

Report by the Board of Directors on the Company's development in priority areas of business [GRI 102-26, 102-28, 102-31, 102-34]

In 2019, the Board of Directors primarily focused on issues concerning strategy, sustainable development, risk management, stakeholder engagement, the planning and monitoring of financial and economic activities, investment, and improving the quality of corporate governance.

Strategy

A detailed plan was approved in 2019 for the drafting and review of the Company's updated Strategy. As the document was being drafted, the Board of Directors separately considered an item on the structure of the future Strategy and strategic risks. The draft of the updated Strategy has a separate section on sustainable development. In May 2020, the work plan of the Board of Directors includes the review of the Company's new Strategy, which replaces the ten-year strategic cycle that has been completed.

In late 2019, strategic development priorities and annual key performance indicators (KPIs) and performance benchmarks (PBs) for 2020 were approved.

A report on the implementation in 2018 of the PJSC Inter RAO Innovative Development Program until 2020 with a view to 2025 was reviewed, and the Innovative Development Program for 2020-2024 with a view to 2029 was approved.

All the documents were preliminarily reviewed by the Strategy and Investment Committee.

Sustainable development and risk management

In the first half of the year, the Board of Directors reviewed a report on the functioning of the Risk Management and Internal Control Framework for 2018 as well as a report on the introduction, discipline of execution, and operational effectiveness of procedures to organize Risk Management and Internal Control Frameworks to combat and prevent corruption for 2018.

Following an independent assessment of the Board of Directors, the decision was made to review the management report on sustainable development (ESG) and the risk management report on a semi-annual basis. These reports were reviewed by the Board of Directors for the first time in September 2019.

The Group's risk appetite, critical risk map, and critical risk management action plan for 2020 were approved. The insurance coverage program for 2020 was approved.

Risk issues submitted to the Board of Directors are subject to preliminary review by the Audit and Sustainable Development Committee. The Committee consists solely of independent directors.

CORPORATE GOVERNANCE REPORT

Planning and monitoring of financial and economic activities

The implementation of the business plan was monitored on a quarterly basis. Information on the materialization of risks during the reporting period was considered as part of the quarterly report on the implementation of the business plan.

At the end of the year, the Board of Directors approved the business plan of PJSC Inter RAO and the Inter RAO Group for 2020.

The implementation of the construction schedule for Kaliningrad generation facilities was under the special control of the Board of Directors. In 2019, two power units with total capacity of 455 MW were commissioned at Pregolskaya TPP.

The consolidated cost management program for the Group's key companies was approved.

Stakeholder engagement

The Board of Directors reviewed and approved the Investor Relations Report for 2018.

The Management Board reviewed a report on the implementation of the Program for Engagement with Minority Shareholders of PJSC Inter RAO for 2019.

Remuneration

The Board of Directors reviewed an item on determining the amount of remuneration and compensation paid to the CEO and members of the Management Board of PJSC Inter RAO as well as items on determining the amount of remuneration for the Corporate Secretary and the head of the Internal Audit Unit, which are functionally accountable to the Board of Directors.

The Nomination and Remuneration Committee reviewed the practical implementation of the principles of the remuneration policy and the use of an effective ratio of fixed and variable parts of remuneration.

The Committee consists solely of independent directors.

Corporate governance

Key issues of corporate governance included an assessment of the activities of the Board of Directors, the review of a report on the results of the assessment of the activities of the Board of Directors, and the determination of the status of members of the Board of Directors.

The succession plan for members of the Company's Board of Directors and Management Board for 2018-2019 was approved (with a training and development program).

The Corporate Secretary's report on corporate governance practices was reviewed, and a new Regulation on the Corporate Secretary was approved.

In addition, the Board of Directors reviewed items concerning internal audit, preparations for the annual General Meeting of Shareholders, the approval of transactions, and other corporate governance issues.

In 2019, the Board of Directors held 24 meetings, including 4 in person and 20 in absentia. A total of 92 items were considered at the meetings, including 10 policy items.

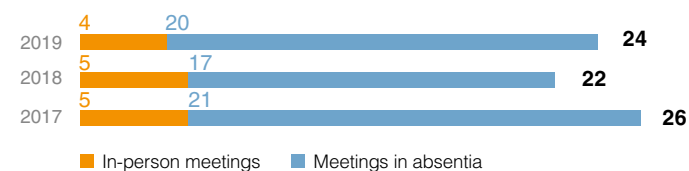
Member of the Board of Directors	Director's status	Board of Directors			Audit and Sustainable Development Committee	Nomination and Remuneration Committee	Strategy and Investment Committee
		24 total meetings	4 in-person meetings	20 meetings in absentia	15 meetings	18 meetings	11 meetings
Boris Ayuyev	Non-executive	24	4	20	X	X	X
Andrey Bugrov	Independent	24	4	20	15	18	X
Anatoly Gavrilenko	Non-executive	21	2	19	X	X	X
Boris Kovalchuk	Executive	24	4	20	X	X	X
Alexander Lokshin	Independent ¹	22	4	18	15	X	X
Andrey Murov	Non-executive	24	4	20	X	X	X
Ronald (Ron) J. Pollett	Senior independent	24	4	20	15	18	11
Yelena Sapozhnikova	Independent	24	4	20	15	18	11
Igor Sechin	Non-executive	23	3	20	X	X	X
Denis Fedorov	Non-executive	24	4	20	X	X	X
Dmitry Shugayev	Non-executive	23	4	19	X	X	X

The minutes of meetings of the Board of Directors are available at:

<http://www.interrao.ru/investors/corporate-governance/management/minutes/>.

When planning its work and in its activities, the Board of Directors focuses on priority issues that are most important for the successful current and future development of PJSC Inter RAO.

Number of meetings of the Board of Directors



¹ According to a resolution of the Board of Directors dated May 20, 2019 (Minutes No. 249 dated May 24, 2019)

Structure of items reviewed by the Board of Directors

	2017	2018	2019
Total items reviewed	151	113	92
including policy items	18	5	10
Item group, %			
Corporate governance	39	43	44
Transactions	9	7	8
Determination of position on agenda items of subsidiaries	8	8	8
Regulation of financial and economic activities, reporting, and control	21	29	25
Approval of internal documents	8	5	5
Participation in other organizations	6	3	2
Priority areas of activity	6	1	5
Sustainable development	1	1	3
Other	3	3	-

Orders of the CEO prepared by the Corporate Secretary are used to monitor the execution of the instructions of the Board of Directors. Failure to comply with the instructions of the Board of Directors is one of the indicators for the cancelation of the bonus of the CEO. Failure to comply with the orders of the CEO on the fulfillment of the decisions and instructions of the Board of Directors is one of the indicators for the cancelation of the bonus es of members of the Management Board and other direct subordinate managers.

A total of 28 instructions of the Board of Directors were executed over the course of 2019. The report for 2018 was considered at an in-person meeting of the Board of Directors¹. There were no violations of the deadlines for the execution of the decisions of the Board of Directors and committees.

SENIOR INDEPENDENT DIRECTOR RON JAMES POLLETT TOOK PART IN THE INTER RAO INVESTOR DAY AT SESSIONS ON CORPORATE GOVERNANCE AND KEY FACTORS OF INVESTMENT APPEAL. THE MOST COMMON QUESTIONS ASKED BY INVESTORS AND SHAREHOLDERS ARE PRESENTED IN THE STRATEGIC REPORT. [GRI 102-33, 102-34]

Current Board of Directors [GRI 102-22, 102-23, 405-1]

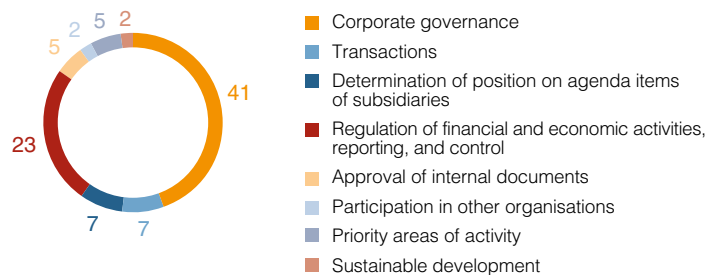
The PJSC Inter RAO Charter stipulates that the Board of Directors must have 11 members. Members of the Board of Directors are elected annually by the General Meeting of Shareholders through cumulative voting.

The size of the Board of Directors best suits the Company’s current goals and objectives as well as industry practices and ensures the requisite balance of expertise among the members of the Board of Directors. In addition, the Board of Directors is well balanced in terms of its independence, which provides an effective system of checks and balances in the corporate governance model of PJSC Inter RAO.

In order to achieve a balance of interests, the Board of Directors may include members who are recognized as:

- Executive directors
- Non-executive directors
- Independent directors

Structure of items reviewed in 2019



¹ Minutes No. 242 dated March 18, 2019.

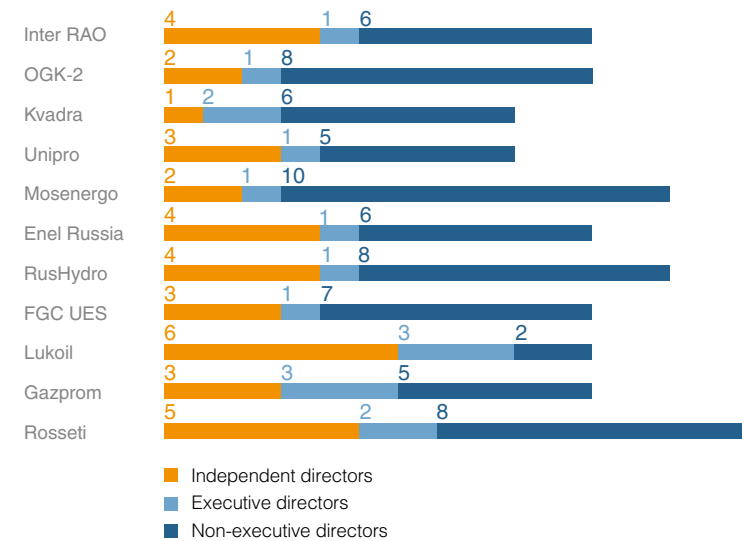
Composition of the Board of Directors

	2017	2018	2019	Fulfillment of the target value of the Moscow Exchange Listing Rules and the Corporate Governance Code
Executive directors	1	1	1	Target: no more than ¼. Fulfilled: yes, 1 of 11
Non-executive directors	6	6	6	–
Independent directors	4	4	4	Target: 3 of 11 Fulfilled: yes, 4 of 11

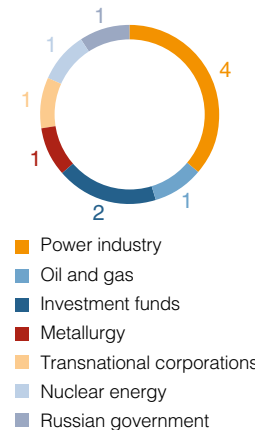
There were no changes to members of the Board of Directors in 2019.

The results of the external independent assessment and self-assessment of the members of the Board of Directors conducted in 2019 show that the Board of Directors is balanced in terms of the required expertise and professional experience based on the current structure of the share capital and the tasks facing the Company. The members of the Board of Directors have expertise in such key areas as energy, industry, investment, information technology, economics and finance, law, and corporate governance.

Structure of the Board of Directors of comparable companies



Scope of industry representation on the Board of Directors



Gender makeup of the Board of Directors



Tenure on the PJSC Inter RAO Board of Directors, years

