td>
</tr>
<tr>
<td>Impairment of receivables</td>
<td>19.6</td>
<td>28.8</td>
<td>31.9%</td>
</tr>
<tr>
<td>Provisions</td>
<td>9.6</td>
<td>3.9</td>
<td>146.2%</td>
</tr>
<tr>
<td>Other</td>
<td>33.6</td>
<td>9.6</td>
<td>250.1%</td>
</tr>
<tr>
<td><strong>Controllable expenses, including</strong></td>
<td><strong>263.9</strong></td>
<td><strong>245.5</strong></td>
<td><strong>7.5%</strong></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>173.6</td>
<td>162.9</td>
<td>6.6%</td>
</tr>
<tr>
<td>Other</td>
<td>90.3</td>
<td>82.6</td>
<td>9.3%</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>537.3</strong></td>
<td><strong>428.5</strong></td>
<td><strong>20.8%</strong></td>
</tr>
<tr>
<td><strong>Total operating expenses less impairment of FA and R</strong></td>
<td><strong>730.2</strong></td>
<td><strong>628.8</strong></td>
<td><strong>16.1%</strong></td>
</tr>
</tbody>
</table>

### Key Financial Ratios

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA margin</td>
<td>32.8%</td>
<td>25.6%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Operating expenses/revenue</td>
<td>100.0%</td>
<td>85.1%</td>
<td>87.2%</td>
</tr>
<tr>
<td>Net debt/adjusted EBITDA</td>
<td>2.0</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Current ratio</td>
<td>0.7%</td>
<td>0.84%</td>
<td>0.83%</td>
</tr>
<tr>
<td>Financial leverage</td>
<td>0.91%</td>
<td>0.84%</td>
<td>0.74%</td>
</tr>
<tr>
<td>Long-term loans/gross debt</td>
<td>84%</td>
<td>80%</td>
<td>84%</td>
</tr>
</tbody>
</table>

More detailed information about financial and economic performance is contained in the Annual Report for 2016.
Procurement

The ROSSETI Group’s principal goal of procurement is to purchase products in a timely and complete manner with the greatest possible cost effectiveness.

ROSSETI carries out the strategic management of the Company’s and SDCC’s procurement practices, including establishing general rules, exercising control and coordination, and assessing procurement efficiency. The Company’s procurement priorities are as follows:

— cost effectiveness and proper use of funds;
— procurement transparency;
— fair competition;
— corruption avoidance;
— increased purchases from small and medium-sized businesses.


In the reporting year, the ROSSETI Group completed 33,400 procurement procedures, totaling 360 billion rubles, exclusive of VAT. The majority of purchases were the new construction and expansion of electric grid facilities (26%, or 95.3 billion rubles) and the rehabilitation and technical upgrading of such facilities (27%, or 95.8 billion rubles).

The economic effect of competitive procedures in 2016 was 63.1 billion rubles, inclusive of VAT, or 13%.

In 2016, the share of competitive purchases through electronic trading floors was 98.8%. The Company also continued to reduce the share of sole source purchases. Compared with 2009, this indicator is down from 31.4% to 3.1% of the actual volume of purchases.

The economic effect of competitive procedures in 2016 was 63.1 billion rubles, inclusive of VAT, or 13%.

Changes in Sole Source Purchases
In 2016, the Company became a winner in the category “Guaranteed Transparency” in the National Procurement Transparency Rating. ROSSETI was ranked among the top three government-linked companies.

In addition, Expert RA upgraded the rating of ROSSETI’s procurement management quality from RKZ 8 to RKZ 9 (High Procurement Management Quality) and reaffirmed a positive outlook, which means that there is high likelihood that the rating will be upgraded in the medium run.

SUPPLIER CHAIN

ROSSETI gives much attention to the development of its relations with suppliers and contractors. The Company conducts supplier selection procedures strictly in accordance with the requirements of procurement documents. The bid evaluation criteria require approval from the Procurement Commission, depending on the purchase method, the purchase type, and the subject matter of the awarded contract. The Company’s interaction with suppliers includes a sequence of procedures from budget planning to contract performance.

In the reporting year, ROSSETI continued its work on entering into long-term (three-year) contracts and framework agreements with manufacturers of basic electrical equipment. As at the end of 2016, the Group had about 20,000 suppliers of electric grid equipment and contractors in 82 of 85 Russian regions. The Company does not have suppliers or contractors registered outside Russia.

Mechanisms and Channels of Communication with Suppliers

- Budget
- Procurement Plan
- Procurement Documents
- Procurement Procedure
- Decision of the Procurement Commission
- Contract
- Contract Performance

The Company was able to achieve such high results due to the efficient business process, along with the established regulatory framework.

In 2016, with the aim of providing small and medium-sized businesses with simplified access to purchases, ROSSETI determined the minimum required package of documents submitted by bidders only electronically on electronic trading floors. Additionally, the Company tightened control over the timely fulfillment of payment obligations under contracts; with due consideration to the customer’s financial condition, prepayment is available to counterparties participating in the program of partnership between the Company and small and medium-sized businesses.

In 2016, the volume of bidding procedures prescribed only for such businesses was 62.7 billion rubles (23%) in 2016 against 15 billion rubles in 2015. The average number of bidders also showed an upward trend, increasing by 13%.

Share of Purchases from Small and Medium-Sized Businesses

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of Purchases from Small and Medium-Sized Businesses, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>19%</td>
</tr>
<tr>
<td>2014</td>
<td>24%</td>
</tr>
<tr>
<td>2015</td>
<td>13%</td>
</tr>
<tr>
<td>2016</td>
<td>23%</td>
</tr>
</tbody>
</table>

Share of purchases from small and medium-sized businesses for 2016 as prescribed by the resolution of the Russian
ROSSETI realizes its responsibility for its business partners, employees and society as a whole. Absolute priority for the Company in social responsibility is to secure a reliable and uninterrupted power supply.
Responsibility to Customers

ORGANIZATION OF CUSTOMER SERVICE

The ROSSETI Group strives to build up long-term customer relations, providing high-quality services and tracking customer satisfaction. Customer relations are essential to ROSSETI’s sustainability strategy.

The Company’s priorities in this area are responsibility, transparency, and customer focus. The government, public organizations, and other stakeholders are involved in seeking a balance between the interests of the ROSSETI Group and customers in securing an affordable and reliable electricity supply. ROSSETI’s responsibility to customers is to secure a reliable and uninterrupted power supply. The Company’s key goals in this area are to increase the quality and affordability of services and raise customer loyalty. ROSSETI’s customer-oriented approach is specified in the Policy on Society, Customer, and Government Relations, defining the following key principles of customer service:

- affordable services;
- high-quality services;
- awareness of the Company and services;
- transparent business processes of service performance and customer service.

Via all channels of communication with customers (face-to-face inquiries, remote inquiries by telephone or on the Internet), the ROSSETI Group received 4.5 million inquiries in 2016, or 5% more than in 2015. The number of quality complaints decreased. This trend proves the Company’s operating efficiency and transparency.

ROSSETI strives to raise requesting entities’ awareness of the existing network connection procedure and of new services and online functionalities. In 2016, all ROSSETI SDCs and their branches regularly held public meetings (including webinars) with existing and potential requesting entities. For example, ROSSETI was among the organizers of the 4th All-Russian Forum on Network Connection ‘Accessible Networks: Projects, Experience, Current Issues.’ The event was attended by the Russian Ministry of Energy and the Agency for Strategic Initiatives, along with grid companies, public organizations, and entrepreneurial associations that are members of OPORA RUSSIA. The Forum provided a platform for dialog among the key participants in the process of network connection, gave an opportunity for the fruitful discussion of issues requiring joint efforts of energy companies and authorities.

Subjects of Customer Inquiries

58% Network connection

2% Electricity distribution

19% Power outages

1% Maintenance of electric grid facilities

6% Electricity billing metering

7% Ancillary services

7% Other (service quality, contact information, etc.)

ROSSETI’s well-developed customer service network ensures that services are easy to reach.

As at the end of 2016, the Company operated

933 customer service offices

including 125 customer service centers

808 customer service points at local divisions of SDCs
In accordance with the Uniform Customer Service Quality Standards, the face-to-face customer service network was streamlined in 2016 to ensure equally high service quality in all regions served by the Group. In order to enhance the territorial accessibility of services, projects are underway in numerous regions to receive network connection requests at multifunctional centers for governmental and municipal services.

The number of visitors to the ROSSETI Group’s customer service offices was about 1.9 million in the reporting year, or 5% more than in 2015. The increase was largely due to the higher territorial accessibility and quality of face-to-face services. Remote customer service by telephone uses SDCs’ call center numbers, numbers of operational dispatching units, and hotline numbers.

ONLINE CUSTOMER SERVICE

The ROSSETI Group pays particular attention to developing the uniform portal of electric grid services (Toptran-111.pd) and electronic customer service functionalities on SDCs’ websites. For instance, work was completed in 2016 on redesigning the portal: the website concept was changed; the functionality related to ROSSETI SDCs’ services was expanded.

The number of online inquiries has annually increased by an average of 90% over the past four years.

The principal goals of call centers are to receive and handle customers’ incoming calls and provide a customer with necessary information. In 2016, the Company received a total of 2.2 million inquiries by telephone, or 6% more than in 2015.

The redesigned portal helped accomplish important goals:

1. Higher transparency of operations for customers and regulators.

In order to raise customers’ awareness, the functionality of personal login pages was expanded with respect to providing information about the stages and time required to handle requests for services and give notice to customers. The details specified on personal login pages allow requesting entities to verify whether grid organizations meet the deadlines.

2. Simple explanation of the procedure for calculating network connection prices.

The following functionalities of the portal help calculate network connection prices:
- calculator for network connection prices, taking account of tolerances as to the scope of the grid organization’s network connection operations;
- scientific calculator for network connection prices, taking account of the grid organization’s operations subject to technical requirements;
- calculator for approximate electricity meter installation prices.

In addition, the portal contains the uniform map of utilization for main substations rated 35 kV and above, which shows capacity available for connection. The user-friendly interface makes it possible to easily find power facilities on the map and obtain information about their location and technical characteristics, including the utilization rate of electrical installations.

3. Accessibility of services for customers

For ease of use, the functionality of personal login pages was expanded. This made it possible to decrease the number of visits to grid organizations, speed up the handling and processing of requests for services, and improve service quality.

As a result of measures taken in the reporting year to promote customer service on the Internet, the number of online inquiries reached 170,000, or 75% more than in the previous year.
HIGH-QUALITY AND ACCESSIBLE POWER INFRASTRUCTURE

One of the ROSSETI Group’s major services is network connection, i.e. the actual connection of power-receiving equipment, power generation facilities, and electric grid facilities owned by grid organizations and other persons. New electricity connections perform important social functions, providing power for the growing demand of the national economy and society.

There was a decrease of 1% in the number of submitted network connection requests and, accordingly, signed contracts in 2016 (from 369,000 to 365,000).

Revenue from network connection services rose from 34,165 million rubles to 74,226 million rubles.

An important indicator of the quality of power infrastructure services is electricity supply reliability. In 2016, ROSSETI’s electric grid companies did not exceed the planned values prescribed by the regional energy commissions for the average duration of power outages.

Investigations into process failures in electric grids showed that the main causes were worn-out equipment (21%) and natural calamities (17%).

To reduce the accident rate, ROSSETI SDCs continued in 2016 to implement target-oriented multiyear programs including the following measures:

- Widen narrow clearings;
- Replace obsolete oil circuit breakers rated 6–110 kV with modern vacuum circuit breakers and SF6-insulated circuit breakers;
- Replace surge arresters rated 6–110 kV with overvoltage suppressors.

Efficient operating activities of ROSSETI SDCs in 2016 decreased the number of process failures (accidents) resulting from defective operation, damage caused by outside persons and organizations, and damage caused by repeated natural calamities by 43.2%, 15.4%, and 10.3% respectively.
Enriching the affordability of power supply is a strategic priority for the ROSSETI Group. The key policy document determining the Company’s activities in this area is the Road Map “Enhancing the Affordability of the Power Infrastructure.” When successfully completed, the Road Map will ease the way for a business to obtain an electricity connection and will enhance the Russian economy’s attraction as an investment destination and raise its competitiveness. A benchmark of implementing the Road Map is the World Bank’s Doing Business rankings, with the target being Russia’s rising to at least the 20th position in the “Getting Electricity” ranking in 2018.

**Targets in the “Getting Electricity” Ranking of Doing Business**

<table>
<thead>
<tr>
<th>TARGET</th>
<th>UNIT</th>
<th>2012</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position in the “Getting Electricity” ranking of Doing Business</td>
<td>–</td>
<td>183</td>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td>Number of procedures</td>
<td>pcs</td>
<td>10</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Time</td>
<td>days</td>
<td>281</td>
<td>135</td>
<td>90</td>
</tr>
<tr>
<td>Cost (% of income per capita)</td>
<td>%</td>
<td>1,852</td>
<td>321</td>
<td>20</td>
</tr>
</tbody>
</table>

The important results of ROSSETI’s efforts to enhance power infrastructure accessibility in 2016 were as follows:

- the number of network connection stages was decreased from 3 to 2;
- the network connection cost was reduced by 44%;
- the time required to obtain an electricity connection was reduced to 80 days;
- the time required to obtain an electricity connection, from contract to certificate, for network connection requests for facilities rated below 150 kV was decrease by 36% and 15% as compared with 2013 and 2015 respectively.

ROSSETI SDGs implemented several successful initiatives in 2016 to ensure grid infrastructure accessibility. These include the following projects:

- In the area of developing online service and reducing the number of network connection stages, the most successful was MOESK’s “0 Visits” project, actually making it unnecessary to visit a customer service center. Under the project, communication between the customer and the grid company is on the personal account page on the grid company’s website. The project makes it possible to submit an online network connection request on the personal account page, with the possibility of entering into a contract, making a payment, and tracking contract performance.
- MOESK and LENENERGO made it possible to enter into a power supply contract through a grid company in the course of submitting a network connection request without involving a retail organization. The power supply contract can be signed with a digital signature.

The basic approach is the methodology of calculating the Customer Satisfaction Index (CSI) whereby customers evaluate each component of services, depending on its significance. The ROSSETI Group made more than 100 surveys in 2016, with the number of customers surveyed exceeding 62,000. The surveys focused on the quality and affordability of network connection services, including:

- compliance with the prescribed network connection deadlines;
- convenience of customer service offices’ location and working hours;
- qualifications and efficiency of personnel;
- ease of obtaining information about the electricity connection procedure.

One of the most effective survey methods is to ask questions at customer service centers, by mail, and on the Internet. The respondents surveyed by ROSSETI SDGs in writing and online (57,000 respondents) accounted for 90% in 2016. About 6,000 respondents were additional surveyed by call center representatives.

The results of the surveys enabled the ROSSETI Group to choose and implement a number of preventive measures to improve service quality, provide a comfortable environment for customers, and increase the transparency of its network connection operations. In order to make a comparative analysis of customer satisfaction with the quality and affordability of electricity connections provided by ROSSETI SDGs, an online questionnaire for regular surveys was included in the portal of electric grid services in 2016. The results of an independent survey will allow the Company to identify problems in the regions of its operations and provide assistance for small and medium-sized businesses in improving the business climate, including power infrastructure accessibility in Russia.

**GOALS FOR 2017**

Russia’s rising to at least the 20th position in the “Getting Electricity” ranking of the World Bank’s Doing Business economy rankings is the Group’s principal goal in the short term. The following measures are designed to attain this goal:

- streamline internal business processes of ROSSETI SDGs;
- synchronize activities with regional road maps as part of implementing the Target Model “Electricity (Network) Connection Within 90 Days”;
- develop online services provided to requesting entities.
Society Relations

As the industry’s leader, the ROSSETI Group strives to take an active part in the life of society. ROSSETI and SDCs implement a wide range of social and charity programs and pursue active youth policies. The Company operates a system of external communications aimed at building up dialog with target audiences and informing stakeholders about significant events.

CHARITY AND SPONSORSHIP

In the reporting year, the Board of Directors of ROSSETI approved the Regulations for the Procedure for Establishing and Using the Sponsorship and Charity Fund. The Regulations specify the principal areas and objectives of charitable activities, including:

— assistance to education, science, culture, the arts, and instruction;
— support for physical culture and popular sport;
— social support and protection for people (financial assistance to low-income and the social rehabilitation of unemployed and disabled people);
— social rehabilitation of orphans, children without parental care, abandoned children, and children in difficult situations;
— disease prevention, medical treatment, rehabilitation, and healthcare;
— promotion of a healthy lifestyle;
— assistance to victims of natural, ecological, industrial, or other disasters, victims of social, national, or religious conflicts, victims of repression, refugees, and displaced persons.

An example of ROSSETI’s charitable activities is assistance to the Con-nection Deaf-Blind Support Foundation.

ROSSETI has supported the Foundation since 2015. Connection provides comprehensive and systematic assistance to deaf-blind people living in Russia. The purpose of the Foundation is to develop and integrate successful solutions and practices that enable the deaf-blind to achieve self-actualization, development, and integration into society. In 2015–2016, ROSSETI participated in the Foundation’s social project “The Candle Was Burning” to provide employment for deaf-blind people. The Company purchased wax candles made by deaf-blind craftspeople as corporate gifts. Such orders provided deaf-blind people not only with an opportunity for self-actualization but also with stable income. Every year, the Company holds New Year’s fairs where Connection sells handicrafts made by deaf-blind people (fancy ceramics, rugs, cutting board, to name but a few). These events are attended by many caring employees of ROSSETI.

The Easter fair took place on April 28, 2016. The Christmas charity fair was held on December 16, 2016.
ROSSETI Group’s priorities in this area are as follows:— develop young employees’ competencies;— expand the professional horizons of young people and help them realize their scientific and managerial ambitions;— establish and develop the youth personnel reserve;— carry out youth projects, including innovation contests and regional and sectoral youth forums.

Partnership with Educational Institutions

ROSSETI strives to recruit young talent and promising young employees; therefore, the Company maintains partner relations with numerous educational establishments. The Concept of the ROSSETI Group’s Cooperation with Educational Institutions was approved in the reporting year. In accordance with the Concept, the essential areas of the Company’s activities are as follows:— improve the structure and content of educational programs;— develop dual education systems;— organize student externships and the movement of student labor brigades;— carry out occupational guidance programs for schoolchildren and students;— involve ROSSETI’s and SDCs’ employees in the teaching process;— arrange traineeships for teachers of educational establishments at the Group’s entities;— assist in the modernization of training facilities.

Externships and Targeted Personnel Training

ROSSETI’s young employees took an active part in several youth forums in 2016, for example:— International Forum of Young Power Engineers and Industrialists (Forsage)(July);— Mashuk North Caucasian Youth Forum (August);— Power-gen 2016 (October) and ENES 2016 (November), where ROSSETI teams took three winning places (one first place and two second places) in the contest among projects in the online session “Thermal and Electric Power”;— Rugrids-Electro (October) where events were prepared and held on the youth policy platform.

In the reporting year, ROSSETI clarified the procedure for organizing externships and defined indicators associated with the number of externships and the proportion of externship students at energy-related educational establishments. In addition, the Company decided to organize paid externships. In 2016, 315 students successfully completed externships on a paid basis.

Measures implemented under the youth policy in 2016 enabled the ROSSETI Group’s entities to hire more than 10,000 young people.

Student Labor Brigades

Since the revival of the movement of student labor brigades in 2010, 6,700 students have been able to work at electric grid facilities. During the 7th labor season in the reporting year, 81 student brigades totaling 1,504 students from 85 universities and specialized secondary education institutions worked at the Group’s entities.

The Concept specifies the ROSSETI Group’s subsidiaries that supervise cooperation with higher education institutions of the Power Engineering Education Consortium. The supervising companies perform coordination functions in relation to formulating and implementing annual plans of cooperation with higher education institutions. The Company’s partners are over 300 higher and secondary occupational education institutions. The general partner in personnel training is the Moscow Power Engineering Institute (National Research University). The Company collaborates with the Consortium of Higher Education Institutions of Power Engineering chaired by the Moscow Power Engineering Institute (National Research University) under the Memorandum of Cooperation.

In accordance with the Concept, the essential areas of the Company’s activities are as follows:
— stimulate the activity of young people within the Group, but also allow potential employees to understand how the Company treats young talent. Among the most notable projects was also the International Youth Energy Forum organized by ROSSETI as part of the official program of the St. Petersburg International Economic Forum. The project is aimed at developing the ROSSETI Group’s youth personnel reserve, which is overseen by ROSSETI, and establish professional and partner communication among the young employee communities of Russian and foreign electric utilities.

In 2016, the International Youth Energy Forum included project work of international teams of Russia, Germany, Belarus, France, and China. The events under the Forum’s program took place in Moscow, Ingolstadt, Germany, Grozny, and Saint Petersburg. Two projects were finally submitted to the international jury: “Efficient Interconnection of Europe, Russia, and Asia” and “Versatile Solution for Access to Electric Power.” The “Versatile Solution for Access to Electric Power” project developed at the Forum was put into practice in the village of Menza, Trans-Baikal Territory. Work is underway on constructing a self-contained hybrid electric power installation as the most efficient solution for power supply for isolated areas without centralized power supply.

In 2016, the International Youth Energy Forum included project work of international teams of ROSSETI Group’s entities to hire more than 10,000 young people.
Support for the Mashuk North Caucasian Youth Forum 2016

Under the youth policy, ROSSETI, together with its subsidiary, IDGC of Northern Caucasus, acted as the general partner of the Mashuk North Caucasian Youth Forum at the foot of Mount Mashuk in Pyatigorsk in August 4–19, 2016. The Forum brought together over 2,500 participants from various Russian regions.

The Forum brought together over 2,500 participants from various Russian regions.

ROSSETI’s participation in Mashuk 2016 considerably raised young people’s awareness of the electric grid sector, made students and recent graduates pay attention to the industry’s problems, and enabled the Company to communicate its opinion about a whole range of socially important issues.

RELATIONS WITH LABOR UNIONS

As the leading employer in the Russian electric grid sector, ROSSETI is a member of the All-Russia Trade Association of Employers in the Power Industry (RaEI Association). In their relations with the RaEI Association, the electric grid sector’s employees are represented by the All-Russian Electrounion. The RaEI Association and the All-Russian Electrounion signed the Sectoral Wage Rate Agreement in the Electric Power Industry of the Russian Federation, laying down the general principles of regulating economic relations, pay conditions, and basic benefits, guarantees, and compensation payments provided for employees. At the local level of social partnership, management of ROSSETI SDCs and labor unions signed collective bargaining agreements. Members of labor unions account for over 80% of the total number of the Group’s employees.

GOVERNMENT RELATIONS

ROSSETI monitors rulemaking activities of federal authorities on an ongoing basis with the aim of preparing proposals for drafts of legal regulations affecting the rights and legitimate interests of electric grid sector entities. 222 draft documents were reviewed in 2016, and proposals and comments were submitted to federal authorities with respect to 97 draft documents in accordance with the current Regulations for Rulemaking of ROSSETI. Additionally, in the reporting year, ROSSETI took part in five round-table discussions held by the State Duma and the Institute of State and Law of the Russian Academy of Sciences, along with economic forums, working groups, and expert councils. ROSSETI intends to build up communication with authorities and participate in rulemaking activities in the future.

UNIFORM COMMUNICATIONS POLICY

The ROSSETI Group operates a transparent and efficient system of media relations. The key channels of communication with the media and external target audiences are as follows:

- corporate website;
- direct communication with the media, journalists, and federal, regional, and municipal authorities;
- social media and the blogosphere;
- public awareness efforts.

At meetings organized by the Ministry of Economic Development and the Federal Antimonopoly Service in the reporting year, ROSSETI and the RaEI Association expressed a common opinion about electric and thermal power tariffs taking account of socially justified expenses of employers.

Rulemaking of ROSSETI. Additionally, in the reporting year, ROSSETI took part in five round-table discussions held by the State Duma and the Institute of State and Law of the Russian Academy of Sciences, along with economic forums, working groups, and expert councils. ROSSETI intends to build up communication with authorities and participate in rulemaking activities in the future.

Approved in 2015, the Schedule of Implementing the Uniform Communications Policy of the ROSSETI Group is the basic document laying down the principles of information support for the Company’s activities. The Schedule was amended in 2016, using social media and the blogosphere to expand the scope of communication. In addition, the Company approved the Procedure for the Work of the ROSSETI Group’s Public Relations Divisions in Social Networks and the Blogosphere.
The number of publications about the Company’s and SDCs’ activities increased by 5%: 273,840 in 2016 (263,024 in 2015). As ROSSETI’s recognizability grows, the Company receives annually increasing coverage in printed and electronic media. In 2016, ROSSETI was mentioned in more than 68,200 publications (60,200 in 2015, 25,500 in 2014), including 44,300 in nationwide media outlets. TV and radio broadcasters aired 447 items mentioning the Company. The distribution companies with the highest media coverage were IDGC of Centre (33,597 publications), IDGC of Center and Volga Region (33,133 publications), FGU UES (29,462 publications), and IDGC of Volga (23,450 publications).

As part of relations with the media, the Company organized 629 press tours and other media events at facilities of the Group in 2016, resulting in 10,386 publications.

ROSSETI pursues an active communications policy in social networks: the Company’s corporate accounts on Facebook, VK, Twitter, Instagram, and YouTube are rapidly developing. Overall, at the end of 2016, the Company’s followers were more than 12,000 in number, while total user coverage was about 75,000 people. Therefore, compared with 2015, the number of followers on social networks and user coverage increased by 20% and 87.5% respectively. ROSSETI intends to further constructive dialog with society. There are plans for 2017 to hold management’s meetings with labor unions, cooperate with educational institutions, develop the system of professional qualifications, monitor legal regulations, and pursue an active communications policy.

**Personnel Policy**

ROSSETI views human resources as an essential asset of the Company. As a socially responsible employer, ROSSETI strives to create all conditions for safe work, professional growth, and career development. The Personnel and Social Policy is aimed at supporting and developing personnel and creating a positive image of ROSSETI among potential employees, customers, and partners. The following principles underlie the Personnel and Social Policy:

- introducing unified approaches to human resource management into the ROSSETI Group with due consideration to the regional particularities of its operations;
- creating a uniform personnel environment within the ROSSETI Group;
- creating the conditions for employees’ career development;
- motivating employees to work efficiently, including ensuring workforce productivity growth;
- preventing discrimination;
- complying with the principles of social partnership and responsibility set forth in the Sectoral Wage Rate Agreement in the Electric Power Industry of the Russian Federation.

The following goals of human resource management are set out in strategic and policy documents of the ROSSETI Group for 2017:

- introduce professional standards into human resource management;
- promote cooperation with educational institutions in updating educational standards and programs, expand the methods and scope of practice-oriented personnel training through dual training mechanisms, organize student externships, including paid externships, and encourage the movement of student labor brigades;
- build up the corporate training system, including introducing modern training methods and building up the network of corporate training centers;
- promote cooperation with WorldSkills Russia, including in organizing and holding open corporate skills competitions;
- implement youth projects aimed at helping young people realize their scientific and creative potential, such projects including the International Youth Energy Forum and the contest among qualification graduation papers;
- build up the system of employee motivation and social programs.
Personnel Policy

The staff on the payroll of ROSSETI’s electric grid subsidiaries in 2016 remained the same as in 2015 at 216 thousand people.

The structure of personnel by occupational category also remained unchanged due to the particularities of the electric grid sector’s activities; more than half of the employees were workers (52%); men accounted for 77%.

Personnel of the ROSSETI Group by Age

Personnel of the ROSSETI Group by Educational Level

The average age of the ROSSETI Group’s employees in 2016 was 41.7 years (40 years in 2015); one-third of the workforce was young people aged under 35. The proportion of employees with higher and secondary professional education increased from 42% to 46%.

The operation of the electric grid sector is secured by the highly qualified and stable workforce. The Group’s average personnel turnover was 4.5% in 2016 (4.6% in 2015); the staffing level, including production personnel, remained at 97%.

EMLOYEE MOTIVATION SYSTEM

ROSSETI gives much attention to employee motivation, financial and moral incentives, and social support for employees. The terms of pay, basic compensation, guarantees, and benefits are specified in the provisions of the existing collective bargaining agreements and other local regulatory documents.

The Company’s employee motivation system is based on competitive pay and regular pay increases, along with social protection of employees. The labor compensation system consists of several elements:

- minimum monthly first-category worker wage rate, which is the base value for setting the compensation level at wage rates (official salaries);
- additional incentive pay, benefits for a working environment, and pay for special working conditions (riving work, multishift work, night work);
- bonuses for attaining key performance indicators and for individual results;
- longevity pay;
- special bonuses for successfully accomplished priority tasks.

Remuneration paid to senior managers is directly linked to attaining key performance indicators, achieving operational and financial targets, implementing capex programs, securing the necessary level of electricity supply reliability, and preventing the growth of the occupational injury rate.
### HUMAN RESOURCE DEVELOPMENT SYSTEM

One of the basic elements of the Personnel and Social Policy of the ROSSETI Group is the human resource development system built on the principles of continuity, practicability, and feasibility. Employees' professional competencies are maintained and developed by the corporate personnel training system employs a variety of training methods: corporate education programs, webinars, knowledge days, and target-oriented projects aimed at identifying the research and innovation potential of employees. Overall, under the off-the-job training, retraining, and advanced training programs, 107,600 people received training in 2016, or around 50% of the Company's staff on the payroll. Including on-site training provided with the involvement of experienced employees as teachers and mentors, simulator-based training, and self-training, distance learning, training programs cover 100% of employees.

The particularities of the electric grid sector's activities determine the scope and regularity of training provided for production personnel: such employees accounted for 99% of the trainees. Production personnel training is generally based on a network of corporate training centers. These are 32 establishments licensed to provide additional professional training in 39 regions where the ROSSETI Group's entities operate and having lecture halls, laboratories, training grounds, and technical libraries. Corporate training centers provided 58.2% of training events in 2016. For the basic professional competencies, the Company holds annual professional contests at the regional and interregional level.

In order to develop professional and managerial competencies of members of the ROSSETI Group's managerial personnel reserve, the corporate training centers provided 58.2% of training events in 2016. For the basic professional competencies, the Company holds annual professional contests at the regional and interregional level.

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The average pay in the ROSSETI Group in 2016 was 1.4 times the average pay in the Russian Federation, reaching 49,400 rubles. The monthly average pay of employees of certain SDCs was 1.9 times the monthly average pay in the relevant regions.

![Average Monthly Pay in the Electric Grid Sector, thousand rubles](image)

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubles</td>
<td>23.2</td>
<td>23.4</td>
<td>24.4</td>
<td>27.0</td>
<td>32.1</td>
<td>34.0</td>
<td>40.0</td>
</tr>
</tbody>
</table>

The average pay in the ROSSETI Group in 2016 was 1.4 times the average pay in the Russian Federation, reaching 49,400 rubles. The monthly average pay of employees of certain SDCs was 1.9 times the monthly average pay in the relevant regions.

In 2016, SDCs' employees received the following social benefit payments:

- vacation pay;
- bonuses in connection with jubilee and received official and corporate awards;
- benefit payments in connection with child birth, marriage registration, death of close relatives;
- monthly payments to employees on maternity leave.

To provide retirees with adequate living standards, the ROSSETI Group implements the non-state pension coverage program, which creates the conditions for effectively dealing with employment issues related to employee recruitment, retention, and motivation. In this connection, priority is given to the corporate Support Program.

Support for the industry's veterans ensures intergenerational continuity and is provided through developing the mentoring movement, forming labor dynasties, engaging veterans as teachers, and inviting them to take part in research and training conferences. The electric grid sector’s veteran movement is supervised by the Coordinating Council of Veterans. SDCs' councils of veterans comprise about 60,000 people, including around 10,000 people currently employed in the industry. About 3,000 people are veterans of the Great Patriotic War, homefront workers, survivors of the Siege of Leningrad, and child prisoners of Nazi concentration camps. Veterans are provided with benefit payments in connection with jubilees and receive sanatorium-resort therapy.

In order to provide qualified personnel in a timely manner for the positions left by resigned employees, enable employees to acquire new experience, and keep employees occupationally motivated, career planning is used. As a key mechanism for career development, personnel reserves are established at all management levels, from electric grid districts to the electric grid sector as a whole, and cover the positions from line managers to chief executives of electric grid companies. Updated on an annual basis, the personnel reserves consist of about 15,000. In providing personnel for electric grid companies, preference is given to current employees—internal candidates accounted for more than 50% of managerial appointments in 2016.

An important aspect of personnel reserve development is to enhance personnel reserves members’ competencies under individual training programs and under corporate educational projects. In order to develop professional and managerial competencies of members of the ROSSETI Group’s managerial personnel reserve, the corporation integrated multi-module program “Development of the Electric Grid Sector’s Leaders” at the Skolkovo Moscow School of Management was implemented in 2015–2016. The program used various techniques: lectures, simulations, business games, skills workshops, project team work with the involvement of practicing experts.
AWARDS

In 2016, 4,099 employees of ROSSETI received governmental, official, sectoral, and corporate awards for excellence and special achievements in the development of the Russian electric grid sector.

<table>
<thead>
<tr>
<th>AWARD TYPE</th>
<th>NUMBER OF Awardees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian governmental awards</td>
<td>32, including 15 recipients of letter of honor and acknowledgment from the President of the Russian Federation</td>
</tr>
<tr>
<td>Official awards of the Ministry of Energy of the Russian Federation</td>
<td>968</td>
</tr>
<tr>
<td>Awards of the All-Russia Trade Association of Employers in the Power Industry</td>
<td>601</td>
</tr>
<tr>
<td>Corporate awards of ROSSETI</td>
<td>2,498</td>
</tr>
</tbody>
</table>

OCCUPATIONAL SAFETY

The principal objective of ROSSETI in occupational safety is to protect the lives and health of employees. ROSSETI's occupational safety system is aimed at ensuring the safety of employees at all stages of the production process. Beginning in December 2015, the responsibility for occupational safety and industrial inspection rests with the Technical Supervision Center, a branch of ROSSETI. ROSSETI constantly increases investments in occupational safety measures. ROSSETI's expenses in this area totaled 3.74 billion rubles in 2016, or 10.4% more than in 2015 (3.35 billion rubles). ROSSETI strives to decrease the number of occupational accidents on an ongoing basis. In accordance with the Company's Long Term Development Program, the risk of occupational injuries should be reduced by 10% by 2019. To achieve this indicator, the ROSSETI Group formulated and approved comprehensive injury risk mitigation programs for personnel of SDCs and outsiders at electric grid facilities. The implementation of measures specified in these programs is overseen during workplace inspections, occupational safety days, and targeted and comprehensive inspections conducted within the internal technical inspection system. Additionally, ROSSETI SDCs developed and implement the schedule for eliminating injury-risk equipment integrated into repair plans, maintenance operations, capex programs, and technical upgrading and rehabilitation plans.

The number of accidents decreased by 9.8% in 2016 compared with 2015. The total number of injured persons decreased by 4.3%, while the total number of fatalities decreased by 24%. No occupational diseases were identified among the Group's employees in 2016.

Systematic measures taken by the Company result in a consistent reduction in injuries caused by electric shocks. 19 people were injured in 2016 (19 in 2015, 21 in 2014, 26 in 2013). Another positive trend of recent years is a reduction in fatal occupational injuries caused by the following factors:
- electric shocks (18%);
- traffic accidents (16.7%);
- falling from a height (33.3%);
- drowning (50%).

In accordance with the uniform standards approved by the Company, each employee is provided with voluntary health insurance. Additionally, all employees are insured against accidents and illnesses at the employer's expense.

The corporate voluntary health insurance program includes the following services for different categories of employees:
- outpatient care (including domiciliary care);
- dental care;
- emergency and scheduled hospital care;
- for-profit acute care;
- office physician (on-site medical services);
- vaccination (including influenza and tick-borne encephalitis).

The voluntary accident and health insurance program for personnel guarantees insurance indemnity payable to employees (their relatives) in the event of death, illness, injury, disability, or emergency hospitalization.
INTERNAL COMMUNICATIONS AND CORPORATE CULTURE

The ROSSETI Group operates a transparent system of internal communications aimed at improving employee performance and creating a favorable working atmosphere. The result of this system is the Company’s achievement of strategic goals and the creation of a positive image of the Company. The main channels of the Group’s internal communications are the Rossiyskie Seti newspaper and the internal corporate portal.

Rossiyskie Seti Corporate Newspaper

The Rossiyskie Seti monthly newspaper is one of Russia’s largest corporate sectoral publications issued by ROSSETI since 2013. Its circulation is more than 40,000 in the case of the nationwide version and at least 40,000 in the case of subsidiaries’ regional inserted leaves distributed across the regions where the Group operates. The newspaper also has an electronic version that can be found on the corporate website and on the internal corporate portal. Publications in the newspaper are designed to inform employees about high-priority areas of the Company’s activities and SDGs. The newspaper publishes:

- statements from management;
- analysis of the electric grid sector’s development trends;
- description of innovations and inventions;
- relevant legislative initiatives;
- news about sport, cultural, environmental, instructional, and other corporate events.

The newspaper pays special attention to the following topics:

- customer focus;
- electrical injury prevention;
- improvement of payment discipline;
- procurement transparency;
- cooperation with small and medium-sized businesses;
- import substitution;
- consolidation of electric grid assets.

In 2016, the Rossiyskie Seti corporate newspaper received prestigious awards of the All-Russia Corporate Media Contest “Best Corporate Media 2016” and the KontEKst contest in the category of corporate and sectoral media.

Internal Corporate Portal

One of the main tools of the Company’s internal communications is the internal corporate portal. The intranet makes it possible to manage the system of the Company’s internal information resources, substantially simplifying a team’s work on tasks, projects, and documents. The portal was put into test operation in 2014 and became fully functional in 2015. The number of portal users was about 71,500 from March to December 2015. The number of active users of the internal corporate portal increased by 24% in 2016 to over 89,000.

The main page of the portal contains links to a newswire with coverage of the Group’s corporate events, a video blog, a photo gallery, the latest issue of the corporate newspaper, monitoring results and reviews, and current information from the Situation Analysis Center. The portal also has such functionalities as a directory of employees, meeting room reservations, and access authorization. The staff of the ROSSETI Group’s divisions can use the portal to organize a team’s work.

The first ROSSETI Cup futsal tournament took place in April 2016 among the teams representing ROSSETI and 15 SDCs.

Preparations for ROSSETI Cup included additional training sessions for the Group’s employees, while the tournament drew employees’ attention to a healthy lifestyle and the benefit of physical culture and strengthened corporate and friendly relations among colleagues from different regions. Based on the results of a survey of participants and spectators, it was decided to hold the ROSSETI Cup tournament every year.
ENVIROMENTAL RESPONSIBILITY

ROSSETI strives to minimize the adverse impact of operations on the environment and allocates considerable resources for voluntary environmental initiatives.

1,379 employees received training and improved their qualifications in environmental protection.

457 mn RUB
ROSSETI’s environmental protection expenses.

Development of the EV Charging Infrastructure
p. 105
Environmental responsibility is a crucial component of the ROSSETI Group’s sustainability strategy. The basic principle of the Company’s activities in this area is the conservation of natural resources and the preservation of a favorable environment. ROSSETI strives to systematically minimize the adverse impact of operations on the environment and allocates considerable resources for voluntary environmental initiatives.

ROSSETI’s approach to environmental security is specified in the Uniform Technical Policy, the Energy Conservation and Energy Efficiency Enhancement Program, and the Innovative Development Program. These documents define the priority areas of the Company’s environmental protection measures:

— compliance with the requirements and standards established by the laws of the Russian Federation and international legal regulations;
— energy conservation and energy efficiency enhancement measures;
— use of the best technologies to mitigate the adverse environmental impact;
— biodiversity conservation and restoration of damaged land;
— environmentally responsible production waste treatment;
— improvement of the industrial environmental control system;
— personnel’s involvement in environmental protection and resource conservation;
— advanced training for electric grid facilities’ personnel in environmental protection and environmental safety.

A significant event in building up the environmental management system in the reporting year was the formulation of the environmental policy of the electric grid sector, which is a fundamental document governing the Company’s environmental protection activities. In November 2016, the Management Board of ROSSETI resolved to recommend that the Board of Directors approve the environmental policy, effective from January 1, 2017. The policy will provide the basis for the program of the implementation of the Environmental Policy of the Electric Grid Sector for 2017–2019.

ROSSETI’s environmental protection expenses totaled 457,085,300 rubles in 2016.

### Current Environmental Protection Expenses, thousand rubles

<table>
<thead>
<tr>
<th>Year</th>
<th>Air protection measures</th>
<th>Water protection and conservation measures</th>
<th>Land protection measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>117,975</td>
<td>200,175</td>
<td>23,470</td>
</tr>
<tr>
<td>2014</td>
<td>128,873</td>
<td>231,738</td>
<td>24,965</td>
</tr>
<tr>
<td>2015</td>
<td>139,614</td>
<td>267,943</td>
<td>23,583</td>
</tr>
<tr>
<td>2016</td>
<td>146,777</td>
<td>293,997</td>
<td>25,295</td>
</tr>
</tbody>
</table>

### Changes in Payments for Adverse Environmental Impacts in 2013–2016, thousand rubles

<table>
<thead>
<tr>
<th>Year</th>
<th>Payments for waste disposal</th>
<th>Payments for effluents to water bodies and water collection areas</th>
<th>Payments for air emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>3,742</td>
<td>2,483</td>
<td>100</td>
</tr>
<tr>
<td>2014</td>
<td>3,507</td>
<td>2,844</td>
<td>100</td>
</tr>
<tr>
<td>2015</td>
<td>3,412</td>
<td>3,189</td>
<td>100</td>
</tr>
<tr>
<td>2016</td>
<td>3,359</td>
<td>3,245</td>
<td>100</td>
</tr>
</tbody>
</table>

ROSSETI’s payments for adverse environmental impacts totaled 41,045,450 rubles in 2016.
Environmental Responsibility

Environmental Protection Expenses

Payments for adverse environmental impacts were reduced in 2016 due to changes in the calculation technique and due to excluded payments for pollutant effluents discharged into water collection areas with wastewater. Penalties for noncompliance with the laws on environmental protection were 883,000 rubles in 2016 (78,000 rubles in 2015, 811,000 rubles in 2014, 1,043,140 rubles in 2013).

Fines for non-compliance with environmental laws, thousand rubles

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1,043.1</td>
<td>810</td>
<td>78.0</td>
<td>883.0</td>
</tr>
</tbody>
</table>

Key Environmental Performance Indicators

ROSSETI implements environmental protection measures in the following principal areas:

— air protection;
— water protection and conservation;
— land protection and conservation;
— waste treatment;
— biodiversity conservation.

AIR PROTECTION

The main sources of air pollution from ROSSETI’s production activities are welding equipment, metalworking and woodworking machines, vehicles, painting and drying chambers, vehicle repair equipment, and mineral oil facilities. Gross air pollutant emissions were 1,548.25 tonnes in 2016.

Gross Air Pollutant Emissions in 2016 year, tonnes

<table>
<thead>
<tr>
<th>Substances</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOLID SUBSTANCES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solid fuel ash</td>
<td>32.5</td>
<td>27.5</td>
</tr>
<tr>
<td><strong>GASEOUS AND LIQUID SUBSTANCES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sulfur dioxide</td>
<td>82.6</td>
<td>79.72</td>
</tr>
<tr>
<td>Carbon dioxide</td>
<td>557.6</td>
<td>569.04</td>
</tr>
<tr>
<td>Nitrogen oxides (rebased to NO2)</td>
<td>218.7</td>
<td>214.53</td>
</tr>
<tr>
<td>Hydrocarbons (net of volatile organic compounds)</td>
<td>53.5</td>
<td>52.8</td>
</tr>
<tr>
<td>Volatile organic compounds</td>
<td>388.7</td>
<td>432.51</td>
</tr>
<tr>
<td>Other gaseous substances</td>
<td>3.38</td>
<td>3.35</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,463.2</td>
<td>1,548.25</td>
</tr>
</tbody>
</table>

www.rosseti.ru/eng
WATER PROTECTION AND CONSERVATION

The Company's objectives are water conservation and efficient wastewater treatment. Water consumption totaled 2,711,900 cbm in 2016, including 2,027,800 cbm of utility water, 587,800 cbm of water for business purposes, and 96,300 cbm for other purposes.

Key Environmental Performance Indicators

Waste by Hazard Class in 2016, thousand tonnes

<table>
<thead>
<tr>
<th>Hazard Class</th>
<th>Tonnes</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>0.08</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>II</td>
<td>0.19</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>III</td>
<td>1.64</td>
<td>2%</td>
</tr>
<tr>
<td>IV</td>
<td>36.5</td>
<td>35%</td>
</tr>
<tr>
<td>V</td>
<td>66.3</td>
<td>63%</td>
</tr>
</tbody>
</table>

Biodiversity Conservation

ROSSETI gives particular attention to making electrical installations safe for birds. To protect birds and prevent their deaths caused by electric shocks, ROSSETI SDCs installed 83,529 units of bird protection equipment in 2016 (46,717 units in 2015). Injuries and deaths caused by electric shocks to birds in their nesting areas and habitats can be prevented by the use of self-supporting insulated wires. 16,100 kilometers were installed in 2016 (15,600 kilometers in 2015).

In April 2016, ROSSETI took part in the round-table "Eagles in the Electric Grid Environment: Survival Problems and Ways of Their Resolution to Solve" organized by the Russian Geographical Society and the Russian Bird Conservation Union. It was noted at the meeting that electric grid companies were highly interested in biodiversity conservation. Following the meeting, it was decided to continue work jointly with environmental organizations to make electrical installations safe for birds.

WASTE MANAGEMENT

The Company's production waste is mostly transferred to specialist organizations for disposal. ROSSETI generated a total of 104,700 tonnes of waste in 2016, including 102,800 tonnes transferred to outside organizations, including 69,800 tonnes for dumping.

LAND PROTECTION AND CONSERVATION

To protect land from contamination, ROSSETI SDCs oversee the organization and maintenance of waste accumulation areas. Such areas are equipped in accordance with public health regulations and environmental protection laws. The environmental restoration (rehabilitation) of damaged land also plays an important role. The area of rehabilitated land was 5.32 hectares in 2016.

Sochi Electricity Networks, a branch of Kubanenergo, goes through the stormwater drainage system into the Fauk River. The old treatment system did not ensure compliance with the applicable standards of permissible impacts on the river. In order to reduce the discharge of pollutant effluents into the river, local treatment facilities (LD-PPTs T-DKF) were built and put into operation in 2016. The construction costs totaled 6,798,290 rubles.

Reasonable water disposal plays an important role in water conservation. Water disposal reached 161,900 cbm and 1,805,500 cbm to surface water bodies and centralized networks respectively in 2016. One of the most important water conservation measures in the reporting year was the construction of local treatment facilities for Kubanenergo. Surface wastewater from the production facility in the Tuapse Electric Grid District of the Sochi Electricity Networks was transferred to the centralized network. The water supply wells and surface water bodies were included in the sanitary-geological map of the Tuapse electric grid district of the Sochi Electricity Networks, a branch of Kubanenergo.

In 2016, including 2,027,800 cbm of utility water, 587,800 cbm of water for business purposes, and 96,300 cbm for other purposes.
Nature Conservation

With the aim of mitigating the adverse environmental impact, ROSSETI continued in the reporting year to implement a whole range of nature conservation programs and environmental initiatives.

Decommissioning of PCB-containing equipment

A high-priority aspect of the electric grid sector’s environmental security is the phased decommissioning of equipment containing polychlorinated biphenyls (PCBs)10 with its subsequent transfer for decontamination or disposal. 1,115 units of such equipment were transferred to licensed organizations in 2016 (6,919 units in 2015).

A total of 8,034 units of equipment were transferred for decontamination or disposal in 2015–2016, or 9.3% of the total volume of PCB-containing equipment used by the ROSSETI Group.

At the seminars organized by the Russian Energy Agency of the Ministry of Energy of the Russian Federation in 2016 on “Safe Operation of PCB-Containing Equipment and Its Decontamination,” the Company’s representatives reported on progress in implementing the Stockholm Convention on Persistent Organic Pollutants as related to the replacement of PCB-containing equipment at electric grid facilities.

Arctic Nature Conservation

ROSETTI pays special attention to Arctic nature conservation. The 6th International Forum "The Arctic: Present and Future" held in Saint Petersburg in December 2016 included presenting the National Public Standard ‘Environmental Security in the Arctic’ developed by the commission of the Association of Polar Explorers, chaired by ROSSETI’s Director General Oleg Budargin, on the initiative of the Company. The new environmental standard is a code of conduct in the Arctic for all organizations that operate or want to start operating in this region. The document is intended to help preserve fragile northern nature in the implementation of major industrial projects and improve the ecological situation in high latitudes. By accepting this standard, companies agree that their production processes will adhere to the principles of the reasonable use of natural resources and the minimization of adverse environmental impact.

The ROSSETI Group’s environmental initiatives were recognized by the Modern Media Research Institute (MOMRI) and the Live Planet television network, annually publishing the environmental performance ranking of Russian energy and metallurgical companies. In the 2nd half of 2016, ROSSETI was ranked among the top 10 companies in fourth place. The key criteria of the ranking are the quality of media coverage of companies’ nature conservation efforts and the dissemination of such information.

Development of the EV Charging Infrastructure

Since 2012, ROSSETI has been involved in the nationwide program to develop the electric vehicle charging station infrastructure. At the end of 2016, the number of constructed charging stations was 124 across Russia. The Company has plans to increase this number to 1,000 by 2018. ROSSETI carries on its own campaign to switch the entire corporate fleet of vehicles over to electric motors. Electric vehicles will account for 20% of the ROSSETI Group’s corporate vehicles by 2020.

The annual workshop “Electric Transportation and Charging Infrastructure” took place in September 2016, informing ROSSETI SDs’ representatives about new technologies in the area of self-powered electric vehicles and charging infrastructure and about their potential uses in the electric grid sector.

In the reporting year, ROSSETI provided support for the 80Days Intercontinental Electric Vehicle rally. 11 international teams participated in this initiative. They traveled 25,000 kilometers and visited 20 countries, including Russia, on three continents. The project included more than 40 events providing information about EV charging technology. In Russia, ROSSETI, its subsidiaries, and territorial grid organizations in the served regions joined foreign electric utilities in providing the rally with EV charging facilities.

Training in Environmental Protection

To improve its personnel’s knowledge of environmental protection, the ROSSETI Group provides training under the following programs:
- environmental security in handling hazardous waste;
- environmental security for executives and employees;
- introduction of environmental management systems and internal audit of environmental management systems in accordance with ISO 14001:2004.

1,379 employees of ROSSETI SDs received training and improved their qualifications in environmental protection in the reporting year.

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10 Polychlorinated biphenyls (PCBs) are included in the group of 12 chemicals classified as persistent organic pollutants (POPs) and falling within the purview of the Stockholm Convention of 2001 whereby 90 countries such as the US and EU Member States agreed to reduce or terminate the production and use of PCBs and/or prevent PCB leaks.
### Compliance Table to GRI G4 Guidelines

<table>
<thead>
<tr>
<th>NO.</th>
<th>DISCLOSURE ITEMS</th>
<th>LOCATION OF DISCLOSURE</th>
<th>PAGES</th>
<th>COMMENTS/EXTERNAL ASSURANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>STRATEGY AND ANALYSIS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>64-1</td>
<td>Provide a statement from the most senior decision maker of the organization</td>
<td>Message from the Director General</td>
<td>8-9</td>
<td></td>
</tr>
<tr>
<td>64-2</td>
<td>Provide a description of key impacts, risks, and opportunities</td>
<td>4. Internal Control System and Risk Management System</td>
<td>57-58</td>
<td></td>
</tr>
<tr>
<td><strong>ORGANIZATIONAL PROFILE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>64-3</td>
<td>Report the name of the organization</td>
<td>2. Principal Functions and Geographic Presence</td>
<td>20-21</td>
<td></td>
</tr>
<tr>
<td>64-4</td>
<td>Report the primary brands, products, and services</td>
<td>2. Principal Functions and Geographic Presence</td>
<td>20-21</td>
<td></td>
</tr>
<tr>
<td>64-5</td>
<td>Report the location of the organization's headquarters</td>
<td>Appendices. Contact Information</td>
<td>520</td>
<td></td>
</tr>
<tr>
<td>64-6</td>
<td>Report the number of countries where the organization operates</td>
<td>2. Principal Functions and Geographic Presence</td>
<td>22-23</td>
<td>The company operates only within Russia</td>
</tr>
<tr>
<td>64-7</td>
<td>Report the nature of ownership and legal form</td>
<td>2. Principal Functions and Geographic Presence</td>
<td>20-21</td>
<td>Nature of ownership and legal form: public joint-stock company</td>
</tr>
<tr>
<td>64-8</td>
<td>Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)</td>
<td>2. Principal Functions and Geographic Presence</td>
<td>22-25</td>
<td>2. Business Model</td>
</tr>
<tr>
<td>64-9</td>
<td>Report the scale of the organization</td>
<td>2. Principal Functions and Geographic Presence</td>
<td>20-23; 64-65</td>
<td>5. Financial Results</td>
</tr>
<tr>
<td>64-10</td>
<td>Report the total number of employees</td>
<td>6. Personnel Policy</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>64-11</td>
<td>Report the percentage of total employees covered by collective bargaining agreements</td>
<td>6. Society Relations</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td>64-12</td>
<td>Describe the organization's supply chain</td>
<td>5. Supplier Chain</td>
<td>68; cover</td>
<td></td>
</tr>
<tr>
<td>64-13</td>
<td>Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain</td>
<td>4. Governance Structure</td>
<td>48</td>
<td></td>
</tr>
</tbody>
</table>

### IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

<table>
<thead>
<tr>
<th>NO.</th>
<th>DISCLOSURE ITEMS</th>
<th>LOCATION OF DISCLOSURE</th>
<th>PAGES</th>
<th>COMMENTS/EXTERNAL ASSURANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>64-14</td>
<td>Report whether and how the precautionary approach or principle is addressed by the organization</td>
<td>4. Internal Control System and Risk Management System</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>64-15</td>
<td>List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses</td>
<td>2. Charters and Membership in Associations</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>64-16</td>
<td>List memberships of associations (such as industry associations) and national or international advocacy organizations</td>
<td>2. Charters and Membership in Associations</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>64-17a</td>
<td>List all entities included in the organization's consolidated financial statements or equivalent documents</td>
<td>1. Development of the Reporting System</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>64-17b</td>
<td>Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report</td>
<td>1. Identified Material Topics and Topic Boundaries</td>
<td>15-16</td>
<td></td>
</tr>
<tr>
<td>64-18a</td>
<td>Explain the process for defining the report content and the Aspect Boundaries</td>
<td>1. Identified Material Topics and Topic Boundaries</td>
<td>15-16</td>
<td></td>
</tr>
<tr>
<td>64-18b</td>
<td>Explain how the organization has implemented the Reporting Principles for Defining Report Content</td>
<td>1. Identified Material Topics and Topic Boundaries</td>
<td>15-16</td>
<td></td>
</tr>
<tr>
<td>64-19</td>
<td>List all the material Aspects identified in the process for defining report content</td>
<td>1. Identified Material Topics and Topic Boundaries</td>
<td>15-17</td>
<td></td>
</tr>
<tr>
<td>64-20</td>
<td>For each material Aspect, report the Aspect Boundary within the organization</td>
<td>1. Identified Material Topics and Topic Boundaries</td>
<td>15-17</td>
<td>The list of material topics and topic boundaries within and outside the organization is the same</td>
</tr>
<tr>
<td>64-21</td>
<td>For each material Aspect, report the Aspect Boundary outside the organization</td>
<td>1. Identified Material Topics and Topic Boundaries</td>
<td>15-17</td>
<td></td>
</tr>
<tr>
<td>64-22</td>
<td>Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements</td>
<td>-</td>
<td>No restatements</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Disclosure Items</td>
<td>Location of Disclosure</td>
<td>Pages</td>
<td>Comments/External Assurance</td>
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<tr>
<td>-----</td>
<td>------------------</td>
<td>-----------------------</td>
<td>-------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>G4-23</td>
<td>Report significant changes from previous reporting periods in the scope and aspect boundaries</td>
<td>1. Identified Material Topics and Topic Boundaries</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td><strong>Stakeholder Engagement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-24</td>
<td>Provide a list of stakeholder groups engaged by the organization</td>
<td>3. Fundamental Principles and Goals of Stakeholder Engagement</td>
<td>41-42</td>
<td></td>
</tr>
<tr>
<td>G4-25</td>
<td>Report the basis for identification and selection of stakeholders with whom to engage</td>
<td>3. Fundamental Principles and Goals of Stakeholder Engagement</td>
<td>41-42</td>
<td></td>
</tr>
<tr>
<td>G4-26</td>
<td>Report the organization’s approach to stakeholder engagement</td>
<td>3. Fundamental Principles and Goals of Stakeholder Engagement</td>
<td>41-42</td>
<td></td>
</tr>
<tr>
<td>G4-27</td>
<td>Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns</td>
<td>3. Key Measures in Stakeholder Relations in 2016 and Their Results</td>
<td>43-45</td>
<td></td>
</tr>
<tr>
<td><strong>Report Profile</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>G4-28</td>
<td>Reporting period for information provided</td>
<td>1. Development of the Reporting System</td>
<td>14</td>
<td></td>
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<tr>
<td>G4-29</td>
<td>Date of most recent previous report</td>
<td>1. Development of the Reporting System</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>G4-30</td>
<td>Reporting cycle (such as annual, biennial)</td>
<td>1. Development of the Reporting System</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>G4-31</td>
<td>Provide the contact point for questions regarding the report or its contents</td>
<td>Appendices, Contact Information</td>
<td>520</td>
<td></td>
</tr>
<tr>
<td>G4-32</td>
<td>Report the “in accordance” option the organization has chosen. Report the GRI Content Index for the chosen option. Report the reference to the External Assurance Report. Note, if the report has been externally assured</td>
<td>1. Development of the Reporting System Appendices, Compliance Table to GRI 54 Guidelines Appendices, External Assurance</td>
<td>14, 108, 114, 115-117</td>
<td></td>
</tr>
<tr>
<td>G4-33</td>
<td>Report the organization’s policy and current practice with regard to seeking external assurance for the report</td>
<td>1. Development of the Reporting System Appendices, External Assurance</td>
<td>14, 115-117</td>
<td></td>
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### Governance

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<td>G4-34</td>
<td>Report the governance structure of the organization</td>
<td>4. Governance Structure</td>
<td>48</td>
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<tr>
<td>G4-35</td>
<td>Report the process for delegating authority for economic, environmental and social topics</td>
<td>4. Governance Structure</td>
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<tr>
<td>G4-36</td>
<td>Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics</td>
<td></td>
<td>No such position appointed by the Company with responsibility for any of such topics</td>
<td></td>
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<tr>
<td>G4-37</td>
<td>Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics</td>
<td>3. Fundamental Principles and Goals of Stakeholder Engagement</td>
<td>40</td>
<td>Partially disclosed</td>
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<tr>
<td>G4-38</td>
<td>Report the composition of the highest governance body and its committees</td>
<td>4. Governance Structure</td>
<td>49-51</td>
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<tr>
<td>G4-39</td>
<td>Report whether the Chair of the highest governance body is also an executive officer</td>
<td>4. Governance Structure</td>
<td>53</td>
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</tr>
<tr>
<td>G4-44</td>
<td>Report the processes for evaluation of the highest governance body’s performance with respect to governance of economic, environmental and social topics. Report actions taken in response to evaluation of the highest governance body’s performance</td>
<td>4. Governance Structure</td>
<td>52</td>
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<tr>
<td>G4-46</td>
<td>Report the highest governance body’s role in reviewing the effectiveness of the organization’s risk management processes for economic, environmental and social topics</td>
<td>4. Internal Control System and Risk Management System</td>
<td>54-56</td>
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<tr>
<td>G4-47</td>
<td>Report the frequency of the highest governance body’s review of economic, environmental and social impacts, risks, and opportunities</td>
<td>4. Governance Structure</td>
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<tr>
<td>G4-48</td>
<td>Report the highest committee or position that formally reviews and approves the organization’s sustainability report</td>
<td></td>
<td>Corporate Social Responsibility and Sustainability Report is approved by the Director General</td>
<td></td>
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<tr>
<td>64-49</td>
<td>Report the process for communicating critical concerns to the highest governance body</td>
<td>4. Governance Structure</td>
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<tr>
<td>64-50</td>
<td>Report the nature and total number of critical concerns that were communicated to the highest governance body</td>
<td>4. Governance Structure</td>
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<tr>
<td>64-51</td>
<td>Report the remuneration policies for the highest governance body and senior executives</td>
<td>4. Governance Structure</td>
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<tr>
<td>64-52</td>
<td>Report the process for determining remuneration</td>
<td>4. Governance Structure</td>
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<tr>
<td>64-54</td>
<td>Report the ratio of the annual total compensation for the organization’s highest-paid individual to the median annual total compensation for all employees</td>
<td>—</td>
<td>Not disclosed for reasons of privacy</td>
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**ETHICS AND INTEGRITY**

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<tr>
<td>64-56</td>
<td>Describe the organization’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics</td>
<td>4. Corporate Code of Ethics and Business Conduct</td>
<td>59</td>
<td></td>
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<tr>
<td>64-58</td>
<td>Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity</td>
<td>—</td>
<td>The Company uses a hotline</td>
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**CATEGORY: ENVIRONMENTAL**

**COMPLIANCE**

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<tr>
<td>64-EN29</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations</td>
<td>7. Environmental Protection Expenses</td>
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**SUPPLIER ENVIRONMENTAL ASSESSMENT**

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<td>64-EN33</td>
<td>Significant actual and potential negative environmental impacts in the supply chain and actions taken</td>
<td>7. Key Environmental Performance Indicators</td>
<td>101</td>
<td>Partially disclosed</td>
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**CATEGORY: SOCIAL**

**LABOR PRACTICES AND DECENT WORK**

**EMPLOYMENT**

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<tr>
<td>64-LA1</td>
<td>Total number and rates of new employee hires and employee turnover by age group, gender and region</td>
<td>6. Personnel Characteristics</td>
<td>89</td>
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<tr>
<td>64-LA2</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation</td>
<td>6. Employee Motivation System</td>
<td>89-90</td>
<td>Partially disclosed</td>
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**OCCUPATIONAL HEALTH AND SAFETY**

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<tr>
<td>64-LA6</td>
<td>Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender</td>
<td>6. Occupational Safety</td>
<td>92-93</td>
<td>Partially disclosed</td>
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<tr>
<td>64-LA7</td>
<td>Workers with high incidence or high risk of diseases related to their occupation</td>
<td>6. Occupational Safety</td>
<td>92-93</td>
<td>Partially disclosed</td>
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<tr>
<td>64-LA8</td>
<td>Health and safety topics covered in formal agreements with trade unions</td>
<td>6. Society Relations</td>
<td>85</td>
<td>Health and safety topics are covered in the relevant section of the Sectoral Wage Rate Agreement in the Electric Power Industry</td>
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**TRAINING AND EDUCATION**

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<tr>
<td>64-LA9</td>
<td>Average hours of training per year per employee by gender, and by employee category</td>
<td>6. Human Resource Development System</td>
<td>91</td>
<td>Partially disclosed</td>
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</table>
Expert Opinions on the 2016 ROSSETI Corporate Social Responsibility and Sustainability Report

Sergey Mayorov
Head of the Unit for Formulation of Strategic Planning Documents, Strategic Development and Innovation Department, Ministry of Economic Development of the Russian Federation

The preparation of sustainability reports is an integral part of ROSSETI’s corporate governance system; the Company releases its seventh corporate social responsibility and sustainability report. I would like to draw attention to the Company’s consistent development in the area of social responsibility, corporate governance, and transparency. ROSSETI works on improving the system of non-financial reporting. The 2016 report is prepared in accordance with the GRI G4 guidelines, applying the Core option. This report comprehensively discloses the issues related to customer relations, describes the implementation of measures to improve service accessibility and quality, and shows the development of an online customer service system. The report gives considerable attention to the issues of the Company’s social policy such as human resource management, internal communications, youth policy (with an emphasis on the development of the electric power industry’s personnel reserve both through cooperation with universities and through contests) and discloses the priorities of charity and sponsorship activities.

The Company should be praised for its efforts in the area of environmental responsibility: the report highlights the results of nature conservation measures and biodiversity conservation initiatives. There is information about how environmental risks are monitored and managed. It is worth noting that ROSSETI has sustainability targets for 2017, and the most important of them are the higher reliability of the energy system, environmental security, and innovative development. All that is lacking is to support the Company’s commitment to the principles of social and environmental responsibility and wish the Company success in accomplishing its goals.
The 2016 Corporate Social Responsibility and Sustainability Report prepared by ROSSETI sufficiently describes the Company’s results in economic performance, social policy, environmental protection, and relations with customers and society. It is possible to positively evaluate the quality of information contained in the report with respect to all key aspects of sustainability efforts. ROSSETI publishes non-financial reports every year, which proves a consistent and systematic approach to the development of social reporting and the desire to increase transparency.

The report makes it possible to have a comprehensive view of the goals and results of ROSSETI as a socially responsible company that achieves high socially important results in its operations. For instance, the report says that the Company managed in 2016 to attain considerable progress in high-priority areas such as customer relations, environmental policy, and innovation. The notable measures under consideration are customer relations, environmental policy, and innovation. The report makes it possible to conclude that ROSSETI is active in cooperating with educational institutions under its youth policy and as part of preparing the personnel reserve. The Company’s desire to rejuvenate the workforce and recruit talented university graduates is welcome.

Compared with previous publications, this report describes the Company’s environmental activities in more detail and provides information about important environmental protection measures and biodiversity conservation initiatives. The report contains an expanded list of disclosed environmental performance indicators.

Overall, this document can be viewed as an important step in the development of ROSSETI’s non-financial reporting system. Positively assessing the 2016 social report, I would like to recommend that future reports take into account the provisions of the Concept of Developing Public Non-Financial Reporting approved by the Russian Government in 2017. To further its dialog with stakeholders, I also suggest that the Company consider conducting public hearings on the material aspects of the ROSSETI Group’s activities.

The 2016 social report of ROSSETI also gives attention to international activities, specifically the integration projects in Eurasia and the Asia Super Grid project. The analysis of the section “Environmental Responsibility”, which is a subject familiar to me, allows me to assert that the ROSSETI Group has well-considered environmental protection tactics and strategy, and the Group adheres to them. It is commendable that the Company has established direct contact and cooperation with the Russian Bird Conservation Union, because bird deaths on electric grid equipment has been and remains the focus of animal welfare activists’ attention.

Confirming (giving assurance) that the 2016 Corporate Social Responsibility and Sustainability Report provides a high level of disclosure, I would like to emphasize that two topics, namely enhancing environmental safety and ensuring innovative development (including promoting energy efficiency and the reduction of the Group’s adverse environmental impact, are among the priorities for 2017. Another important step in the Company’s history is the formulation and approval of the Environmental Policy of the Electric Grid Sector. I hope that the implementation of the Environmental Policy will restrict the ROSSETI Group’s environmental impact, and the results of this work will be analyzed in detail in future corporate social responsibility and sustainability reports.
Glossary and Abbreviations

Aspect (as applied to sustainability reporting): a material subject that reflects the Company's significant economic, environmental, and social impacts and influences the assessments and decisions of shareholders, investors, and other stakeholders.

Conflict of interest: a situation where the personal interest (direct or indirect) of an employee of the Company affects or may affect the proper performance of his or her official duties and where there is or may be a conflict between the personal interest of an employee and the rights and legitimate interests of the Company, which may be detrimental to the interests of the Company.

Corruption: bribery, abuse of power, commercial bribery, or any other illegal use by employees of their positions contrary to the legitimate interests of the Company in order to gain an advantage.

Network connection: a core service provided by ROSSETI and making it technically possible to consume (deliver) electricity (capacity). The service includes an actual electricity connection.

Occupational safety: the system of ensuring the safety of employees' lives and health in the workplace, including legal, socioeconomic, organizational, technical, hygiene, medical and preventive, and other measures.

Power supply reliability: an uninterrupted electricity supply for all customers in the required quantity and of the proper quality.

Risk: a threat of the negative impact of external and internal factors on the achievement of the Company's corporate goals.

Social, or non-financial, reporting: the identification and publication of information relating to the Company's real contribution to society, country, and region development and prepared with the use of international non-financial reporting standards.

Stakeholders: individuals and organizations that can be materially affected by the Company's activities and services and organizations and individuals whose actions can affect the Company's activities and performance.

Stakeholder relations: the process that helps the Company understand the interests, expectations, and concerns of stakeholders and engage them in its activities and decision-making with due consideration to their problems.

ABBREVIATIONS

AGM: Annual General Meeting of Shareholders
BRELL: the agreement for the parallel operation of the energy systems of Belarus, Russia, Estonia, Latvia, and Lithuania
BPE: bird protection equipment
CEM: common electricity market
EAEU: Eurasian Economic Union
ETF: electronic trading floor
FTC: Federal Testing Center
FZ: federal law
GDP: gross domestic product
ICS: internal control system
IFRS: International Financial Reporting Standards
OL: overhead power line
OREM: wholesale electricity and capacity market
OVS: overvoltage suppressor
PCBs: polychlorinated biphenyls
R&D: research and development
RaEI: All-Russia Trade Association of Employers in the Power Industry
RAS: Russian Accounting Standards
SSDCs: subsidiary subsidiaries and dependent companies
SDCs: subsidiaries and dependent companies
SMBs: small and medium-sized businesses
TGOs: territorial grid organizations
VHI: voluntary health insurance

UNITS OF MEASUREMENT

kV (kilovolt): unit of voltage
kWh (kilowatt-hour): unit of electric power output
MW (megawatt): unit of power
MVA (megavolt-ampere): unit of apparent power
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