

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)¹.

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, 2019², the Board of Directors on March 29, 2019 considered the issue of granting Alexander Lokshin the status of an independent director³.

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 Board⁴ (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 issue⁵.

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.

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

² Minutes No. 96 dated March 26, 2019.

³ Minutes No. 243 dated April 1, 2019.

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

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

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In 2019, a seminar on digitalization was held for members of the Board of Directors as part of the Training and Development Program. The workshop provided information on the digitalization of the energy industry, digitalization at Inter RAO, the key achievements of a project to optimize the collection of receivables from individuals as well as the cyber security risks of digital transformation.

In accordance with the Succession Plan, all newly elected members of the PJSC Inter RAO Board of Directors undergo an induction program that involves a meeting (or a series of meetings) with executive management and key employees of the Company, during which PJSC Inter RAO management presents reports to members of the Board of Directors and others necessary materials concerning the Company's main areas of business.

No induction meetings were held in 2019 since no changes were made to the members of the Company's Board of Directors.

Preventing conflicts of interest on the Board of Directors **[GRI 102-25]**

The PJSC Inter RAO Code of Corporate Ethics contains a list of measures to prevent potential or actual conflicts of interests among members of the Board of Directors with the Company's interests, specifically not only with the Board member's interests, but also with the interests of family, friends, and other personal relationships, financial relations, receiving gifts, services, or other benefits, using the Company's property, and disclosing information. Members of the Board of Directors are also required to refrain from having labor or civil law relations with a competitor or participating in a competing organization.

[GRI 102-25]

The Regulation on the Board of Directors requires a candidate for the Board of Directors to submit a questionnaire and notification about signs of a potential interest in transactions when being nominated and also a notification about changes in information about possible interests each time such signs appear in the future.

The Code of Corporate Ethics contains a policy for members of the Management Board and the Board of Directors (including independent members) to perform transactions with the Company's shares. In order to conclude such a transaction, the CEO and members of the Board of Directors must first obtain the prior written consent of the Chairman of the Board of Directors, and it is recommended to refrain from performing any transactions with the Company's securities within the 30 calendar days preceding the publication of the interim or annual consolidated financial statements of PJSC Inter RAO (IFRS). The Chairman of the Board of Directors is required to obtain the prior written consent of the Company's CEO. Members of the Management Board are required to obtain the prior written consent of the CEO prior to any transaction with the Company's securities.

Members of the Board of Directors performed transactions with the Company's securities in 2019, and the procedure for obtaining consent for the transactions was observed.

No notices about conflicts of interest within the Company were received in 2019. The Corporate Secretary's division monitors the possibility of a conflict of interest on a quarterly basis by analyzing the updated profiles of members of the Board of Directors.

Liability insurance

Based on best practices and recommendations of the Code, PJSC Inter RAO has provided liability insurance at its own expense for members of the Board of Directors, members of the Management Board, officials and companies, and officials and companies of the Group since 2011 (D&O). Insurance aims to compensate potential losses resulting from damages to the Company or third parties by the actions of the insured persons when they carry out their management activities.

The insurer's liability limit (insured amount) under the existing liability insurance policy of directors, officers, and companies is USD 250 mln. The contract is valid from July 15, 2019 until July 14, 2020. The insurance premium for the year is USD 249,000.