

**Conditions for assembling the Board of Directors and candidate selection criteria [GRI 102-24]**

The Board of Directors should be formed<sup>1</sup> in such a way so as to ensure a balance of professionalism, knowledge, and experience in order to properly fulfill the duties of the members of the Board of Directors in the Company's interests taking into account the Company's Development Strategy. Members of the Company's Board of Directors should have a renowned high reputation, including among investors, and should not have a conflict of interest with the Company.

Candidates for the Board of Directors must meet at least one of the following criteria:

- Be recognized as experts in such fields as the power industry, finance, law, strategic management, audit, risk management, HR management, corporate governance, production modernization, innovation, or investment
- Have experience working on boards of directors or in senior positions at other joint-stock companies whose shares are traded on organized trading floors (stock exchanges), including at international companies

Members of the Board of Directors must have an impeccable reputation. One of the factors that negatively affects a member's reputation would be an economic crime, a crime against public order, the interests of public service, or service in local authorities, or an administrative offense, especially in business, finance, taxes and fees, or the securities market.

Each year, the Nomination and Remuneration Committee conducts an assessment of all candidates nominated for the Board of Directors in terms of their compliance with the established criteria as well as the independence criteria defined by the securities market regulator and PJSC Moscow Exchange.

**Independent directors**

The participation of independent directors on the Board of Directors provides an independent and balanced perception based on their knowledge, experience, and qualifications. The objectivity of independent directors and their constructive criticism are of great value for the Board of Directors and the Company as a whole. The contribution made by independent directors facilitates the adoption of decisions that take into account the interests of various groups of stakeholders and improves the quality of management decisions.

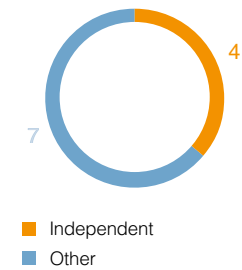
The current Board of Directors has four independent directors, which exceeds both the target value of the Listing Rules<sup>2</sup> as well as the number established by the Corporate Governance Code recommended for use by the Bank of Russia.

**Target levels of independence of Board of Directors**

Inter RAO (actual)	Listing Rules of the Moscow Exchange. First-tier	Corporate Governance Code of the Bank of Russia
4 of 11 members of the Board of Directors (36%) are independent	✓ at least 1/5 and no fewer than 3 members of the Board of Directors are independent	✓ at least 1/3 of the members of the Board of Directors are independent

PJSC Inter RAO supports the practice that was introduced in 2017 of independent directors preliminarily considering significant corporate actions. The Company engages in the practice of holding business meetings with independent directors for a preliminary discussion of key issues that are submitted to the Board of Directors for review.

**Number of independent directors on the Board of Directors**



<sup>1</sup> Clause 2.1 of the Regulation on the PJSC Inter RAO Board of Directors.

<sup>2</sup> Listing Rules of the PJSC Moscow Exchange registered by the Central Bank of the Russian Federation (Bank of Russia) on October 2, 2018.

**AS OF THE END OF THE REPORTING YEAR, THE COMPANY'S BOARD OF DIRECTORS INCLUDED THREE INDEPENDENT MEMBERS WHO FULLY COMPLY WITH THE INDEPENDENCE CRITERIA DEFINED BY THE CORPORATE GOVERNANCE CODE AND LISTING RULES OF PJSC MOSCOW EXCHANGE (ANDREY BUGROV, RON POLLETT, YELENA SAPOZHNIKOVA) AND ONE INDEPENDENT DIRECTOR RECOGNIZED AS SUCH BY A RESOLUTION OF THE COMPANY'S BOARD OF DIRECTORS (ALEXANDER LOKSHIN)<sup>1</sup>.**

#### Independence criteria

In order to monitor the compliance of members of the Board of Directors with the criteria for independence, the Nomination and Remuneration Committee of the Board of Directors analyzes such compliance on a quarterly basis. In the event of a change in the status of the independence of the members of the Board of Directors, the issue is submitted for consideration by the Board of Directors.

Based on the Committee's recommendations of March 26, 2019<sup>2</sup>, the Board of Directors on March 29, 2019 considered the issue of granting Alexander Lokshin the status of an independent director<sup>3</sup>.

#### Senior independent director

According to the Regulation on the Board of Directors, if the Board includes at least three independent directors, it may elect a senior independent director from among them.

Ron James Pollett was re-elected as the senior independent director at an in-person meeting of the Board of Directors on May 20, 2019.

At PJSC Inter RAO, the senior independent director provides support to the Chairman of the Board of Directors in achieving his goals and, in addition to performing the functions specified in the Corporate Governance Code, monitors relations between the Chairman of the Board of Directors and the CEO, and also chairs the Nomination and Remuneration Committee of the Board of Directors.

#### Succession planning on the Board of Directors [GRI 102-24]

In an effort to maintain a balance of qualifications and experience among directors and consistently update the members of the Board of Directors taking into account its need for independent directors, the Board of Directors annually updates the Succession Plan of the Board of Directors and the Management Board in accordance with the recommendations of the Nomination and Remuneration Committee. Over the course of 2018, the Succession Plan for the Members of the Board of Directors and the Management Board was updated along with the Training and Development Program.

#### Training and development of members of the Board of Directors [GRI 102-27]

The Company annually organizes training for members of the Board of Directors. The themes and areas for training are determined as part of procedures for evaluating the performance of the Board of Directors and also during a survey of members of the Board of Directors regarding the most interesting themes. Training is conducted in accordance with the Training and Development Program for members of the Board of Directors, which is part of the Succession Plan for members of the Board of Directors and the Management Board<sup>4</sup> (hereinafter the Succession Plan) approved annually by the Board of Directors.

The Nomination and Remuneration Committee discusses the program of training events at an in-person meeting in order to tentatively study the issue<sup>5</sup>.

Inter RAO organizes training events for members of the Board of Directors in the form of workshops and also provides them with regular informational mailings. These activities involve immersion in a particular area of the Group's activities with the involvement of well-known market specialists and key managers who are employees of the Group.

#### Stakeholder engagement

In 2019, investors who attended events associated with PJSC Inter RAO Investor Day greatly appreciated the senior independent director's participation in these events.

<sup>1</sup> Resolution of the Board of Directors dated May 20, 2019 (Minutes No. 259 dated May 20, 2019).

<sup>2</sup> Minutes No. 96 dated March 26, 2019.

<sup>3</sup> Minutes No. 243 dated April 1, 2019.

<sup>4</sup> Approved by the Board of Directors on September 30, 2019 (Minutes No. 257 dated October 2, 2019).

<sup>5</sup> Decision of the Nomination and Remuneration Committee dated September 10, 2019 (Minutes No. 106 dated September 10, 2019).