

**Annex 1**  
**to the Minutes of the Annual General**

**Shareholders' Meeting**  
**of PJSC IDGC of the North-West**  
**No. \_\_\_\_ of \_\_\_\_\_**

**APPROVED**  
**by the Annual General Shareholders'**  
**Meeting**

**PJSC IDGC of the North-West**

**of \_\_\_\_\_ (Minutes No. \_\_)**

**Chairperson of the meeting**

\_\_\_\_\_ /

**Provisionally adopted by:**  
**the Board of Directors**  
**PJSC IDGC of the North-West**  
**of 26.04.2021 (Minutes No. 395/31)**

# **ANNUAL REPORT 2020**

## **PJSC IDGC of the North-West**

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General Director  
PJSC IDGC of the North-West

\_\_\_\_\_ A. Yu. Pidnik

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## INTEGRATED ANNUAL REPORT 2020 of PJSC IDGC of the North-West

### Overview of the Report

This 2020 Annual Report of PJSC IDGC of the North-West (hereinafter referred to as the Annual Report, the Report) was compiled using the information available to the company at the time the document was prepared.

This report presents the performance results of PJSC IDGC of the North-West, its branches, subsidiaries, and affiliates.

Within this Report, PJSC IDGC of the North-West is also referred to as “Rosseti North-West” (due to the adoption of the uniform brand architecture since June 2019), or as “we”, “the Company”, and “the Issuer”.

The Report discloses the production and financial performance results and reviews the corporate and social responsibility activities of the company in 2020. Unless stated otherwise, the financial indicators in the Annual Report are provided and calculated based on the consolidated financial statements under IFRS. The performance data in this document comprises the consolidated data of the IDGC of the North-West Group.

The Report was prepared in line with international and Russian standards and regulations, as well as the reporting requirements of PJSC Rosseti for its subsidiaries.



Moreover, the Report covers the activities aimed at reaching the UN sustainable development goals. See the details on the Report, its preparation and materiality definition, as well as the responsibility for the information disclosed in the Report, **in the About the Report section**.

#### **Key focus**

The key focus of this Report is “Digital Transformation for Development Purposes”. We aim to present Rosseti North-West as an advanced and progressing company implementing innovation projects aligned with the Digital Transformation 2030 concept. Besides, we would like to present the Company as a socially responsible organization with convenient services, reliable power supply, and complying with the highest sustainable development standards.

#### **Some definitions and forward-looking statements**

Some statements herein may contain assumptions or forecasts concerning future events in the IDGC of the North-West Group. These statements are marked by expressions like “plans”, “will be”, “is expected”, “will occur”, “estimates”, “will total”, “will happen”, etc. as well as negative statements or other similar expressions. Such statements are merely assumptions, and the real developments or results may significantly differ from those specified. Numerous factors may divert the actual results of the IDGC of the North-West Group from those stated in the assumptions and forecasts. The Company assumes no liability for losses that private or legal entities may incur if they act based on the forward-looking statements. The Company makes no commitment to review or verify the expectations or estimates or to publish updates and changes to the forward-looking statements contained herein subject to further events or new information received, except in the cases stipulated by law.

The information about the Company's management is provided according to Federal Law No. 152-FZ on Personal Data of 27.07.2006.

Some values in the tables, graphs and charts herein may differ from the sum of their components due to rounding.

## Address by the Chairperson of the Board of Directors

[GRI 102-14]

**Dear shareholders, partners, and colleagues!**

### **Turbulence**

In 2020, the entire world faced a new reality: the COVID-19 pandemic caused significant changes to plans, and the actions taken to prevent the spread of the disease modified our normal ways. One thing remained the same. The power supply industry has always supported the ongoing development of the country and ensured comfortable living conditions for its residents.

Despite the extreme conditions, Rosseti North-West maintained the reliability and efficiency of the power grid and the uninterrupted power supply to its customers.

### **Safety margin**

Our key goal was to adapt the Company's operations to the unpredictable conditions and macroeconomic outcomes of the pandemic against the persistent standard challenges, such as the normal equipment wear and tear, weather anomalies, and cyber threats.

In response to the current business environment, we developed tools allowing us to support the advanced development of Rosseti North-West and fulfil the expectations of the investors. These tools include the digitalization of operations and automation, the use of modern information technology and innovative solutions. The company is ready to invest in personnel training and take other actions to preserve qualified employees.

Despite the reduction of power consumption and a noticeable aggravation of the economic situation, I must note that our team managed to ensure the required sustainability and integrity of the Company.

### **Investing into the digital**

The Company has set some ambitious goals for itself, such as the modification of the power supply system architecture and logic and the global modernization of equipment and power facilities, that shall improve the reliability and availability of the power supply services, which are important to the consumers.

The company implements a full-scale digital transformation of the power grid within the territory controlled by Rosseti North-West that was initiated by PJSC Rosseti. The 2020 expenditures associated with digital transformation amounted to 1.026 billion rubles. Within the framework of the PJSC IDGC of the North-West Digital Transformation programme approved by the Board of Directors, the results by the end of 2020 are as follows:

- 3 highly automated substations commissioned (35 kV SS Molochnoe, 35 kV SS Balaton, 35 kV SS Potok);
- 2 highly automated PDZs created (Valdaysky PDZ and Borovichsky PDZ);
- 1 pilot project implemented, 2 projects are at the final implementation stages;
- 4 charging stations installed.

The efforts of the Board of Directors aimed at solving the problems set shall ensure the further development of the Company and its sustainability against the existing and potential risks and challenges.

Sincerely,  
**Chairperson of the Board of Directors**  
**PJSC IDGC of the North-West**

**K.A. Mikhailik**

## Address by the General Director

## Dear shareholders!

### Reliability

2020 was a challenge for the Company. Due to the COVID-19 pandemic, we worked under unusual, even unique conditions. Rosseti North-West managed to implement a set of actions aimed at the adaptation of the processes and ensuring personnel safety required to overcome these complicated times with dignity.

Our solutions proved efficient as the quality of our operations was maintained. In the reporting year, the Company managed to reduce the average duration and frequency of power outages by 30% and 21% respectively as compared to 2019.

Our operational personnel ensured a continuous power supply to the local residents, social facilities, and critical infrastructure.

Despite the restrictions caused by the pandemic, Rosseti North-West performed all the planned works to ensure stable power supply to its consumers on time. The company completed the overhaul of 1.3 thousand kilometres of power lines and cleared almost 16 thousand hectares of power line routes.

### Development

In 2020, the Company implemented several large projects that can improve the investment appeal of our regions and the quality of life of their residents. In the Vologda Region, two highly automated 35 kV substations featuring remote control and total visibility were completed. Balaton 35 kV substation was built to supply power to Babayevskaya compressor plant of the Nord Stream 2 gas pipeline. Molochnoe 35 kV substation was reconstructed to increase its power output by 2.5 times. As a result, the reliability of the power supply in Vologodsky District was improved for both the residents and companies, including Vereshchagin Dairy Plant producing the famous Vologda butter.

In the Arkhangelsk Region, we upgraded Dvinskoy Bereznik 110 kV substation. This improved the quality of power supply for 80 thousand local residents, as well as social and production facilities.

Over the reporting year, the Company commissioned 1.1 thousand kilometres of power supply lines and increased its power output by 159 MVA.

Grid connections were made for 13.3 thousand new consumers that require a total of 356 MW. Among them are 311 social facilities including 20 schools and kindergartens and 44 healthcare units.

### Innovation

We use a systemic approach to ensuring the power supply reliability: we do repairs and on top of that introduce innovation technologies.

In 2020, we successfully tried a pilot project aimed at improving personnel safety and labour productivity in the Vologda Region. Our work teams are equipped with working outfits and tablets with special software that helps automate work authorization. The technical managers of different levels have online access to all the information about the work, the state of personnel and power facilities including the defects detected.

In Borovichsky District of Novgorod Region, we launched the second upgraded PDZ within the Rosseti North-West territory. This helped improve the reliability of power supply for 62 thousand local residents.

### Plans

The management of Rosseti North-West shall increase the economic stability of the Company and continue implementing projects to improve the reliability of the power supply for its customers.

Our goal is to change the conventional paradigm. This means, among other things, the complete transparency of all processes and the transition from conventional documents to digital

data. Efficient operating and strategic decisions may only be based on a valid database. This will allow us to improve the efficiency of the power grid management, reduce the accident rate in the grids, reduce the fault correction times, and improve the reliability of the grids.

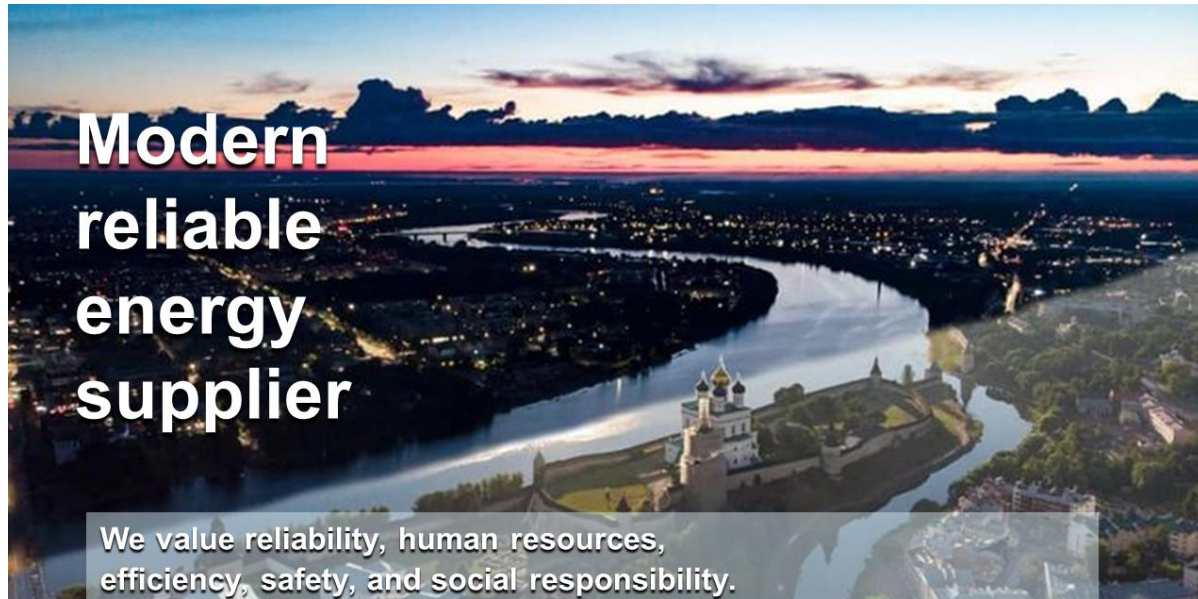
**Sincerely,  
General Director  
PJSC IDGC of the North-West**

**A. Yu. Pidnik**



# STRATEGIC REPORT

## Company overview



### Primary activities

The Company Rosseti North-West is the main operator rendering services of power supply and connection to power grids in the Arkhangelsk, Vologda, Murmansk, Novgorod, and Pskov regions, the Republic of Karelia and the Republic of Komi.

### Fixed assets [EU4]

<p>The total length of the power transmission lines – <b>176.2</b> thousand km.</p>	<p>The number of <b>35+ kV</b> voltage substations – 1182</p>	<p><b>19,586</b> thousand MVA The capacity of main substations</p>
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See the SWOT analysis of PJSC IDGC of the North-West on page 29

### History of the Company

The Company was founded in 2004 within the reform of the Russian power industry. PJSC IDGC of the North-West became one of the 14 interregional grid companies. A feature of the Company's operations is strong consumer demand in the regions of its footprint. The major shareholder is PJSC Rosseti (55.38%). More detailed information on the Company's history can be found on the official website:

<http://www.mrsksevzap.ru/en/abouthistory>

### Geographical scope of the activities

Rosseti North-West provides services in seven constituent entities of the Russian Federation with a total area of 1.4 million sq. km. (8.2% of the whole territory of Russia), with the population of nearly 5.7 million people (4% of the whole population).

### Natural monopoly

The Company is a natural monopoly regulated and controlled by the government. The Federal Antimonopoly Service and regional energy commissions separately set tariffs and quality standards of the services in the constituent states of the Federation, protecting consumer interests.

## Factors of investment appeal



### Key factors

#### Competitive advantage

- High level of power supply reliability
- Low level of power losses
- Increase in capacity connected
- Productivity improvement

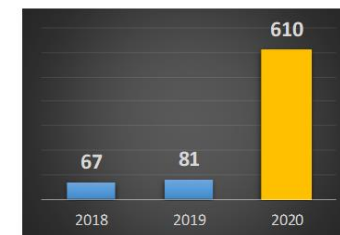
**Market share 73 %**  
Market share in power supply services in the operations 73%

**Free-float is 30%**

**Capitalisation as of 31/12/2020**

**5,206**  
Million rubles

**Net cashflow, RUB mln**

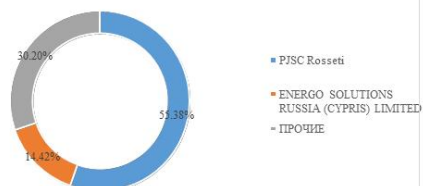


#### Dividend yield\*



\* <https://www.moex.com/ru/listing/dividend-yield.aspx>

#### Equity structure



**9,579**  
Million rubles

**CHARTER CAPITAL**

#### Securities market review



**ACRA credit rating is AA+(RU), outlook "stable"**

On 04 August, 2020 Analytical Credit Rating Agency (ACRA) confirmed the Company's credit rating as AA+ (RU), with the outlook "stable".

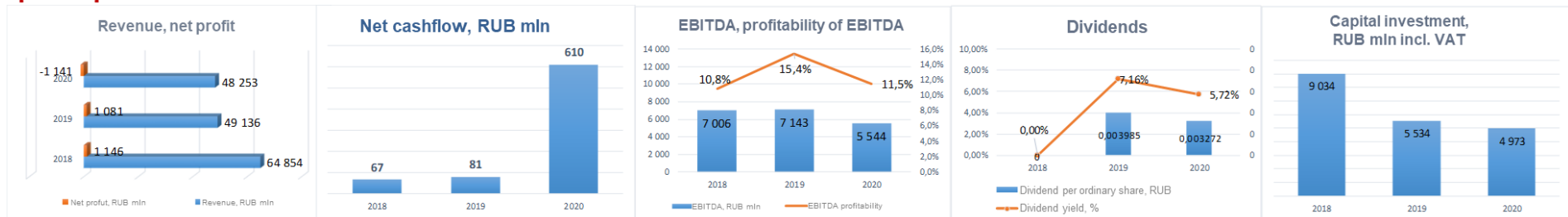
**ACRA**

## Key performance indicators

# KEY PERFORMANCE INDICATORS

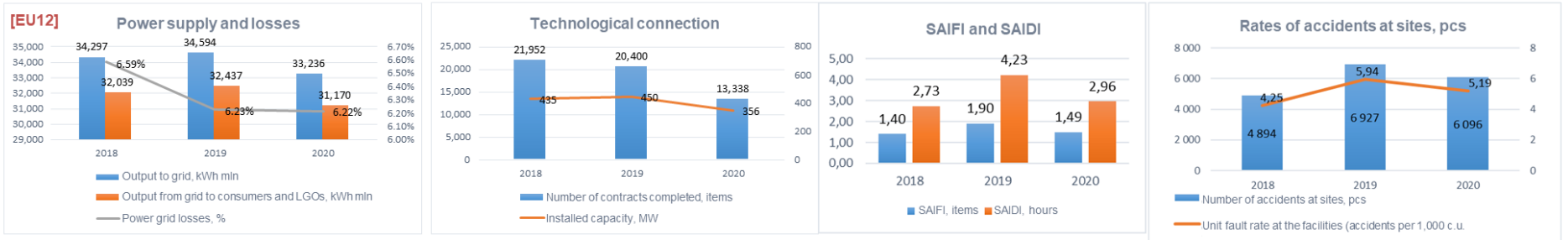
### Financial indicators

[GRI 102-7]

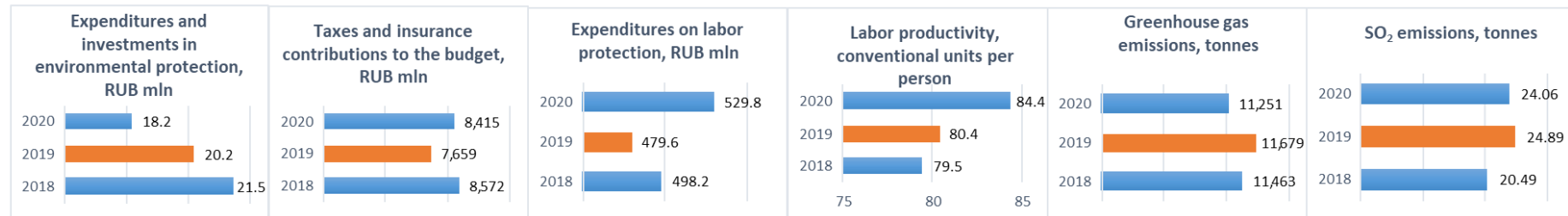


### Operational indicators

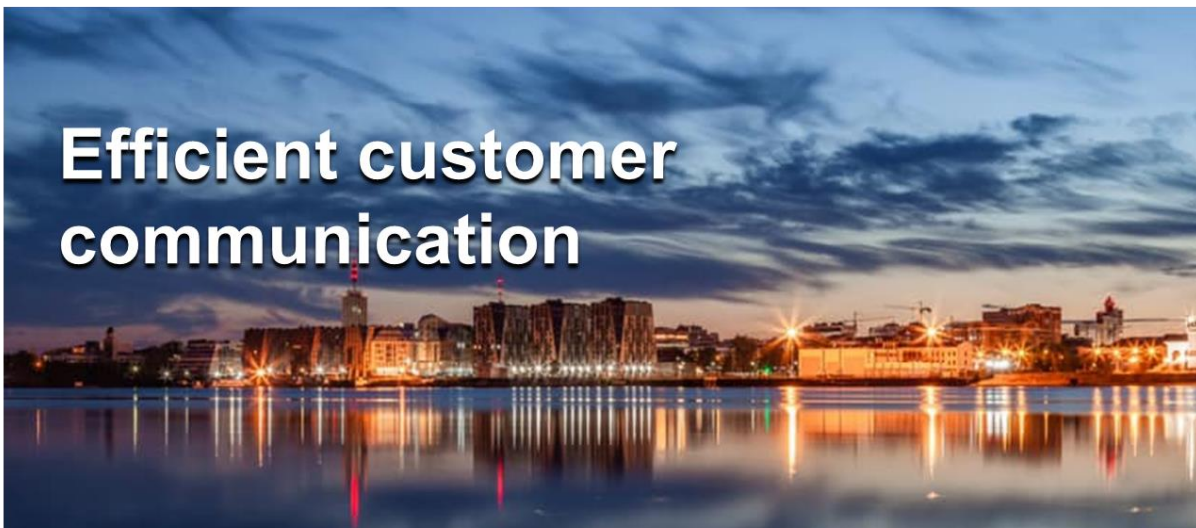
[EU12]



### Indicators of sustainable development



## Efficient customer communications



# Efficient customer communication

Rosseti North-West offers its consumers a wide range of opportunities for convenient interaction with the Company. A priority area of relationships with customers is the development of online instruments which allow to provide services as quickly as possible.



Evaluation of customer loyalty and satisfaction\*: 4.8 out of 5 regarding the quality of information provided in the offices  
4.8 out of 5 regarding professionalism  
4.8 out of 5 regarding friendliness of staff

\* on a 5-point scale

### PLANS FOR 2021

- Promotion of the Portal ТП РФ (technological connection) mobile application.
- Promotion and development of the Portal ТП РФ (unified portal of electricity services provided by Rosseti).
- Development of the system for providing additional services.

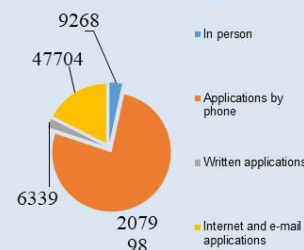
## Consumer interaction

The official website of Rosseti North-West ([www.mrsksevzap.ru](http://www.mrsksevzap.ru)) is an efficient remote service for consumers that offers the following interactive tools:

- A personal account of a consumer (allows a customer to follow the stages of application processing on technical connection of their power receiving devices from the moment of the application submission till the actual connection and signing of the act on technical connection);
- Internet-reception (allows to send applications and letters of intent on technical connection, to apply for additional services, to send appeals, to fill out consumer questionnaires; and has answers to the frequently asked questions).

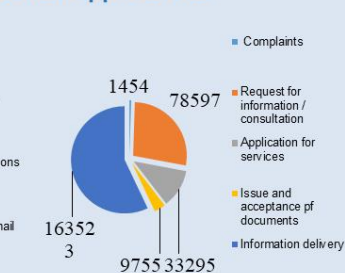
### DISTRIBUTION OF APPLICATION BY TYPE

In 2020, the Company received 286 624 consumer applications

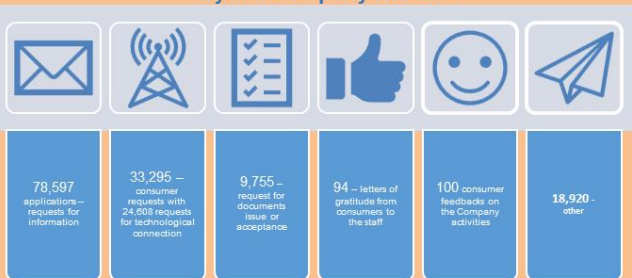


### DISTRIBUTION OF APPLICATION BY CATEGORIES

In 2020, the Company received 286 624 consumer applications



### Out of the total number of requests received by the Company in 2020



## Development energy of the modern business



Major business chooses Rosseti North-West to implement its projects.

On December 24, 2020, the 35 kV Balaton digital substation was launched in the city of Babaevo, the Vologda region. This substation supplies power to the Babaevskaya compressor unit of the Nord Stream 2 gas pipeline, which will run across the bottom of the Baltic Sea from Russia to Germany.

“Despite all the limitations in 2020, we have completed the construction of the substation in time. We have thus provided a strategically important facility with a powerful substation. The commissioning of the Balaton substation is an important step for the construction of a modern power grid in Vologda region.”  
 Artem Pidnik, General Director of PJSC IDGC of the North-West

## Large advanced projects of 2020



### Large advanced projects of 2020

**Construction of two 150 kV OLs from 150 kV SS No.53 to 330 kV SS Murmanskaya and construction of access lines of 150 kV OLs No.L-172, L-179 to 330 kV SS Murmanskaya in Murmansk.**

This project is implemented due to the construction of 330 kV SS Murmansk as per the Investment programme of PJSC FGC UES to remove load from 330 kV SS No. 200 Vykhodnoy to allow the connection of the 150 kV SS Belokamenka, the development of the "Murmansk connection" and to ensure stable power supply to Murmansk and the northern part of the Kola Peninsula.

The project was commissioned in Q2 2020.

**The cost of the project is RUB 410 mln, net of VAT**

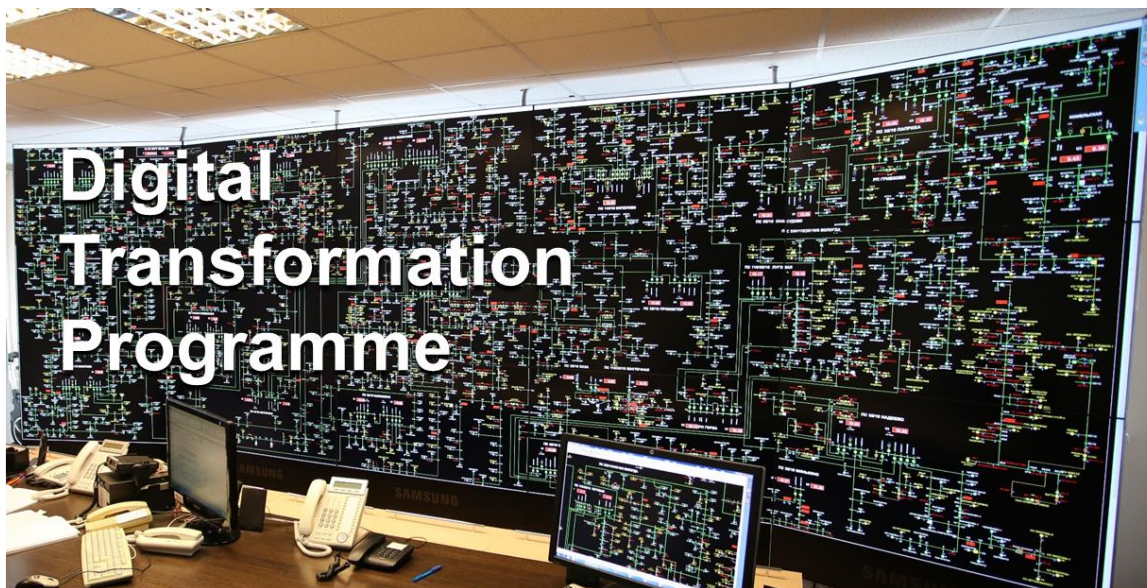
**The construction of 35/10 kV SS Balaton 2x10 MVA, double-circuit 35 kV OL Compressor 1,2**

The new 20 MVA digital substation operates in total observability mode. The presence of personnel on site is not required – the substation can be operated remotely. All changes are unified into one system and are transmitted through an optical power ground wearer. Rosseti North-West has also built 8.6 km of 35 kV overhead lines, having provided an aerial crossing over the railroad.

The project was commissioned in Q4 2020.

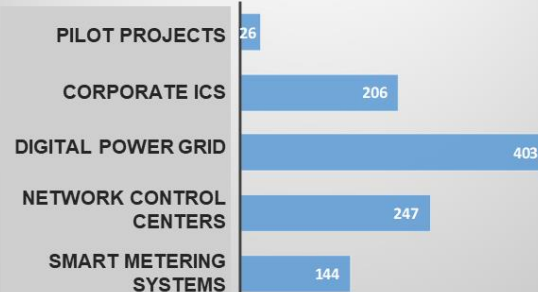
**The cost of the project is RUB 286 mln, net of VAT.**

## Digital transformation programme



Back in 2018, Rosseti declared its willingness to carry out digital transformation. For the last two years, substantial progress has been achieved. Today the implemented digital solutions are successfully undergoing a stress test, and internal systems of electronic interactions are being upgraded. External communications will also be updated and implemented into day-to-day operations after the return to offices.

### Expenditures in major areas of Digital Transformation in 2020, RUB mln



### Implementation of the Programme 'Digital Transformation of PJSC IDGC of the North-West 2020-2030'



**RUB 1,026 mln**

was allocated for the implementation of the Company's Digital Transformation Programme in 2020

#### Achievements of the Digital Transformation Programme

- 3 digital substations were put into operation (Molochnoye, Balaton, and Potok; all substations are 35 kV).
- 2 digital PDZs were created (Valday and Borovichi PDZ).
- 1 pilot project was implemented. 2 more are at the final stage.
- 4 charging plants were installed.
- CIM profile in terms of general specifications was formed, and the CIM profile in terms of M&R registration is being formed.

*More on key projects within the Digital Transformation Programme on page 66.*

## Modern standards of environmental protection



# Modern standards of environmental protection

### Practices in the area of environmental protection

- Substitution of oil circuit breakers by vacuum and sulfur hexafluoride circuit breakers, which has allowed to decrease environmental pollution by transformer oil;
- Restoration of oil receivers, oil lines, and devices for backup oil collectors;
- Equipped waste storages;
- Transmission of waste of I-IV danger classes to specialised organisations;
- Analytical control of pollutant air emissions from stationary sources, conduction of instrumental measurements;
- Equipment of overhead lines of 35 kV and higher with bird protection devices;
- Construction and reconstruction of OPL 0.4-10 kV with the substitution of bare wire by self-supporting insulated wire.

The main activity of the Company (transmission and distribution of electric power through power grids) affects our environment insignificantly. Nevertheless, we aim to organise our work in a way to minimise any adverse environmental impacts.

#### Certification ISO 14001 :2016

In 2020, the Company successfully passed the first inspection of the Rosseti's system of ecological management as it relates to compliance with ISO 14001: 2015 and GOST R ISO 14001:2016

#### In 2020

**534.7** tonnes is the amount of total air pollutant emissions

#### In 2020

**18.2** mln rubles is the amount of environmental protection costs and investments

#### 1,462 items

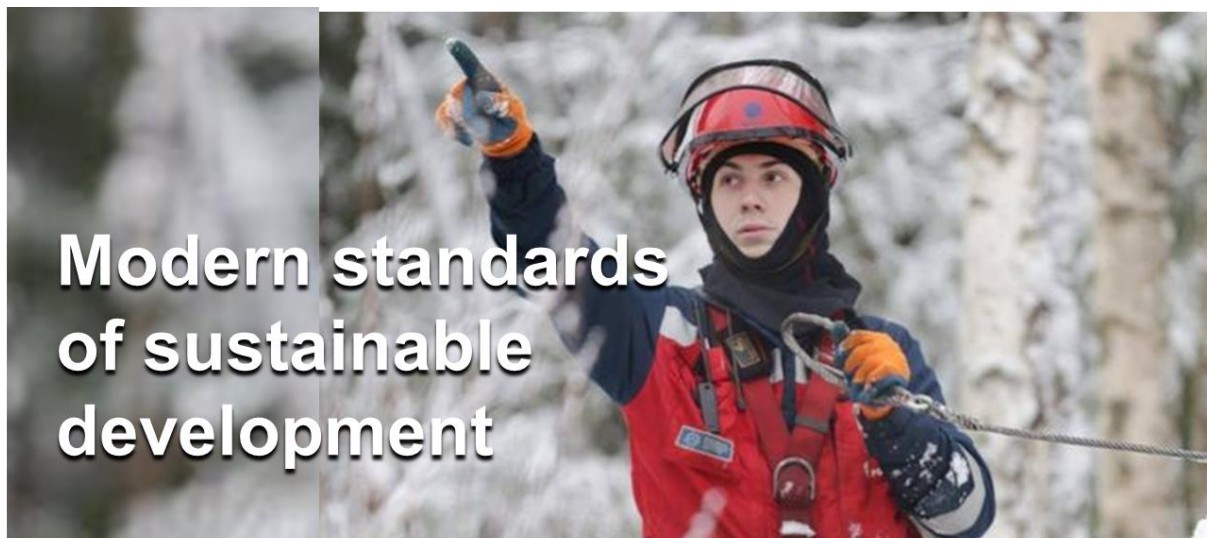
of bird protection devices (in total the Company has installed **6,324** items since 2015)



#### The pattern of payments for negative impact on the environment, thousand rubles



## Modern standards of sustainable development



# Modern standards of sustainable development

## Commitment to the UN sustainable development goals

The company operates according to the UN sustainable development goals (SDGs). Reliable power supply makes a significant contribution for the achievement of the following SDGs:



Rosseti North-West is aware of the impact that its activities can have in the regions of the Company's operations, and therefore states that the Company's major priority is well-being of its employees and residents of the regions. Besides, the Company aims at organisation of its activities in a way to minimise any kinds of injuries among its employees, contractor personnel, and residents of these regions.

### ISO certification

In 2020, the Company successfully passed an inspection of the current quality management system of the Company conducted by certifying authorities for compliance with the requirements of ISO 9001:2015 (GOST ISO 9001-2015). Following the inspection, it was concluded that QMS of the Company is being preserved and developed in accordance with the principle of continuous improvement.

### Collective agreement

The Collective agreement is in effect in the Company. It is the foundation for the provision of monetary stimulation, benefits, compensation, and guarantees for the employees of Rosseti North-West.

According to experts, the Collective Agreement of Rosseti North-West ensures the Company's stability and social security of its employees.

"2020 was a difficult year in many regards, but, despite various challenges, the COVID-19 pandemic and serious limitations linked to it, we have performed all social obligations to our employees. We have not only retained the compensation rate but also found additional funds to rewards those employees who had been providing stable power supply in the face of severe restrictions."

**Artem Pidnik,**  
General Director of PJSC IDGC of North-West\*

### Gender distribution of staff (men and women as a percentage)

**81.8% (9) / 18.2% (2) The Board of Directors**  
**57% (4) / 43% (3) the Management**  
**77.6% (11,160) / 22.4% (3,181) Staff**  
**100% is percentage of the personnel covered by the agreement [GRI 102-41]** 4.9% is active turnover of the company



\* <https://www.mrsksevzap.ru/press/news/newsmrsk/news84623.html>



## Highlights of the year



### Investment projects

- Rosseti North-West has commissioned a 150 kV overhead line to provide power supply to the large-capacity marine facilities (CCLCMF), a project implemented by Novatek.
- The Company has launched the 35 kV Balaton substation in the Vologda region that fulfills the needs of the Nord Stream 2 pipeline. This new substation operates on the total observability principle.
- The second digital PDZ within the Rosseti North-West geographical footprint was launched in Borovichi district of the Novgorod region. The implementation of this project will accelerate the localization of grid damages, decrease the duration of repairs, and increase the stability of power supply to 62,000 residents of the region.

### COVID-19

Within 7 days, the Company put together an external power supply diagram for the infectious mobile hospital in the village of Murmashi, Murmansk region. The hospital was commissioned by the order of the President of Russia Vladimir Putin. The engineers built two 6 kV aerial cable lines, having provided the hospital with 3.6 MW of power. The hospital's capacity is 500 beds. It was built to be used in the case of the rapid COVID spread in the region.

### Agreements with regions [GRI 413-1]

In February 2020, General Director of PJSC IDGC of North-West Artem Pidnik and the head of the Republic of Karelia Artur Parfenchikov signed an agreement of intent related to modernization of energy infrastructure. The joint project of the Company and the local government presupposes the switch of Karelian coal and fuel oil-powered boilers to electricity.

### Corporate management

RAEX rating agency has confirmed the Company's credit rating at A++ GQ "The highest level of management quality."\*



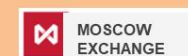
\* The rating was confirmed on March 5, 2021. The confirmation procedure was launched in 2020.

### Dividends of 2019

Based on the results of 2019, the Company made a decision to pay dividends in the amount of RUB121.9 mln (AGM protocol of 01/06/2020 No. 16). Taking into account the dividends paid for the 9 months of 2019, total amount of dividends is RUB 313,451 thou.

### Annual reports contests for 2019

The annual report of PJSC IDGC of North-West for 2019 was awarded by the Moscow Exchange and presented with the LACP and the ARC Award.



## Geographical footprint

### Branches

Core business  
Power transmission and distribution  
Technological connection

[GRI 102-4; GRI 102-6; GRI 102-7]

	PL length, thous. km	Substation capacity, MVA	Average headcount, persons
1 Executive office			378
2 Arkhangelsk branch	25,251	2,247	2,212
3 Vologda branch	39,427	2,736	2,666
4 Karelia branch	12,301	1,832	1,352
5 Murmansk branch	6,474	5,253	1,138
6 Komi branch	22,685	3,461	2,783
7 Novgorod branch	23,976	2,042	1,491
8 Pskov branch	46,111	2,015	2,088



9 JSC Pskovenergoagent Power sales Core business: agent's services for power sales

11 JSC Energoservice of the North-West Power sales Core business: power facilities servicing

10 JSC Pskovenergosbyt Power sales Core business: power sales

12 OJSC Lesnaya Skazka Other types of business Core business: renting property for health and recreation services

\* More detailed information on involvement of PJSC IDGC of the North-West in the subsidiary business enterprises and other organisations can be found in the Annex 4 of the Annual report.

\*\* Information on the main productive assets can be found in the Annex 5 of the Annual report.



## Business model

### Business model according to the concept of capital

#### OUR RESOURCES

	2018	2019	2020
<b>Productive capital</b>			
Length of the PL, thousand km	176.4	177.1	175.2
Transformer capacity, MVA	26,509	26,823.4	26,987
Substations (>35 kV), pieces	1,176	1,180	1,182
<b>Intellectual capital</b>			
Intangible assets, RUB mln	31.6	17.4	5.9
Investments to R&D, RUB mln excluding VAT	12.47	9.61	23.77
<b>Financial capital</b>			
Equity capital, RUB mln	19,345	19,811	18,584
Borrowed capital, RUB mln	15,544	15,295	16,631
<b>Human capital</b>			
Average number of employees, persons	15,627	14,595	14,108
Including those with professional education	86.5%	87.6%	88.0%
<b>Natural capital</b>			
Water use, thousand m3	147.19	142.34	130.8
<b>Social and reputational capital</b>			
Credit rating of ACRA	AA+(RU), outcome stable	AA+(RU), outcome stable	AA+(RU), outcome stable
Customer satisfaction level (on a five-point scale)	4.8	4.8	4.8

#### OUR VALUES

- **Reliability**
  - **Human resources**
  - **Efficiency**
  - **Safety**
  - **Social responsibility**
- SHAREHOLDERS INTERESTS\***
    - Reduction of budget deficit
    - Reduction of operational costs
    - Development of non-tariff services and increase of the revenue from their implementation
    - Productivity growth
  - INCREASE OF COMPETITIVENESS**
    - Streamlining of the logistics system
    - LS and centralization of procurement
    - Reduction of energy loss
  - DEVELOPMENT INTERESTS**
    - Achievement of the required tariff level, ensuring the Company's development
    - Digital transformation of the activities
    - Standardisation of business processes and improvement of the organisational and functional structure
    - Efficiency gain of the investment activities
  - SUSTAINABLE DEVELOPMENT**
    - Ensuring of reliable, qualitative and safe power supply of the consumers
    - Prevention of growth of injured in the accidents

#### STRATEGIC PRIORITIES

We ensure power supply through interregional lines and provide services on technological connection to energy grids\*. Our major consumers are population, industrial companies, government and social facilities.



##### TECHNOLOGICAL CONNECTION

Proceeds from the technological connection services are hard to anticipate due to the changes in consumers' plans

##### POWER SUPPLY

The greatest part of our revenue is financed by the energy sales

#### HOW WE MANAGE OUR ACTIVITIES

##### Labour protection (p. 116)

Reduction of the level of staff injuries at each stage of the production process is the Company's priority.

##### Environmental protection (p. 122)

We undertake all possible measures to minimise negative impact on the environment.

##### Staff development and the candidate pool (p. 109)

We promote the staff's professional development in order to increase operational efficiency and motivation.

##### Corporate management (p. 141)

We aim to stick to higher standards of corporate management and follow best international practice.

##### Corporate values (p. 120)

Our corporate values motivate the employees to achieve best results without prejudice to safety, ecology, and without violation of ethical principles.

##### Risk management (p. 183)

We continually monitor the risks connected to our activities.

##### Interaction with stakeholders (p. 99)

For compliance with mutual interests there is a continual interaction with the stakeholders.

#### VALUE ENSUREMENT FOR THE STAKEHOLDERS

##### SHAREHOLDERS

Decrease of power losses by 0.01%  
84.4 c. u. per person  
Increase in labour productivity (5%)  
1.3% increase in Company's capital since 2019

##### CONSUMERS

1.1 thous. km of PL put into service  
31,170 million kWh is the amount of productive power supply from the grid  
13.3 thousand pieces of implemented agreements  
356 MW of connected capacity

##### FINANCIAL ORGANISATIONS

1,004 RUB mln payments of interest on the borrowed capital

##### STATE BODIES AND LOCAL COMMUNITIES

415 RUB mln is the amount of taxes and insurance premiums transferred to the budget  
218 RUB mln of investments to the social infrastructure  
18.2 RUB mln of costs on the ecological projects

##### SUPPLIERS AND CONTRACTORS

1,432 is the amount of procurement  
15,523.95 RUB mln is the total amount of procurement\*\*

##### EMPLOYEES

10 202.08 млн руб. расходы на оплату труда  
495 млн руб 10,202.08 RUB mln costs of salaries  
495 RUB mln costs on the social field

#### CONTRIBUTION TO THE UN GOALS OF SUSTAINABLE DEVELOPMENT



\* Besides major activities, the Company also provides other services on power supply.

\*\* Excluding purchases, services regulated by the legislation of the RF (on prices (tariffs), energy supply (transit), energy acquisition to compensate the loss in the grids) and other inevitable purchase from the only supplier (lease of land, heat/gas/water supply, emergency work).

# CREATING VALUE FOR OUR STAKEHOLDERS

## SUPPLIERS

Wholesale market TGC WGC

FGC UES

**[GRI 102-9]**

In 2019 the Company conducted 1.261 procurement processes for a total amount of 14.6 bln rubles.

**[GRI 204-1]**

Procurement budget share used for purchase from local suppliers\* in the regions of the Company's operation\*\* comprises 2.9 bln rubles including VAT (or 18.7% of the actual level (40.6% of the quantity).

According to the Procurements plan for 2021 it is expected to use 5.1 RUB bln, including VAT on procurement.

**Procurement of goods, work, services**

- New construction and expansion of power grid facilities / 3.524 RUB mln / 22.7%
- Reconstruction and technical reequipment of power grid objects 190 units, 1.995 RUB mln / 12.85%
- Power repair (repair) production, maintenance 497 units / 4.755 RUB mln / 30.63%
- IT procurement, 111 units / 639 RUB mln / .12%
- Other procurement (including R&D and consulting services) 436 units / 4.610 RUB mln / 29.7%
- Other procurement from a single supplier (lease of land, supply of heat/water/gas/electricity, repair works) 171 units / 938 RUB mln / 6.05%

## ROSSETI NORTH-WEST

**POWER SUPPLY**

33,236 kWh mln – output to grid  
 31,170 kWh mln – output from grid  
 41,750 RUB mln – revenue from sales transmission  
 39,086 thou. of substations and transformer substation  
 6.22% – power losses

**TECHNOLOGICAL CONNECTION**

1,201 RUB mln – revenues from TC services  
 67 days – average duration of TC for small and medium businesses

**DEVELOPMENT OF POWER GRIDS WITHIN THE TERRITORY OF COMPANY'S OPERATIONS IN RUSSIA**

**COMPREHENSIVE MAINTENANCE OF CONSUMERS**

**OTHER TYPES OF ACTIVITIES**

985 RUB mln – revenue from other types of activities  
 ✓ 286 RUB mln – revenue from lease of property (fiber optic lines) (29%)  
 ✓ 308 RUB mln – revenue from power generation at the Mezenskaya diesel power plant (31%)

\* Local suppliers in the region of Company's operation.

\*\* Actual cost of the completed purchases from local suppliers in the region of the Company's operation for 2020.

## CONSUMERS

Local grid companies (30.16%) and power sales companies (SLRs)

- Power consumers:**
- Industrial consumers – 40.16%
  - Individuals and equated groups – 10.85%
  - Non-industrial consumers – 7.99%
  - Transport – 5.16%
  - Budgetary consumers – 2.32%
  - Agriculture – 2.18%
  - Oil and gas pipelines – 1.19%

- Technological connection of new power consumers:**
- Individuals – 79.75%
  - Other – 18.27%
  - Production and distribution of electricity, gas, and water – 0.41%
  - Industry – 0.98%
  - Trade – 0.58% etc.

## Strategic development guidelines

“Our industry is one of the main strategically important integral parts of the country’s economy. Sustainable operation of industrial enterprises, social facilities, and growth of the regions’ investment appeal depend on the work of energy workers.

Today we are working in the times of digitalisation of the economy on the whole, including the electric power industry. Not only does this pose new challenges to us, but also opens up great opportunities. I am convinced that the great traditions of the industry, the expertise gained, and the human capital will help us overcome the greatest challenges.”

**General Director of PJSC IDGC of the North-West A. Yu. Pidnik**

### Market overview

#### *World economy<sup>1</sup>*

The persisting restrictions aimed at combating the coronavirus pandemic are currently holding back the economic development in many countries and their trade partners. Even in the countries where strict lockdowns have been called off, there are still restrictions for some economic areas that can be crucial for those countries (tourism, air traffic, catering, entertainment).

The recovery of the world economy in the mid-term is not going to be fast: after the initial rebound to the levels below the pre-crisis ones, there will be a long period of slow growth. In 2021, we expect a recovery growth of the world economy of 4.5-5.0%, after which the global growth rate will again remain at about 3% in the mid-term. The new social distancing rules and the transition of many employees to the remote working mode may result in long-term structural changes in labour productivity dynamics and people's consumption habits. At the time, the extent of these effects cannot be estimated precisely.

#### *Macroeconomic performance in 2020 and projections up to 2023<sup>1</sup>*

In 2020, the **GDP** reduced by 3.1%, which was below the 2019 level (+2.0%<sup>2</sup> in 2019).

Within the production GDP for 2020, the biggest drop in added value was observed in the activities of households as employers and their non-differentiated activities in goods manufacturing and providing services for their own use (-25.9%), followed by hotels and catering companies (-24.1%), culture, sport, and entertainment activities (-11.4%), transport and storage (-10.3%), mining and quarrying (-10.2%), administration and respective auxiliary services (-7.1%), and other services (-6.8%). The drop in net product taxes within the GDP amounted to 5.5%.

A significant drop in demand and the compulsory restriction of business activities within the GDP across income sources for 2020 resulted in the redistribution of the gross profits and mixed incomes, as well as net production and import taxes in favour of employee compensations for labour.

In 2021, economic recovery rates will be impacted by a number of diverse factors. On the one hand, the negative impacts of the remaining quarantine restrictions and the changes in consumption habits should be less significant than expected. Moreover, the growth will be supported by the effect of the loosening of the monetary policies. On the other hand, further normalization of budget expenses after their increase in 2020 to combat the spread of the coronavirus and support the economy will become a restricting factor.

Considering these factors, the expected growth of the GDP in 2021 is 3.3%. Thus, by the 3rd quarter of 2021, the Russian economy will reach the pre-crisis level, and, by the end of 2021, it will get in line with the stable growth necessary to achieve the national development goals. In 2022-2023, the economy shall

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<sup>1</sup> The Russian Federation social and economic development forecast for 2021 and the planning period of 2022-2023 (the Russian Ministry of Economic Development, the baseline option): [https://www.economy.gov.ru/material/directions/makroec/prognozy\\_socialno\\_ekonomicheskogo\\_razvitiya/prognoz\\_socialno\\_ekonomicheskogo\\_razvitiya\\_rf\\_na\\_2021\\_god\\_i\\_na\\_planovyy\\_period\\_2022\\_i\\_2023\\_godov.html](https://www.economy.gov.ru/material/directions/makroec/prognozy_socialno_ekonomicheskogo_razvitiya/prognoz_socialno_ekonomicheskogo_razvitiya_rf_na_2021_god_i_na_planovyy_period_2022_i_2023_godov.html)

<sup>2</sup> In February 2021, Rosstat published its first assessment of the GDP for 2020 prepared using the methods of production, application, and formation based on income sources. In this assessment, Rosstat increased the GDP growth dynamics in 2019 (up to 2.0%).

continue to grow by at least 3%. Besides, the OPEC+ deal with its current parameters expires in 2022. This will result in an increase in oil production and have a positive effect on the GDP dynamics.

The GDP growth over the forecast horizon shall be based on the increased internal demand, both consumer and investment.

In 2020, **industrial production** decreased by 2.9% (compared to 2.4% in 2019). The process industry showed moderate growth by the end of 2020. In 2020, like in previous years, the chemical, food, and consumer goods industries, as well as wood processing, were the drivers of the growth. At the same time, mechanical engineering and metal productions caused some negative dynamics of the process industry in the context of reduced investment activity and external demand. The reduction of the traffic load and the resulting drop in fuel demand caused by the lockdown in Russia and other countries conditioned the negative dynamics of the oil refining industry.

The baseline economic development plan for the Russian Federation in 2020-2023 stipulates the following industrial production growth rates: 2.6% in 2021, 3.6% in 2022, and 2.3% in 2023.

By the end of 2020, the inflation equalled 4.9%. In December, like in the previous two months, food inflation was the main factor pushing the growth of consumer prices. Non-food items also had a significant impact on the inflation in 2020. The devaluation of the ruble, whose effects were moderate in March and April, had a more significant impact on the inflation dynamics between October and December due to the recovery of consumer demand. The prices for products using many imported components increased the fastest. The annualized price increase in the service sector in December remained moderate compared to the previous year due to the persisting quarantine restrictions.

According to the baseline forecast of the Ministry of Economic Development of Russia, budget consolidation will have a hindering effect on the inflation rates in 2021. It will only partially be compensated by the effects of the monetary policies loosening. Under these conditions, the expected inflation at the end of the next year is 3.7% year-on-year. Henceforth we expect the recovery of consumer price increase rate set by the Bank of Russia as a target one (4%).

***Baseline scenario of the Russian Federation social and economic development forecast up to 2023***

	2021	2022	2023
Consumer price index as of the year end, % to December	3.7	4.0	4.0
Industry, %	2.6	3.6	2.3
Gross domestic product, %	3.3	3.4	3.0

Source: The Russian Federation social and economic development forecast up to 2023 (the RF Ministry of Economic Development, baseline)

**Forecast risks**

During the gradual recovery, Russia's economy may face the following challenges.

**Sanitary and epidemiological restrictions** are alleviated gradually and unevenly across the regions depending on the epidemiological situation and the healthcare facilities available. Some of the sanitary requirements for business operations shall remain in place for a long time. The economic recovery rate will be primarily determined by the situation with the disease rates. The baseline option does not stipulate the “second wave” of the new coronavirus infection, yet it is a key risk for the forecast parameters.

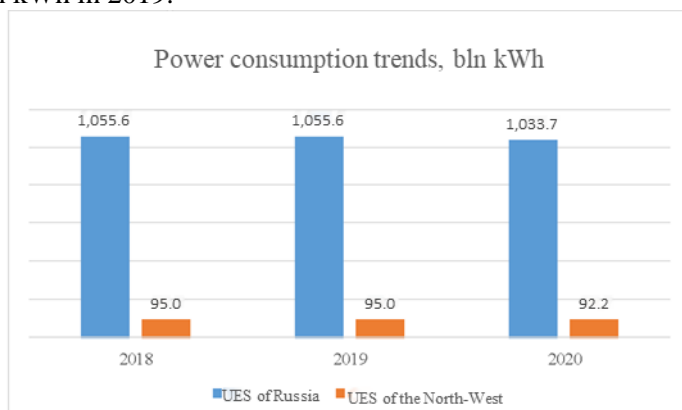
**Global economic recession.** The significant variations in the global growth forecasts for the next year prepared by analysts and international organizations (from 3.5% to 6.5% in 2021) signify that the development of the world economy is very uncertain. The global economic recovery is significantly complicated by the uneven lifting of lockdowns in different countries, which may not only result in the preservation of some demand restrictions but also the breaks of global value-added creation chains.

***Electric power consumption in the industry and forecasted electric power production and consumption<sup>3</sup>***

<sup>3</sup> The Russian Federation social and economic development forecast for 2021 and the planning period of 2022-2023 (The RF Ministry of Economic Development, baseline option).

JSC System Operator: a Performance report of the Unified Energy System of Russia for 2020: [https://www.sosups.ru/fileadmin/files/company/reports/disclosure/2021/ups\\_rep2020.pdf](https://www.sosups.ru/fileadmin/files/company/reports/disclosure/2021/ups_rep2020.pdf)

Power consumption volume within the Unified Energy System of Russia amounted to 1,033.7 billion kWh in 2020, which is 2.1% lower than in 2019. The integrated energy system of the North-West showed a slight 2.98% reduction in power consumption in 2020. It amounted to 92.2 billion kWh compared to 95 billion kWh in 2019.



Source: JSC System Operator

In 2020, the reduction of annual power consumption in the Unified Energy System of Russia due to the temperature factor is estimated to be 3.3 billion kWh (-0.3%). This happened because of the 1°C increase in the yearly average temperature in the energy system compared to the previous year. The biggest impact of temperatures on the power consumption dynamics was observed in Q1 2020 when the deviations from the monthly average temperatures were at their highest.

A significant reduction in power consumption was registered in April 2020, which was caused by the introduction of the coronavirus lockdown.

Since May 2020, a further decrease in power consumption was recorded in the Unified Energy System of Russia due to the simultaneous influence of two key factors: the persisting business operations restrictions during the lockdown and the significant reduction of power consumption by oil producing and transporting companies due to the OPEC+ deal, as well as the reduced fuel consumption in the domestic market.

The power consumption of large metal plants, mechanical engineering companies, chemical and wood processing factories also decreased in 2020, as well as that of the electrified railway lines.

In the mid-term, the power production volume will still be determined by the growth rate of the Russian economy. The expected power production for 2023 is 1,166.4 billion kWh, while the expected power consumption in the domestic market should increase to 1,152.6 billion kWh (+3.1% on 2019). Since the power consumption in the domestic market heavily depends on the temperature factor, the annual power production and consumption rates may fluctuate between 0.3–0.6% depending on the deviations of the temperature values from the multi-year averages.

We do not expect any significant changes in the generation structure in terms of power plant types. We will continue to increase our generating capacities in the non-conventional and renewable energy source sector.

In 2023, thermal power plants will remain the main energy source. Their power production will increase by 5.0% compared to 2019 and their share will amount to 62.0%. By 2019, the nuclear power plant production will decrease by 7.0%, and their share will reduce from 18.4% to 16.7%. The production of hydropower plants will decrease by 0.6%, and their share will reduce to 16.7% from 17.2%.

### ***Tariff indexation up to 2023***

The annual increase in the regulated tariffs of grid companies for customers other than individuals will remain under 3.0% on average in the country in 2020-2023, which is consistent with the previous assumptions. To reduce the amount of cross-subsidization in the power grid system, tariffs of grid companies for individuals are to be annually indexed, on average, at 5% in Russia. The regulated electric power tariffs for residents will increase at the same rate.

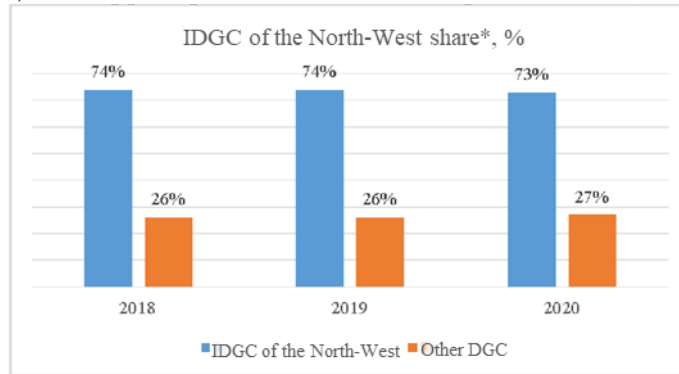
The average non-regulated price dynamics for end-users, excluding residents, will be at 5.6% in the retail market in 2021. In 2022-2023, it will not exceed the target inflation parameters included in the scenario and will amount to 2.9-3.5%.

### ***Market position of the Company***

PJSC IDGC of the North-West operates in seven regions of the North-Western Russian Federation, being the largest power grid company in the operations area.

The Company's core business is electric power transmission. In accordance with the FTS of Russia decision (Order of 03.06.2008 No.191-E), PJSC IDGC of the North-West was included under No.47.1.116 in the register of natural power transmission monopolies.

The Company's share in the power transmission market within its footprint totals **73%**, including the power partially transferred through the grids of the local grid operators (LGOs – payees).



\* \* The market share was calculated on the basis of the tariff-and-balance decisions on setting common pot tariffs for a given constituent entity of the Russian Federation.

### ***Competitive environment***

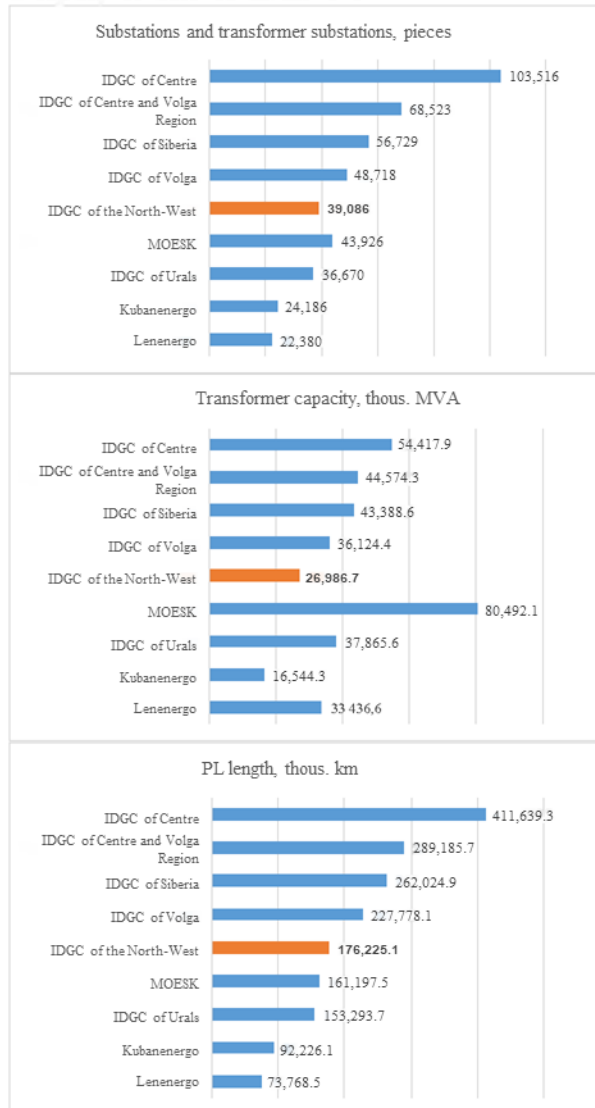
To estimate the investment attractiveness of the PJSC IDGC of the North-West shares at the stock market, the Company is usually compared to other IDGCs, though those companies are essentially not competitors, moreover, they are all subsidiaries to PJSC Rosseti.

In terms of its assets and volume of services provided, PJSC IDGC of the North-West has average values among the subsidiaries of PJSC Rosseti, which makes it a sectoral “benchmark” among other IDGCs regarding the positive and negative effects of the given regulatory system. At the same time, the Company is among the best IDGCs in the industry by the amount of power losses, which is due to upgrade of the electric power metering system, introduction of a single customer base, provision of data communication devices to electricians and a number of other measures. Moreover, the Company shows consistent reduction in the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI).



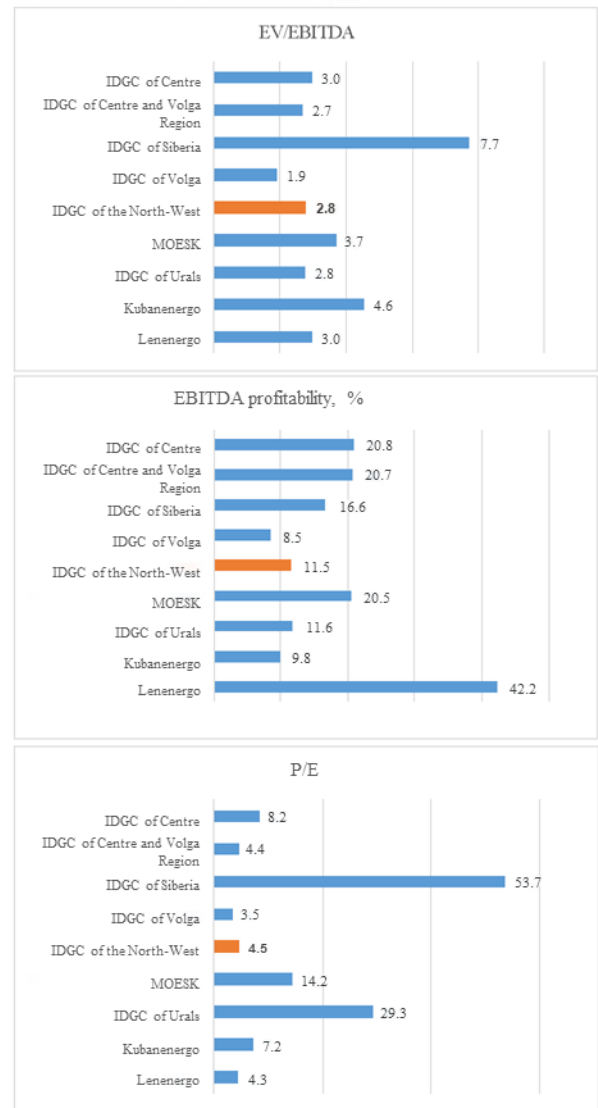
## Comparison with the Russian power grid companies in the reporting year

### Operational performance



Source: Company data

### Financial and investment indicators



Source: Bloomberg

## Strategic priorities and development prospects

The mission of PJSC IDGC of the North-West is ensuring reliable and uninterrupted power supply to its consumers and stable income for shareholders through efficient management of the distribution grid based on the unified strategic approaches to business.

### *The development strategy of the Rosseti Group for the period up to 2030*

In December 2019, a new strategy of the Rosseti Group was approved. It identifies the goals and development areas up to 2030.

The development strategy of the Rosseti Group stipulates the transition to the business model of the modern innovation infrastructure. The key strategic priorities of the Rosseti Group include:

- ensuring the set level of power supply reliability and quality;
- increasing the shareholders' total returns;
- ensuring resilience against the changes in the global and local electricity markets.

These aims are to be achieved by implementing the key strategy areas and solving the associated problems: technological and innovative development, digital transformation, business diversification, improvement of operational and investment efficiency, development of international communications and talent, etc.

### *Strategic priorities*

#### **[GRI 103-2]**

Following the Regulation on target setting (approved by Order of the Company of 10.12.2019 No. 800r), the Company sets its Strategic priorities, which are understood as key development areas, taking into account the company Context, industry development Strategy, and the strategic goals of the Rosseti Group, as well as the opportunities and threats present. By Order of the Company No. 362r of 22.07.2020, the strategic priorities of the Company are as follows:

1. Ensuring reliable, high-quality, and safe power supply to consumers.
2. Improving operational and investment efficiency.
3. Digital transformation of operations. Technological and innovative development.
4. Business diversification.
5. Standardizing business processes and improving the functional organization.
6. Ensuring integrated security of the Company operations.
7. Streamlining the inventory and logistics management system and centralization of procurement activities.
8. Power losses reduction.
9. Human resource development and labour productivity improvement.
10. Preventing the increase in the number of accident victims.
11. Increasing the share in the grid service market.
12. Promoting a positive image of the Company in the media and ensuring efficient cooperation with the authorities.
13. Increasing the investment appeal and shareholder value.
14. Ensuring the efficiency of corporate management.
15. Complying with the legislation, including the anti-corruption and anti-monopoly laws.
16. Promoting the tariff level necessary to ensure the development of the Company.

**Strategic priorities achievement. Performance for 2020 [GRI 103-3]**

Strategic priorities	Key performance indicators	Risks impacting the implementation of the strategy <sup>4</sup>	Performance results for 2020
<b>Shareholders' interests</b>			
<ul style="list-style-type: none"> <li>Increasing operational and investment efficiency</li> <li>Human resource development and labour productivity improvement</li> <li>Business diversification</li> <li>The promotion of a positive image of the Company in the media and ensuring efficient cooperation with the authorities</li> <li>Increasing the investment appeal and shareholders' value</li> <li>Ensuring the efficiency of corporate management</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated profits on operations (EBITDA)</li> <li>Consolidated net debt/EBITDA</li> <li>Consolidated net cash flow</li> </ul>	<ul style="list-style-type: none"> <li>Strategic risk (FR01-15)</li> <li>Investment risks (FR10-03)</li> <li>Legal risks (FR09-__[1], FR12-04, FR13-08)</li> </ul>	<ul style="list-style-type: none"> <li>An Action Plant was developed and approved by the Company Board of Directors to ensure the profitability of providing power transmission services and keep the operating costs within the level set by the tariff and balance policy (TBP, Minutes No. 333/10 of 26.09.2019). Actions are taken to reduce the operating costs to the level set in the tariff and balance policies. The target reduction of operating expenses imbalance of 1.4 billion rubles was fully achieved in 2020 with an actual value of 1.4 billion rubles.</li> <li>Concerning the business diversification activities, some suggestions to renovate heat supply systems in the pilot regions (Murmansk Region and the Republic of Karelia) were prepared and submitted for revision to the local authorities. Their investment value is over 2 billion rubles and they guarantee the earnings of over 20 billion rubles over 20 years with a profit of over 1.5 billion rubles. Similar projects are initiated in Arkhangelsk Region and the Komi Republic.</li> <li>The Company controls so that the actual specific investment expenses do not exceed the planned ones. Thus, the actual investment expenses reduction in 2020 was 0.99, while the goal was <math>\leq 1</math>.</li> </ul>
<b>Competitive ability improvement</b>			
<ul style="list-style-type: none"> <li>Streamlining the inventory and logistics management system and centralization of procurement activities.</li> <li>Power loss reduction</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of specific operating expenses (costs)</li> <li>Improving the capacity utilization rate of the power grid equipment</li> <li>Labour productivity improvement</li> </ul>	<ul style="list-style-type: none"> <li>Industry-specific risks (FR01-04, FR05-01)</li> <li>Legal risks (FR09-__[1], FR12-04, FR13-08)</li> </ul>	<ul style="list-style-type: none"> <li>The number of procurement procedures performed was reduced by 7% due to the consolidation and centralization of procurement activities at the executive level.</li> <li>Through the implementation of the Action programme to reduce losses for 2020–2024, the Company reached the target value for power losses in 2020, 6.22% (planned value: 6.22%).</li> </ul>
<b>Development interests</b>			

<sup>4</sup> Risks are described in more detail in the section on the Risk management system in the 2020 integrated annual report.

<ul style="list-style-type: none"> <li>• Promoting the tariff level necessary to ensure the development of the Company</li> <li>• Digital transformation of operations. Technological and innovative development</li> <li>• Standardizing business processes and improving the functional organization</li> <li>• Increasing the share in the grid service market</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with the commissioning schedule</li> <li>• Effectiveness of innovation</li> <li>• Power loss level</li> <li>• Reducing the specific investment expenses</li> <li>• Progress on the action plan to reduce the Company's receivables</li> </ul>	<ul style="list-style-type: none"> <li>• Country- and region-specific risks (FR08-01)</li> <li>• Investment risks (FR10-03)</li> <li>• Operational risks (FR01-01, FR01-02, FR03-01, FR06-01, FR07-05, FR08-04)</li> </ul>	<ul style="list-style-type: none"> <li>• On 27.01.2020 (Minutes No. 347/24), the Company Board of Directors approved a programme of digital transformation of PJSC IDGC of the North-West for 2020-2030.</li> <li>• In 2020, Molochnaya and Balaton digital 35 kV substations and a digital PDZ (Borovichsky) were commissioned.</li> <li>• Over the reporting period, the Company reduced the receivables turnover time from 70 to 60 days.</li> <li>• The Company is implementing a project on the unification of operations in PUs and PDZs, balanced personnel distribution, and load levelling within functions. In 2020, a new Company breakdown was approved through the required corporate procedures. Its goal, among other things, is centralization (the number of PUs was reduced from 26 to 22, and the number of PDZs - from 126 to 82).</li> <li>• Good results were achieved in collecting overdue receivables. The sum of claims redeemed by court orders to collect the debts for power transmission services as of 01.01.2021 was 995.079 million rubles.</li> </ul>
<b>Sustainable development</b>			
<ul style="list-style-type: none"> <li>• Ensuring reliable, high-quality, and safe power supply to consumers</li> <li>• Preventing the increase in the number of accident victims</li> <li>• Ensuring an integrated security of the Company operations</li> <li>• Complying with the legislation, including the anti-corruption and anti-monopoly laws</li> </ul>	<ul style="list-style-type: none"> <li>• Reaching the reliability level of the rendered services</li> <li>• Complying with the grid connection deadlines</li> <li>• Zero increase in major accidents</li> <li>• Zero increase in the casualty toll</li> </ul>	<ul style="list-style-type: none"> <li>• Legal risks (FR09-__[1], FR12-04, FR13-08)</li> </ul>	<ul style="list-style-type: none"> <li>• The average duration of power cut-offs for consumers in case of mass blackouts of power grid facilities caused by adverse (dangerous) natural phenomena reduced to 0.71 h.</li> <li>• The reduction of accident rates.</li> <li>• Zero fatal accidents.</li> <li>• Zero accidents due to the Company's fault.</li> <li>• A total of 5,879 Company's automated facilities were fitted with the Secret Net Studio unauthorized access protection.</li> </ul>

## *SWOT analysis*

SWOT analysis is a method of strategic planning stipulating the identification of internal and external factors and grouping them into four categories: strengths, weaknesses, opportunities, and threats. The Company's SWOT analysis can be presented as follows:

### *Internal context*

#### **Strengths**

- Natural monopoly
- High level of power supply reliability
- Investments in the Company's power grid infrastructure
- Low level of power losses
- Stable financial situation and balanced loan portfolio
- High level of corporate governance
- Qualified workforce and management
- Vast sectoral expertise
- Positive business reputation in the operations area
- Leadership on the market of the services rendered
- Competitive salary level in the operations area
- The ability to provide a versatile response to unpredictable and unfavourable events (e.g., the rapid transition of all the personnel into the remote working mode) while maintaining the quality

#### **Weaknesses**

- Inadequacy of the existing legal framework for tariff regulation
- High deterioration level of grids and equipment
- Influence of the industrial infrastructure development in the regions of presence on the financial results
- Influence of seasonal, climatic and geographical conditions on the operational performance
- The financial load is too high to fulfil obligations in occupational therapy within the existing legal framework

### *External context*

#### **Opportunities**

- Achievement of competitive tariffs
- Business diversification (including the rearrangement of heat generation services using inefficient fuels through concession agreements and energy service contracts)
- Energy-saving technologies
- Boosting the Company's governance efficiency
- Reduction in operating expenses
- The improvement and standardization of business processes, the load levelling for the personnel in production facilities and power distribution zones
- Attracting new electrical power consumers
- Improving reliability through the consolidation of the power grid assets
- Expanding the activities to reduce receivables
- Building a positive image by direct consumer communication at the portal "The Light Country"

#### **Threats**

- The increased popularity of in-house generation as a more convenient and cheaper power supply option among large consumers, and the reduction of power consumption due to macroeconomic factors
- Competition, primarily from LGOs
- Dependence of the regional investment climate on the international agenda, sanctions, and unfavourable shifts in exchange rates
- Changes in the areas of legislation regulating the power industry
- Natural disasters
- Misconduct of suppliers and contractors
- The reduction of the consumer demand and production, the reduction of business activity due to the COVID-19 pandemic

### ***Company development prospects\****

The development of the Company is determined by the forward-looking distribution grid configuration set out in comprehensive development programs (CDPs), Power engineering development schemes and programs (DS&P) of the territorial entities of the Russian Federation that are implemented through the investment programme formed in accordance with the requirements of the RF Government Order of 01.12.2009 No.977 “On investment programs of the power industry entities”.

The current investment programme of the Company was approved by Order of the Russian Ministry of Energy No. 24@ of 25.12.2020 №24@ and published on its website following the established procedure. The approved investment programme of the Company stipulates capital investment financing in the amount sufficient to ensure seamless power supply to consumers and maintain the operating capacity of the fixed assets.

Taking into account the results of tariff and balance decisions made by the regulators in 2021 and concerning the Company's core activities (power transmission), the Company prepared an investment programme correction project (disclosed in 2021), which will be made available for public review and approval on the website of the Russian Ministry of Energy after it gets approved by the Company Board of Directors. According to the financial plan for the IP correction project, the Company expects to achieve the following forecast performance indicators:

#### **Key indicator dynamics, RUB mln**

Indicator	Actual	Actual	Actual	Change 2020/2019, %	Planned		Forecast		
	2018	2019	2020		2021	2022	2023	2024	2025
Revenue	61,123	45,131	43,936	-3%	45,702	46,935	47,198	49,029	51,190
Net cost	56,696	41,928	42,004	0%	43,536	44,665	45,487	46,695	47,811
EBITDA	6,782	6,585	4,034	-39%	6,819	7,230	6,196	6,806	7,920
Net profit	754	577	-1,371	-338%	855	869	-14	471	1,406
Capital costs	6,327	4,839	4,224	-13%	6,317	4,419	4,210	4,481	4,771
Net debt	15,393	14,447	14,818	3%	16,290	15,809	15,336	13,920	11,882

\* The data on the investment programme: [http://www.mrsksevzap.ru/id\\_20kapitalplans#tab1](http://www.mrsksevzap.ru/id_20kapitalplans#tab1) (The final draft of the investment programme of PJSC IDGC of the North-West adjustment of 09.12.2020 (publication date: 14.12.2020) Part 1 <https://minenergo.gov.ru/system/download/4193/130526>).

## Key investment projects



**Future  
development**

In 2021-2025, 9 priority investment projects are to be implemented in five regions of the Company's operations with the total value of RUB 6.5 bln including VAT. They include 5 renovation and technical re-equipment projects for substations, construction of a new 32 MVA substation, renovation of the capacity from 35 kV to 110 kV (total length of 12.5 km), as well as 2 projects involving the construction of 110 kV overhead power lines 189 km long. Overall, the long-term investment programme of the Company for 2021-2025 stipulates commissioning of 7,095 km of power lines and more than 601 MVA of substation capacity. The financing of the investment programme is to comprise RUB 36.7 bln with VAT.

**2021-2025**  
RUB 36.7 bln with VAT is the total value of the investment programme financing

Results planned:  
7,095 km of PL  
Over 601 MVA of substation capacity

## Development project



Construction of 110 kV OL No. 103 Vorkutinskaya CHPP No. 2 – 110/10 kV SS Oikhovey

### Project description

The largest project, the total project value is over RUB 2 bln incl. VAT. Implemented under the technological connection contract with PJSC

Gazprom of CS-5 Usinskaya, CU-2 within the framework of building the gas pipeline system Bovanenkovo-Ukhta.

Construction of SS 110 kV Prionezhskaya

### Project description

The project is being implemented within the programme of long-term development of the Karelia power industry up to 2024 in the village of Shuya, Prionezhsky district. The cost of construction project is 0.64 RUB bln net of VAT.

Construction of two 110 kV OLs from reinstalled cells of 110 kV 110/10 substation no. 35 to the 110/10 main stepdown substation of the Applicant Near the city of Olenegorsk, Murmansk region

### Project description

The project cost is 0.51 RUB bln net of VAT. It is implemented within the technological connection agreement with the Russian Ministry of Defense.

Renovation of SS 110/10 kV Krasnozatonkaya, replacement of 2x16 MVA power transformers

### Project description

The project is being implemented to ensure stable power supply to consumers, as well as to provide conditions for the technological connection of new consumers in Syktyvkar and the Republic of Komi.

The renovation project costs are RUB 0.5 bln net of VAT. Renovation of head section of 110 kV OL Suda-1, 2

### Project description

Total project cost is RUB 0.16 bln, VAT included. The project is being implemented within the framework of the technological connection agreement with the Department of Capital Construction and Repair to allow for the connection of the 110/10 kV substation that will feed the Cherepovets industrial park.

### Location

Intinski District, the Republic of Komi  
Timeline 2015-2021

Commissioning 2021

### Location

Prionezhsky district, the Republic of Karelia

### Timeline

**2019-2024**

Commissioning Q4 2024

### Location

Olenegorsk,  
Murmansk region

### Timeline

**2020-2021**

Commissioning 2021

### Location

Republic of Komi  
Timeline **2019-2022**

Commissioning Q4 2022

### Location

Cherepovets, Vologda region

**2019-2021**

Commissioning 2021



# Power loss reduction

## 2. IT infrastructure upgrade and development of technological automated information and analysis systems for building the volume of power transmission and analysing power balances (the systems of AIS Power Transport and top-level information computing system on the platform “Piramida Ceti”), including:

Introduction of the technologies for planning, quality control and result processing to service power metering systems using the mobile version of AIS Power Transport (WS Operator, WS Controller).

Integration with the consumer account for metering values receipt from consumers or applications for verification, installation and certification of meters.

Integration with external systems (asset management system, technological connection system) for prompt update of the consumer databases and grid layout.

## Key activities on power loss reduction



### 1. Implementation of projects to create automated smart systems of power metering, including:

#### • By attracting private investment

In 2020, the Company allocated RUB 201 mln of investment to equip grid sites of branches with high losses level with power metering systems.

In 2021, the Company intends to attract RUB 10.717 bln to install intelligent electricity metering devices at 271 thousand sites of the distribution network of the Company's branches with a high level of losses. Upon implementation of the energy service agreements, the current losses level in the distribution grid is to be reduced by 471.3 mln kWh in 5 years.

#### • Within the Company's investment activities

The approved investment programme of the Company for 2021-2025 (as per the Order No. 24 of the Russian Ministry of Energy dated December 25, 2020) stipulates financing sources for installation of 222.3 thousand smart power metering devices, including projects aimed at meeting the requirements of the Federal Law of 27.12.2018 No.522-FZ "On amending some laws of the Russian Federation due to the development of the power (capacity) metering systems in the Russian Federation". The total amount of expenditures is RUB 4.784 bln, VAT excluded.

In 2020, a total of 8,093 thousand commercial smart power metering devices were installed and replaced. 6,006 thousand commercial smart power metering devices were installed and replaced within the framework of projects aimed at meeting the requirements of the Federal Law of 27.12.2018 No.522-FZ "On amending some laws of the Russian Federation due to the development of the power (capacity) metering systems in the Russian Federation."

### 3. Vocational training and retraining of personnel in line with the current requirements and challenges

- Introduction of mobile tablet devices in working with power losses, as well as new power metering devices to control the correctness of connection and accuracy of meters, as well as new models of smart meters and data collection and transfer devices requires ongoing improvement in theoretical knowledge and applied skills of using advanced technical devices and software applications.

- The company is constantly increasing the competence level of its operational power metering personnel. It has worked out and developed staff training programmes, holds regular contests in professional skills of power metering personnel.

- As the smart power metering technologies are developing, so are the techniques of power theft used by unprincipled consumers. The Company carried out ongoing monitoring, analysis and implementation of advanced methods of fighting "loaded meters".

\* "Loaded" meters are the power meters with deliberate changes in the construction (scheme) not provided by the manufacturer made to distort the reported volume of power consumed.



## Key performance indicators

Achievement of the Company's priority development goals is assessed using the key performance indicators (KPI) system.

The system of the General Director's KPIs was established based on the following documents:

- clause 15.1 of article 15 of the Company's charter,
- Decision of the Company's Board of Directors dated 08.12.2020 (Minutes No. 382/18 of 08.12.2020).

The target values of key performance indicators were established by the Company Board of Directors on 08.12.2020 (Minutes No. 382/18 of 08.12.2020).

Under the above Decision of the Company Board of Directors, in 2020, the following set and the following target values of the key performance indicators were identified:

KPI	Calculation procedures
Total shareholder returns	Comparing the dividends accrued in the reporting year to the average value for the previous three years and the value mentioned in the Company business plan
Return on invested capital	Assessing the proportion between the profits before taxes and the interest for the capital value and long-term credits and loans
Consolidated operating profit (EBITDA)	Section 1. The increase in the actual EBITDA compared to the previous year must be at the yearly average tariff growth rate or above Section 2. If this condition is not fulfilled, the actual EBITDA value is compared to the planned one calculated using the approved business plan
Reduction of specific operating expenses (costs)	The reduction of the proportion of the specific operating costs and the amount of equipment serviced (conventional units) in the reporting year compared to the previous year
Power loss level	The proportion between the power supplied to the grid minus the power consumed from the grid and used for household needs and the power supplied to the grid minus the internal net power flow
Labour productivity improvement	According to the Rosstat Order No. 576 of 23.09.2014: the proportion between the earnings obtained from power transmission and the number of liquidated man-hours
Innovation efficiency	The integral indicator of innovation efficiency assesses the progress on the three nested indicators: R&D costs, innovative product purchases, D&S development (actualization) quality/D&S implementation
Reduction of accounts receivable	The reduction of the actual overdue receivables across all of the S&A (excluding the moratorium and restructured debts, and the debts of the contractors that seized to be wholesale power market players and/or default providers)
Complying with the grid connection deadlines	The integral indicator assessing the quality of technical connections to the grids of S&A of PJSC Rosseti consisting of three components: the quality of reviewing technical connection applications, the quality of technical connection contract fulfilment, the compliance with the antimonopoly laws of the Russian Federation
Debt / EBITDA	Section 1. Assessed using the results of achieving the required proportion of debts to the EBITDA value. If the Company is financially stable, the target is $\leq 3.0$ . Otherwise, the improvement must be at least 10% compared to the actual values of the previous year but not less than 3.0. Section 2. If this condition is not fulfilled, the achievement of the planned debt/EBITDA value calculated using the approved business plan is assessed
Compliance with the commissioning schedule	The proportion between the total actual basic asset acceptance for accounting (in monetary terms applied to completed facilities accepted as basic assets in the reporting year with quarterly breakdown) to the planned value according to the approved Company investment programme and its implementation schedules
Readiness to work during the heating season	The indicator assessing the Company's readiness to work during the heating season based on the monthly monitoring of Russia's Ministry of Energy
Implementing the Company Development Plan	The bonus reduction indicator calculated depending on the number of the Company Development Plan actions approved by the Board of Directors of PJSC Rosseti that were not fulfilled during the reported period
Reaching the reliability level of the rendered services	Tariff regulation reliability indicators (SAIDI, SAIFI) and the number of large accidents compared to the averages for 3 years

Zero occupational accidents	The number of Company employees injured in accidents (with light, serious or deadly consequences) due to the officials' failure to fulfil their responsibilities in the reporting year
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### Target values and KPI results achieved

Indicators set	Weight in the bonus system in 2020, %	Actual values for 2019 // achievement assessment for 2019	Target value for 2020	Actual values for 2020 <sup>5</sup> // % to the actual values for 2019 <sup>6</sup>	Achievement assessment for 2020 // reasons for deviations	Target value for 2021
Total shareholder returns	10	in place since 2020	≥ the average amount of funds allocated to pay out dividends following the decisions of the Company General Shareholder Meetings for 3 years preceding the reporting period ≥ the sum of funds allocated to pay out dividends in the reporting period according to the Company business plan	The indicator achievement will be assessed using the decisions taken by the General Shareholder Meeting of the Company concerning the distribution of Company profits according to the results for 2020	≥ the average amount of funds allocated to pay out dividends following the decisions of the Company General Shareholder Meetings for 3 years preceding the reporting period ≥ the sum of funds allocated to pay out dividends in the reporting period according to the Company business plan	
Return on invested capital	20	in place since 2020	≥ 95.0%	97% // -	achieved	≥ 95.0%
Consolidated operating profit (EBITDA)	15	in place since 2020	fulfilled	fulfilled // -	achieved	fulfilled
Reduction of specific operating expenses (costs)	10	7.5% // achieved	≥ 2%	6.7% // 89%	achieved	≥ 2%
Power loss level	10	6.23% // achieved	≤ 6.22%	6.10% // 102%	achieved	≤ 6.11%
Labour productivity improvement	5	3.80% // achieved	≥ 2.00%	7.82% // 206%	achieved	≥ 5.00%
Innovation efficiency	20	146% // achieved	≥ 90%	90% // 62%	achieved	≥ 90%
Reduction of accounts receivable	10	in place since 2020	≤ 100%	98% // -	achieved	≤ 100%
Complying with the grid connection deadlines	-10	1.1 // achieved	≤ 1.1	1.1 // <sup>-7</sup>	achieved-	≤ the actual indicator value for the previous year multiplied by 0.85 but no less than 1.1
Debt / EBITDA	-10	in place since 2020	fulfilled	fulfilled // -	achieved	fulfilled

<sup>5</sup> For 2020, we present the expected level of KPI achievement taking into account the preparation terms and procedures for the reports that are used to calculate KPIs. The resulting actual values are approved by the Board of Directors of PJSC IDGC of the North-West.

<sup>6</sup> The comparison of the expected values for 2020 is performed using the target values for 2020 and the actual results for 2019 for the parameters with similar calculation methods.

<sup>7</sup> The comparison is not performed due to the update of KPI calculation methods in 2020.

Compliance with the commissioning schedule	-10	actual value for Q4 2019 71% // not achieved	$\geq 90\%$	94% // <sup>-8</sup>	achieved	$\geq 90\%$
Readiness to work during the heating season	-10	in place since 2020	$\geq 0.95$	0.98 // -	achieved	Simultaneously: 1) $\geq 0.95$ 2) Failure to achieve the set value for the specialized indicator of Some Unfulfilled Actions to Ensure the Readiness of a Power Industry Entity
Implementing the Company Development Plan	-70	in place since 2020	Not applicable because the Company has no Development Plan for 2020	—	—	Not applicable because the Company has no Development Plan for 2021
Reaching the reliability level of the rendered services	-10	1) KPI $\leq 1.00$ 2) Ksaiidi=1.55; Ksaifi=1.35 // achieved	Simultaneously: 1) $K_i \leq 1$ 2) No significant deterioration of indicators set by the tariff regulation authorities 3) Zero increase in major accidents	1) KPI $\leq 1.00$ 2) Ksaiidi=2.964; Ksaifi=1.495 // <sup>-8</sup>	achieved	Simultaneously: 1) $K_i \leq 1$ 2) No significant deterioration of indicators set by the tariff regulation authorities 3) Zero increase in major accidents
Zero occupational accidents	-10	in place since 2020	Simultaneously: 1) No more than two injured persons; 2) 0	1) 0 2) 0	achieved	Simultaneously: 1) No more than two injured persons; 2) 0

To improve the efficiency of PJSC IDGC of the North-West operations and to update the KPI calculation methods following the decision of PJSC IDGC of the North-West Board of Directors of 30.12.2020 (Minutes No. 385/21 of 30.12.2020) in 2020, some changes were made to the KPI system as compared to the 2019, including the following:

1) The updated KPI system is based on yearly indicators, while the quarterly indicators were excluded;

2) New yearly KPIs were added to the existing set, including the Total Shareholder Returns, Return on Invested Capital, Readiness to Work During the Heating Season, Implementing the Company Development Plan;

3) Some KPIs were excluded from the set: Reducing the Specific Investment Expenses, Consolidated Net Cash Flow, Improving the Capacity Utilization Rate of the Power Grid Equipment,

4) Some quarterly KPIs were made into yearly ones: Profits on Operations (EBITDA), Reduction of Receivables, Debt/EBITDA, Zero Occupational Accidents;

5) The calculation methods were updated for such KPIs as Reduction of Specific Operating Expenses (Costs), Power Loss Level, Labour Productivity Improvement, Complying with the Grid Connection Deadlines, Compliance with the Commissioning Schedule, Reaching the Reliability Level of the Services Rendered.

The Company's system of key performance indicators correlates to the variable part of the management remuneration – each of the indicators has a specific weight in the amount of incentives paid, quarterly and annual bonuses are paid on condition of the respective KPI achievement.

## Performance Results

### Investment activities



#### *Cost and physical parameters of investment activities [GRI 103-3]*

	2018	2019	2020
Financing, million rubles (VAT included)	9,034	5,534	4,973
Implemented capital investments, million rubles (VAT excluded)	6,322	4,832	4,224
Commissioning of fixed assets, million rubles (VAT excluded)	6,098	4,892	4,111
Commissioning of transformer capacity fixed assets, million rubles (VAT excluded) MVA	266.9	179	159
Commissioning of overhead line fixed assets, million rubles (VAT excluded)	1,641.6	1,316	1,113

During 2020, as the COVID-19 pandemic unfolded, PJSC IDGC of the North-West conducted activities to optimize investment costs in accordance with the scenario requirements coordinated by the Ministry of Energy of the Russian Federation, as well as taking into account the decisions of the Government of the Russian Federation on the stabilization of the financial and economic situation of the PJSC Rosseti subsidiaries. The corrected Investment programme of the Company was approved by the Order of the Ministry of Energy of the Russian Federation dated 25.12.2020 No. 24@.

**[GRI 103-2]** Company annually builds new and renovates existing power grid infrastructure facilities. Particular focus is given to upgrade and improved reliability of the power grid infrastructure operation for uninterrupted consumer power supply to consumers. To improve the investment efficiency, the Company conducts supervision of reconstructed and constructed facilities, including independent supervision with the involvement of contracting organizations for 35–110 kV facilities. Simultaneously, the Company monitors that the actual specific investment expenses do not exceed the planned levels. Thus, the actual investment expenses reduction in 2020 was 0.99, while the goal was  $\leq 1$ .

#### *Parameters of investment activities*

The Investment programme of PJSC IDGC of the North-West for 2020 was developed taking into account the aims and objectives of the Unified Technical Policy in the Power Grid System and approved by Order of the Russian Ministry of Energy of 25.12.2020 No. 24@.

The investment activity is aimed to enhance reliability and performance of the power grid system, as well as to reduce losses in power grids. Achievement of the investment goals will enable the Company to reduce operating expenses, allow to launch extra capacities for connecting new consumers, and eliminate power shortage.

#### *Capital investments financing breakdown for 3 years, RUB mln incl. VAT*

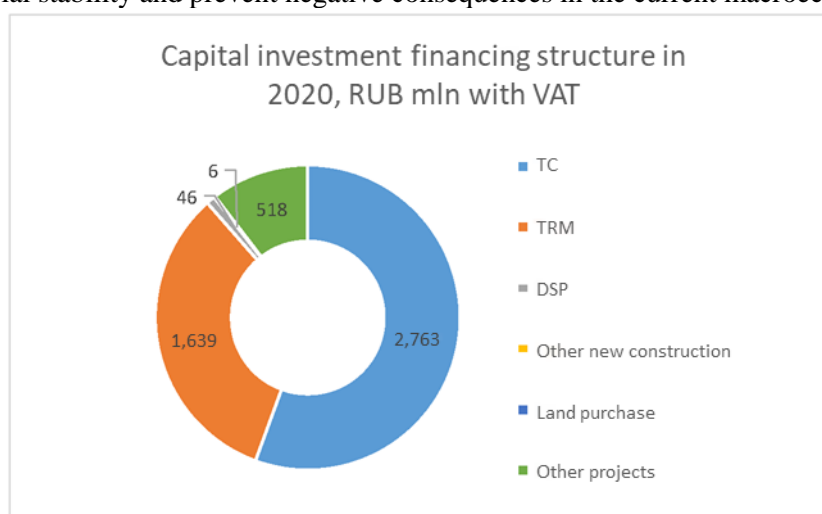
	2018	2019	2020
Technological connection	5,368	2,631	2,763
Renovation, modernisation, technical re-equipment	2,079	1,729	1,639
Investment projects conditioned by the power industry long-term development schemes and programmes	306	204	46
Other new construction of power grid facilities	39	18	6
Purchase of land plots for the purposes of investment projects implementation	-	-	-
Other investment projects	1,242	952	518
Total	9,034	5,534	4,973

In 2018-2020, the Company's Investment programme was largely financed from the entity's own funds (the share of borrowed funds amounted to 2.9% in 2019 and 8.5% in 2020).

**Sources of the Company's investment programme financing for 3 years, RUB mln:**

	2018	2019	2020
Sources of the investment programme financing, total including:	9,034	5,534	4,973
Own funds total, including:	8,706	5,374	4,547
Profits allocated to investments	3,336	849	662
Fixed assets depreciation	4,074	3,793	3,134
VAT refund	1,114	549	425
Other own funds	182	184	325
Borrowed funds	328	160	425

Overall, the total financing of PJSC IDGC of the North-West reduced in 2020 by 10% compared to 2019. This reduction occurred due to the optimization of the Company's investment programme for stress scenarios of the power grid system operation in accordance with the activity funding priorities as specified in the scenario conditions for investment programme optimization agreed by the Ministry of Energy of the Russian Federation (Letter from 15.05.2020 No. MU-5492/09) in order to maintain the financial stability and prevent negative consequences in the current macroeconomic situation.



In the total financing, 56% accounted for technological connection projects, 33% — for technical re-equipment and renovation, 10% — other IP projects, 1% — investment projects, the implementation of which was conditioned by long-term development schemes and programs for the power industry, as well as 0.1% — other new power grid facilities construction.

While the total amount of the Company financing having decreased by 10% in 2020, the share of financing allocated to technological connection projects increased from 48% to 56%. This was due to the need to implement preferential technological connection contracts in 2020. At the same time, the share of financing allocated to technical re-equipment and renovation projects (hereinafter – TR&R) in 2020 was increased from 23% to 31% compared to the previous year in order to decrease the depreciation of the fixed assets. The financing share for other IP projects in 2020 faced a year-on-year decrease from 17% to 10%.

The Company has no investment projects implemented with contributions from the federal budget in its investment programme.

**Results of the investment programme implementation in 2020**

[GRI 103-3] Information on the results achieved in 2020 due to implementation of the projects included in the investment programme, under Order of the Russian Ministry of Energy of 14.03.2017 No.177:

- estimate of the changes in the average duration of the consumer power supply interruption — -3.3838278;
- estimate of the changes in the average frequency of the consumer power supply interruption — -1.35738296;

- total number of technological connection obligations fulfilled under the investment programme of the grid company — 5,848.00;
- maximum capacity of the connected electric power consumers, power generating facilities, power grid facilities owned by other grid companies or other persons, — 210.34654 MW

### *Long-term investment programme*

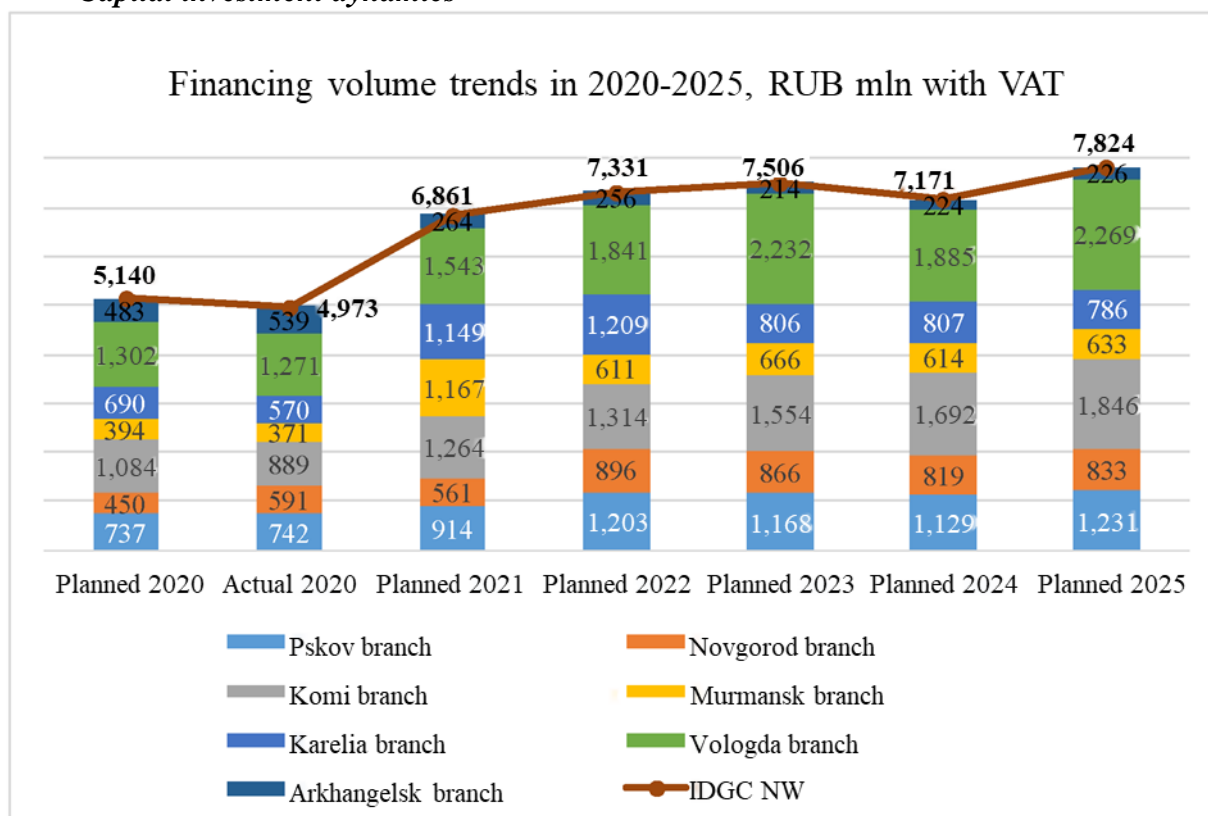
The investment programme of PJSC IDGC of the North-West for the period of 2016-2025 takes into account the aims and objectives of the Unified Technical Policy in the Power Grid System and is approved by Order of the Ministry of Energy of the Russian Federation dated 30.11.2015 No.906 (in the versions of the Russian Ministry of Energy Orders of 16.12.2016 No. 1333, 21.12.2018 No. 26@, of 20.12.2019 No. 27@, as well as 25.12.2020 No. 24@) (hereinafter – the approved IP)<sup>8</sup>.

Investment activities of the Company are aimed at enhancing reliability and performance improvement of the power grid system, reduction of grid losses. Achievement of the investment goals will enable the Company to reduce operating expenses, allow launching extra capacities for connecting new consumers, and eliminate power shortage.

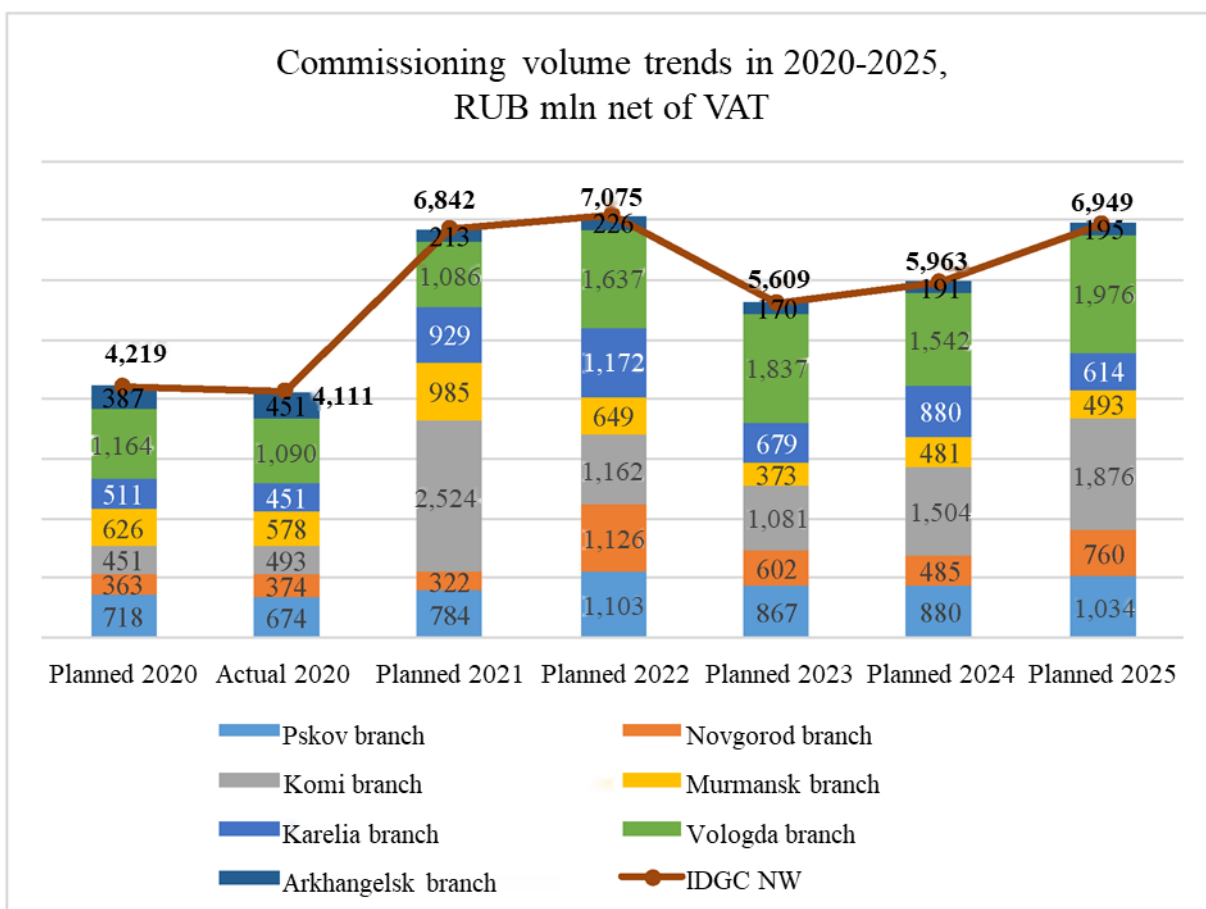
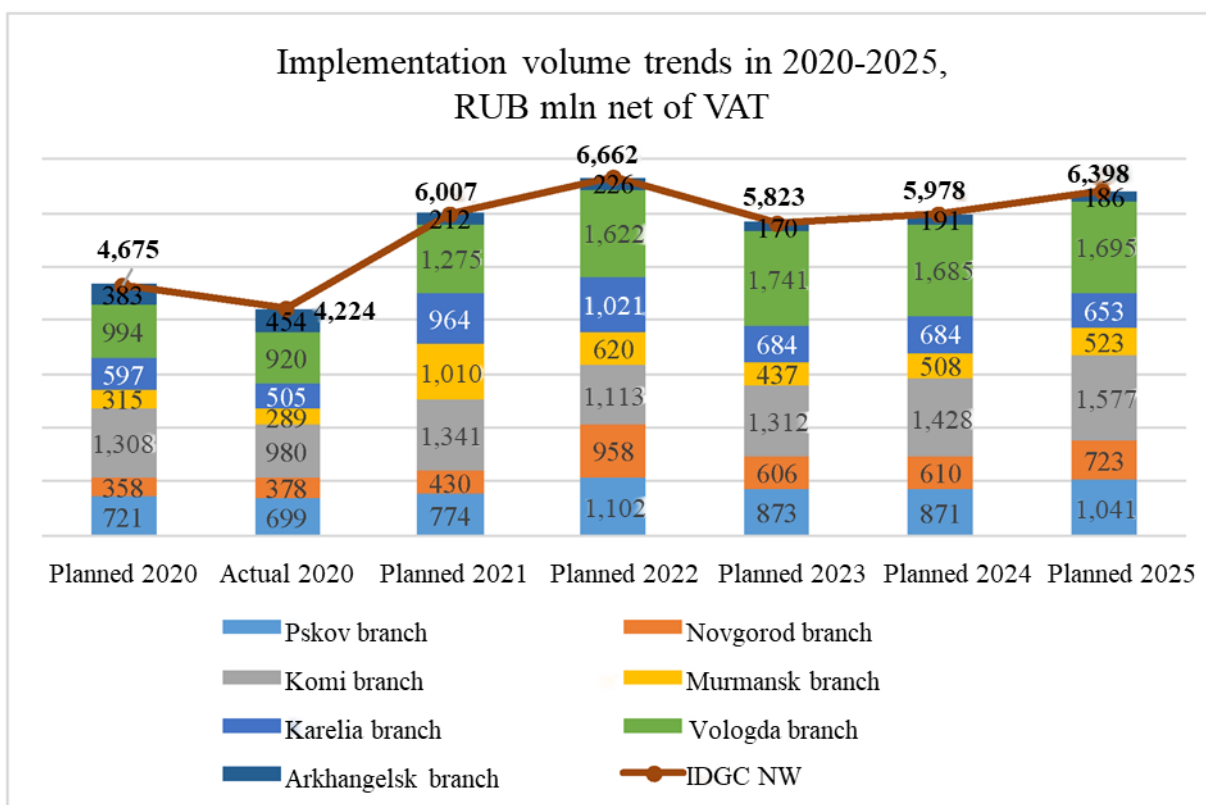
PJSC IDGC of the North-West Investment programme for 2021-2025 takes into account plans of territorial development, technical condition of the power grids, significance of the power supply facilities and the current trends in the economic development of the Russian Federation.

The decisions made during the development of the Investment programme meet the aims and objectives of the Unified Technical Policy of the Power Grid System and the effective legislation.

### *Capital investment dynamics*

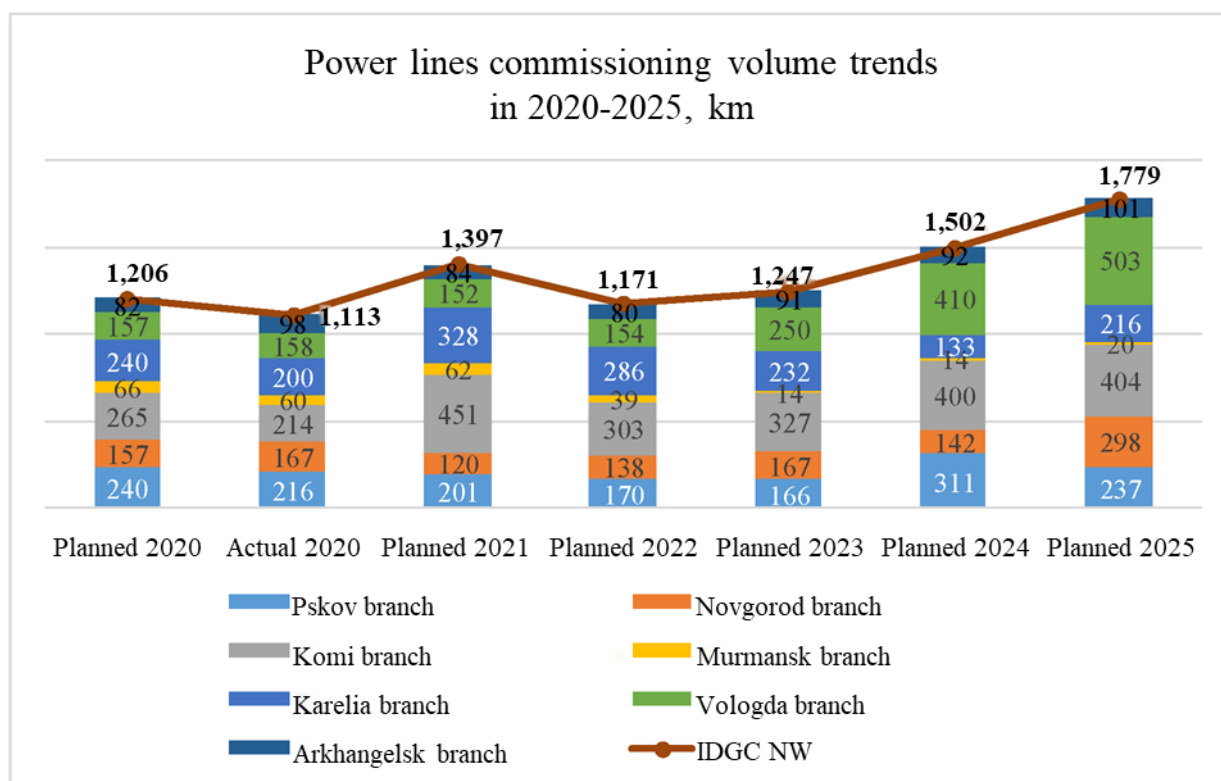


<sup>8</sup> Key projects of IDGC of the North-West are described in Annex 6 to the Annual Report.



The growth of the Investment programme financing from 2021 to 2025 is due to the annual investment increase for the installation of metering devices as per the Federal Law of 27.12.2018 No.

522-FZ, as well as the planned deadlines of major investment projects on the technological connection of consumers to power grids, as well renovation and technical re-equipment of substations.



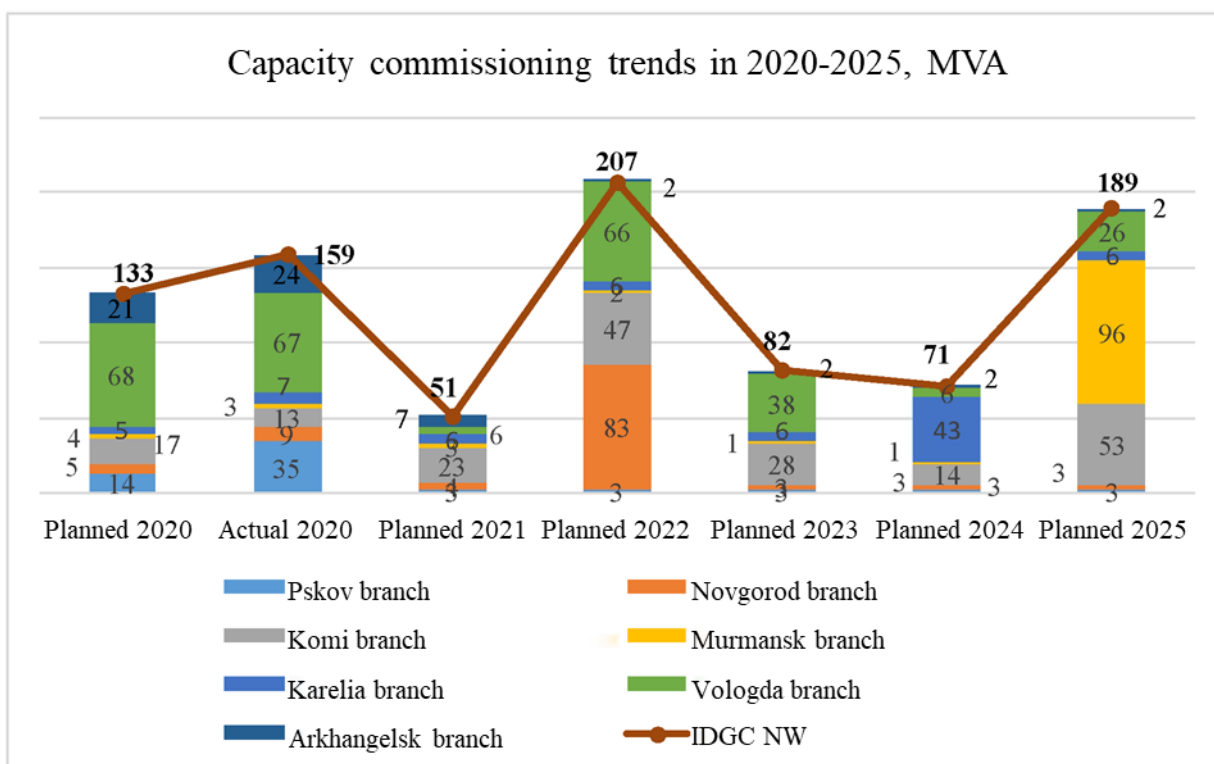
The increase in the length of power lines in 2021 is due to the following planned investment project commissioning in accordance with the approved investment development programme:

- Construction of 110 kV OL No. 103 Vorkutinskaya CHPP No. 2 — 110/10 kV SS Olkhovey for technological connection of CS-5 Usinskaya, CU-2 (contract of 26.01.2015 No. 56-01885V/14 with PJSC Gazprom — 1 item) (110 kV OL — 163 km).

- Construction of two 110 kV OL from the newly installed cells of 110 kV SS 110/10 kV No. 35 to the terminal poles installed near the external fencing of the Applicant's planned 110/10 kV GPP in Murmansk Region, Olenegorsk area (TC Contract No. 43-004442/18 dated 19.08.2019 with the Ministry of Defence of the Russian Federation) (110 kV — 26 km).

The increase in the length of power lines to be commissioned in 2022 and 2024-2025 is due to implementation of other investment projects involving wire replacement with SSIW.





Considerable increase in the transformer capacity for commissioning in 2022 is conditioned by the scheduled launch of the following investment projects:

- Technical re-equipment of 110/10/6 kV SS Bazovaya (80 MVA).
- Renovation of 110/35/10 kV SS Vostochnaya (40 MVA).
- Renovation of 110/35/10 kV SS Kubenskoye (20 MVA).
- Renovation of 110/10 kV SS Krasnozatonkaya (32 MVA).

Increase in the capacity volume for commissioning in 2025 is conditioned by the scheduled launch of the following investment projects:

- Renovation of 35/6 kV SS No. 335 (32 MVA).
- Technical re-equipment of 150/10 kV SS No. 11A (63 MVA).
- Renovation of 110/35/10 kV SS Ustyuzhna (20 MVA).
- Technical re-equipment of 110/35/6 kV SS Knyazhpogost (16 MVA).
- Technical re-equipment of 110/35/6 kV SS Voy-Vozh (10 MVA).

### ***Priority investment projects completed in 2020<sup>9</sup>***

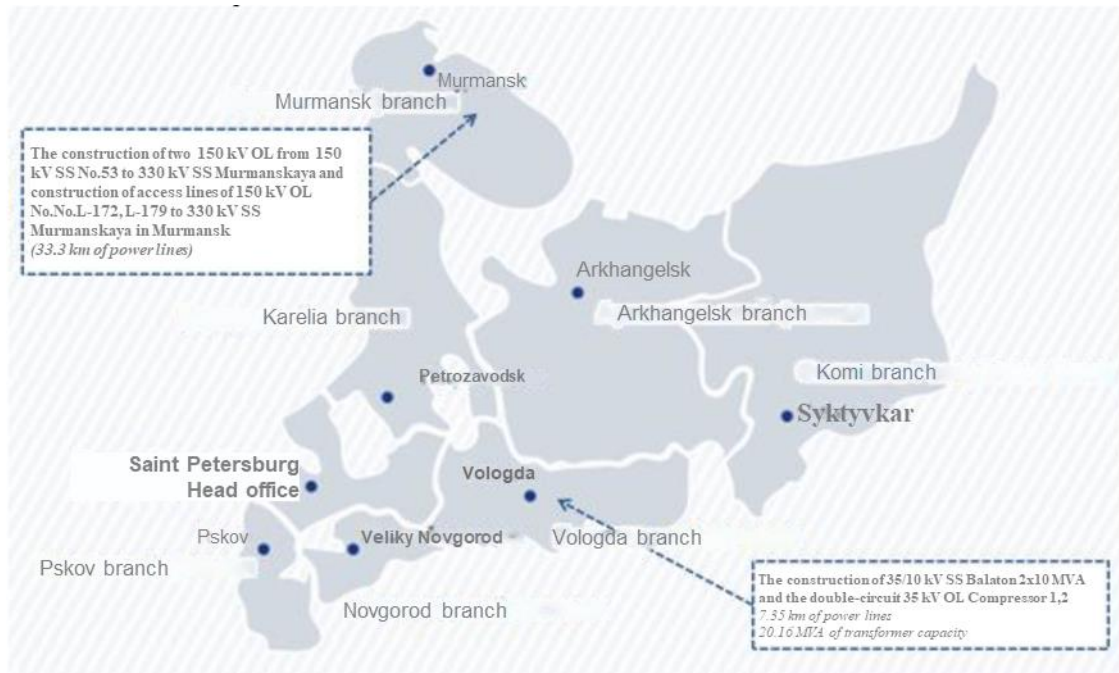
Implementing Order of the Russian Government of 21.06.2010 No. 468 “On the procedure of construction compliance monitoring in building, renovation and overhaul of capital construction facilities”, the Company performs construction control to certify that the works performed during building, renovation and overhaul of capital construction facilities comply with the requirements of the design documentation, technical regulations, site development plans, engineering survey findings.

In 2020, the independent construction control covered 80% of the capital construction projects under the Company's Investment programme.

The following key projects were implemented in 2020 In accordance with the investment programme of the Company:

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<sup>9</sup> The capital construction quality assurance report is included in Annex 7 to the Annual Report.



**[GRI 203-1]** In 2020, the Company has commissioned two priority facilities:

- The investment project "Construction of 35/10 kV SS Balaton 2x10 MVA, double-circuit 35 kV OL Compressor 1,2 with a length of 6.911 km from 110/35/10 kV SS Babaevo, installation of switches (22 pcs.) in the Babaevo District (PJSC Gazprom Contract No. VOL6TP/497/17 dated 09.27.2017)" has been commissioned to ensure the technological connection of the Babayevskaya CS. The commissioned fixed assets amounted to 286 million rubles. 7.35 km of power lines and 20.16 MVA of transformer power were introduced into operation.

- The investment project "Construction of two 150 kV OLs from 150 kV SS No.53 to 330 kV SS Murmanskaya and construction of access lines of 150 kV OL No.No.L-172, L-179 to 330 kV SS Murmanskaya in Murmansk (OL 150 — 27.6895 km)" has been commissioned by the Murmansk branch. This project is implemented due to the construction of 330 kV SS Murmansk in accordance with the investment programme of PJSC FGC UES to remove load from 330 kV SS No. 200 Vykhodnoy to allow the connection of the 150 kV SS Belokamenka, the development of the "Murmansk connection", to ensure the reliable power supply of the Murmansk city and the northern part of the Kola Peninsula. Commissioning of the fixed assets amounted to 410 million rubles, 33.3 km of power lines were introduced into operation.

## Power transmission and losses<sup>10</sup>



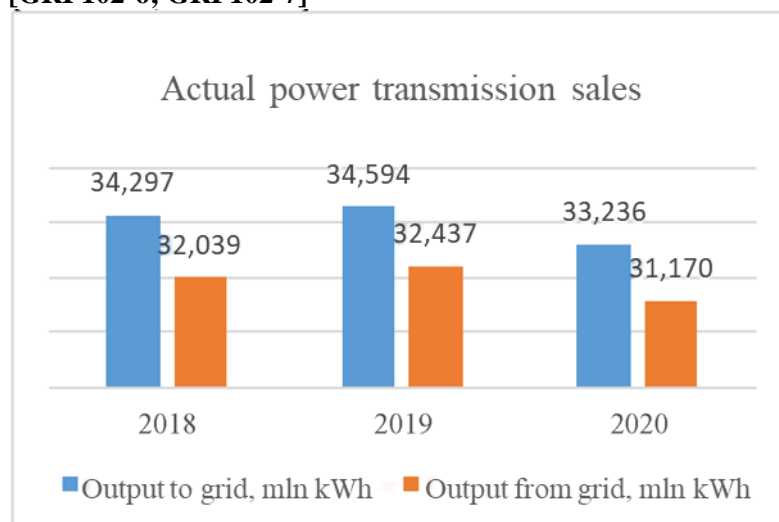
### Key performance indicators

	2018	2019	2020
Output from grid, mln kWh	32,039	32,437	31,170

### Power transmission services volume<sup>11</sup>

In 2020, the volume of power output from the grid to consumers and related LGOs within the balance and operational responsibility totalled 31,170 mln kWh, which is 1,267 mln kWh (or 3.91%) lower compared to 2019 (32,437 mln kWh).

[GRI 102-6; GRI 102-7]



The main factors affecting the decline in consumption (supply from the grid) as of to 1,267 million kWh, or -3.91% are as follows:

1. Disconnection of large consumers (-497 million kWh, or -1.53%):
  - PJSC Acron: -262 million kWh due to the transition to a single LGO LLC Novelectroseti by the generator voltage level in the Novgorod Region.
  - PJSC Severstal: -235 million kWh due to changes in the internal power supply scheme and partial transfer of power consumption to its own generation in the Vologda Region.
2. Reduced power consumption by large consumers (-175 million kWh, or -0.54%):
  - JSC Kolskaya GMK: -112 million kWh due to the modernization of production facilities at the mining plant in the Murmansk Region.
  - LGO MUE Electroset: -63 million kWh due to changes in grid operation modes (reduction of consumption from the PJSC IDGC of the North-West grids is associated with an increasing consumption from PJSC FGC) in the Vologda branch.
3. The impact of the OPEC+ transaction (-267 million kWh, or -0.83%):
  - LLC Komi Kommunalniye Tekhnologiyi: -155 million kWh due to the reduction of oil production volumes by the Lukoil Group of Companies in the Komi Republic.

<sup>10</sup> Production results broken down by branch are shown in Annex 8 to the Annual Report.

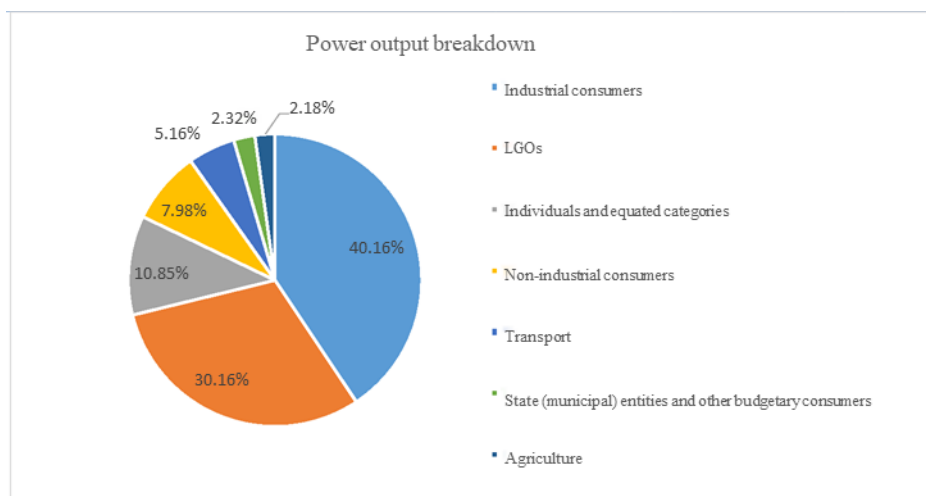
<sup>11</sup> To see the regulatory base for power transmission services, visit the Company's web site: <https://clients.mrsksevzap.ru/regulations>

- LLC Rusenergoresurs: -112 million kWh due to the introduction of the limited volumes of oil transfer in the Komi Republic and in the Novgorod Region.

4. Other factors (-328 million kWh, or -1.01%): the consumption reduction within the Company's balance inventory scope (excluding the productive supply for the "common pot") due to the temperature factor (warm winter) in Q1 2020 and the introduction of COVID-19-related quarantine measures in Q2-Q4 2020.

The table below shows power consumption volumes by major consumers affecting this dynamics (by branches).

Largest consumers	2019 mln kWh	2020 mln kWh	2019-2020 mln kWh	2020/2019 %
<b>Vologda branch of PJSC IDGC of the North-West</b>				
PJSC Severstal	336	101	-235	-70%
MUE Elektroset	334	271	-63	-19%
<b>Komi branch of PJSC IDGC of the North-West</b>				
JSC KKT (consumer — Lukoil-Komi)	1,228	1,073	-155	-13%
LLC Rusenergoresurs	121	104	-17	-14%
<b>Murmansk branch of PJSC IDGC of the North-West</b>				
JSK Kolskaya GMK	2,563	2,451	-112	-4.4%
<b>Novgorod branch of PJSC IDGC of the North-West</b>				
PJSC Acron	1,048	786	-262	-25%
LLC Rusenergoresurs	218	123	-95	-44%
<b>PJSC IDGC of the North-West</b>	<b>5,848</b>	<b>4,909</b>	<b>-939</b>	<b>-16%</b>



### Largest consumers and LGOs

#### Largest industrial consumers and transport

	2018 mln kWh	2019 mln kWh	2020 mln kWh
LLC Rusenergosbyt	2,141	2,080	2,008
LLC Khibinskaya Energosbytovaya Kompaniya	1,751	1,749	1,748
JSC RUSAL Kandalaksha	1,249	1,254	1,221
LLC EvroKhimEnerg	796	821	824
PJSC Acron	986	1,048	785
JSC Kondopoga	436	498	486
LLC MTS Energo	437	414	432

#### Largest LGOs

	2018 mln kWh	2019 mln kWh	2020 mln kWh
--	-----------------	-----------------	-----------------

JSC KKT	1,297	1,228	1,073
JSC Murmanskaya Oblastnaya Elektrosetevaya Kompaniya	1,055	1,087	1,026
JSC Vologdaoblenergo	1,019	1,052	1,023
JSC Novgorodoblektro	1,037	1,008	989
MUE Elektroset	294	334	271

### Power losses [EU12]



### Key performance indicators

	2018	2019	2020
Power losses, mln kWh	2,259	2,156	2,066

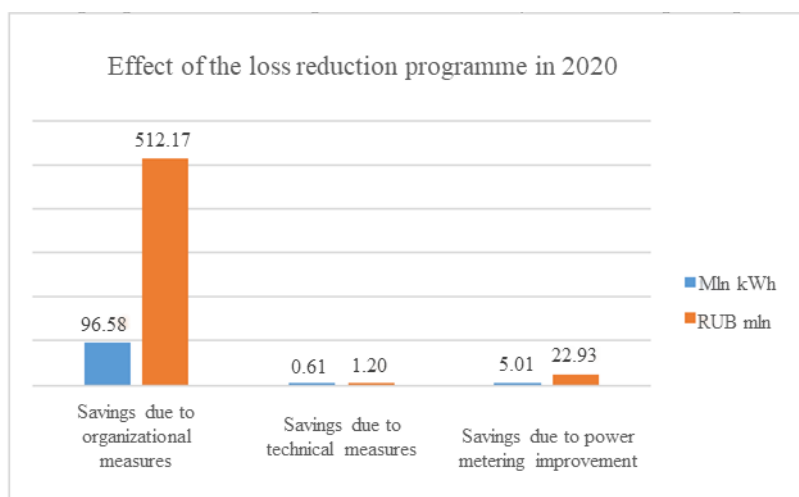
Power losses in 2020 amounted to 2,066 million kWh, or 6.22%, which a 91 million kWh or 0.01 pp decrease compared to 2019 (2,56 million kWh or 6.23%).

### Power losses reduction activities

As a priority, PJSC IDGC of the North-West carried out an Action programme to reduce losses in its grid facilities for the period 2020-2024.

[GRI 302-4] The implementation of the power loss reduction programme in 2020 resulted in saving 102.2 mln kWh, or (RUB 536.3 mln in value terms) due to:

- organizational measures;
- technical measures;
- measures aimed at improving power metering.



### Technological connection<sup>12</sup>



<sup>12</sup> See the methodology of tariff regulation regarding the technological connection services on the Company's web site: [https://clients.mrsksevzap.ru/gc\\_commoninfo](https://clients.mrsksevzap.ru/gc_commoninfo).

**More than 13 thousand objects were connected to power networks in 2020.**

**Total capacity — 356 MW**

**The number includes medical facilities, kindergartens, schools, cultural facilities, boiler houses**

### Key performance indicators

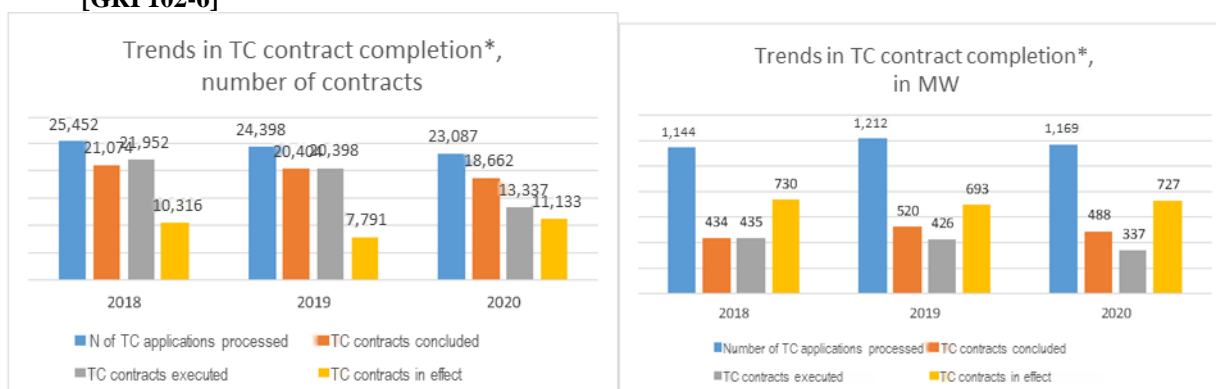
	2018	2019	2020
Capacity connected, MW	435	450	356

Due to the COVID-19 pandemic, a number of regions introduced travel restrictions, which caused a part of the staff to be transferred to remote work. A significant amount of applicants refused to visit their facilities for the actual connection, which affected the quantitative indicators of the TC contract activation in the middle of the year.

To eliminate the impact of the COVID-19 pandemic, large-scale measures have been taken at the end of 2020 to bring the applicants' intentions up to date, receive feedback and activate the TC contracts.

The Company provides comprehensive services for connection of consumers' power receivers, power production facilities and power grid facilities to PJSC IDGC of the North-West power grids<sup>13</sup>. The service includes receiving an application for technological connection, development of technical specifications, contract signing, receiving permission from the federal state energy supervision authorities for operation of the applicant's facilities, issue of connection certificate<sup>14</sup>.

[GRI 102-6]

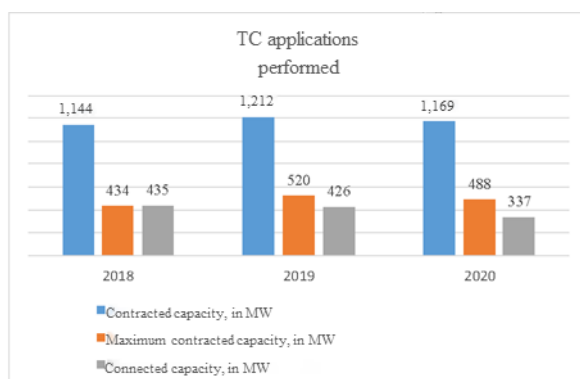


\* Net of power generating facilities.

Overall, the total number of technological connection applications received and contracts concluded in 2020 remained at the same level against 2019. The number of technological connection contracts performed in 2020 was 34% lower than in 2019.

<sup>13</sup> See the regulatory base of technological connection on the Company's web site: [https://clients.mrsksevzap.ru/gc\\_regulations](https://clients.mrsksevzap.ru/gc_regulations).

<sup>14</sup> See the procedure of technological connection on the Company's web site: [https://clients.mrsksevzap.ru/gc\\_method](https://clients.mrsksevzap.ru/gc_method).



To implement the Target model of simplified business procedures and enhanced investment attractiveness of the Russian Federation regions “Technological connection to power grids” approved by the Order of the Russian Federation Government dated 31.01.2017 No. 147-r, the Company implemented the following in 2020:

- arranged automated workplaces for consumers in customer offices with unrestricted access to the Company’s interactive services;
- offered the applicants to perform the technological connection operations according to the applicant’s competence using the grid organization’s resources.

In 2020 the average period of technological connection activities for small and medium was 67 days.

**The following largest socially significant facilities were connected in 2020:**

**By the Arkhangelsk branch:**

Technological connection of the Polyclinic GBUZ Arkhangelsk region "Arkhangelsk City Clinical Clinic Polyclinic No. 1" building with the capacity of 578.2 kW.

**By the Karelia branch:**

Technological connection of the medical and recreational centre of the Kivach clinic with the capacity of 300 kW.

**By the Murmansk branch:**

Technological connection of the hospital LLC "General Contractor - Transstroy" with the capacity of 3597.1 kW.

**By the Komi branch:**

Technological connection of school buildings: MBOU "Pedvskie Secondary School" for 145 children and MBOU "Secondary school with. Vinga "for 501 children with a capacity of 250.4 kW and 366.9 kW.

**By the Novgorod branch:**

Technological connection of a nursery school for 60 children of the Independent public preschool educational institution “Detskiy sad d. Moyka” with the capacity of 210 kW.

**By the Pskov branch:**

Technological connection of an infectious diseases hospital in Pskov and the multifunctional children's medical centre of quickly erectable structures by the Customer's Directorate of Capital Construction of the Ministry of Defence of the Russian Federation with a capacity of 1408 kW and 1173.33 kW.

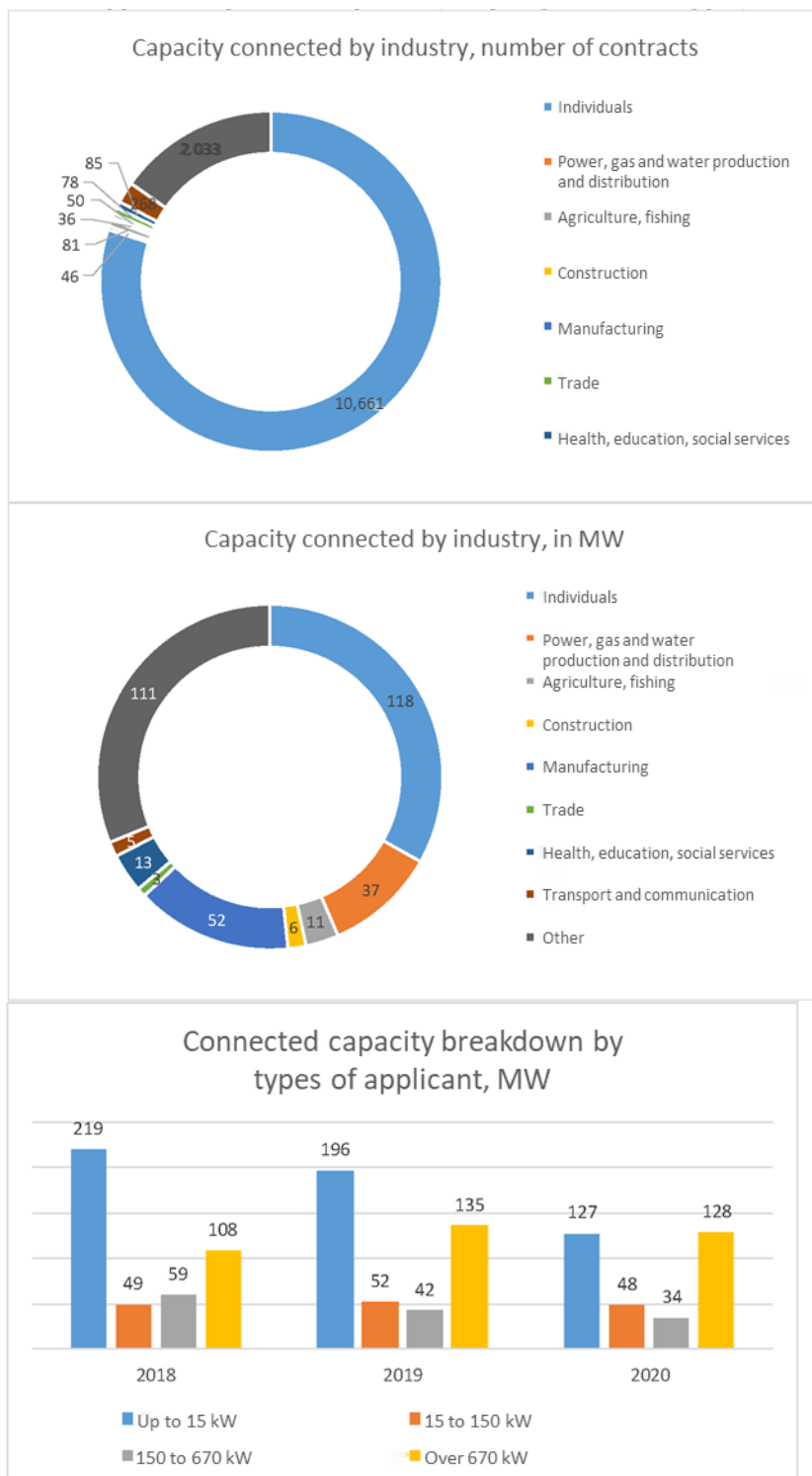
Technological connection of Velikie Luki medical centre of the Directorate of Capital Construction of the Pskov Region with a capacity of 950 kW.

***The largest applicants of the Company in 2020:***

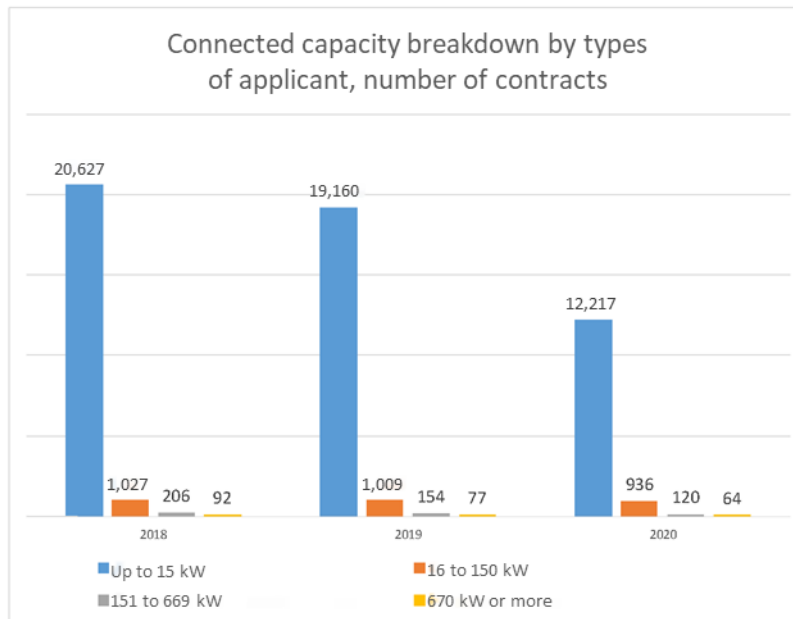
- LLC NOVATEK-Murmansk: contract of 20.02.2017 No. 43-000141/16 to perform technological connection of 150 kV SS Belokamenka to ensure power supply of the centre for the construction of large-capacity marine facilities (in the amount of RUB 815.2 mln);

- PJSC Gazprom: the contract of 27.09.2018 No. VOL6TP/497/17 on the technological connection of compressor station Sheksninskaya, part of the constructed Nord Stream 2 gas pipeline (in the amount of RUB 353 mln);

- PI RK "Directorate of Capital Construction of the Republic of Karelia": contract of 05.12.2016 No. 34-01820P/15 on the technological connection of industrial site infrastructure in the territory of the Petrozavodsk city district of the Republic of Karelia (in the amount of RUB 125.7 mln).



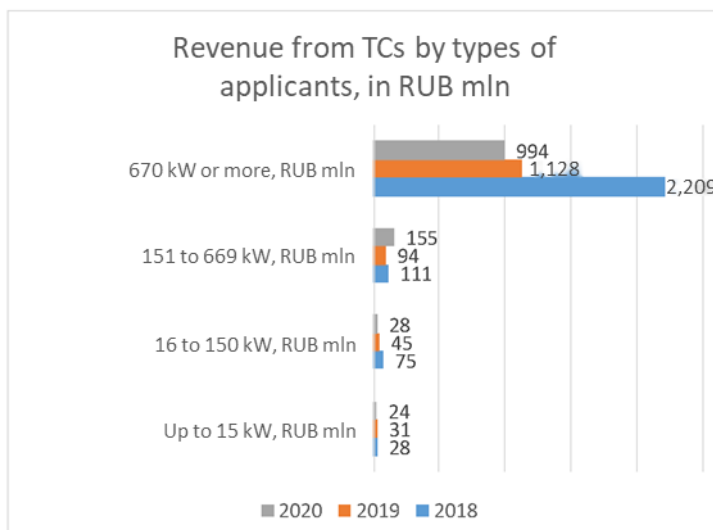




### Applications breakdown in 2018–2020 (including power generating facilities)<sup>15</sup>

	2018			2019			2020	
	total MW	capacity, MW	items	total MW	capacity, MW	items	total capacity, MW	items
Individuals		220	20,873		197	18,617	206	17,491
Legal entities		978	4,583		1,050	5,783	981	5,604
<b>Total</b>		<b>1,198</b>	<b>25,456</b>		<b>1,248</b>	<b>24,400</b>	<b>1,187</b>	<b>23,095</b>

The total number of applications received in 2020 lowered by 9% compared to 2018.



<sup>15</sup> TC demand and satisfaction volumes are provided in Annex 9 to the Annual Report.

## Other activities

### Key performance indicators

	2018*	2019	2020
Additional (non-tariff) Company services, RUB mln	732	902	985

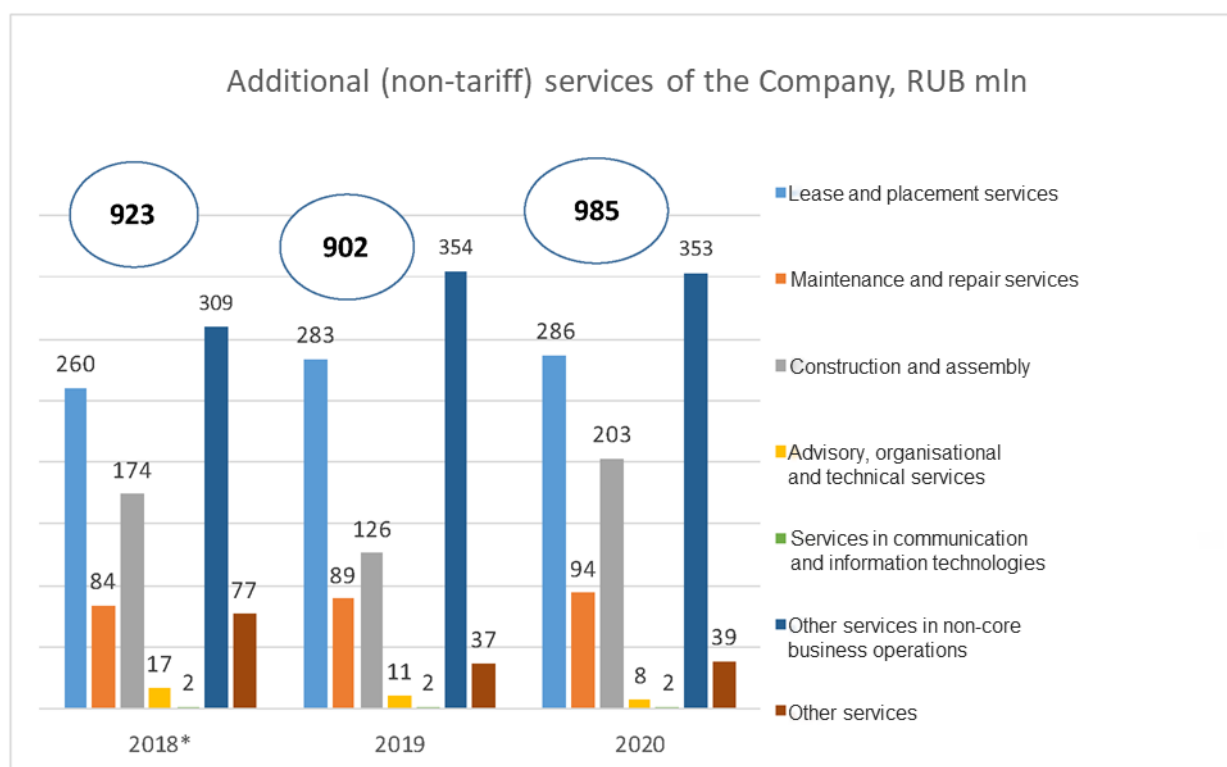
\* Data for 2018 are presented without taking into account internal business volumes as per the accounting.

Apart from the core business subject to state regulation (power transmission services and technological connection to power grids), the Company renders additional chargeable services at the customer offices and upon applications received via interactive services.

The additional services are rendered on a paid basis to meet the needs of the clients (legal entities and (or) individuals), applying to the Company. The information on additional services rendered, as well as the relevant calculations, are shown at the information stands of consumer service offices and at the Company's website.

The COVID-19 pandemic has undoubtedly affected the Company's activities in 2020 as one of the most effective methods of combating the virus spread are still self-isolation and quarantine. Therefore, people were recommended to abstain from going out and visiting crowded locations, which directly affected the number of applications for additional (non-tariff) services.

The other adverse effect of the pandemic was that the Company was forced to transfer part of the employees to remote work to protect its staff. It rendered the full-time interaction with consumers impossible, which also influenced the volume of applications for additional services.



\* Data for 2018 are presented without taking into account internal business volumes as per the accounting.

The development of additional (non-tariff) services of PJSC IDGC of the North-West is a priority for the Company, as the productive power supply has moderately been growing and the demand for the technological connection services remained stable over the last 5 years.

To define a single approach to rendering additional (non-tariff) services, the Rosseti Group approved a Unified consolidated list of additional non-tariff services for consumers:

- Lease.
- Maintenance and repair services.
- Construction and assembly.
- Advisory, organizational and technical services.

- Agency services.
- Services in communications and information technologies.
- Other services in non-core business activities.
- Other services.

Proceeding from this list, the Company carried out a preliminary market analysis (defined the market segment, market capacity, competitive environment assessment) by each type of the additional (non-tariff) services.

The findings of the analysis enabled it to draw up a list of highly demanded additional services in the power grid business and adjacent areas: lease of buildings, rooms, constructions, land; services of telecommunications equipment housing; maintenance and repair services; services for the reconstruction of the Company's power grid facilities initiated by third parties (risers), and other services in other business operations.

The market analysis served as the basis for the Company to draft a Roadmap on the above additional services development, defined the target indicators and the measures for their achievement.

The timeframe for the Roadmap activities completion is 2025.

### **Target indicators of the Roadmap on additional (non-tariff) services development at the Company**

	Target values (planned/actual)				
	2020	2021	2022	2023	2024
<b>A</b>	1	2	3	4	5
Non-tariff revenue, RUB mln	985	1,467,951	1,422,092	1,566,338	1,686,352
Net profit, RUB mln	267	839,345	1,215,876	848,592	911,761
Profitability, %	62%	55.0%	53.6%	37.3%	40.0%

The target indicators of the Roadmap take into account:

- strategic goals and objectives of the Rosseti Group of Companies;
- the scenario conditions of the business plan development;
- the actual values of the indicators achieved by sales of additional services in the previous periods;
- the applications received and the active income-generating contracts with the amount over RUB 1 mln;
- preliminary analysis of the market and the prospects of additional (non-tariff) services;
- the approved minimum profitability level for the additional services (the profitability for each additional service not less than the value defined as the highest indicator of 10% and the actual profitability of the service in the previous period).

The Roadmap activities aim at increasing the market share in additional (non-tariff) services of the Company, raising non-tariff revenue from sales of additional services, improving accessibility of the additional services of the Company, as well as commercialisation of the consumer interaction processes.

### **Consolidation of power grid assets**

The activities of PJSC IDGC of the North-West on the consolidation of power grid assets are aimed at the implementation of the Strategy for the RF Power Grid Complex Development — ensuring reliable, high-quality and affordable power supply to consumers in the territory of the Company's presence by organizing the most efficient world-class grid infrastructure and is determined by the Company's priority area of operation.

The consolidation of power grid assets is based on the consideration of incoming proposals for the transfer of power grid facilities under the control of PJSC IDGC of the North-West, as well as the identification of power grid facilities having the potential for consolidation by the Company, and the subsequent interaction with the owners of such facilities to determine mutually beneficial transaction conditions. The priority projects are the acquisitions of power grid assets held by LGOs as well as other

owners of power grid facilities, including those who have lost their LGO status, as part of collection of their debt to the Company.

To date, the agreements on cooperation in the implementation of measures to consolidate the Power Grid Complex have been signed with the executive state authorities of all 7 constituent entities of the Russian Federation, in which the Company operates. These agreements are the basis for the joint implementation of the projects featuring the consolidation of the regional and municipal power grid assets by the Company, as well as gaining the control over the unclaimed power grid facilities to ensure the reliable power supply to the consumers in the regions of presence.

The expenditures of PJSC IDGC of the North-West associated with power grid assets consolidation measures in 2020 (VAT included) amounted to 233 million rubles, which included 2 million rubles for the purchase of power grid assets, and 231 million rubles for rent.

***PJSC IDGC of North-West power grid asset consolidation volume monitoring***

Indicator	2018			2019			2020		
	MVA	km	c.u.	MVA	km	c.u.	MVA	km	c.u.
Acquisition of power grid facilities	1	5	24	31	30	588	3	23	79
Lease of power grid facilities	85	541	1,886	89	585	2,031	174	1,251	8,832
Total	86	546	1,910	120	616	2,619	177	1,274	8,911

***The largest power grid assets consolidation projects implemented by PJSC IDGC of the North-West in 2020***

Project name	OL, km	Transformer substations, MVA	c.u.
Lease of power grid assets owned by JSC DVEUK – ENES located in the Republic of Karelia	183	21	3,702
Lease of power grid assets belonging to JSC Archinvestenergo located in the Arkhangelsk Region	408	-	2,233
Lease of the municipal power grid assets owned by MD UD Vorkuta located in the Komi Republic	47	24	528
Lease of power grid assets owned by LLC Yenisei located in the Komi Republic	8	32	246

***Automated system of projecting prospective changes in the grid load and power consumption***

To provide complete information on the current state and the development of the power grid facilities in the regions of operation, in late 2012, PJSC IDGC of the North-West launched the publishing subsystem “Power Facilities Display in the Google System”. The project was based on the standard functional specifications for visualisation of the current load of 35+ kV power supply centres. The system contains information about the power supply centres and grid structure – the automatically processed information enables to understand future changes of load at the power supply centres and to obtain a comprehensive view. The electronic map shows parameters of the power facilities: overloads, available capacities and planned renovation.

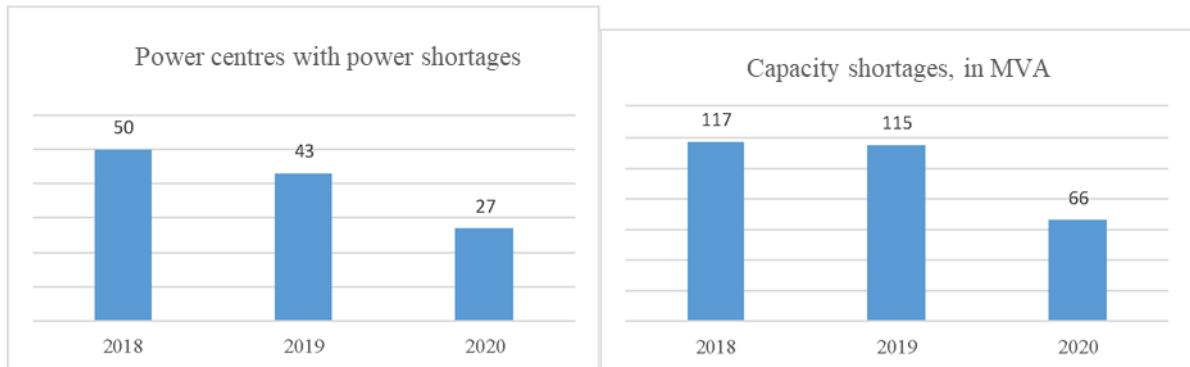
***Capacity deficit reduction***

For Rosseti North-West, as well as for other grid distribution companies, power capacity deficit and its correction remain one of the relevant areas of prospective development. Such deficit arises due to, among other things, the presence of power distribution centres in the regions of the Company's footprint with limited possibilities of technological connection for the power substations working at one hundred percent load. Decommissioning for repairs or emergency shutdowns of one of the transformers at such substation cause overloading of the remaining equipment, as well as require transferring the load to other substations or to limit the power supply to consumers. Thus, it is impossible to connect new consumers, as well as perform any repair works on such substations.

The Company takes measures to reduce the number of energy-deficient power distribution centres, and as at 31.12.2020, 27 power 35+ kV power distribution centres (2.3% of the total number) are

considered to have a power deficit<sup>16</sup> totalling 66.15 MVA. Since 2014, due to the implementation of projects included in the Company's Investment programme, the number of such distribution centres with power deficit is being steadily reduced. By 2024, the number of power-deficit centres is planned to be reduced down to 24 (11% less compared to 2020).

By 2024, the capacity deficit of 54.95 MVA, an 18% reduction compared to 2020, will be reached.




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<sup>16</sup> Taking into account the concluded contracts for technological connection.

## Power grid system development in the RF regions within the Company's geographical footprint

In order to systemise and aggregate proposals on power grid infrastructure development for sustainable socio-economic growth of the RF regions, to enhance accessibility of the energy infrastructure, boost competition on the power (capacity) market and align the development of backbone and distribution power grids, the Company annually works out (updates) comprehensive programmes of 35+ kV power grids development on the territory of the Russian Federation regions for the period of five years (hereinafter – CDP) engaging specialised engineering company.

The resulting CDPs are used as supporting materials in drafting investment programmes of the Company branches, working out long-term development schemes and programmes of the RF regions (DS&P),<sup>17</sup> and the programme of technical re-equipment of power grid facilities.

The power industry development schemes and programmes of the Russian constituent entities are prepared by Russian regional executive authorities for a five-year period taking into account the Development scheme and programme of the Unified Energy System of Russia. They cooperate with JSC SO UES, Rosseti North-West and LGOs. Representatives of Rosseti North-West are engaged in working groups on DS&P development, contribute to investment activities committees under regional administrations of the operations area.

The approved investment programmes of Rosseti North-West branches take into account the activities reflected in DS&P.

### Approved power industry development schemes and programs of the Russian Federation

RF region	Development year	Projected DS&P implementation period	Details of the document adopting the DS&P of the RF region
Arkhangelsk Region	2020	2020–2024	Decree of the Arkhangelsk Region Governor of 30.04.2019 No. 65-u
Vologda Region	2020	2021–2025	Decree of the Governor of the Vologda Region dated 30.04.2020 No. 116
Republic of Karelia	2020	2020–2024	Order of the Head of the Republic of Karelia of 30.04.2019 No. 220-r
Murmansk Region	2020	2021–2025	Order of the Governor of the Murmansk Region dated 31.07.2020 No. 146-RG
Republic of Komi	2020	2020–2024	Order of the Head of the Republic of Komi of 30.04.2020 No. 105-r
Novgorod Region	2020	2020–2024	Decree of the Novgorod Region Governor of 21.04.2020 No. 233
Pskov Region	2020	2020–2024	Decree of the Arkhangelsk Region Governor of 14.04.2019 No. 134-UG

### Comprehensive servicing of customers

Client orientation is currently a core indicator of a company's effective governance system. A client-oriented approach in the activities of PJSC IDGC of the North-West means building all business processes in such a way that the focus of achieving strategic objectives and sustainable profitability is to ensure satisfaction and loyalty of the Company's customers.

<sup>17</sup> In accordance with the Decree of the Government of the Russian Federation dated 17.10.2009 No. 823 "On the prospective development schemes and programs for the power industry".

Employees of the client relations department conduct on-site customer communication in 8 offices of customer service. All customers can receive expert advice about technological connection, quality and supply of power; lodge a complaint, apply for technological connection, apply for concluding a contract for power transmission or for additional chargeable services.

Consumer workplaces were arranged at customer service branch offices allowing customers to use open Internet access and document scanning.

In order to improve the efficiency of interaction with consumers, all branches approved schedules for regular office hours when individual customers can visit heads of the branches, production divisions and PDZs.

Throughout the reporting period, the Company provided 24/7 centralized hotline number 8-800-220-0-220 with toll-free calls across the Russian Federation. This hotline allows receiving all customer feedback on the Company's activities, including communications on power blackouts, malfunctions of grid facilities, unlawful or inappropriate power consumption.

The hotline phone number is displayed at customer service offices, the Company's website, all regional reference books, as well as the Reference Book on Hotlines and Service Desks in the RF regions.

Remote customer servicing is fulfilled using the following interactive tools:

- Official site of PJSC IDGC of North-West <http://www.mrsksevizap.ru> allowing to inquiry about the Company's activity area, send an appeal, fill in the consumer's profile data, see the answers to the most frequently asked questions, apply for personal appointments, see the information about planned power shutdowns for the current month.

- Interactive consumer's personal account at the single Internet portal for power grid services (ТП.РФ website) enables the customers to apply for technological connection, as well as to track all stages of their technological connection application from submission to the actual connection and signing of the technological connection act. In addition, the ТП.РФ website allows sending appeals to the grid company, submitting applications for the metering devices installation and see the planned power shutdowns.

- Interactive service "Personal account" of "The Light Country" website allows the consumers to directly appeal on the following subjects: power shutdowns, quality of power supply and power equipment defects.

The following measures were taken in 2020 to improve the consumer service quality:

1. On 01.01.2020, the hotline services of PJSC IDGC of the North-West were transferred to the centralized Rosseti Group hotline number — 8-800-220-0-220.

2. A tool for applying for personal appointment via the online front desk of PJSC IDGC of the North-West website and a centralized hotline.

3. The channels of electronic interaction with service consumers have been expanded —service consumers can now interact with the Company via the mobile app of the Rosseti Group of Companies available in Google Play and App Store.

In 2021, PJSC IDGC of the North-West intends to work further on the improvement of the customer-centre approach, develop comfortable environment for consumers, and improve the service quality.

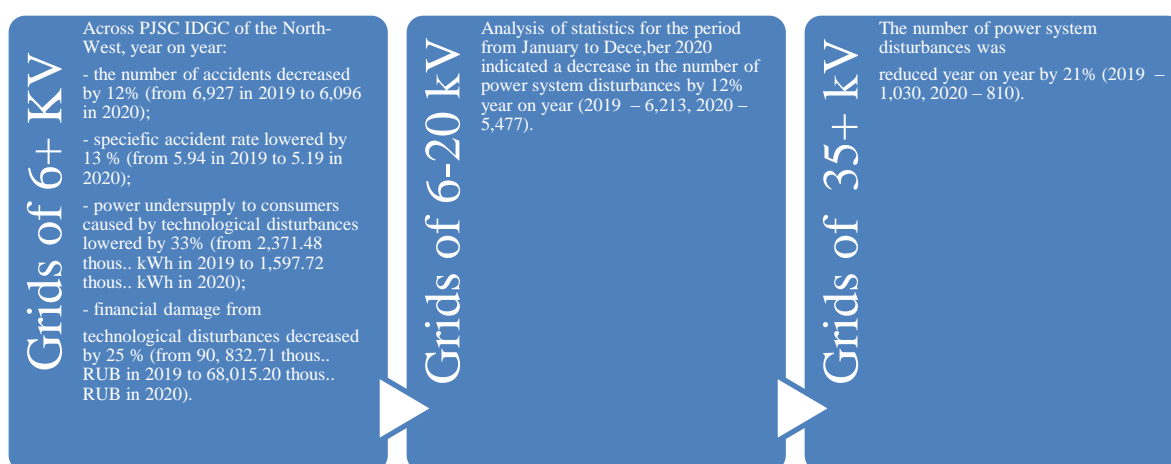
## Improving power supply efficiency, reliability and quality



### Key performance indicators

	2018	2019	2020
System average interruption frequency index per point of delivery ( <b>Psaiifi</b> ), events	1.40	1.90	1.49
System average interruption duration index per point of delivery ( <b>Psaidi</b> ), hours	2.73	4.23	2.96

Key technical areas of enhancing reliability and efficiency of the Company's power grid facilities are stipulated by the Unified Technical Policy in the Power Grid System<sup>18</sup> approved by the Board of Directors of PJSC Rosseti (Minutes of 22.02.2017 No. 252).



According to the research conducted after the accidents, their main reasons are as follows:

- Inconsistency of the adopted corridor (clearing) widths of 6–110 kV OL with the modern operation requirements, falling of trees from outside the protective zone with the height significantly exceeding the clearing widths, long operation period for the majority of OL (56.7% OL have been in operation over 35 years) are the main reasons for technological disturbances at 35, 110 kV OL and in the 6–10 kV distribution grids. The number of power outages caused by trees fallen due to weather conditions is 38% (2,311 cases) of the total number of disturbances in 2020.

- High physical depreciation of the equipment, which operation period exceeds the standard design lifetime (requires renovation of the power equipment at 35-110 kV substations, distributing SS, transformer SS).

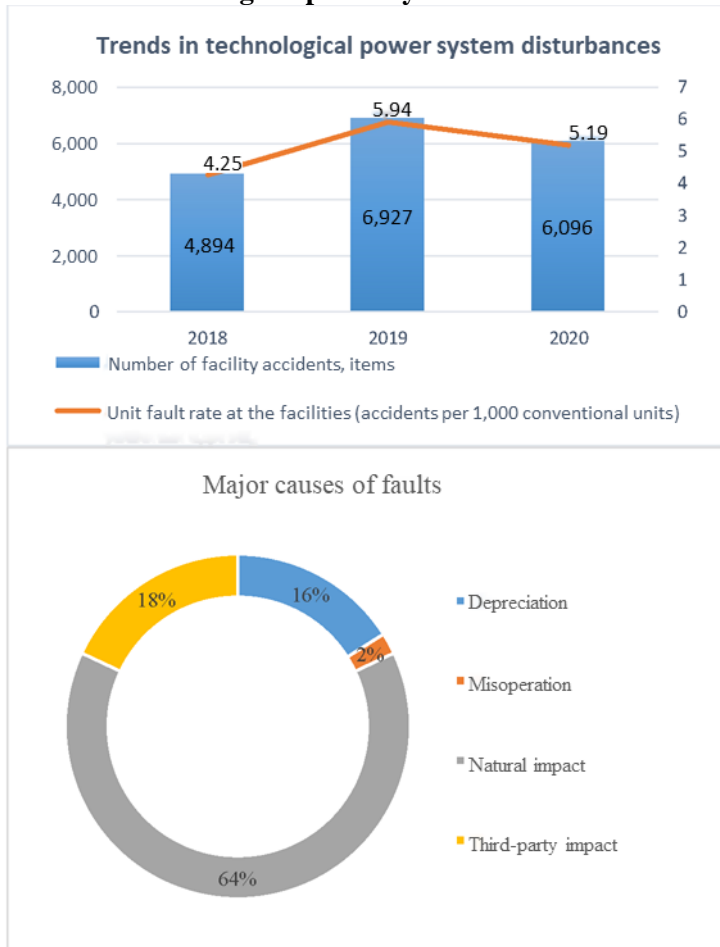
- Significant number of 6+ kV OL disturbances was due to equipment depreciation. The number of disturbances with the signs of events described in 3.4.7.5 “Unsatisfactory technical condition of the equipment (insulation ageing, loss in mechanical strength of wires, changes in material properties, etc.)” accounts for 13% (754 power outages) of the total disturbances in 2020.

- Disturbances due to thunderstorms (283 disturbances) in the period from May to September account for 5% of the total number of disturbances in 2020.

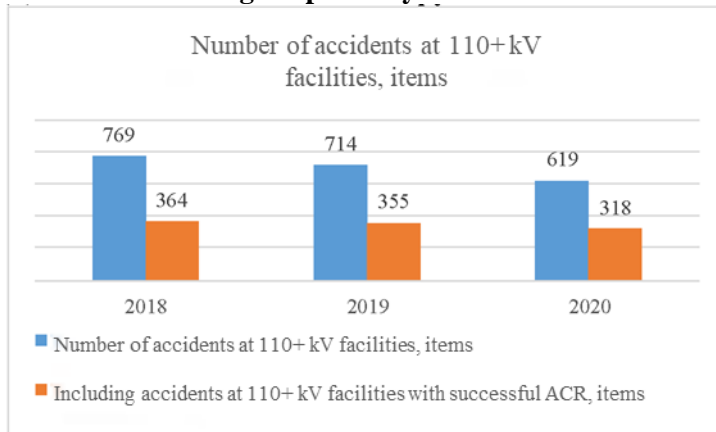
<sup>18</sup> The regulation on the Unified Technical Policy in the Power Grid System is presented at the web site <http://www.mrsksevzap.ru> under [About the Company / Charter and internal documents / Policies.](#)

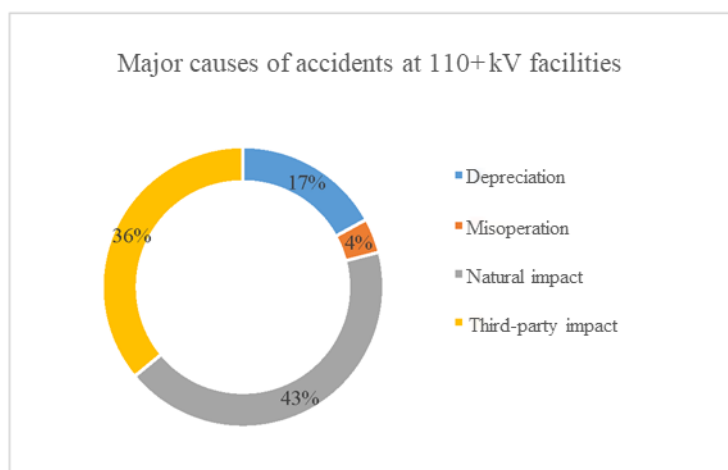


**Trends in technological power system disturbances**



**Trends in technological power system disturbances in 110+ kV grids**





To reduce the number of emergency power outages caused by breakdown of the equipment with expired service life, the Company updated a programme for the upgrade (renovation) of its power grid facilities for the period of 2020–2026 (approved by the Board of Directors of PJSC IDGC of the North-West, Minutes of 24.04.2020 No. 360/37).

A programme aimed at bringing forest corridors to normative condition by widening clearings of 35+ kV OL was developed to increase efficiency, reliability and safety of power generation and reduce the number of disturbances caused by falling trees (approved by Regulation of PJSC IDGC of the North-West No. 357r dated 11.09.2017). The widening of clearings is implemented within the investment programme.

To decrease the number of emergency power outages of 0.4–20 kV OL due to overlapping wires, fall of foreign objects on wires, fall of trees and recurrent natural disasters, a programme aimed at renovation of power lines of 0.4–20 kV with replacement of uninsulated wire with SSIW is implemented at PJSC IDGC of the North-West branches. Replacement of uninsulated wires with SSIW helps to reduce the number of technological disturbances and the costs of maintenance.

#### ***Readiness for possible power system disturbance response***

Regardless of the time of year and weather conditions, employees of PJSC IDGC of the North-West are ready to eliminate any possible grid disturbances. The forces and funds of PJSC IDGC of the North-West are well-prepared for the prevention and elimination of emergency situations on power grid facilities. The emergency stock of materials and equipment is 100% full.

740 brigades, 3,627 persons of production personnel, as well as 1,651 units of automotive and special vehicles are prepared for any possible emergency and restoration operations.

To restore the power supply to consumers, a park of reserve power supply sources is available in the amount of 292 units with a total capacity of 47,553 kW, including 258 mobile sources (20,328 kW).

Contracts and agreements have been concluded, that allow recruiting forces and funds of contractors totalling 135 brigades comprised of 1,084 persons and 414 units of automotive and special vehicles.

To work out practical skills of emergency situations elimination, 8 joint drills with the headquarters have been held for ensuring the protection of the power supply of the constituent entities of the Russian Federation, the territorial authorities of the executive power and local self-government, the Ministry of the Russian Federation for Civil Defence, Emergency Situations and Elimination of Emergency Disasters, housing and public utilities, as well as contractor organizations.

The Company has created, outfitted and commissioned mobile units intended for emergency and restoration works on both the Company's territory and at the facilities of other branches and subsidiaries of PJSC Rosseti. In total, 46 mobile units, which include 279 persons and 122 units of automotive and special vehicles, have been formed. The mobile units are reviewed and tested for readiness at least 2 times per year.

Subject to Order of PJSC Rosseti dated 01.06.2018 No. 89, PJSC IDGC of the North-West has developed and is implementing a multi-year (up to 2022) programme for the purchase of reserve power supply sources (RPSS).

The medical and infrastructure facilities are specifically monitored to ensure the reliable power supply.

The technical condition of power installations, which ensure the power supply of 63 medical institutions powered from the facilities of PJSC IDGC of the North-West, has been checked. 60 emergency trainings on restoring the power supply of these facilities have been held.

10 diesel generators with a capacity of 2.1 MW have been installed to provide the redundant power supply to medical institutions that do not have their own autonomous power sources.

#### **Indicators of service reliability — System Average Interruption Duration Index per point of delivery (Psaidi) and System Average Interruption Frequency Index per point of delivery (Psaifi)**

Analysis of the actual indicators of reliability levels of the Company branches in 2020 shows that the service reliability indicator System Average Interruption Duration Index per point of delivery (Psaidi) was achieved with a major improvement in the Arkhangelsk, Vologda, Karelia and Novgorod branches, while in the Arkhangelsk, Vologda, Murmansk, Novgorod, Pskov and Komi branches, the indicator of service reliability System Average Interruption Duration Index per point of delivery (Psaidi) was achieved.

Branch name	Psaidi/planned	Psaidi/actual	Result
Arkhangelsk branch	3.4017	2.0983	Achieved
Vologda branch	4.9134	2.0408	Achieved
Karelia branch	7.755	2.5826	Achieved
Murmansk branch	0.3404	0.3016	Achieved
Komi	3.8654	3.1643	Achieved
Novgorod branch	6.46319	4.3073	Achieved
Pskov branch	4.9019	3.7385	Achieved

Analysis of the actual indicators of reliability levels of the Company branches in 2020 shows that the service reliability indicator System Average Interruption Duration Index per point of delivery (Psaidi) was achieved with a major improvement in the Vologda branch, while the Arkhangelsk, Karelia, Murmansk, Novgorod, Pskov and Komi branches achieved the service reliability indicator System Average Interruption Frequency Index per point of delivery (Psaifi).

Branch name	Psaifi/planned	Psaifi/planned	Result
Arkhangelsk branch	1.2686	1.1595	Achieved
Vologda branch	2.1717	1.3605	Achieved
Karelia branch	2.062	1.8987	Achieved
Murmansk branch	0.15	0.1409	Achieved
Komi	1.7811	1.8173	Achieved
Novgorod branch	1.7358	1.6835	Achieved
Pskov branch	1.5011	1.5467	Achieved

#### **[EU28; EU29] Average interruption frequency and duration**

Indicator	2018	2019	2020
System average interruption frequency index per point of delivery (Psaifi), events	1.40	1.90	1.49
System average interruption duration index per point of delivery (Psaidi), hours	2.73	4.23	2.96

Data shows that in the period starting from 2018, PJSC IDGC of the North-West shows positive trends in the power supply reliability indicators; in 2020 the reliability indexes fell across all the branches and the Company on the whole.

#### **Reaching the reliability level of the rendered services**

In 2020, the indicators of services reliability and quality levels set by executive authorities of the Russian Federation regions in the area of state tariff regulation subject to regulatory documents were achieved by all branches of PJSC IDGC of the North-West.

Branch	Indicator	2020	
		Planned	Actual
<b>Arkhangelsk branch PJSC IDGC of the North-West</b>	System average interruption duration index per point of delivery (Psaidi), hours	3.4017	2.0983
	System average interruption frequency index per point of delivery (Psaifi), events	1.2686	1.1595
	quality level		Not set
	TC quality level	1.0000	1.0174
<b>Vologda branch PJSC IDGC of the North-West</b>	System average interruption duration index per point of delivery (Psaidi), hours	4.9134	2.0408
	System average interruption frequency index per point of delivery (Psaifi), events	2.1717	1.3605
	quality level		Not set
	TC quality level	1.0000	1.0248
<b>Karelia branch PJSC IDGC of the North-West</b>	System average interruption duration index per point of delivery (Psaidi), hours	7.755	2.5826
	System average interruption frequency index per point of delivery (Psaifi), events	2.062	1.8987
	quality level		Not set
	TC quality level	1.0000	1.0995
<b>Murmansk branch PJSC IDGC of the North-West</b>	System average interruption duration index per point of delivery (Psaidi), hours	0.3404	0.3016
	average interruption frequency per point of delivery	0.15	0.1409
	quality level		Not set
	TC quality level	1.0000	1.0419
<b>Branch Komi branch of PJSC IDGC of the North-West</b>	System average interruption duration index per point of delivery (Psaidi), hours	3.8654	3.1643
	System average interruption frequency index per point of delivery (Psaifi), events	1.7811	1.8173
	quality level		Not set
	TC quality level	1.0000	1.0371
<b>Novgorod branch PJSC IDGC of the North-West</b>	System average interruption duration index per point of delivery (Psaidi), hours	1.7358	1.6835
	System average interruption frequency index per point of delivery (Psaifi), events	1.7358	1.6835
	quality level		Not set
	TC quality level	1.0270	1.05425
<b>Pskov branch PJSC IDGC of the North-West</b>	System average interruption duration index per point of delivery (Psaidi), hours	4.9019	3.7385
	System average interruption frequency index per point of delivery (Psaifi), events	1.5011	1.5467
	quality level		Not set
	TC quality level	1.0090	1.01225

### Repair and maintenance programme

The Company maintains and repairs power facilities to keep up substations and high-voltage lines equipment in good working order.

In 2020, IDGC of the North-West fully completed the scheduled maintenance and repair activities.

	2018	2019	2020
Overhaul of OL, km	10,410	10,450	1,322*
Clearing OL routes, ha	19,824	15,841	15,829
Repair of switching units, items	2,566	2,566	2,640
Actual M&R, RUB mln	4,839.49	4,495.25	4,200.43

\* In 2020, taking into account the changes in the repaired OL calculation methodology.

All measures required for maintaining the power grid system equipment in good technical condition, successful operation during the autumn and winter periods, as well as reliable power supply to

consumers have been implemented by PJSC IDGC of the North-West within the technical repairs and maintenance plan for 2020.

Implementation of the technical repairs and maintenance plan accounted for RUB 4,200.43 mln (with RUB 3,765.56 mln planned), or 112%.

### **Power supply safety**

In accordance with the regulations on implementing the uniform communications policy of PJSC IDGC of the North-West (the latest version approved by Decision of the Company's Board of Directors dated 12.05.2020, Minutes No. 363/40), the Company performs information exchange with related electric power entities and divisions of the EMERCOM of Russia. The Company's representatives participate in interagency working groups, consumer councils, operation of regional headquarters to ensure safe power supply for executive authorities of the constituent entities of the Russian Federation.

### **Special operation periods**

PJSC IDGC of the North-West implemented organisational and technical measures to prepare the power grid system for operation during special periods. Regulatory administrative documents were developed, commissions were created, and inspections were carried out to control proper implementation of main and additional measures for ensuring operational readiness of the power grid system for special operation periods. Based on the results, the commissions drafted acts regarding operational readiness for the 2020 high-water period, as well as the 2020–2021 autumn and winter period. By Decision of the RF Ministry of Energy (Order dated 05.11.2020 No. 973), the Company received a Certificate of operational readiness for the heating season. Full completion of the organizational and technical measures enabled the Company to ensure reliable power supply to consumers in the context of special operation modes.

## **Technical policy<sup>19</sup>**



The technical solutions implemented in the projects of new construction and renovation included in the investment programme of PJSC IDGC of the North-West for 2020 correspond to the requirements of the Unified Technical Policy (approved by Decision of the Board of Directors of PJSC IDGC of the North-West dated 24.12.2019 No. 342/19).

Specialised professionals of PJSC IDGC of the North-West contributed to adjustment of the Unified Technical Policy. The Regulation of PJSC Rosseti “On the Unified Technical Policy in the Power Grid System” approved by Decision of the Board of Directors of PJSC IDGC of the North-West (Minutes of 24.12.2019 No.342/19) and enacted by Order of the Company of 07.02.2020 No.61 “On implementation of the Regulation of PJSC Rosseti “On the Unified Technical Policy in the Power Grid System”.

The implementation of PJSC Rosseti's Regulation “On the Unified Technical Policy in the Power Grid System” (hereinafter – the Regulation) is controlled at PJSC IDGC of the North-West as follows:

- in development of the schemes and programmes of the power sector development in the regions of the North-Western Federal District;
- in development of the Company's operational, maintenance and target programmes;
- at the stage of the trade and procurement activities, when the equipment, products or materials offered are analysed for compliance with the checklists;
- in drawing up specifications for design, equipment (materials) supply and construction and assembly works;

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<sup>19</sup> Information on the technical guidance documents in the field of technical regulation is shown in Annex 10 to the Annual Report.

- in approval of the technical solutions of design and specification documents for construction and renovation of power grid facilities;
- in carrying out technical supervision during construction and assembly and pre-commissioning activities for compliance with the approved design documentation;
- in assessing the developed design documentation for compliance with the requirements of the Regulation;
- in development and adjustment of the Company’s innovative development programme.

In 2020, the target operational programs of PJSC IDGC of the North-West (the target programme for disposal of injury-risk equipment, the target programme for increased reliability of the distribution grid operations, the target programme for replacement of oil-filled bushings with solid insulation, the target programme for replacement of porcelain (polymeric) insulation at 35+ OL, the target programme for replacement of post insulators, the target programme for the upgrade of RPA devices and units) stipulated gradual replacement of oil circuit breakers with vacuum breakers of 6 (10) kV, construction of 0.4-10 kV OL using SSIW, introduction of modern technologically compatible smart microprocessor units compliant with the requirements of IEC 61850.

The maintenance, repair, renovation and new construction operations were performed using certified equipment, materials and systems, while the bid documentation was monitored for compliance with the requirements. The new purchased equipment and materials were assessed for compliance with the requirements of the Unified Technical Policy, including those replacing imported ones.

**Key, special or crucial projects of PJSC IDGC of the North-West using innovative, advanced, forward-looking technical solutions, technologies, materials and equipment in line with PJSC Rosseti Regulation “On the Unified Technical Policy in the Power Grid System” in the reporting period**

IDGC Branch	Object name	Key specifications
Karelia branch of PJSC IDGC of the North-West	110 kV L-140 OL, poles 65, 66, 37	Steel poles AUS110P-1 manufactured by CJSC ELSI Stalkonstruksiya; Pole material — steel, formed section; foundation material — D720 pipe; L — 4 m; pole height — 11.15 m; weight — 3742.76 kg.
Karelia branch of PJSC IDGC of the North-West	110 kV OL L-170, poles 7, 8, 9	ShIP deep modular rod grounding manufactured by LLC ShIP, Saint Petersburg (rod L — 1.5 m, TDTs ShIP-15).
Vologda branch of PJSC IDGC of the North-West	Reconstruction of 35/10kV SS Molochnoe in the Vologda District of the Vologda Region	APCS includes the equipment produced by LLC ITs Energoservis: — software and hardware system ENTM-A10E16E2R, storage devices ENMA-3M.684, I/O modules ENMV-1-24 and ENMV-1W-0/2, as well as server equipment of LLC NPP Ekra ShNE 2080.004. Digital master units (DMU) and analogue-digital master units (ADMU) allowing to convert analogue values from secondary circuits of current transformers and voltage into a digital form and publish the obtained digital measurements into the process bus in accordance with the IEC 61850-9-2 SV protocol.

The implementation of the above and other projects served to enhance reliability and improve the quality of power supply to socially significant and other major facilities.

## Research and Development Board<sup>20</sup>

In order to enhance the Company's technical activities and implement the Unified Technical Policy during the development, engineering, construction, renovation and operation of the power grid facilities, PJSC IDGC of the North-West created the Research and Development Board (hereinafter — the RDB). The meetings of RDB are devoted to issues of research and development activities, experimental operation of equipment and materials, use of equipment, finding solutions to the theoretical and technical issues of the Company's power grids and other subjects.

In 2020, 1 (one) RDB meeting was held, it addressed 9 (nine) issues.

## Innovative development



### Key performance indicators

	2018	2019	2020
The volume of funding for the activities of the Digital Transformation programme for the subsidiaries of PJSC Rosseti in the reporting year, RUB mln <sup>21</sup>	-	1,099.69	1,261.26
Implemented innovations volume, RUB mln	342.99	552.89	276.89
R&D implementation volume, RUB mln	12.47	9.16	23.77

The Innovative Development programme is implemented to achieve the strategic priorities of the Company:

- Ensuring reliable, high-quality, and safe power supply to consumers.
- Digital transformation of operations. Technological and innovative development.

The 2016-2020 innovative development programme with the outlook until 2025 taking into account the top-priority areas outlined in the policy of innovative development of PJSC Rosseti approved by Decision of the Company's Board of Directors of 31.03.2017 (Minutes No. 235/26).

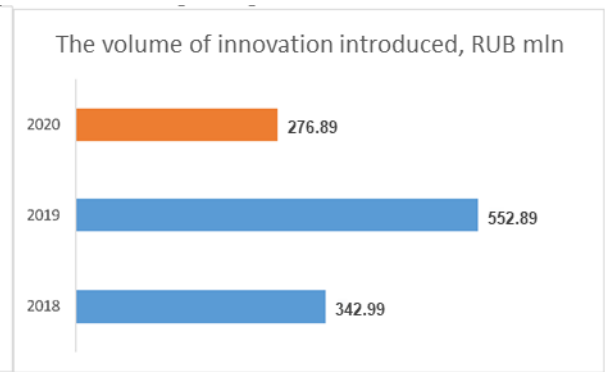
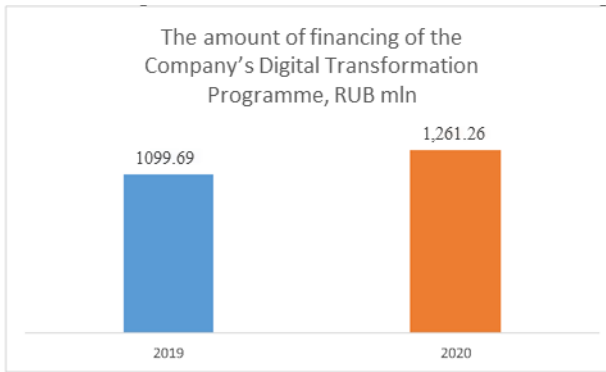
The programme aims to achieve the strategic goals of the Company through transition to a power grid of a new technological paradigm with entirely new indicators of reliability, efficiency, accessibility, manageability and client focus at the power grid facilities of the Company taking into account the aims and objectives of PJSC Rosseti "Digital Transformation 2030" concept and the digital transformation programme of PJSC IDGC of the North-West for 2019-2030.

The following top-priority areas has been outlined for the Company's innovative development for the period of D&S implementation up to 2025:

1. Transition to and large-scale deployment of digital substations of the voltage class 35-110(220) kV.
2. Transition to digital smart active adaptive grids with the distributed intelligent system of automation and management.
3. Transition to comprehensive efficiency of business processes and automation of management systems.
4. Utilization of new technologies and materials in the power industry.

<sup>20</sup> For more details of the Report of the Research and Development Board for 2020 see Annex 11 to the Annual Report.

<sup>21</sup> Digital Transformation programme was prepared in 2019.





## KEY PROJECTS OF DIGITAL TRANSFORMATION



### Digital substations

A digital substation is an automated substation equipped with digital information and control systems interacting in real time. These substations do not require the presence of personnel on site. In 2020, two digital 35 kV substations were constructed in Vologda region. They can be remotely operated and are 100% observable. The 35 kV Balaton substation was constructed to power the Babaevskaya compressor station of the Nord Stream 2 gas pipeline. The capacity of the 35 kV Molokhnoe substation was increased from 12.6 to 32 MVA. The stability of power supply to residents of Vologda region was increased, as well as to the Vereshohagin milk plant that produces the world-famous Vologda butter.



### Digital PDZ

A digital power distribution zone (PDZ) is a cutting-edge section of a power grid. It uses for digital and innovative solutions and helps to decrease operational costs linked to power transmission, thereby increasing quality, reliability, and availability of electricity for consumers. In 2020, the second digital PDZ within the geographical footprint of Rosseti North-West was built in Borovichi district of Novgorod region. It is characterized by a high level of automation which ensures real-time observability, smart power metering, as well as self-diagnostics and self-repair.



### Digital aerial line

Digital aerial line is an innovative concept aimed at developing business processes of use of 110 kV aerial lines utilizing 3D models of lines and the area, unmanned and robotized drones, as well as systems of online monitoring. The project was launched in 2019. In 2020, Rosseti received the award of an international competitions of innovative projects aimed at the exploration of the Arctic. Namely, a Rosseti North-West's digital aerial line was given the award. Winners were chosen by a panel of experts headed by RAS academician Alexey Kontorovich and deputy minister of energy of the Russian Federation Pavel Sorokin. Within the framework of this project, three power lines were inspected using high-definition cameras and laser and magnetic scanning. A digital 3D model of the 110 kV OL was created, and real-time observability and control over technological parameters of 110 kV OLs in Karelia branch, Murmansk branch, and Arkhangelsk branch were enhanced.

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Decrease in accident rate and reduced power restoration time

#### EFFECTS FOR THE COMPANY

- Introduction of modern equipment
- 100% observability
- Digital power metering

343 RUB mln – investments into the construction of the Balaton substation  
357 RUB mln – investments into the construction of the Molokhnoe substation  
These substations comply with the principles of the Digital Transformation 2030 concept.  
Most of the basic equipment was manufactured in Russia. Cutting-edge technological solutions allowing for observability and remote control of all the equipment were implemented. Automated control systems process up to 5,530 signals. Information exchange complies with the IEC 61850 protocol. Multifunctional measuring and metering devices, as well as micro-CPU relay protection were installed.

Smart devices like digital autoreclosers (help to localize damage), short circuits, and energy monitoring cabinets were integrated into the existing grid of the 10 kV Borovichi PDZ.

#### EFFECTS FOR CONSUMERS

Additional reliability of power supply to 62,000 residents of the district and industrial enterprises, including the Borovichi refractory brick plant which manufactures equipment for oil and steel industry.

130 RUB mln were invested into the project.

There is also a plan to create a digital clone of the line in order to predict and prevent accidents, with subsequent transition to risk-oriented management of power grids. Moreover, satellite images were used to test systems of monitoring of power lines. This project is being implemented within the framework of the Digital Transformation 2030 programme.

#### EXPECTED EFFECT FOR THE COMPANY AND THE CONSUMERS

14 RUB mln were invested into the pilot project

### Strategic Report

Sustainable Development Report

Corporate Governance Report

Annexes

**1,026**  
RUB mln

allocated to the implementation of the Digital Transformation Programme in 2020



On December 24, 2020, General Director of PJSC IDGC of the North-West Artem Pidnik launched the 35 kV Balaton digital substation in the city of Babaevo, Vologda region.

This substation supplies power to the Babaevskaya compressor unit of the Nord Stream 2 gas pipeline which will run through the bottom of the Baltic Sea from Russia to Germany. The new 20 MVA digital substation operates in total observability mode. The presence of personnel on site is not required – the substation can be operated remotely.

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### *Main comprehensive innovative projects implemented in 2020*

#### **Transition to digital substations of the 35–110 (220) kV voltage class**

Implementation of the measures covered by this area involves key business processes:

- operational and process management by automation of collection, processing and decision-making on facility management;
- repair and maintenance by monitoring the technical condition and the remaining equipment service life;
- rendering power transmission services by automation of remote data collection from power meters.

Additional positive influence on supporting business processes of the Company is expected due to reduction in the overall duration of power supply interruptions brought about by streamlining the information flows within a facility between metering and equipment protection devices and prevention of spurious openings.

Due to the substantial increase in data volumes received for further processing and visualization, the time for preparation, approval and implementation of management decisions on the current and future developments can be considerably reduced.

The essence of this business area is to create an architecture of automated process management systems based on digital buses for the processes and facilities with data and measurement flows, as well as control over IEC-61850 protocol and ensuring compliance of the Company's built and renovated substations of 35–110 kV to the OS 34.01-21-004-2019 "Digital feeding centre. Requirements to the technological design of digital substations with the voltage of 110–220 kV and digital tie-substations with the voltage of 35 kV".

The major innovative development projects for PJSC IDGC of the North-West in 2020 were as follows:

- a) Implementation of the digital substation architecture within the framework of construction of 35/10 kV SS Molochnoe in the Vologda District — equipment has been purchased, construction and installation and commissioning works have been carried out, and the reconstruction has been completed.
- b) Implementation of the digital substation architecture within the framework of construction of the 35/10 kV SS Balaton in the Babayevsk District — general commissioning and construction completed.
- c) The implementation of the digital substation architecture within the framework of the reconstruction of 110/10 kV SS No. 209 "Dvinskoy Bereznik" in N. Chazhestroevoy village of the Arkhangelsk Region included purchasing the equipment, construction, pre-commissioning and commissioning works, as well as reconstruction.

It is planned that by upgrading the substations 35/10 kV Molochnoe and 110/10 kV No. 209 Dvinskoy Bereznik, as well as constructing the 35/10 kV SS Balaton, the abovementioned substations will be provided with a high level of operational process management automation, equipped with advanced information technology, controlling systems and devices (DCTS, AMIS for ECA, RPA, automatic emergency response system, fault localization and etc.) enabling all the processes of information exchange among the SS components (as well as interaction with the external systems) and the general SS process management to be performed digitally using the IEC 61850 protocol.

#### **Transition to digital smart active adaptive grids with the distributed intelligent system of automation and management**

Development of an active adaptive grid including the introduction of distributed automation at overhead distribution grids based on the principles of automated grid reconfiguration to minimize the frequency and duration of interruptions is the transition to a qualitatively new power grid state involving the incorporation of power networks, consumers and power producers into a single automated system at the technological level.

In 2020, within this area of operation, a pilot project "Creating an integrated automation system for automation of 6/10 kV distribution power grids of Borovichsky PDZ of the Novgorod branch of PJSC IDGC of North-West" has been implemented.

This project is relevant due to the need to change the approaches in managing distribution grids and the need to prepare the technological base for optimizing and changing business processes in the PDZ. The

pilot project is intended to work out the applied technologies and confirm the obtained results for further scaling at similar Company's objects.

The project aims at achieving the following target indicators: reduction in the average power supply interruption duration, improving the power quality and accessibility of the power infrastructure, reduction in operating expenses, as well as working out technical and administrative solutions to optimize the business process of operational, process and contingency control.

The implemented project includes the following activities:

- optimization of the grid topology, allowing for a more even distribution of the load along the feeder, eliminating duplicate bonds, as well as the arrangements of the annular feeders from radial;
- reconstruction of branch lines using microprocessor relay protection and switches with a high commutation life;
- installation of intelligent switching devices (reclosers) with integrated protection, automation and data transmission functions, as well as a built-in measurement system based on combined current and voltage sensors;
- installation of the short-circuit indicators with an integrated data transfer functions allowing for remote identification of the damaged location;
- introduction of the power monitoring system;
- creation of technological video surveillance systems at substations;
- introduction of an operational information system at the PDZ level with the integration of all automatic and displaying all non-automatic switching devices;
- introduction of a unified information system for the operational, technological and situational management, which enables the creation of a unified grid model based on the requirements of CIM IEC 61970/IEC 61968, as well as the DMS/OMS/ELA application package.

The introduction of a single operational information system at the branch GCS level, division-specific operative dispatching service and PDZ operative dispatching groups to ensure the observability of the distribution grid facilities is one of the main results of the implemented project.

This information system includes a SCADA system with topological analysis tools, relevant schemes of all 35-110 kV power grid facilities of Valdai and Borovichy divisions based on CIM standards, distribution network management system (DMS) with functions for analysing the operating modes, assessing the power grid state, calculation of short circuit currents, power consumption prediction, as well as the outage management systems (OMS) with the functions for determining the damaged grid areas, switching and highlighting the damaged grid area by automatic devices, displaying data on the location of mobile teams, with mobile solutions support.

The key technical solutions achieved by implementation of the “Digital PDZ” project:

- development of the active adaptive grid;
- creation of a smart system for distribution grid management based on SIU with the DMS and OMS functionality;
- introduction of the power monitoring system.

Project implementation facilitates the reduction in the power supply recovery time, enhances reliability of power supply to consumers and enables evaluation of innovation technologies in the Novgorod Region.

Implementation of the “Development of an automated information system of technological management in the distribution power grid system” project involved continued efforts during 2020 to create a unified environment for data exchange among the existing miscellaneous automated information systems of data collection.

To ensure compliance with the technical requirements for arranging the technological data exchange between the facilities of the Company's branches, the telemetry system, data collection and transfer devices at 24 35-110 kV as well as automated technological control systems in 3 PDZ substations have been upgraded as part of the implementation of the second stage of the observability improvement programme.

The activities completed in 2020 on the telemetry systems modernization at the substations allowed including the listed substations into a unified information network, which will ensure a significant and qualitative change in the organization of the power grid system operation:

- granting access to the operational personnel to reliable information on the operating modes of power equipment at all power grid facilities;
- operational prediction and calculation of the operation modes at all dispatch control level;

- reduction of transportation costs, total maintenance costs and time to eliminate emergency situations;
- optimization of the service personnel activities, organization of production at a modern level.

### Transition to comprehensive efficiency of business processes and automation of management systems

In 2020, within the innovation development area “Transition to comprehensive efficiency of business processes and automation of management systems”, the Company started introducing the functionality of production facility management systems aimed at:

- increasing the volume and reliability of the data regarding the technical features and geographical location of the power grid facilities;
- verification of the data on the technical condition of the power grid facilities by using inspection templates;
- enhancing control over safe work performance and encouraging the reduction in the number of process violations during works by controlling the quality of instructions before personnel access;
- reducing the labour overheads during the preparation of documents, analysing the nature and significance of the found faults, increasing the M&R programme planning quality;
- communicating the required technical information to the personnel on site in due time (schemes, methodologies, instructions, etc.).

PAMS development plan for 2020-2022 has been approved by the decision of the Board of Directors of PJSC IDGC of the North-West of 04.09.2020 (Minutes no. 374/10), which included the scheduled implementation of the following system functions during 2020:

- creation of the power grid maintenance and repair schedule as per the unified Rosseti PJSC rules taking into account the equipment failure risks (using automated systems);
- the calculation of state (physical wear) indexes for the main production equipment is brought to compliance with the requirements of the industry-specific methodology for assessing the technical condition of the equipment in accordance with the requirements of the Order of the Ministry of Energy of the Russian Federation dated 17.03.2020 No. 192. The updated textual algorithms for evaluating the technical condition index are implemented for the production assets management system.

To reduce the costs associated with the applicants' call services, a pilot project "Robot operator" was implemented. It allows applicants to confirm the technological connection. The project's essence is to process outgoing calls as per a developed script using speech synthesis and recognition technologies. Savings are achieved due to the one-time script implementation and its subsequent repeated use. The cost of computer-assisted processing is 2 times lower than that of services involving a human call-centre operator (if a developed script is available).

The script was developed and a contact list containing 6,264 contracts for technological connection was processed. During calls, the script quality was constantly improved.

As a result, the project showed its effectiveness and was recommended for implementation in other PJSC Rosseti subsidiaries.

The implementation cost for the 2016–2020 innovative development programme with an outlook up to 2025 amounted to RUB 276.89 mln in 2020.

### Planned and actual costs by key areas of innovative development

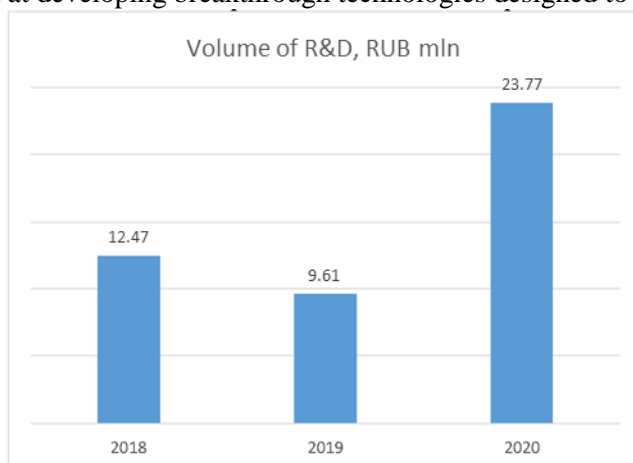
Main areas, million rubbles (VAT excluded)	2020, planned	2020, actual	Deviation		Deviation reasons
			absolute	%	
Innovations, including key areas:	267.82	276.89	9.07	3.4	
Transition to digital substations of varying voltage class 35-110 (220) kV	67.02	65.94	-1.08	-1.6	Savings from trade and procurement procedures
Transition to digital active adaptive grids with the distributed smart system of automation and management	154.96	173.95	18.99	12.3	Additional measures were taken that were not addressed during the plan development
Transition to comprehensive	0.42	5.12	4.7	1,119	Additional measures

efficiency of business processes and automation of management systems					were taken that were not addressed during the plan development
Utilization of new technologies and materials in the power industry	0	2.63	2.63	0	Additional measures were taken that were not addressed during the plan development

The efficiency of implementing the innovative development programme of PJSC IDGC of the North-West is assessed and monitored using the corresponding values — programme efficiency indicators.

### **R&D [G4-DMA (previously EU8)]**

A key priority within the innovative development of the power grid system is carrying out R&D, aimed at developing breakthrough technologies designed to create revolutionary solutions and methods.



In 2020, the following R&D projects were performed by PJSC IDGC of the North-West:

#### **1. Research project “A study of the information field at PJSC IDGC of the North-West and creation of a CIM basic profile in line with the standards IEC 61968 and IEC 61970”**

To ensure interaction of all the automation levels of the target processes model of smart digital grids, it is necessary to create an information model profile for PJSC Rosseti on the basis of CIM, as reflected in the concept “Digital transformation of PJSC Rosseti 2030” approved by Decision of the Board of Directors of PJSC Rosseti (Minutes of 21.12.2018 No.336).

The CIM model provides for unified and unambiguous description of the network element interaction, their features and characteristics with the purpose of further application of the resulting model across various systems. The rules and requirements to CIM model description are regulated by the standards IEC 61968 and IEC 61970. Therefore, the structure of the information field is studied, identifying sources and destinations of information building the information field. Applicability of the standards IEC 61968 and IEC 61970 is analysed regarding the information exchange and the need to expand the CIM with elaboration to gain an opportunity to describe the information flows under the tasks of general specification and contingency control.

The research project, completed in 2020, resulted in the following:

–The Company analysed the data array used in the information systems under the tasks of general specification and contingency control of PJSC IDGC of the North-West, prepared the section of a technical report on the data objects of the information field participating in the execution of general specification and contingency control functions specified/not specified in the standards IEC 61968 and IEC 61970;

–The Company developed suggestions on the information exchange structure for operational, process and contingency control of PJSC IDGC of the North-West.

–The Company created a CIM basic profile (conventional model) of PJSC IDGC of the North-West with the extension for the operational, process and contingency control purposes consisting of:

- CIM basic profile allowing to create a single CIM model with a basic set of attributes;
- an extended set of attributes for the application, including for the operational, process and contingency control.

–The Company developed an XML RDF CIM-model for a pilot area of PJSC IDGC of the North West and a profile for data exchange on the requests to take power grid equipment out of service for repair.

The created CIM-model profile with the extension for the general specification and contingency control purposes will make a basis for the integration of information systems into PJSC IDGC of the North-West to provide the execution of the operational, process and contingency control functions. The R&D project was completed in 2020.

## **2. Research project “A study of the increment speed of the main types of forest-forming tree species depending on climatic zones and the condition of the soil in the route areas of the current OL, creation of regional maps for the frequency of OL route clearing and issuing recommendations on the working technique”**

Bringing the OL routes into standard condition is a priority of the Company aimed to ensure reliable operations.

To organise long-term planning of OL routes clearing while taking into consideration their actual condition and the prospects of tree and shrubbery vegetation (hereinafter – TSV) growth, it is necessary to divide the operations area of the power grid company into districts and identify the frequency of TSV cutting. Thus, in 2020, the Company continued the research on the subject.

The following activities were performed at the second stage of the research project:

–The Company processed and analysed the data in the PJSC IDGC of the North-West footprint area to define the characteristics of forest vegetation required to establish the period of OL route colonization with vegetation and work out recommendations on the frequency and the methods of its clearing applying an innovative method for the comprehensive use of data obtained by the Earth remote sensing (hereinafter - ERS) and the mathematical models of TSV productivity and dynamics.

–The Company conducted the statistical analysis of forest characteristics at the forestry level in the Company's operations-area. The corresponding results of the ERS data processing and analysis to obtain the TSV quantitative characteristics and making up forestry thematic maps are presented in a generalized form for coniferous and broadleaved species as well as prevailing tree species.

–The Company obtained geoinformation databases for forest characteristics (areas covered with forests, forest tree structure and crown density, bodywood stand), defined the TSV density and quality at all operations areas of PJSC IDGC of the North-West.

The economic effect of the study consists in the reduced damage from technological faults caused by OL outage due to obstruction of the clearance between the wires and the TSV, as well as a reduction in OL maintenance cost at the stage of OL routes maintenance scheduling. The project completion is planned for 2021.

## **3. Research project "Development of algorithms and methods to monitor power transformers in 35 - 110 kV distribution grids on the basis of synchronized phasor measurements"**

The integration of synchronized phasor measurements (hereinafter - SPM) technologies into the automated control systems (operative information complexes - SCADA/OMS/DMS) with a subsequent transition to the automated new generation process management systems (Wide Area Control Systems - WACS) will provide new opportunities in power system control. The key advantage of this technology is the opportunity to calculate about a hundred parameters of the power system on the main harmonics based on six current PMUs and specific voltage connection at any control level. The use of PMUs from various connections allows for the identification of the power system parameters. This brings about new opportunities for controlling power system modes and allows developing new-generation emergency control and mode-setting systems.

One of the examples of SPM application is power equipment monitoring using the SPM data in the calculation of parameters for the controlled objects' equivalent circuits. The data obtained from PMUs can be applied to calculate the parameters (equivalent circuits) of the various equipment models. More specifically, SPMs allow conducting the verification of current and voltage measurement transformers as well as performing online monitoring for the state of power transformers.

In 2020 at the second stage of the research project the concept for monitoring and diagnosing power transformers with the HV winding 35 - 110 kV based on SPM was developed and embraced the following:

- analysis of the existing and applicable approaches towards the monitoring of the state and diagnostics of power substation primary equipment;

- assessment of practical value and relevance of monitoring systems based on SPM in power engineering;
- analysis of the possibility of using the SPM technology to monitor the state and test the power substation primary equipment;
- setting the task of state monitoring and testing power transformers with the HV winding 35 - 110 kV based on continuous phasor measurement of winding current and voltage;
- development of the preliminary methodology for the monitoring and testing the state of power transformers with the HV winding 35 - 110 kV based on SPM;
- development of the methodology for comparing the results of the assessment of the power transformers state based on SPM with the existing and applied methods for the SPM assessment of the power transformers state;
- technical and economic justification for the application of the systems monitoring and testing the state of the power transformers with the HV winding 35 - 110 kV based on SPM with the account of the developed method for state monitoring and testing.

The potential economic effect from the opportunity to continuously track the electromagnetic parameters of power transformers with the help of PMUs as per the project is the following:

- improving the reliability of distribution power grids and reducing the risk of emergency power outages;
- reducing operative expenses due to the availability of relevant information on the equipment technical state;
- reducing the duration and changing the frequency of equipment maintenance and repair;
- getting tariff incentive opportunities at the achievement of the set power supply reliability indicators.

The project completion is scheduled for 2022.

#### **4. The research project "Extension of a CIM profile in power transmission and distribution and equipment maintenance and repair".**

Subject to Order of PJSC Rosseti No. 86, based on of the research project "A study of the information field at PJSC IDGC of the North-West and creation of a CIM basic profile in line with the standards IEC 61968 and IEC 61970", the Company is implementing the research project "Extension of a CIM profile in part of power transmission and distribution and equipment maintenance and repair".

At the first stage of the research project the Company analysed regulatory and technical documents and a specialized software used by PJSC IDGC of the North-West with a view to the completeness of the previously developed basic CIM profile of the PJSC IDGC of the North-West to describe the information on power grid facilities, power consumers and power equipment necessary for its transmission between specialized software at the implementation of the business process "Commercial accounting and implementation of services on power transmission".

At the second and third stages of the research project it is planned to develop recommendations on the further improvement of profiles in PJSC IDGC of the North-West and PJSC Rosseti S&A. The project completion is scheduled for 2022.

#### **5. The research project "Development of staff training method in safe works conduct at the existing power facilities with the application of virtual training means for PJSC IDGC of the North-West.**

The R&D project is aimed at:

- staff training quality in occupational safety, first aid, fire and electric power safety;
- operational supervision level at the stage of staff training;
- instruction efficiency.

The second and third stages scheduled for 2020 were re-scheduled for 2021 as the scope and the composition of works had been reviewed and the experimental industrial software operation had been extended. The experimental software operation was postponed to 2021 subject to the order of PJSC IDGC of the North-West of December 29, 2020 No. 736.

The introduction of the developed software is aimed at a decrease in the occupation injury rate and the Company's damage incurred due to the power supply disturbances via the reduction in the number of

technological disturbances caused by the Company's personnel as well as cutting down the costs associated with staff training. The R&D project completion is scheduled for 2021.

#### **6. The research project "Providing technical and economic justification for the economic efficiency of power storage systems (PSS) application in power grids"**

In 2020 the Company concluded an agreement for the development of methodological recommendations providing the economic justification for the application of PSS at the electric grid facilities of PJSC Rosseti. These recommendations are to be applied both to solve the conventional tasks a distribution grid company faces in power transmission, distribution and technological connection, and to form new commercial tasks of Rosseti along with increasing the non-tariff revenue. The project implementation is scheduled for 2021.

The following activities are planned to be performed within the project:

- Identification of the promising areas of PSS use in the power grid facilities of PJSC Rosseti benchmarking against the world practices of their application. Identifying the advantages and drawbacks of PSS technologies commercialized (solid-state, flow-through, hydrogenic storage systems) as applied to the PJSC Rosseti tasks.

- Development of a set of business solutions in the application of PSS in the power grids of various power grid entities to maximize the technical and economic PSS introduction effect for PJSC Rosseti.

- Identification of key technical characteristics of PSS affecting the efficiency of their application for the developed set of business solutions.

- Assessing the limiting factors and administrative barriers for the identified PSS application business solutions.

- Development of legislative initiatives that allow facilitating the PSS application in electric power grids of power consumers and distribution grid organizations.

- Development of the method used to assess the technical and economic efficiency of PSS application in the subsidiaries and affiliates, which is based upon the selected business-solutions.

- Identifying at least 3 points of PSS application in the grids of PJSC IDGC of the North-West and conducting their technical & economic efficiency evaluation using the developed method.

The project completion is scheduled for 2021.

### **Information technologies**



#### **Results of the APMS development in 2020**

In 2020, the Company performed the APMS development activities planned within the following approved programs:

1. A programme for upgrade and extension of the systems of data collection and transfer from control units of the Company branches in the operations area of JSC SO UES of IDO North-West and IDO Centre.
2. Programmes of APMS development at branches of the Company.

Implementation of these programs is to boost the level of observability of the control facilities and arrange remote control of switching units, comprehensively increasing the quality of operational dispatch management.

The number of SS fully controlled remotely is 88 items in 2020.

The number of SS where circuit breakers are fully controlled remotely is 370 items.

The remote-control devices upgrade was performed in 2020 as follows.

No.	Branch	Number of SS facilities	110+ kV grid	35 kV grid
1	Arkhangelsk	19	14	5
2	Vologda	4	4	0



3	Karelia	14	0	8
4	Komi	9	1	8
5	Novgorod	8	3	5
6	Pskov	14	12	2

Construction of SS 35 kV Balaton and the reconstruction of SS Molochnoe in the Vologda branch involved commissioning of an automated technological process control system compliant with the digital substation standards.

As part of "Digital PDZ" project, Borovichy PU introduced SIU with the DMS and OMS functionality at the levels of PU and PDZ.

To launch the VHF radio networks under the digital standard DMR, radio stations were purchased by the Pskov branch of the Company.

The Company kept developing communications channels with the facilities using both its own resources and those of communications providers. Renovation of communications channels and construction of new ones is based only on the advanced digital solutions providing greater capacity and quality.

#### **Information security of the CIIO**

In 2020, the Company classified its critical information infrastructure objects (hereinafter – CIIO).

Overall, 103 CIIOs were categorised, including 29 items of the second category, 74 items of the third category.

In accordance with Letter of Deputy Director of the RF FSTEC Lyutikov V.S. of 18.03.2020 No.83/365dsp, information on 103 CIIOs of the Company was registered as significant CIIOs of the Russian Federation.

Under the programme “Digital transformation of PJSC IDGC of the North-West in 2020- 2030” (approved by PJSC IDGC of the North-West Board of Directors on 27.01.2020, Minutes No.347/24), measures are stipulated to provide for information security of the CIIOs.

5,879 automated facilities of the Company are provided with "Secret Net Studio" access security tool.

## Financial performance analysis



### Key financial and economic indicators of the Company under RAS<sup>22</sup>

#### Key financial and economic indicators, RUB mln [GRI 102-7]

Indicator	2018	2019	2020	change
			Actual	2020/2019, %
Revenues from sales of products (services), including:	61,123	45,131	43,936	-3
from power transmission	40,427*	42,931	41,750	-3
from technological connection	2,423	1,298	1,201	-7
from power sales	17,541	0	0	-
from other activities	732*	902	985	9
Cost of products (services) sold	54,358	40,545	40,723	0
Gross profit	6,765	4,586	3,213	-30
Administrative expenses	1,247	1,274	1,253	-2
Selling expenses	1,091	108	29	-73
Sales profit (loss)	4,427	3,203	1,932	-40
Interest receivable	45	43	40	-7
Interest payable	1,105	1,087	941	-13
Profit from participation in other organisations	11	76	85	12
Other profit	1,480	1,326	1,293	-2
Other losses	3,793	2,758	4,028	46
Profit (loss) before tax	1,067	804	-1,619	-301
Profit tax and other payments	312	227	-248	-209
Net profit (loss)***	754	577	-1,371	-338
EBITDA**	6,782	6,585	4,034	-39

\*The indicator is presented in accordance with accounting statements, net of internal business volume stemming from the function of the supplier of last resort.

\*\*EBITDA should be calculated as follows:

Profit before taxation + Interest payable + Depreciation = line 2300 form 2 – line 2330 form 2 + line 6514 form 2.1 + line 6554 form 2.1 + line 6564 form 2.1

\*\*\* Net profit (loss) was adjusted in 2018 and 2019 due to the changes in the accounting standards "Accounting Provisions" 18/02 "Profit tax accounting"

Revenues from sales of products (services) in 2020 amounted to RUB 43,936 mln, which is RUB 1,196 mln, or 3% lower than in 2019. The revenue from power transmission services is lower than the actual revenue year on year by **RUB 1,181 mln (-3%)** because of **4% (kW/h -1,401 mln)** decrease in power consumption.

Decrease in productive power supply is mainly explained by the pandemic, warm weather in Q1 2020 as well as by the disconnection of large consumers.

<sup>22</sup> The breakdown of the Group revenue and expenses under IFRS is shown in Annex 1 to the Annual Report.

Revenue from technological connection in 2020 was RUB 1,201 mln which is RUB 97 mln, or 7% lower year on year.

The major agreements concluded in 2019 include: JSC Tander for RUB 99 mln, PJSC Gazprom CS Sheksninskaya - RUB 219 mln, Novatek-Murmansk, LLC - RUB 679 mln.

In 2020 those include: PJSC Gazprom CS Babayevskaya RUB - 294 mln, NPJSC SVEZA Novator RUB - 101 mln, PI RK "Directorate of Capital Construction of the Republic of Karelia" - RUB 107 mln, Customer's Directorate of Capital Construction of the Ministry of Defence of the Russian Federation - RUB 273 mln.

### Revenue from other activities

Apart from the core business subject to state regulation (power transmission services and technological connection to power grids), the Company performs other activities: heat and power generation, property rent, relocation of power grid facilities etc. The share of other services accounts for 2% of the total revenue.

Revenue from other activities amounted to RUB 985 mln in 2020, according to the accounting statements, which is RUB 83 mln, or 9%, higher against 2019.

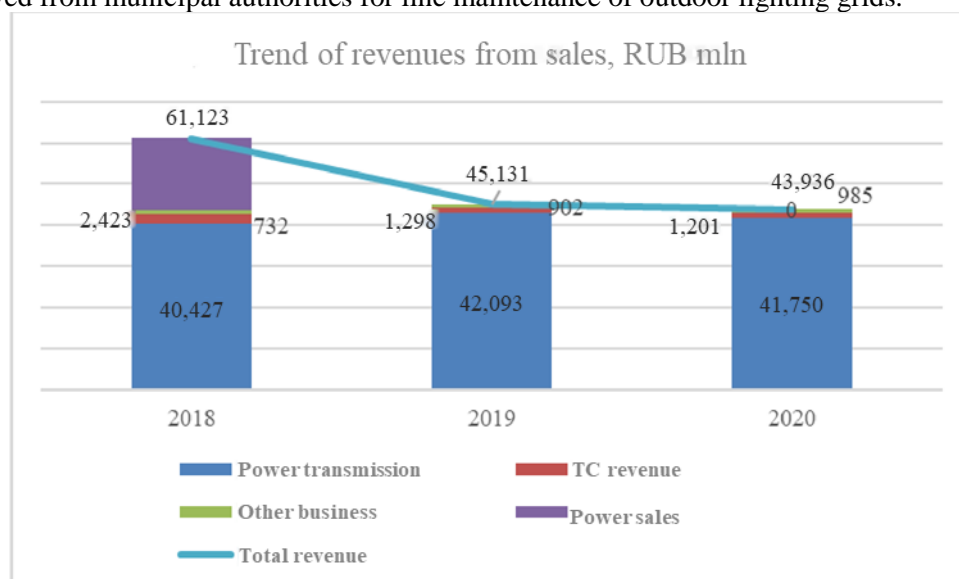
The largest share of revenues from other activities is attributable to:

- property rent (FOCL) – RUB 286 mln (29% of the revenue from other activities); the largest income was generated by the Karelia branch renting out property to OJSC Nadvoitsy Aluminium Smelter – a company of the RUSAL Group.

- power generation services at Mezenskaya diesel power plant (DPP) in the amount of RUB 308 mln (31% of the revenue from other activities), which is RUB 5 mln lower than in 2019;

- construction and assembly, including relocation of power grid facilities – RUB 201 mln, including RUB 199 mln on relocation of power grid facilities (20% of the revenue from other activities);

- repair and maintenance services amounting to RUB 92 mln (9% of the revenue from other activities), which is by RUB 3 mln, or 3% higher than in 2019. This item mainly records the revenues received from municipal authorities for line maintenance of outdoor lighting grids.



### Sales revenue trends, 2018-2020, RUB mln.

	2018	2019	2020
Power transmission*	40,427	42,931	41,750
TC revenue	2,423	1,298	1,201
Other activities*	732	902	985
Power sales*	17,541	0	0
Total revenue	61,123	45,131	43,936

\* The indicators of revenue 2018 are presented in accordance with accounting statements, net of internal business volume.

### Analysis of cost, administrative and selling expenses

Expenses, RUB mln.	2018	2019	2020
Total expenses	56,696	41,928	42,004
Non-controllable expenses	36,280	22,452	23,125
Services of FGC UES PJSC	7,235	7,110	7,050
LGO services	7,980	5,299	5,811
Power purchase to compensate losses	5,189	5,348	5,552
Power purchase for sale	11,266	0	0
Depreciation	4,611	4,695	4,712
Controllable expenses	20,416	19,476	18,880

Actual cost of services sold (taking into account selling and administrative expenses) in 2020 amounted to RUB 42,004 mln, which is RUB 76 mln and 0.2% higher against 2019. The main growth was observed in the following revenue items: power purchase to compensate losses, LGO services, services of FGC UES PJSC.

Other revenues include interest receivable, profit from participation in other organisations and other profit. Interest receivable for 2020 comprises RUB 40 mln, which is RUB 7 mln lower year on year, the actual profit from participation in other organisations in 2020 is RUB 85 mln, which is RUB 9 mln, or 12% higher year on year.

Other profit net from the interest receivable and the profit from the participation in other organisations in 2020 amounted to RUB 1,293 mln, which is RUB 33 mln lower year on year; the decrease was observed for the revenues in the prior years - by RUB 48 mln, revenues in the form of reserves recovered - by RUB 105 mln. At the same time, the revenues from compensations on insured events grew by RUB 30 mln.

The amount of other losses in 2020 amounted to RUB 4,028 mln which is by RUB 1,270 mln, or 46% higher year on year. The growth in other losses is mainly connected with the growth in the deductions to the fair value reserves (+ RUB 1,483 mln):

- property tax in the amount of RUB 1,088 mln based on the results of the assessment of lawsuit risk by the conclusions of the field tax audit against the Company's interests;

- doubtful debt charge - RUB 1,306 mln in connection with bankrupt contractors or the contractors subject to bankruptcy procedures (observation, turnaround plan, external control, bankruptcy administration);

- reserve on the lawsuits - RUB 550 mln, which is higher than the planned value by RUB 527 mln mainly due to the presence of disputes with retail companies as well as in connection with the technological connection agreements;

- reserve for financial investment devaluation - RUB 73 mln (by the agreement with JSC Tavrichesky Bank).

In 2020 sales profit amounted to RUB 1,932 mln, which is by RUB 1,271 mln lower year on year. At the end of 2020 the Company incurred losses in the amount of RUB 1,371 mln which is 3 times lower year on year. The actual EBITDA in 2020 was RUB 4,034 mln.

The net profit in 2018 and 2019 was adjusted due to the retrospective changes in the accounting standards "Accounting Provisions" 18/02 "Profit tax accounting" and amounted to RUB 754 mln and RUB 577 mln, respectively.

#### ***Income from sales of non-core assets<sup>23</sup>***

Subject to Decree of the Russian Federation President of 07.05.2012 No. 596 "On long-term state policy", Directives of the Russian Government of 07.07.2016 No. 4863p-P13, Order of the Russian Government of 10.05.2017 No. 894-r, the Company Board of Directors Decision of 26.02.2018 (Minutes No. 269/24) adopted the programme for non-core assets disposal of PJSC IDGC of the North-West (hereinafter – the programme).

The programme specifies key approaches, principles and mechanisms for identification and sale of the non-core assets of PJSC IDGC of the North-West, establishes the criteria for classifying PJSC IDGC

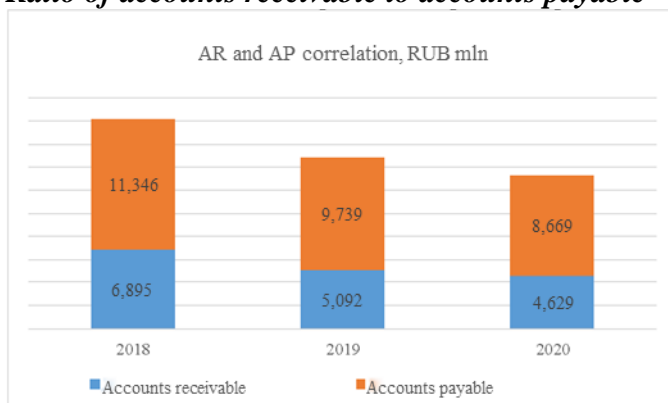
<sup>23</sup> The data on sales of non-core assets in 2020 are available in Annex 12 k to the Annual Report.

of the North-West assets as non-core, the procedure for maintaining the register of non-core assets and key provisions for disposal of non-core assets, as well as the procedure of reporting on the implementation of the register of non-core assets.

Decision of the Board of Directors of PJSC IDGC of the North-West of 24.02.2021 (Minutes of 25.02.2021 No.387/23) approved the register of non-core assets of PJSC IDGC of the North-West (hereinafter – the Register) as of 31.12.2020 formed under the requirements of the programme. The Register includes 37 non-core assets, 16 of which fall under the strategy of “sales”, 21 – “preservation”. A brief version of the current Register is available at the Company’s website: <http://www.mrsksevzap.ru/property>

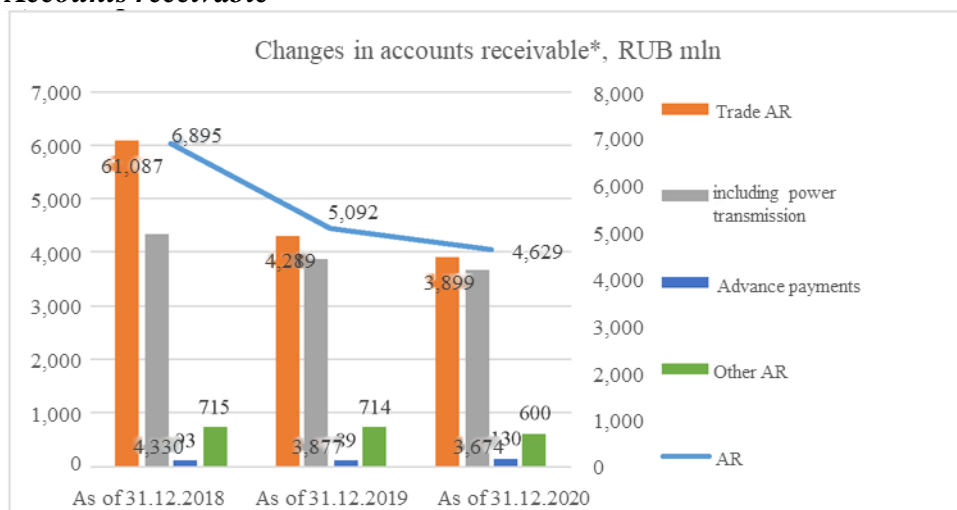
In 2020, PJSC IDGC of the North-West sold 3 non-core assets, the sales income amounted to RUB 0.81123 mln.

### *Ratio of accounts receivable to accounts payable*



In 2020, the growth rates of accounts receivable and accounts payable were lower than one, which shows their reduction against 2019.

### *Accounts receivable*



\* The indicators are shown in accordance with the Company’s accounting statements for 2020.

The amount of accounts receivable of PJSC IDGC of the North-West at the beginning of the reporting period was RUB 5,092 mln, as of 31.12.2020 — RUB 4,629 mln. The reduction was due to a decrease in the receivables from power transmission services by RUB 203 mln (from RUB 3,877 mln to RUB 3,674 mln) and from technological connection services by RUB 101 mln (from RUB 143 mln to RUB 42 mln).

Trade accounts receivable as of 31.12.2020 amounted to RUB 3,899 mln which is RUB 390 mln lower than those of 31.12.2019.

Advanced paid as of the end of 2020 increased by RUB 41 mln.

The changes in other accounts receivable are insignificant. In 2020, the reduction amounted to RUB 114 mln.

The bulk (79%) of the Company's accounts receivable was in the settlements for power transmission services rendered.

### **Measures to recover accounts receivable**

The Company works with the overdue accounts receivable from the power transmission services in accordance with the Regulation on managing accounts receivable from the power transmission services recorded by PJSC IDGC of the North-West, approved by Order of 23.07.2020 No.249 (hereinafter – the Regulation).

In line with the schedules set by the Regulation, in 2020 the Company sent 585 lawsuits for the total amount of RUB 4,418.7 mln and conducted negotiations with debtors.

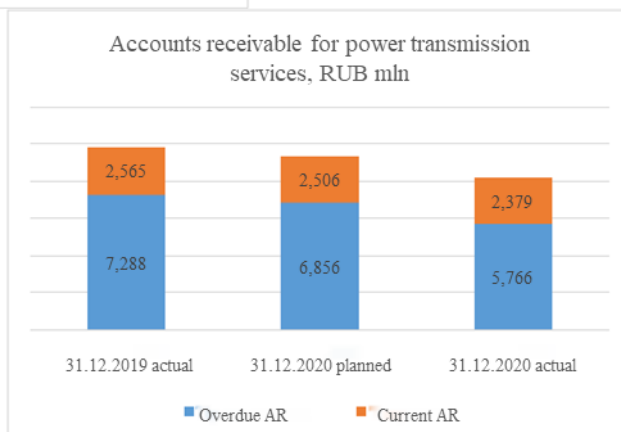
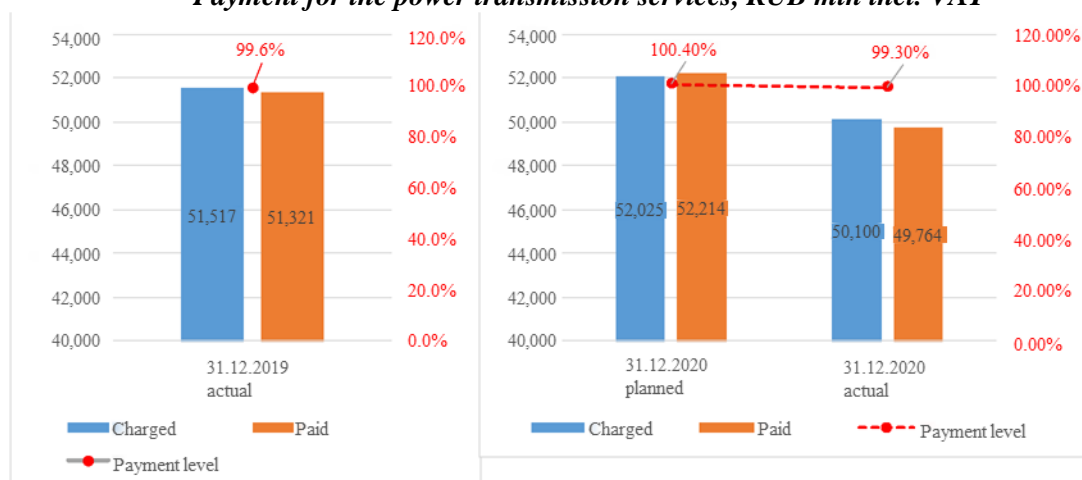
As a result of the Company's claims activities to recover overdue accounts receivable for the power transmission services in 2020, the court sustained 589 lawsuits in the total claimed amount of RUB 1,462.7 mln (including the penalties of — RUB 189.4 mln.), dismissed the claims for 26 lawsuits in the total amount of RUB 32.4 mln (including the penalties of RUB — 3.3mln). The share of Company's lawsuit requirements sustained amounted to 98%.

In 2019, upon consideration of the Company's claims to recover overdue accounts receivable for the power transmission services, the court passed court decisions in the total amount of RUB 1,419 mln (including the penalties of RUB 203 mln), dismissed the claims for 54 lawsuits in the total amount of RUB 132.6 mln (including the penalties of RUB 40.5 mln).

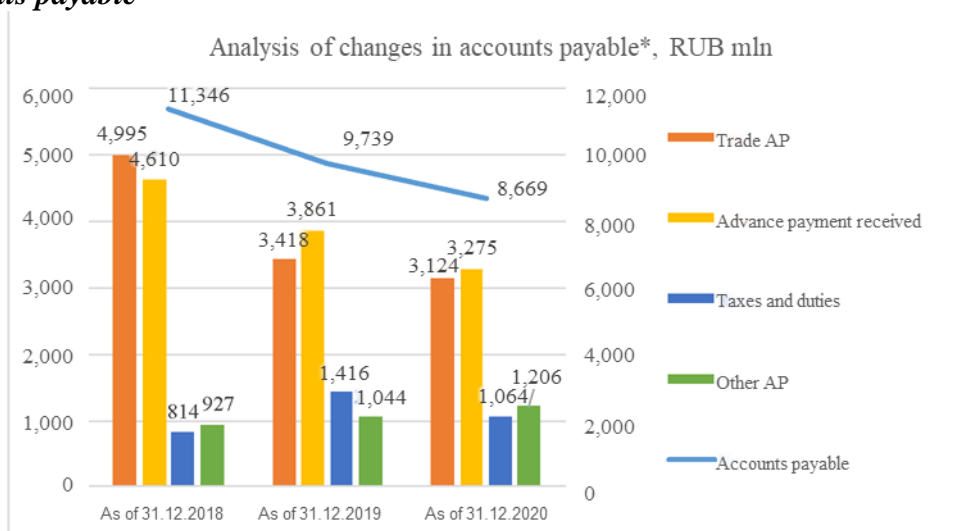
Under the enacted court decisions, in 2020, warrants of execution were issued in the amount of RUB 1,015.1 mln, and RUB 502.9 mln, or 49.5%, were settled. In 2019, warrants of execution were issued in the amount of RUB 1,048.4 mln, RUB 613.8 mln, or 58.5 %, were settled.

The coverage of the overdue accounts payable with activities aimed at its reduction has been consistently high, amounting to 99.4% as of 31.12.2020.

**Payment for the power transmission services, RUB mln incl. VAT**



## Accounts payable



\* The indicators are shown in accordance with the Company's accounting statements for 2019, including the sum of balance sheet line codes "Other liabilities" 1450 and "Accounts payable" 1520.

The accounts payable reduced in 2020 by RUB 1,070 mln against 2019, amounting as of 31.12.2020 to RUB 8,669 mln.

The following changes were noted:

1) trade accounts payable decreased by RUB 294 mln, including:

- payables to materials suppliers decreased by RUB 80 mln;
- payables to repair contractors decreased by RUB 15 mln;
- payables for power purchased decreased by RUB 5 mln;
- payables to local grid operators (LGOs) decreased by RUB 19 mln;
- payables for investment activities decreased by RUB 200 mln.

2) advances received amounted to RUB 3,275 mln, which is RUB 586 mln (15%) lower than those at the beginning of 2020. The bulk of advances come from technological connection services prepayment. The decrease is conditioned by settlement of advances received from:

- PJSC Gazprom (technological connection of power receivers for power supply of CS Babayevskaya within the project on gas transportation capacity development for the unified gas supply system of the North-Western region, Gryazovets – CS Slavyanskaya site);
- PJSC SVEZA Novator (technological connection of power receivers for power supply of the Plywood mill NJSC Sveza Novator);
- PI RK Directorate of Capital Construction of the Republic of Karelia (technological connection of power receivers for power supply of the industrial site);
- Federal State-Owned Enterprise Customer's Directorate of Capital Construction of the Ministry of Defence of the Russian Federation (technological connection power receivers for power supply of the transformer substation SS 110/10 kV of the object "Technical area of the objects 5560 and 4097").

## Bonds

### Data on unplaced issues of exchange bonds

Bond issue, bonds of BO-02 series (ID of the issue and date of its assignment: 4BO2-02-03347-D of 12.03.2014)

Type of securities	exchange-traded bonds
Number of securities issued, items	4,000,000
Face value, RUB	1,000
Volume of securities issued at face value, RUB	4,000,000,000
Status of the issued securities	placement has not started
Maturity date for the issued securities	3640 <sup>th</sup> day from the beginning of placement

<b>Bond issue, bonds of BO-03 series (ID of the issue and date of its assignment: 4BO2-03-03347-D of 12.03.2014)</b>	
Type of securities	exchange-traded bonds
Number of securities issued, items	3,000,000
Face value, RUB	1, 000
Volume of securities issued at face value, RUB	3,000,000,000
Status of the issued securities	placement has not started
Maturity date for the issued securities	3640 <sup>th</sup> day from the beginning of placement
<b>Bond issue, bonds of BO-04 series (ID of the issue and date of its assignment: 4BO2-04-03347-D of 12.03.2014)</b>	
Type of securities	exchange-traded bonds
Number of securities issued, items	3,000,000
Face value, rubles	1, 000
Volume of securities issued at face value, RUB	3,000,000,000
Status of the issued securities	placement has not started
Maturity date for the issued securities	3640 <sup>th</sup> day from the beginning of placement

In 2016, the exchange bonds programme was registered in the total amount of RUB 25,000 mln (Decision of the Company Board of Directors of 30.09.2016, Minutes No. 220/11).

<b>Exchange bonds programme of 001R series (ID of the programme and the date of its assignment: 4-03347-D-001P-02E of 11.11.2016)</b>	
Maximum amount of the face values of exchange bonds to be placed within the exchange bonds programme, RUB mln	25, 000
Maximum maturity of the exchange bonds to be placed within the exchange bonds programme, days	10, 920
The period of the exchange bonds programme (from the date of ID assignment to the exchange bonds programme)	unlimited

### ***Credit rating***

Credit rating AA+(RU), outlook "Stable"



On 4 August 2020, Analytical Credit Rating Agency (ACRA) confirmed the credit rating of PJSC IDGC of the North-West as "AA+ (RU)" with the outlook "stable".

Stable outlook means that there is the highest likelihood of the rating remaining unalterable for 12–18 months.

Positive rating action can be brought about by:

- reduction in regulatory and sales risks by implementing long-term transparent principles of tariff regulation;
- reduction of leverage in 2019-2021 to 2x FFO before net interest payments with a simultaneous increase in FFO margin before interest payments and taxes above 15% and in FCF margin - above 2% in 2020-2022.

### **Direct created and distributed economic value**

The Company strives to inform the shareholders, employees, partners and other stakeholders on the economic value creation process and results in an open and transparent way.

The disclosure of this indicator allows our stakeholders to observe how the Company creates and distributes the economic value for the reporting period.

Direct created and distributed economic value is an indicator characterizing the value created in the course of activity and the subsequent profit distribution between stakeholder groups. In the course of the business activity the Company creates the values for a wide circle of stakeholders, including shareholders, investors, employees suppliers and contractors, government authorities and local communities.



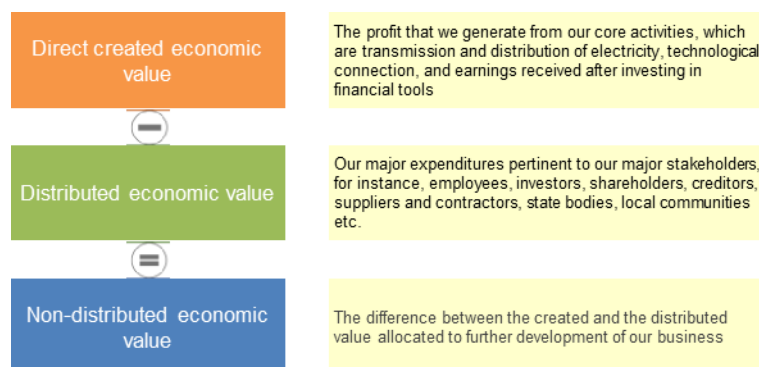
The difference between the created and distributed values is the retained economic value used for further business development. The group strives to increase the created and distributed value, maintain a high level of transparency and integrity of information.

The amount of the created and distributed value is provided in the table.

The value is formed by the data from the profit and losses report. The indicator was calculated with account to the individual sectoral adjustments:

1. the profit does not include technological connection revenues due to the time gap in the occurrence (creation) of this economic value source and its use (distribution) as they are used as advances for investments during the prior periods.

2. the amount of the distributed economic value is recovered for loan loss provisions as the amount reflects the volume of shortfall in the Group revenues.



#### [GRI 201-1] Direct created and distributed value of the Company, RUB mln

Stakeholder group		2018	2019	2020
<b>Direct created economic value</b>		<b>63, 230</b>	<b>48, 445</b>	<b>47, 684</b>
Revenue from the main activities	A wide stakeholder group	64,854	49,136	48,253
<i>Exception: Profit from technological connection services as it is used as advances for the investment activity</i>		-2, 423	-1, 298	-1, 201
Net operational income/expenses		717	494	417
Financial income (interest income)		82	113	215
<b>Distributed economic value</b>		<b>59, 870</b>	<b>43, 426</b>	<b>43, 195</b>
Operating expenses (except from asset depreciation, depreciation (amortization) and reserves for expected loan losses), including:	Suppliers and contractors	56, 556	40, 681	41, 243
<i>Salary and other payments related to employees</i>	Top-management, employees and trade unions	13, 452	12, 625	13, 178
<i>Taxes other than profit tax</i>	Public authorities	691	418	414
<i>Other operating expenses</i>	Suppliers and contractors	42, 412	27, 639	27, 651
Financial expenses (interest expenses)	Shareholders and investors, financial community	1, 269	1, 255	1, 168
Dividend pay-outs to shareholders*		382	313	-
Accrual (recovery) of expected credit losses		1, 237	858	916
Current income tax expenses	Public authorities	427	318	- 132
<b>Undistributed economic value</b>		<b>3, 359</b>	<b>5, 019</b>	<b>4, 490</b>

\* profit allocation for 2018-2019 by the decision of the Annual General Shareholders' Meeting (AGSM).

## Tariff regulation<sup>24</sup>

### Key performance indicators:

	2018	2019	2020
Average tariff for power transmission services, RUB/kWh	1.375	1.373	1.412

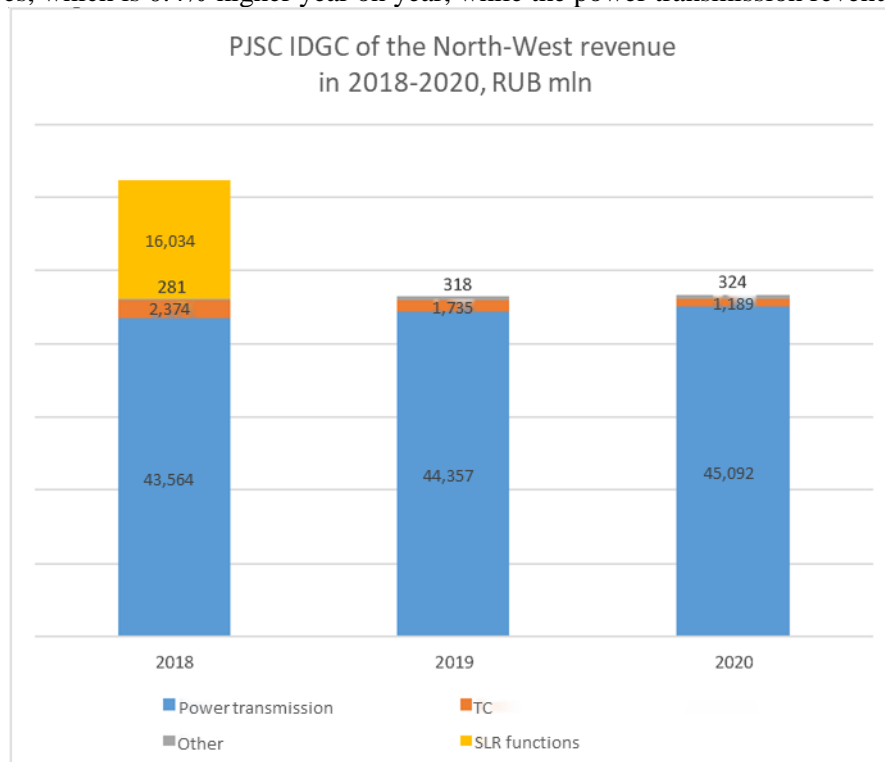
In 2020 the average tariff value grew 2.8% in the PJSC IDGC of the North-West while in 2019 the average tariff decreased by 0.2%.

Methodology of the calculation of tariffs for power transmission services and technological connection is approved by the federal executive authority in the area of tariffs regulation; the functions of such are given to the Federal Antimonopoly Service (FAS of Russia)<sup>25</sup>. Maximum rates of power transmission tariffs are set by the FAS of Russia.

Distribution grid power transmission services activity of PJSC IDGC of the North-West is regulated at the regional level by executive bodies of the constituent entities of the Russian Federation<sup>26</sup>.

### Power transmission tariffs

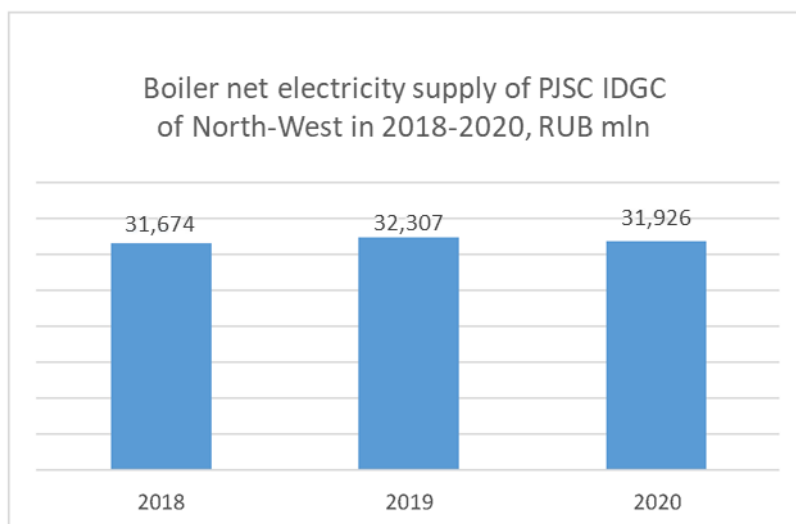
In 2020, the established tariffs enabled the Company to receive revenue of RUB 46.6 bln for its services, which is 0.4% higher year on year, while the power transmission revenue grew by 1.7%.



<sup>24</sup> Key regulatory documents stipulating the power transmission tariff setting for the Company are shown in Annex 13 to Annual report.

<sup>25</sup> Decree of the Russian Federation President of 21.07.2015 No. 373 “On some issues of state regulation and control in antimonopoly and tariff regulation”.

<sup>26</sup> The report on regulated activities broken down by Company branches is shown in Annex 14 to the Annual Report.



Power transmission services tariffs across the branches of PJSC IDGC of the North-West were based in 2020 on the long-term parameters. The Company branches are regulated as follows:

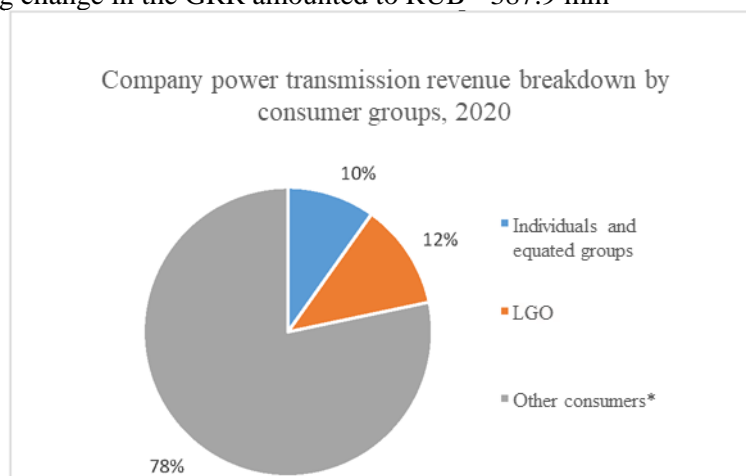
Method of GRR long-term indexation	
Arkhangelsk branch of PJSC IDGC of the North-West	2019–2023
Vologda branch of PJSC IDGC of the North-West	2018–2022
Karelia branch of PJSC IDGC of the North-West	2018–2022
Murmansk branch of PJSC IDGC of the North-West	2019–2023
Komi branch of PJSC IDGC of the North-West	2019–2023
Novgorod branch of PJSC IDGC of the North-West	2018–2022
Pskov branch of PJSC IDGC of the North-West	2018–2022

In 2020, a new long-term period started for the Arkhangelsk, Murmansk and Komi branches of PJSC IDGC of the North-West. Currently, these branches are regulated under the method of long-term GRR indexation. The Company performed annual mandatory adjustment of all its branches' gross revenue requirement (GRR) stipulated by the effective legislation in the area of state tariff regulation.

Over 2020 the Company also revised the gross revenue requirement approved for 2020 due to the following factors:

- Subject to decision of the Supreme Court of the Republic of Karelia of June 3, 2020, on the lawsuit No. 3a-103/2020 and the appellate ruling of the Second Appeal Court of general jurisdiction of October 16, 2020 No.66a-876/2020<sup>6</sup> the GRR of Karelia branch of OJSC IDGC of the North-West was revised.
- Subject to decision of Novgorod Regional Court on the lawsuit No.03a-70/2020<sup>6</sup> the GRR for Novgorod branch of PJSC IDGC of the North-West was revised.

The total resulting change in the GRR amounted to RUB - 387.9 mln



\* "Other consumers" category includes consumers with direct contracts for power transfer services with the power grid company.

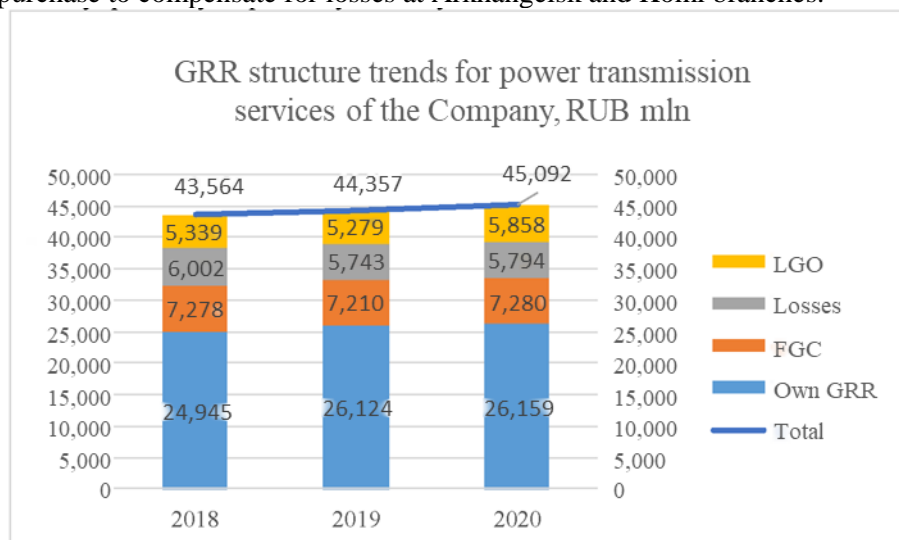
The group "Other consumers" accounts for the largest share of revenue from power transmission (78%) in PJSC IDGC of the North-West. This group includes regional power retail companies and large

industrial consumers, the largest of which are PJSC Acron (29.5% in revenue of the Novgorod branch of PJSC IDGC of the North-West), JSC Kondopoga (12.7% in the revenue of the Karelia branch of PJSC IDGC of the North-West), OJSC SUAL (7.4% in the revenue of the Murmansk branch of PJSC IDGC of the North-West), JSC Vorkutaugol (13% in the revenue of the Komi branch of PJSC IDGC of the North-West); PJSC Severstal (1.6% in the revenue of the Vologda branch of PJSC IDGC of the North-West), JSC Sevmash (9.6% in the revenue of the Arkhangelsk branch of PJSC IDGC of the North-West).

The major share of group “Individuals and similar consumer groups” is attributable to the Pskov branch of PJSC IDGC of the North-West (25%), the Karelia branch of PJSC IDGC of the North-West (15%), the Komi branch of PJSC IDGC of the North-West (11%).

### **Gross revenue requirement structure**

In the reporting year, own gross revenue requirement (GRR) grew by 0.1% due to growing indices in accordance with Resolution of the RF Government of 29.12.2011 No. 1178 “On pricing in the area of regulated prices (tariffs) in the electric power industry”, as well as by a 1% increase in expenses for the services of PJSC FGC UES, due to the decline in the capacity paid for, subject to the schedule of gradual decrease in the contracted capacity of PJSC Rosseti S&A used in paying for the services of PJSC FGC UES to the level of the actual capacity in 2018-2027. The 11% increase in expenses for local grid operators’ services in 2020 was mostly brought about by changes in the schemes and amounts of settlements between LGOs within the regional pot. Loss-related expenses growth amounts to 0.9% and was caused by a reduction in the total volume of losses on the Vologda, Murmansk, Karelia and Komi branches and a lower price for power purchase to compensate for losses at Arkhangelsk and Komi branches.



### **Trends in gross revenue requirement from power transmission services broken down by branch, RUB mln**

Branch	2018		2019		2020	
	total	own	total	own	total	own
Arkhangelsk branch of PJSC IDGC of the North-West	5,546	3,514	5,601	3,942	6,014	4,213
Vologda branch of PJSC IDGC of the North-West	7,002	5,108	7,012	4,970	7,068	4,916
Karelia branch of PJSC IDGC of the North-West	6,945	2,948	7,049	3,213	7,354	3,301
Murmansk branch of PJSC IDGC of the North-West	7,713	3,116	7,815	3,129	7,809	3,002
Komi branch of PJSC IDGC of the North-West	6,696	4,215	7,058	4,857	7,267	5,166
Novgorod branch of PJSC IDGC of the North-West	5,098	3,002	5,144	2,917	4,840	2,459
Pskov branch of PJSC IDGC of the North-West	4,564	3,041	4,677	3,096	4,739	3,102

<b>Total IDGC of the North-West</b>	<b>43,564</b>	<b>24,945</b>	<b>44,357</b>	<b>26,124</b>	<b>45,092</b>	<b>26,159</b>
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The total gross revenue requirement of the Company grew by 1.7%, own GRR increased by 0.1%. The difference in the growth of total GRR from the growth of own GRR was due to increase in expenses for losses payment amounting to 0.9%, increase in expenses on paying for the services of local grid operators being 11%, increase in expenses on paying for the services of PJSC FGC UES – 1%. This results from a decline in the paid capacity and complies with the schedule of gradual decrease in the contracted capacity of PJSC Rosseti S&A used in paying for the services of PJSC FGC UES to the level of the actual capacity in 2018-2027. The largest growth in the expenses on payment for the services of LGOs is attributable to the Vologda and the Komi branches, due to changes in the GRR of LGOs by including additional reasonable expenses.

***Analysis of changes in the average tariffs for power transmission services by branch, RUB/kWh***

<b>Branch</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Arkhangelsk branch of PJSC IDGC of the North-West	1.938	1.908	1.944
Vologda branch of PJSC IDGC of the North-West	1.585	1.512	1.529
Karelia branch of PJSC IDGC of the North-West	2.039	2.001	2.074
Murmansk branch of PJSC IDGC of the North-West	0.713	0.715	0.722
Komi branch of PJSC IDGC of the North-West	1.462	1.486	1.575
Novgorod branch of PJSC IDGC of the North-West	1.356	1.401	1.433
Pskov branch of PJSC IDGC of the North-West	2.496	2.526	2.559
<b>Total IDGC of the North-West</b>	<b>1.375</b>	<b>1.373</b>	<b>1.412</b>
Growth, %	-	100%	102.9%

Power transmission services tariffs in 2020 considerably differed by regions within the responsibility area of PJSC IDGC of the North-West. The strong divergence is due to varying breakdowns of consumers by voltage levels. The branches where low-voltage grids prevail, such as Arkhangelsk branch of PJSC IDGC of the North-West, Karelia branch of PJSC IDGC of the North-West and Pskov branch of PJSC IDGC of the North-West, feature high tariffs, which is due to higher costs of maintenance for such grids as compared to the branches where high-voltage grids prevail, such as: Vologda branch of PJSC IDGC of the North-West, Murmansk branch of PJSC IDGC of the North-West, Novgorod branch of PJSC IDGC of the North-West. The highest growth in the average tariff (6%) in 2020 was shown by the Komi branch, which is due to reduction in the productive power supply. In the Arkhangelsk branch, the average tariff growth amounted to 2% each due to increase in own GRR of the branches, expenses on LGO services and low growth in the productive power supply. In the Pskov and Vologda branches, the average tariff growth amounted to 1% each due to increase in own GRR of the branches, expenses on LGO services and low growth in the productive power supply. In the Murmansk branch, the average tariff growth amounted to under 1%, reduction of the average tariff at the Karelia branch amounted to 3% each, in the Novgorod branch – 2%. This was due to inclusion of the adjustments stipulated in the tariff regulation for the previous years in the GRR. In 2020, the GRR of Karelia and Pskov branches included recovery of the results of flattening-out accrued over the period of RAB regulation for the branches in the amount of RUB 607.7 mln, as stipulated by the agreements with the heads of the respective regions.

**Technological connection payments**

***Technological connection payments***<sup>27,28</sup>

Under the methodological guidelines for definition of the fees for technological connection to power grids, approved by the Order of the FAS of Russia dated 29.08.2017 No. 1135/17 (hereinafter – the

<sup>27</sup> TC fees for 2018-2020 are shown in Annex 15 to the Annual Report.

<sup>28</sup> Cash flow monitoring for the TC contracts is presented in Annex 16 to the Annual Report.

Methodological Guidelines), the fee for an applicant is estimated only regarding the activities of technological connection stipulated by the issued technical specifications of the technological connection regarding the construction of the power grid facilities from the current power grid facilities to the connected power receivers and (or) power grid facilities of the applicant. In calculating fees for technological connection to local distribution grids, executive authorities of the Russian regions in the area of state tariff regulation approve the following:

1) the fee for the applicant requesting technological connection of power receivers with the maximum capacity of 15 kW (including the capacity previously connected at this technological connection point), does not exceed RUB 550;

2) for the period of regulation:

- standardised tariff rates;
- rates per unit of maximum capacity (RUB/kW);
- formula of the technological connection fees;

3) at the request of the grid organisation:

- payment for custom-made technological connection in the cases stipulated by Regulations for technological connection in compliance with Chapter V of the Methodology.

Information on the technological connection service fees is shown on the Company's official web site under "Standards of information disclosure by participants of the wholesale and retail power market. Grid company".

Since 2017, single tariffs have been adopted for all local grid operators in a constituent entity of the Russian Federation.

The fee for the applicant requesting technological connection of power receivers with the maximum capacity of 15 kW (including the capacity previously connected at this technological connection point), does not exceed RUB 550, for technological connection of facilities assigned to the third category of reliability (for one power supply source) on condition that the distance from the applicant's land plot borders to power grid facilities on the level of up to 20 kV (including that voltage) of the voltage required by the applicant and belonging to the grid company where the application was made, is no more than 300 metres in urban areas and no more than 500 metres in rural areas. The amount of shortfall in income approved in 2020 in the power transmission tariff was RUB 613.8 mln.

Under p. 12(1) of the Regulations on technological connection, small and medium businesses with the capacity connected no more than 150 kW, signing the technological connection contract, can use an interest-free instalment plan in the amount of 95% of the technological connection fee on condition of quarterly equal instalments as parts of the total amount due in the period of up to 3 years from the date when the parties sign the act of technological connection.

According to Article 23.2. of the Federal Law 26.03.2003 No. 35-FZ "On power industry":

Starting 01 October 2015, the amount of the investment component included in the technological connection fee for power receivers with the maximum capacity of no more than 150 kW to cover the construction expenses for power grid facilities – from the current power grid facilities to the connected power receivers and (or) power generators – cannot exceed 50% of the above expenses (hereinafter, the last mile facilities expenses).

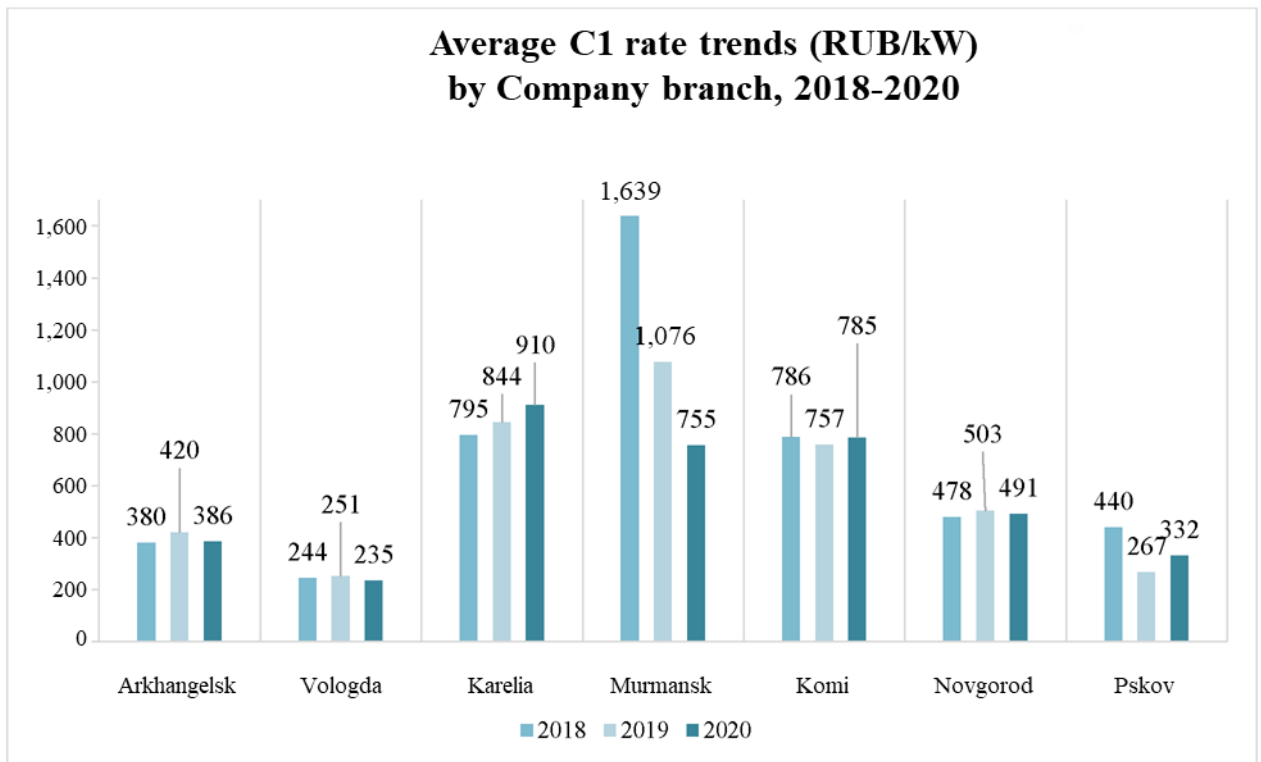
Starting 01 October 2017 last mile facilities expenses are not included in the technological connection fees for receivers with the maximum capacity no more than 150 kW.

The amount of shortfall in income included in the power transmission tariff for applicants in 2020:

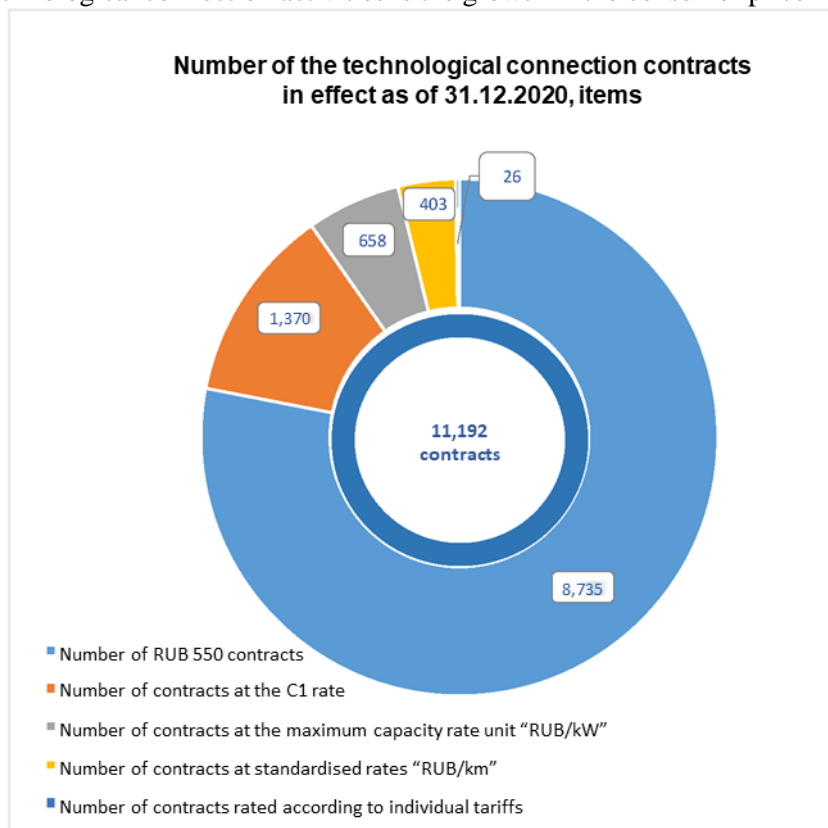
- no more than 15 kW, is RUB 508 mln which is 13% higher year on year.
- no more than 150 kW, is RUB 105 mln which is 49% lower year on year.

The data on the legislative changes regarding technological connection of the applicants up to 15 kW, the number of applications made and contracts signed, increase in availability of technological connection for applicants, and issues faced by PJSC IDGC of the North-West in signing the above contracts are shown in the section "Technological connection".

In 2020, the tariff set by the Company allowed it to receive revenue from technological connection services in the amount of RUB 1,200.9 mln.



The dynamics of the average C1 rate is based on the average total rate adopted by state tariff authorities for technological connection activities. The key reason for changes in the standardised tariff rate C1 for the technological connection activities is the growth in the consumer price index.



Availability of the approved standardised technological connection fees enabled the Company to reduce the number of contracts based on individual fees. The number of 2020 applications where contracts were based on individual rates amounted to 26 across the Company. The total number of effective technological connection contracts is 8,735. The largest share of the contracts signed represents subsidised technological connection up to 15 kW with the fee of RUB 550.

**Monitoring of the current technological connection contracts for benefit holders up to 15 kW in 2020**

Branch/IDGC	Value of the effective TC contracts in 2020	Planned activities under the TC contracts up to 15 kW, included in the investment programme	Actual costs included in the investment programme for 2020
	RUB mln	RUB mln	RUB mln
Arkhangelsk	4.8	78.7	90.8
Vologda	5.1	169.7	165.4
Karelia	4.5	156.0	146.5
Murmansk	0.4	56.1	35.4
Komi	4.9	127.4	101.9
Novgorod	4.3	120.5	67.5
Pskov	4.8	103.5	89.6
<b>IDGC of North-West</b>	<b>28.9</b>	<b>812.0</b>	<b>697.2</b>

The amount of technological connection fees for the current technological connection contracts up to 15 kW was RUB 28.9 mln net of VAT in 2020. The capital investment of 2020 into technological connection of the power units belonging to applicants of up to 15 kW was RUB 697.2 mln.



# SUSTAINABLE DEVELOPMENT REPORT

## Sustainable development management

### The Company's understanding of sustainable development

The Company's understanding of sustainable development is in line with the definition provided by the UN: "Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

In its activities, PJSC IDGC of the North-West sticks to the precautionary principle formulated in the UN Declaration on Environment and Development. This principle permeates the Company's activities of environmental management on all stages of its projects.

The Company constantly strives to comply with the requirements of the environmental legislation, boost the level of occupational and environmental safety, ensure consistent and efficient reduction in the negative impact of its operations on the environment.

### The Company's Sustainable Development Agenda is based on international agreements, national charters as well as regulatory documents:

- Transforming our World: the 2030 Agenda for Sustainable Development, 2015 — UN
- Anticorruption Charter of the Russian Business, 2012 — Trade and Industrial Chamber of the Russian Federation
- Russia's Energy Strategy until 2035, 2013 — the Government of the Russian Federation

Social responsibility and sustainable development issues are managed in accordance with legal and regulatory documents as well as internal regulations of the Company. The Company seeks to carry out its operations by ensuring the fulfilment of social interests and business tasks.

### The Company applies the following standards in terms of Corporate social responsibility and sustainable development:

- International Standard ISO 14000:2015 "Environmental management systems"
- International Standard ISO 9001:2000 "Quality Management Systems"
- Occupational safety management system (the Rosseti Group's policies on occupational safety<sup>29</sup>)
- Reporting standards (GRI Standards, <IR> Framework)





### IDGC of the North-West activities and the UN sustainable development goals





On 25 September 2015, global leaders, including head of states and governments, gathered in the United Nations headquarters in New York to endorse the sustainable development agenda under the title "Transforming our World: the 2030 Agenda for Sustainable Development" for the period after 2015. The agenda includes 17 goals and 169 objectives.

The Company is guided by the UN sustainable development goals in its operations. In view of the nature of the Company's operations in its production and sustainable development activities it helps achieve 8 out of 17 UN SDGs daily.

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<sup>29</sup> Approved by Order of PJSC Rosseti of 30.08.2018 No. 143 "On approving the occupational safety documents of PJSC Rosseti", accepted for implementation by Order of PJSC IDGC of the North-West dated 19.09.2018 No. 628 "On improvement of the occupational safety management system".

UN goal	Brief description of the goals	Activities	Principal outcomes and achievements in 2020
	Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> <li>• Social welfare for the employees</li> <li>• Observing the safety and health regulations</li> <li>• Safety of power facilities for persons who are not the Company's employees</li> <li>• Corporate sports events</li> </ul>	<ul style="list-style-type: none"> <li>• Number of injuries at the workplace has been reduced by 20%.</li> <li>• Ensuring occupational safety — 99.2% of the employees are provided with personal safety equipment.</li> <li>• Raising awareness of occupational safety among contractors – strict requirements to the work process arrangements and availability of personal safety equipment.</li> <li>• About 75 sports events were held.</li> </ul>
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> <li>• Providing the Company with qualified personnel</li> <li>• Training and capacity building for the employees based on the priorities of the Company's development</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing vocational training for the employees (76.7% of the average staff headcount received various types of off-the-job training)</li> <li>• Fostering the development of the secondary and tertiary education system by cooperating with major education institutions, including: <ul style="list-style-type: none"> <li>• participation in university-based career fairs (for example as part of the campaign of PJSC Rosseti “BRIGHTER TOGETHER” (3 events covering 169 people));</li> <li>• internships for higher and professional educational institution students (368 people).</li> </ul> </li> <li>• Establishment of a Training Centre for Energised Facilities Operation.</li> </ul>
	Ensure access to affordable, reliable, sustainable and modern energy for all	<ul style="list-style-type: none"> <li>• Reliable power supply for consumers</li> <li>• Rational tariff setting</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in the weighted average period of applicant's power receivers connection: from 110 to 94 days.</li> <li>• Participation in the RES development in the operations area</li> <li>• ISO 9001:2015 (GOST ISO 9001-2015), ISO 14001:2015.</li> </ul>
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> <li>• Creating jobs in the operations area</li> <li>• Competitive salaries</li> <li>• Social welfare for the employees</li> </ul>	<ul style="list-style-type: none"> <li>• During the period of high epidemiological risks associated with the spread of the new coronavirus infection, the Company worked to preserve the jobs in the Company. Measures for social support for workers and for preserving and consolidating qualified employees during the pandemic have shown their high efficiency, helping to protect the talent pool that maintains reliable and uninterrupted energy supply to the population and industrial facilities in the areas of operations of the Company. The “total turnover” for 2020 decreased by 5.6%.</li> <li>• 60.3 thousand rubles is an average salary.</li> <li>• The preservation of social benefits and observance of the rights of employees are enshrined in the Collective Agreement “Rosseti</li> </ul>

			<p>Northwest.” 100% of the Company's employees are covered by the Collective Agreement.</p> <ul style="list-style-type: none"> <li>• The Company employs 14,108 employees in 7 regions of the Russian Federation.</li> </ul>
	<p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<ul style="list-style-type: none"> <li>• Connecting new facilities</li> <li>• Construction of new power grids, substations</li> <li>• Digitalization</li> <li>• R&amp;D and introduction of scientific developments results</li> </ul>	<ul style="list-style-type: none"> <li>• Registration of 23,095 applications, 18,664 contracts signed, 13,338 technological connection contracts completed.</li> <li>• Support for innovative R&amp;D — 276.89 million rubles allocated.</li> <li>• Commissioning of 2 “digital substations” 35 kV in the Vologda District: “Molochnoe” and “Balaton.” The cost of these substations exceeds 600 million rubles.</li> <li>• Opening of the second digital power distribution zone in Novgorod Region. The cost of the project is 130 million rubles.</li> </ul>
	<p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>	<ul style="list-style-type: none"> <li>• Ensuring reliable electricity delivery to customers</li> <li>• Rational use of natural resources</li> <li>• Minimizing the negative impact on the environment</li> </ul>	<ul style="list-style-type: none"> <li>• Actual capital investments in technological connection of socially significant facilities amounted to 215 million rubles.</li> <li>• Timely emergency prevention, preparation for AWP, emergency response and mitigation</li> <li>• Water consumption was reduced by 8%.</li> <li>• 103 million kWh was the effect of measures intended to reduce electricity losses under the Energy Saving and Energy Efficiency programme.</li> <li>• 4,200.43 million were spent on maintenance and repair costs.</li> </ul>
	<p>Ensure sustainable consumption and production patterns</p>	<ul style="list-style-type: none"> <li>• Improving energy efficiency</li> <li>• Compliance with international standards</li> </ul>	<ul style="list-style-type: none"> <li>• Development of a lean production programme.</li> <li>• 0.01% reduction in electricity losses in 2020</li> <li>• 538.94 million rubles in savings in fuel and energy resources.</li> <li>• Reporting in line with the GRI SRS standards</li> </ul>
	<p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>	<ul style="list-style-type: none"> <li>• Biodiversity conservation</li> </ul>	<ul style="list-style-type: none"> <li>• In 2020, the equipment costs (installation of bird protective devices (BPD)) amounted to 3,843 thousand rubles net of VAT (1,462 BPD on overhead lines 35 kV and above). A total of 6,324 BPDs have been installed by the Company since 2015.</li> </ul>

## Management Systems

The following management systems have been implemented and used by the Company:

### 1. *Quality Management System (QMS).*

QMS is part of the Company's overall management system with its organizational structure, processes, procedures and resources necessary for overall quality management.

### 2. *Environmental Management System (EMS).*

EMS is part of the overall management system of the Company with its organizational structure, mechanisms, procedures and resources necessary to manage environmental aspects of the work through development and achievement of environmental policy objectives.

Management systems of the Company comply with the requirements of international and national standards ISO 9001 (GOST R ISO 9001), ISO 14001 (GOST R ISO 14001).

### Information on certificates held by the Company's branches

Management Level	Management Systems/Certificate Validity						Certification body
	ISO 9001 <sup>[1]</sup>			ISO 14001 <sup>[2]</sup>			
	GOST ISO 9001:2015	ISO 9001:2015	ISO 9001:2015 (in the IQNet certification system)	GOST R ISO 14001:2016	ISO 14001:2015	ISO 14001:2015 (in the IQNet certification system)	
<b>PJSC IDGC of the North-West</b>	No. 18.1496.026 dated 05.09.2018	No. 18.1495.026 dated 05.09.2018	No.RU-18.1495.026 dated 05.09.2018	No. 19.2565.026 dated 30.12.2019	No. 19.2564.026 dated 30.12.2019	No. RU-19.2564.026 dated 30.12.2019	Certification Association Russian Register
<b>Arkhangelsk branch</b>	No. 18.1496.026-6 dated 05.09.2018	No. 18.1495.026-6 dated 05.09.2018	No. RU-18.1495.026-6 dated 05.09.2018	No. 19.2565.026 dated 30.12.2019	No. 19.2564.026 dated 30.12.2019	No. RU-19.2564.026 dated 30.12.2019	
<b>Vologda branch</b>	No. 18.1496.026-5 dated 05.09.2018	No. 18.1495.026-5 dated 05.09.2018	No. RU-18.1495.026-5 dated 05.09.2018	No. 19.2565.026 dated 30.12.2019	No. 19.2564.026 dated 30.12.2019	No. RU-19.2564.026 dated 30.12.2019	
<b>Karelia branch</b>	No. 18.1496.026-4 dated 05.09.2018	No. 18.1495.026-4 dated 05.09.2018	No. RU-18.1495.026-4 dated 05.09.2018	No. 19.2565.026 dated 30.12.2019	No. 19.2564.026 dated 30.12.2019	No. RU-19.2564.026 dated 30.12.2019	
<b>Murmansk branch</b>	No. 18.1496.026-3 dated 05.09.2018	No. 18.1495.026-3 dated 05.09.2018	No. RU-18.1495.026-3 dated 05.09.2018	No. 19.2565.026 dated 30.12.2019	No. 19.2564.026 dated 30.12.2019	No. RU-19.2564.026 dated 30.12.2019	
<b>Komi</b>	No. 18.1496.026-2 dated 05.09.2018	No. 18.1495.026-2 dated 05.09.2018	No. RU-18.1495.026-2 dated 05.09.2018	No. 19.2565.026 dated 30.12.2019	No. 19.2564.026 dated 30.12.2019	No. RU-19.2564.026 dated 30.12.2019	
<b>Novgorod branch</b>	No. 18.1496.026-1 dated 05.09.2018	No. 18.1495.026-1 dated 05.09.2018	No. RU-18.1495.026-1 dated 05.09.2018	No. 19.2565.026 dated 30.12.2019	No. 19.2564.026 dated 30.12.2019	No. RU-19.2564.026 dated 30.12.2019	
<b>Pskov branch</b>	No. 18.1496.026-7 dated 05.09.2018	No. 18.1495.026-7 dated 05.09.2018	No. RU-18.1495.026-7 dated 05.09.2018	No. 19.2565.026 dated 30.12.2019	No. 19.2564.026 dated 30.12.2019	No. RU-19.2564.026 dated 30.12.2019	

Note:

ISO 9000 — quality management system

ISO 14001 — environmental management system

The main participants in management systems are as follows:

<sup>[1]</sup> The validity period of all certificates: 05.09.2021.

<sup>[2]</sup> The validity period of all certificates: 31.12.2022.

- Board of Directors of the Company;
- Executive bodies of the Company — General Director and Management Board;
- a representative of the Company management on the relevant management system;
- a structural unit that ensures the work of management systems;
- structural divisions of the Company and S&A involved in the operation of management systems.

Main outcomes of management systems:

- a) greater reliability and quality of energy supply;

*The information is provided in the section “Improving power supply efficiency, reliability and quality” on page 57*

- b) greater security of energy supply;

*The information is provided in the section “Improving power supply efficiency, reliability and quality” on page 57*

- c) ensuring occupational health and safety during production, including fewer accidents and compliance with the requirements of labour and environmental protection legislation;

*Information is provided in the section “Occupational health and safety” on page 119*

- d) higher energy efficiency;

*The information is provided in the section “Energy saving and higher energy efficiency” on page 125*

- e) ensuring environmental safety;

*The information is provided in the section “Environmental policy” on page 122*

- f) better quality of technological connection services.

*The information is provided in the section “Technological connection” on page 47*

In general, the operation of management systems showed positive results over the past year<sup>30</sup>.

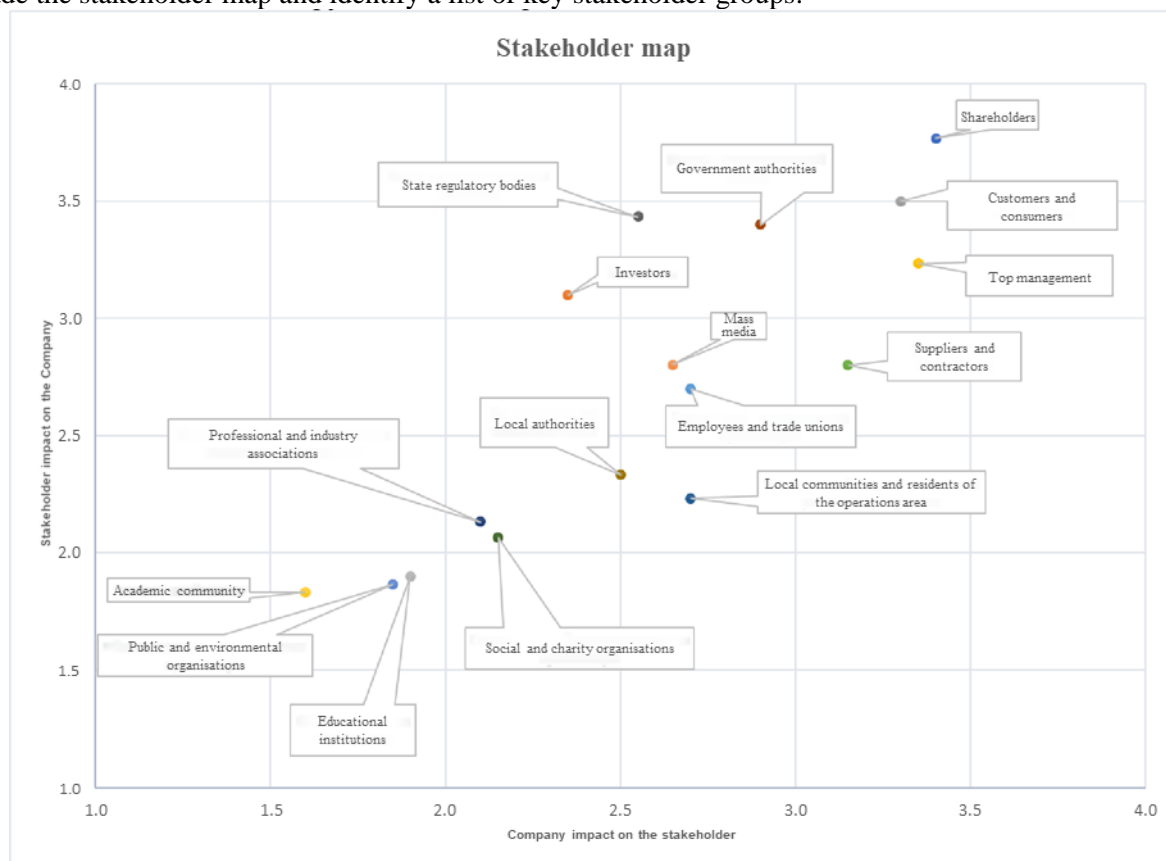
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<sup>30</sup> The dynamics of business process efficiency indicators in 2018—2020 are shown in Annex 17 to the Annual Report.

## Stakeholder Interaction

Sustainable development of PJSC IDGC of the North-West directly depends on the quality of stakeholders relations. The Company maintains responsible and open communication with all stakeholders and strives to ensure due consideration of their interests in decision-making.

[GRI 102-42] In drafting this Report, the Company carried out polling of the Company employees to upgrade the stakeholder map and identify a list of key stakeholder groups.



[ GRI 102-43] The Company aims to build fruitful, trust-based and mutually beneficial long-term partner relations with stakeholders – shareholders and investors, customers and consumers, top management, employees and trade unions, suppliers and contractors, professional and industry associations, government authorities, state regulatory bodies, local authorities, local communities and residents of the operations area, social and charity organisations, public and environmental organisations, the mass media, educational institutions and the academic community.

A balanced system of efficient communication based on the principles of openness, mutual respect, responsible attitude encourages further development of the Company's business.

### Company Stakeholders

[GRI 102-40; GRI 102-44]

Stakeholders	Topics of interest	Mechanisms of interaction	Interaction in 2020
Shareholders	Increase in shareholder value Transparency of the management activities	Press releases within the framework of obligatory information disclosure Information disclosure in accordance with the Company's information policy Interaction within the Board of Directors Individual meetings with shareholders General Shareholders' Meetings Statutory reporting of the Company	The annual General Meeting of shareholders was held. For more information, see "Information on the General Shareholders' Meetings in 2020" Events held for shareholders in the reporting year are described in section "Shareholder and investor relations"
Investors	Greater investment appeal of the Company Obtaining information about development prospects Information on credit ratings	Obtaining and maintaining credit rating and national corporate governance rating Meetings with representatives of banks and investment community Qualitative disclosure, IFRS reporting	Loan interest paid amounts to RUB 1,004 million Events held for investors in the reporting year are described in section "Shareholder and investor relations". Credit rating confirmed by Analytical Credit Rating Agency (ACRA). Credit rating AA+(RU), outlook "Stable" The rating of corporate governance quality confirmed by the rating agency "Expert RA" at the level of A++ GQ. "The highest level of quality management"
Customers and consumers	Ensuring reliable and uninterrupted power supply Innovative development to improve power supply quality Timely and affordable technological connection Open and flexible interaction with customers / consumers	Upgrade of power grid facilities Installation of smart metering devices Contracts on technological connection to power grids System of off-line (service centres) and online services for consumers (applications via cell phones or Internet) Consumer polls on the degree of satisfaction with the service quality	13,338 technological connection contracts were executed The contact centre received 207,998 consumer applications 8 consumer service offices are in operation For more information, see the section "Comprehensive servicing of consumers"
Top management	Creating conditions for professional growth Achieving strategic goals and KPIs	Interaction within the framework of the Company's operations	Training in accordance with the employee professional development plans for 2020

Employees and trade unions	Fulfilment of employers' obligations towards the Company employees Social and medical coverage Professional growth opportunities Providing employment and decent rate of remuneration Social benefits and guarantees, voluntary medical insurance programs	Negotiations with the trade union Meetings with the personnel Collective agreement Compliance with the requirements of the Industry Tariff Agreement in the Electric Power Industry for the period 2019-2021 Social benefits and guarantees of employee voluntary medical and accident insurance (subject to the sectoral tariff agreement)	Meetings with employee representatives were held The results of the implementation of the Collective Agreement in 2020 were summed up Voluntary health insurance and accident insurance contracts for the new period are concluded
Suppliers and contractors	Transparent competitive environment Use of the market pricing mechanism Compliance with the standards of business ethics in interaction Anti-corruption policy	Competitive procurement procedures Signing agreements with Russian and foreign manufacturers Support for SMEs	In 2020, the company held 1,261 procurement procedures amounting to RUB 14.6 billion.
Professional associations and industry organizations	Information about the Company's development prospects Cooperation	Regular meetings Disclosures on the corporate website Communication with the business communities in the regions of presence Joint meetings, forums, exhibitions, conferences	Online forums, conferences. Disclosure of relevant information on the official website and on social media
Government authorities	Ensuring reliable and uninterrupted power supply Support for power engineering in Russia and import substitution Contributing to the development of major international projects Participation in the implementation of state projects	Fulfilment of investment policy obligations Signing a number of cooperation agreements Contribution to preparations for national and international projects	The actual volume of capital investments for the technological connection of socially significant facilities: schools, kindergartens, sports and social facilities amounted to RUB 215 mln. The share of procurement from local suppliers in the regions of activity of the organization amounted to 18.7% of the actual volume
State regulatory bodies	Compliance with the requirements of the Russian legislation	Regular inspections passing Regular meetings and cooperation Provision of statutory reporting	Information disclosure in accordance with the requirements of the regulatory bodies.
Local authorities	Infrastructure development Contribution to social programs and charity Tax payment New jobs Obtaining information about the Company's development prospects	Agreements on cooperation Social and charity programs Public reporting Injury prevention events for the safety of residents	The actual capital investment into technological connection of socially significant facilities – schools, nursery schools, sports and social facilities – amounted to RUB 215 mln The share of procurement attributable to local suppliers in the operations area was 18.7 % of the actual volume



Local communities and residents of the operations area	Social infrastructure development Creation of jobs Implementation of social programs and charity Mitigation of negative environmental and population impact	Media publications on technological connection, work of power employees, important changes in the effective legislation on power industry	Publication of more than 2,500 messages on social media Regional and federal media published 17,500 materials
Social and charity organisations	Social responsibility Efficiency of the Company's performance and development prospects Contribution to charity projects	Interaction in carrying out social projects Information disclosure on the corporate web site Signing cooperation agreements	Investment in the social infrastructure amounted to RUB 218 mln.
Public and environmental organisations	Compliance with the established environmental legislation requirements Compliance with the established environmental impact standards Reduction in man-made impact on the environment	Consultations, explanations Public hearings	In 2017, the Company joined the implementation of the Environmental policy of power grid facilities of PJSC Rosseti. The environmental protection costs in 2020 amounted to RUB 18.2 mln.
Mass media	Transparency of business processes Prompt access to information about the Company's activities	Press events Prompt dissemination of information Processing media requests and communications	Publication of more than 2,500 messages on social media Regional and federal media published 17,500 materials
Educational institutions	Contribution to the development of industry education Training high potential staff and ensuring job continuity	Signing agreements with higher education institutions Organization of student teams Programs for young talent training Talent pool creation Opportunities for hands-on training and internship Employee education and training Open days and career fairs	76.7% of the average staff headcount took part in off-the-job training in 2020. Participation in open days, career fairs at educational institutions. 128 professional orientation events were held. The general coverage of the target audience amounted to 2,066 people. In 2020, 20 open lessons on electrical safety were held in the area of operations, including those online (more than 386 schoolchildren were involved).
Academic community	Contribution to industry-related research development Use of innovative technologies	Interaction with academic institutions and R&D order placement Participation in forums, exhibitions Signing agreements	Implemented R&D amounted to RUB 23.7 mln

## Public, government and media relations

The Company develops stakeholder interaction on the basis of common values, promptly responding to reputational risks in the public space and building a positive image of not only the Company, but the whole industry.

More than 2.5 thousands messages were published on the official website [www.mrsksevizap.ru](http://www.mrsksevizap.ru) and the Company's social media accounts, and 17.5 publications were made in the regional and federal media.

The communication policy of the Company Rosseti North-West is based on the principles of openness, reliability, promptness and accessibility within implementation of a unified communications policy of the Rosseti Group.

In 2020, The Public Relations Department continued to implement the project on the development of the Company's accounts in the social media VKontakte and Instagram, and on systemic target audience relations. The official telegram channel "Rosseti North-West" has been established to inform target audiences about the Company's news as quickly as possible.

Important news, useful information and various kinds of digital content are provided on the corporate platforms. Besides, direct contact with subscribers has been established by means of discussions, personal communication, surveys and other interactive options.

In 2020, the exposure of Rosseti North-West account in VKontakte increased by 60% to reach 180 thousand views per month. Each post by Rosseti North-West is viewed by an average of 6 thousand people. The increase in number of subscribers was 50%.

In 2020, the exposure of the Company's account in Instagram increased by 85% and on average exceeds 90 thousand views per month.

Company's Telegram channel has reached the audience of 1,750 subscribers.

The growth of these indicators is stimulated by well-considered work with target audiences, use of tools for SMM promotion (reposts in popular communities, hashtags, and comments), generation of unique content, and implementation of regional projects.

99% the Company's audience has active accounts. The subscribers of the accounts include representatives of authorities and regional opinion leaders.

A key business communication form of Rosseti North-West is participation in exhibitions and conventions. Representatives of the Company take part in major congress and exhibition events, including scientific and practical conferences, fuel and energy sector industry exhibitions, economic and investment forums.

An important area of the Public Relations Department activities is prevention of electric injuries. In 2020, the Company held a number of lessons on this topic across its footprint area, both off- and online. Promotion materials and guidebooks on prevention of electric injuries were distributed among the following target groups: children, drivers, fishermen, and air sport enthusiasts.

## Human resources and social policy



The key goals of the Company's HR and social policy (hereinafter – the Policy) aimed to ensure achievement of the target indicators set by the Development Strategy of the Power Grid System are:

- planning the staffing requirements – ensuring availability of reliable information on the current and projected number and qualities of employees required as necessary and sufficient to fulfil the tasks assigned to the Company;
- timely meeting the Company's needs for personnel of required qualification
- ensuring efficiency of personnel activities, labour efficiency improvement

The above key goals of the HR and social policy are achieved by implementing a set of measures in a variety of business areas and by reaching the established targets:

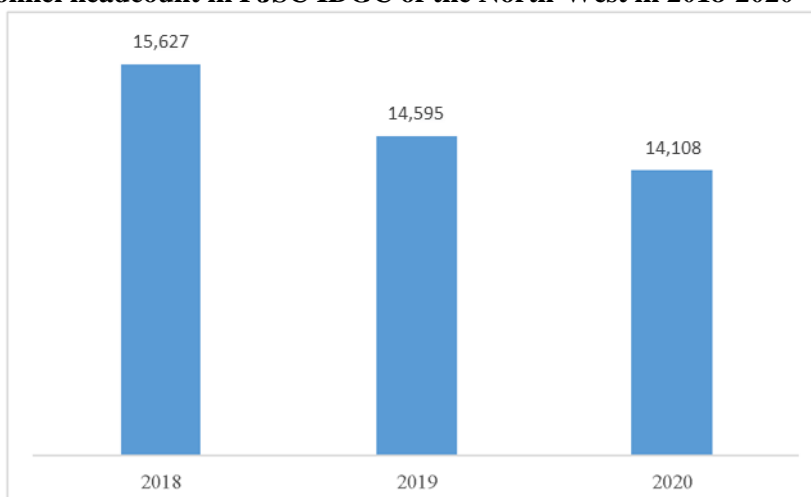
- in organisational design;
- in staffing and personnel development;
- in managing the efficiency or personnel activities (personnel motivation);
- in social benefits and social security;
- in promoting safety of operations and work culture.

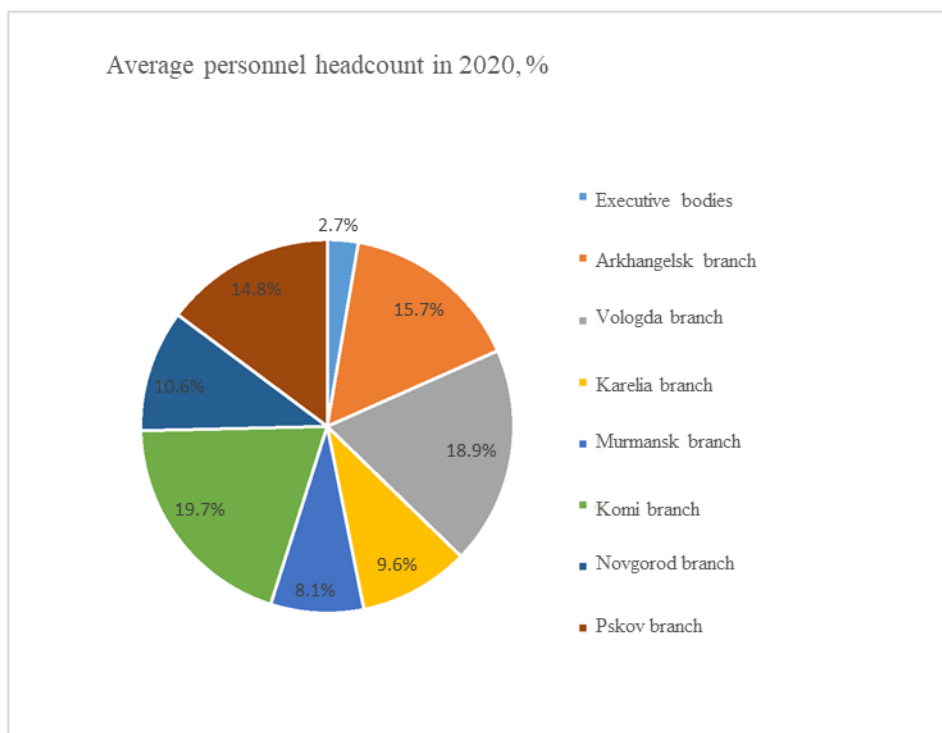
### Personnel headcount and breakdown

The average staffing number of PJSC IDGC of the North-West in 2020 amounted to 14,108 persons, which is 3.33% lower year on year. The decrease in the average number PJSC IDGC of the North-West is due to the optimization of administrative and management personnel and natural movement of personnel.

[GRI 102-7]

#### Average personnel headcount in PJSC IDGC of the North-West in 2018-2020

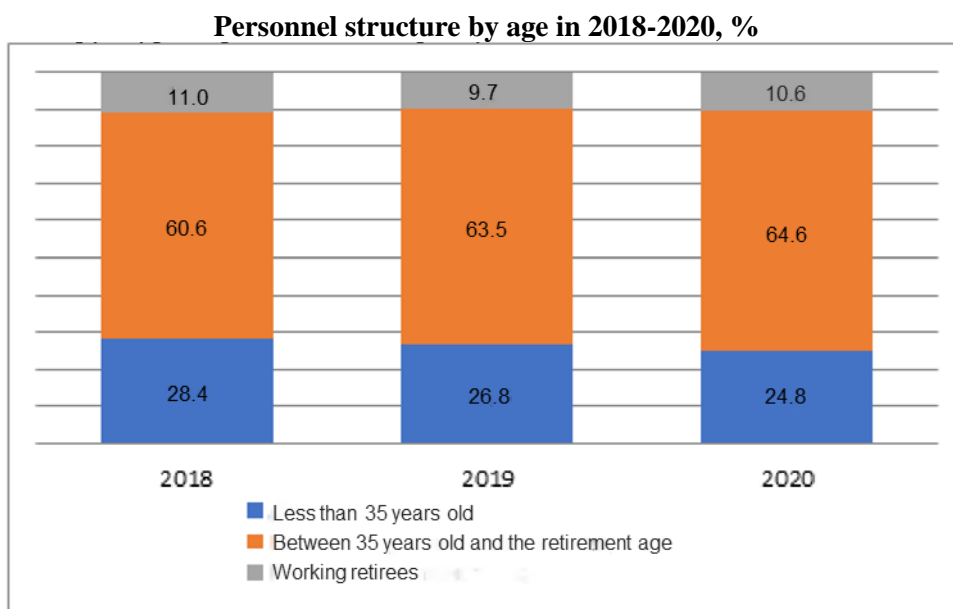




The staffing levels of PJSC IDGC of the North-West in 2020 was 93.2%  
 The Company's operational staffing levels are 93.1%.  
 Active turnover in 2020 amounted to 4.9%.

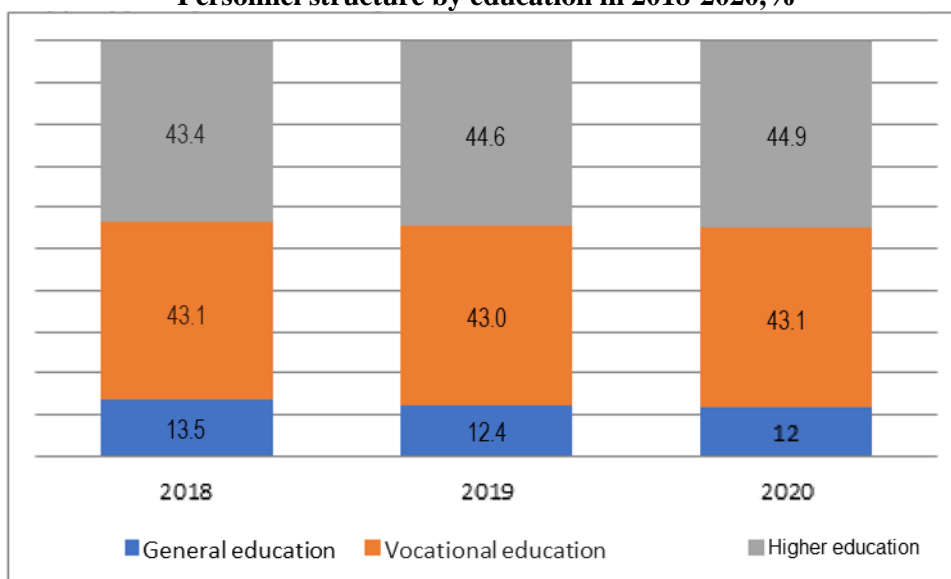
The average age of employees of the Company has not changed over the past three years and was 43 years in 2020.

A significant proportion of the Company's employees are between the ages of 35 and the retirement age — 64.6%. 24.8% of employees are under 35. The share of employees of retirement age was 10.6%.



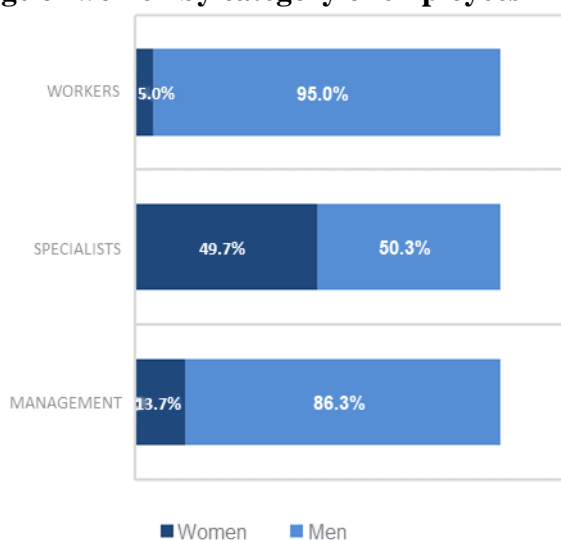
PJSC IDGC of the North-West employees possess considerably high qualification — 88% of employees have received professional education. This indicator has increased by 1.5 percentage points in the last three years.

**Personnel structure by education in 2018-2020,%**



The gender breakdown of staff has been stable throughout the years and corresponds to the nature of the Company's production activities: 11,160 men (78%); 3,181 women (22%).

**Percentage of women by category of employees in 2020,%**



[GRI 102-8]

**Number of employees by type of employment contract and gender, in number of people.**

Type of employment contract	Number of employees					
	2018		2019		2020	
	Men	Women	Men	Women	Men	Women
Permanent	11 745	3 047	11 383	3 008	11 115	2 935
Temporary	48	134	63	124	45	132

**Number of employees by type of employment and gender, un number of people.**

By employment	Number of employees					
	2018		2019		2020	
	Men	Women	Men	Women	Men	Women
Full	11 747	3 156	11 395	3 113	11 112	2 942
Part-time	46	25	51	19	48	125

**Total number of employees by type of employment contract and by division, in number of people.**

	Permanent employment agreement			Temporary employment agreement		
	2018	2019	2020	2018	2019	2020

Executive Arm	361	390	389	25	21	21
Arkhangelsk branch	2 307	2 267	2 169	24	18	23
Vologda branch	2 753	2 682	2 637	32	40	29
Karelia branch	1 390	1 370	1 351	12	15	10
Murmansk branch	1 194	1 166	1 116	11	9	12
Komi	2 905	2 835	2 756	36	28	30
Novgorod branch	1 556	1 502	1 511	14	15	12
Pskov branch	2 326	2 179	2 121	28	41	40

## Personnel training and development, talent pool

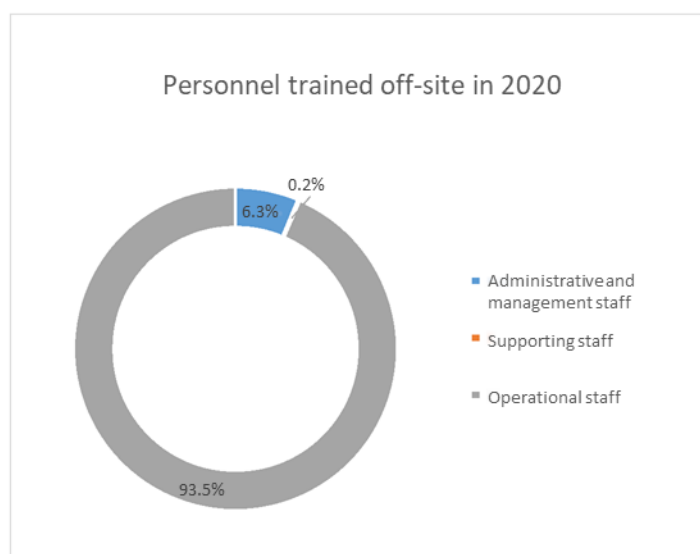


Training is a priority area of HR and social policy at PJSC IDGC of the North-West. It is regulated by the Rules of HR management in power industry companies of the Russian Federation, the Regulation on continuous professional development of staff, the Procedures of HR management.

The share of employees who took part in full-time training events in the total headcount is 76.7% of the average staff headcount (10,826 people), which is by 2 percentage points higher than in 2019 (in 2019 — 10,903 people, or 74.7% of average staff headcount).

The largest share of the employees trained is attributable to operational personnel – 93.7% (10,146 persons). This indicator amounted to 93.5% (10,194 persons) in 2019.

The staff who took part in training events broken down into office and management personnel, operational personnel and supporting personnel is shown below:

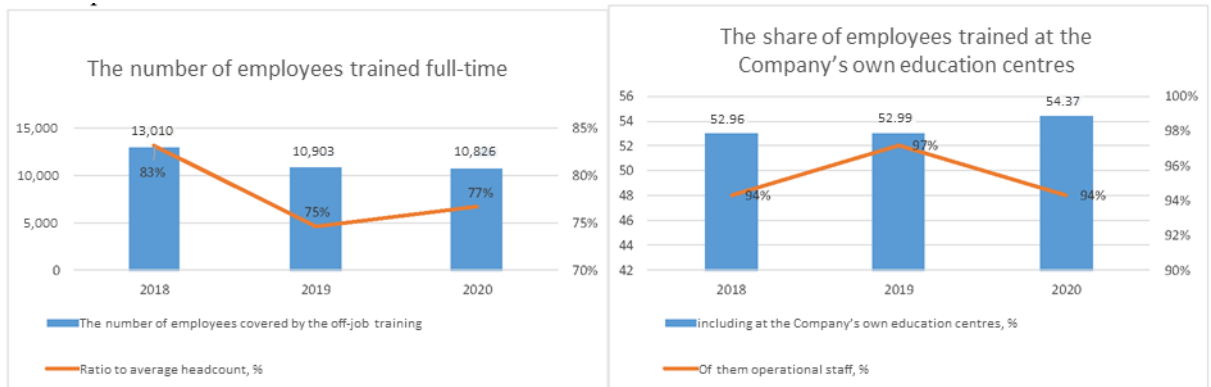


**[GRI 404-2]** Continuity of the employee training is ensured by the corporate training and development system including PEI CPE Energetik in Vologda with standalone divisions in Arkhangelsk, Veliky Novgorod, Petrozavodsk and training and educational centre for the employees of the Murmansk branch of PJSC IDGC of the North-West in Murmashi of the Murmansk Region.

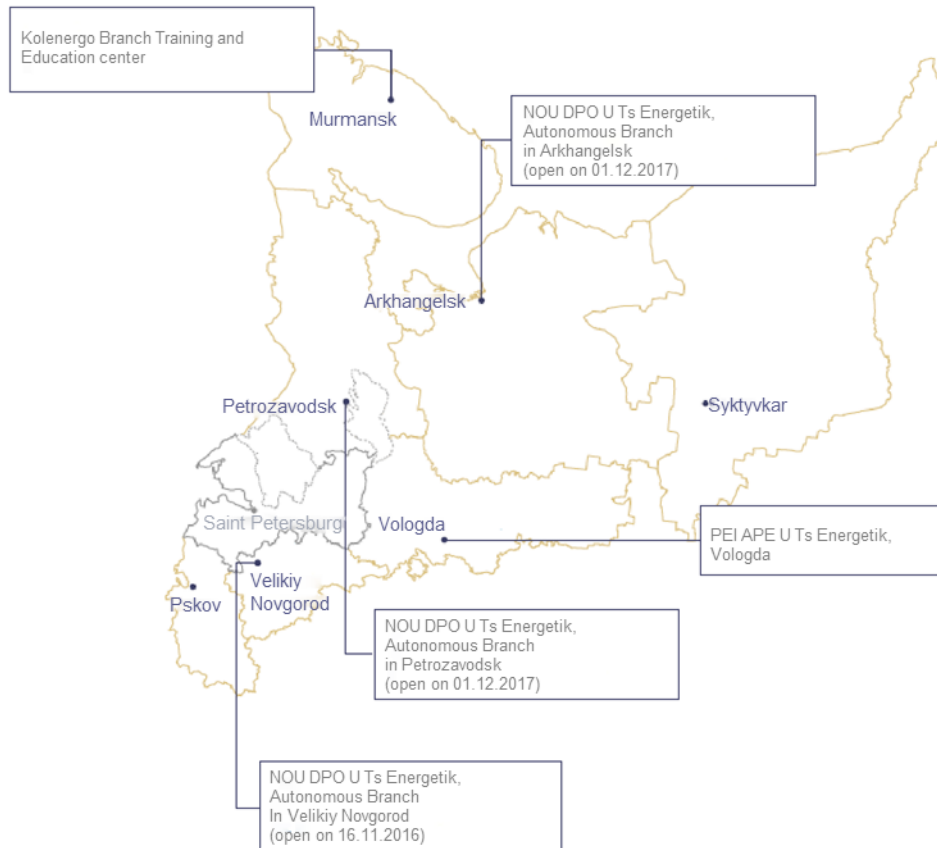
Corporate training centres provided professional training, retraining and advanced training to 5,886 persons in 2020, which is 54.37% of the total number of employees who received training. This number is by 1.38 p.p. higher than that of 2019 (in 2019, corporate training centres provided education for 5,777 people, which accounts for 52.99% of the total number of trainees). The largest portion of the corporate training centre students were also operational employees – 94.33% (5,552 persons).

Actual costs of personnel training (regardless of their sources) amounted to RUB 51.7 mln, RUB 25 mln of which (48.35%) was allocated to training at corporate training centres.

The ratio of the actual training costs to the payroll in the reporting year was 0.67% (0.9% in 2019). Spending on personnel training includes compulsory training and training in line with the requirements of professional standards.



### Training centres of PJSC IDGC of the North-West





In order to determine the level of development of management and professional competencies of heads of structural divisions of the Company, as well as to identify high-potential candidates for senior (vacant) positions and engaging the talent pool of the Company in 2020, evaluation activities for the following categories of personnel were organized and carried out:

- heads of production departments and areas of electrical networks (as part of measures designed to improve the structure of branches of the Company);
- workstream deputy directors of the Company's branches;
- heads of structural divisions of the Company's executive apparatus;
- candidates for senior positions in the block of development and services provision (as part of an internal competition to fill the vacancies).

Types of evaluation used in the evaluation procedures:

- Competency assessment ("360 degrees" method);
- assessment of professional knowledge (case solving);
- evaluation of the structural subdivisions performance (in the following areas: electricity accounting, technological connection);
- assessment of compliance with qualification requirements (according to the following parameters: education, experience and work experience).

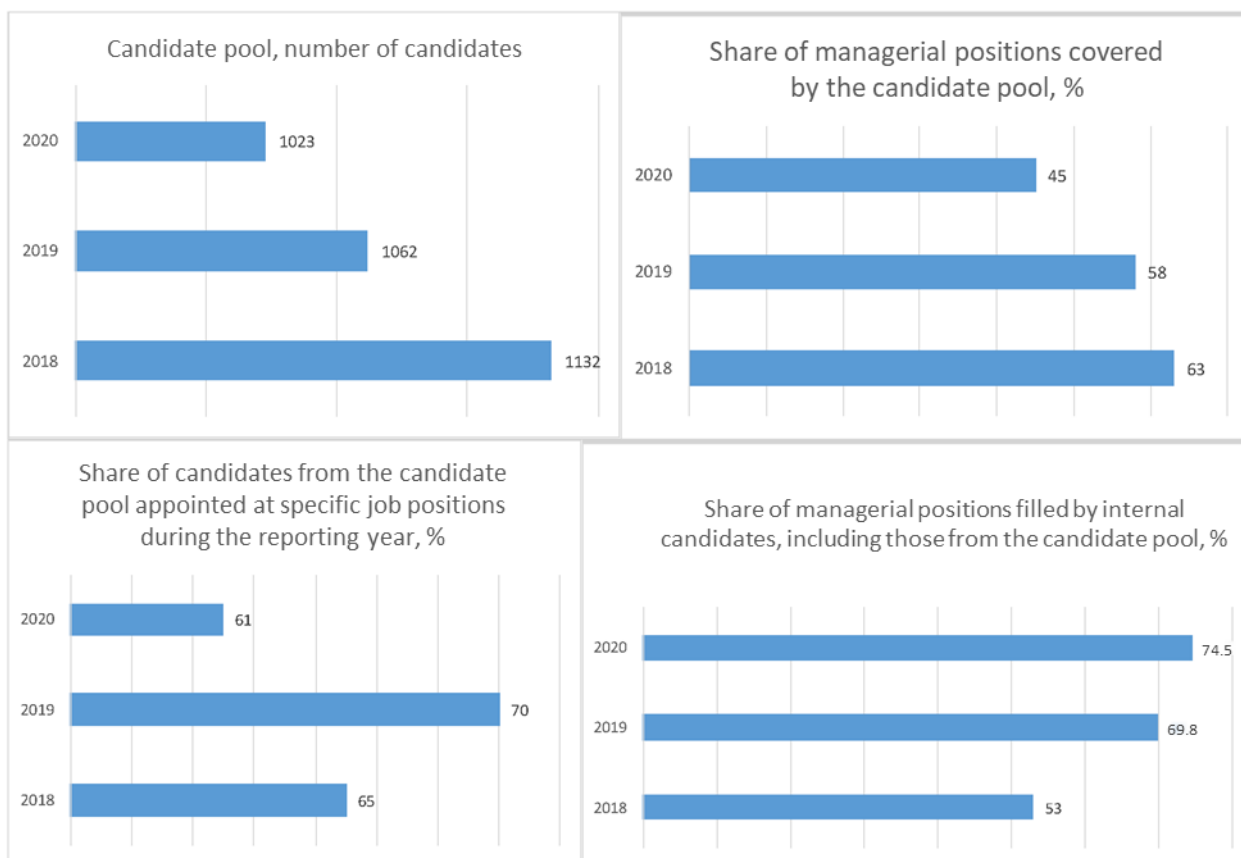
Key providers of educational services, in addition to their own training centres, are also:

- St. Petersburg Advanced Training Institute;
- Power Industry Staff Training Centre, Saint Petersburg;
- Learning and teaching centre of Rostekhnadzor, Moscow;
- Pskov training centre;
- ANO Kirov training centre Energetik.

### Talent pool management of the Company

In order to develop the HR potential and cover the Company requirements of trained personnel for appointment to vacated and new positions, in 2020, PJSC IDGC of the North-West continued its management of talent pool for administrative staff, youth, and key positions.





Professional development of the employees included in the Company's talent pools was based on individual plans, considering the actual competence level of the employee and the requirements of the target positions.

Administrative talent pool is formed by PJSC IDGC of the North-West to promptly and properly meet the Company's needs for employees prepared for work at leading positions and ensure the continuity of management experience.

Youth talent pool is built:

- to create opportunities for professional and personal growth of the young employees of the Company;

- to render assistance in boosting the level of their professional and management qualification.

Talent pool for key positions is formed:

- to promptly fill in the positions where proper recruitment should be based on considerable working experience in the area of operations;

- to provide timely staffing of the positions to ensure fulfilment of the current and long-term goals faced by the Company whenever the labour market fails to provide professionals of the required qualification.

In 2020, the administrative talent pools included 834 most promising employees of the Company. The administrative positions staffing rate with the talent pool amounted to 45% as of the end of the reporting period.

The youth talent pool of the Company as of the end of the reporting period amounted to 74 employees.

The following events were organised and held to develop professional and managerial competencies of the talent pool employees of the Company in 2020:

- business training sessions and practical seminars to develop leadership, efficient administration and target-setting, productive teamwork;

- training under additional professional programs (professional and vocational training)

The number of talent pool employees participating in the events aimed to develop professional and managerial competencies in 2020 amounted to 203 persons.

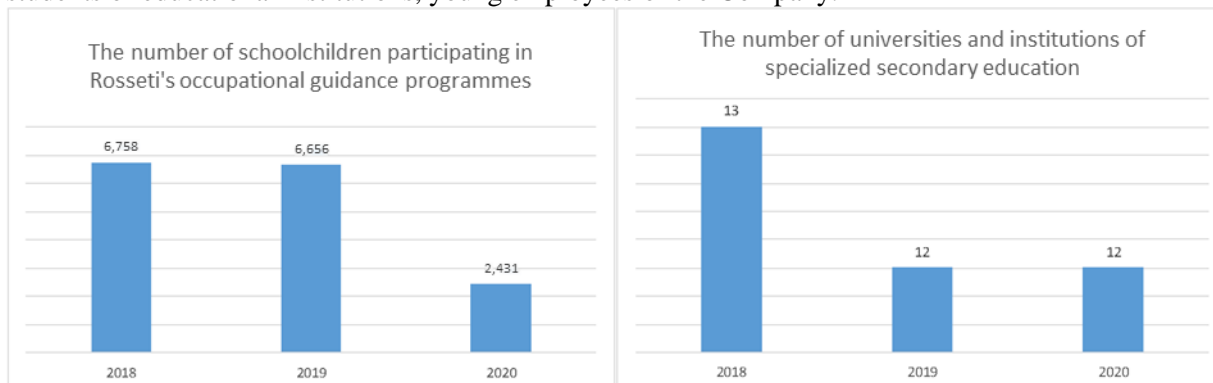
In 2020, Company branches and executive bodies appointed 110 talent pool members to vacancies, target positions were taken by 67 of them (61%).

Out of 330 management appointments made in 2020 by the branches and the executive branch of the

Company: 246 positions (74.5%) were filled in by internal candidates, including 68 employees (20.6%) from talent pools for administrative staff, youth, and key positions.

### Youth interaction

The Company implements key projects of youth interaction, including those under the Concept of “Rosseti Group Companies Interaction with Educational Organisations”: interaction with schoolchildren, students of educational institutions, young employees of the Company.



### Schoolchildren interaction

To increase the schoolchildren’s motivation to study energy-related courses at educational institutions and be further employed by the Company, it regularly holds various career guidance events. In 2020, 128 such events were held in the areas of operations of the Company's branches, 32 schools were involved, the total coverage of the target audience was over 2,066 persons:

- discussions on the profession of electrician (3 events, covering 68 persons);
- career guidance tours for students of grades 9–11 to the operational facilities (4 events, covering 193 persons),
- regional contest on fire and electric safety (covering 1,760 persons);
- electric safety contests (1 events, covering 14 persons);
- All-Russian Olympiad of School Students organised by PJSC Rosseti (grades 9–10) that in 2020 took place online with the help of the proctoring system (115 persons);
- Energy project shift in the Russian Children's Centre “Orlenok”, which in 2020 was carried out in a mixed online/offline format and under the recommendations of the Rospotrebnadzor, 5 students from the North-West region took part in it in person and 6 students did that remotely (winners and prize-winners of the Olympiad).
- mentoring for the winners of the Olympiad prior to their admission to relevant universities, such practices will continue in 2021-2025 with more participants;
- Professional Internship 2.0 project: the experts from the Company reviewed the designs for the “Designing of “Passive House” case in 2019, in 2020 the author of the work was granted an internship position in the Company.

In addition to vocational guidance measures, 20 lessons on electrical safety were held in 2020 with more than 386 schoolchildren involved.

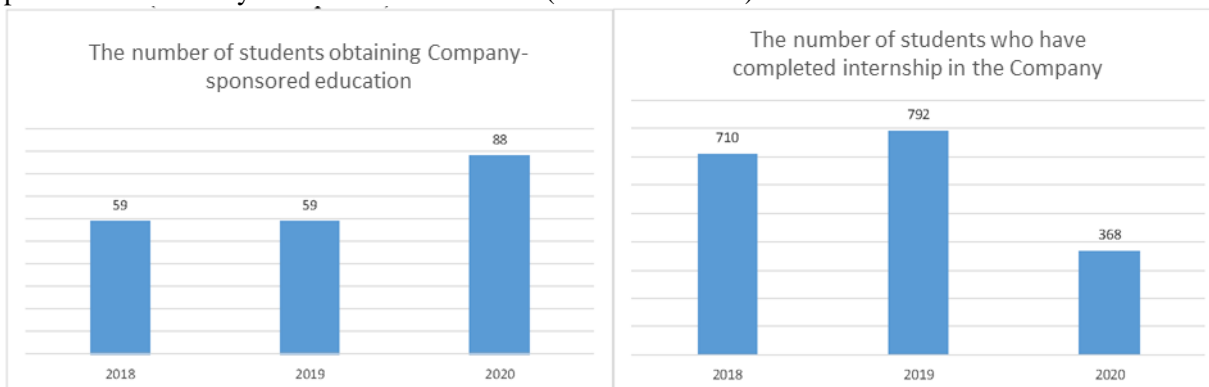
### Interaction with students of educational institutions

In 2020, interaction with students of educational institutions was carried out in the following areas:

- internship of higher and professional educational institution students, including internship on an unpaid basis. In 2020, internships were organized for 368 students (with 710 in 2018 and 792 in 2019), including 22 students who did an internship on a paid basis (136 interns are studying relevant professions with regards to power grid complex on a paid basis. In 2020, PJSC IDGC of the North-West hired 40 graduates, including 12 young specialists who has passed the internship successfully (with 38 and 8 graduates in 2019 respectively);
- target admission (2019 — 5 persons, 2020 — 1 person), total number of students receiving grants from budget funds, as of 31.12.2020 — 14 people. ;
- vocational guidance activities: open days 1 event, job fairs (“TOGETHER BRIGHTER” — youth event “Dialogue on Equal Terms” in online format with managers of structural subdivisions in branches and students of educational organizations (3 events covering 169 people);

– participation in the innovative projects and developments competition to solve relevant technical and challenging research problems of the power industry “Energy breakthrough 2020” (interaction with partner universities, schools, scientific organizations, small innovative companies in areas of operations in order to timely inform potential participants about the competition; participation of a Company representative in the semi-finals and the final of the competition, assessing projects and providing mentoring support to the finalists of the competition). The participant won Optimetric, LLC competition with the project “Intelligent system of monitoring and management of distribution networks 6—35 kV OptiDMS” with a representative of the Company as a mentor.

– examination of the works at the All-Russian competition of bachelor and master theses on electric power and electricity in technical universities (8 works in 2020).



### **Working with young professionals**

In order to attract and keep young specialists in electric power industry enterprises, the Company continuously takes a number of special measures, including:

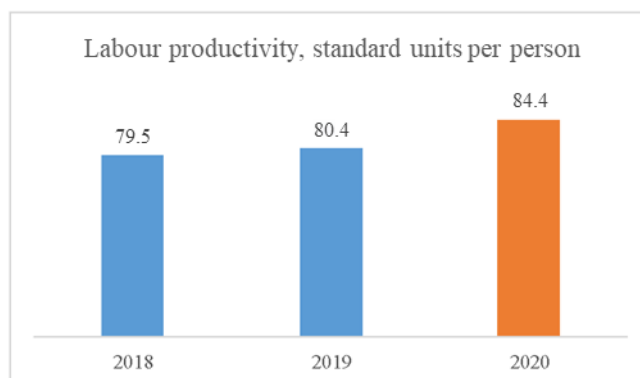
1. Providing young professionals with an opportunity to improve their skills and build their capacity through the projects under the presidential platform “Russia is a Country of Opportunities,” major intersectoral forums, press conferences, engineering and educational initiatives.
2. Young professionals are included in the talent pool for senior positions.
3. Holding interviews and meetings with the Company's management for the young professionals.
4. Pairing young professionals with experienced workers, the creation of a system of professional knowledge and skills continuity.
5. Support for the development of youth associations at the production sites of the Company (Young Professionals Councils).

In 2020, young specialists of the Company took part in the following events:

- press conference at TASS (Moscow) dedicated to the launch of a new season of the International Engineering Championship CASE-IN-2020;
- participation in the International Engineering Championship CASE-IN-2020;
- Forum of Young Specialist Communities “Forsazh 2020”;
- School of Technology Leadership.

### ***Labour productivity improvement***

Labour productivity is an important efficiency indicator of the Company's staff. The level of labour productivity of PJSC IDGC of the North-West has been steadily growing over the past three years to reach 84.8 c.u. per person in 2020.



## Social policy<sup>31</sup>

Implementation of efficient social policy is a focus of the HR management.

Aware of its responsibility towards the country, the society and the employees of PJSC IDGC of the North-West, the Company management pays considerable attention to social aspects of its activities, which deeply influence the employees' performance, labour efficiency improvement, optimisation of operational processes, stability and sustainable development of the Company in the long-term, increase in the employees' standard of living and positive image of the Company.

The efficient social protection system implemented in the Company contributes to attracting qualified professionals, reduces labour turnover and is a foundation of successful operations.

Investing in personnel development and actively using indirect incentives, the Company stabilises the staff, increases the social security of working and retiring employees, builds a positive public image, ensures a reasonable balance of rotation and retaining highly qualified personnel.

PJSC IDGC of the North-West developed a comprehensive Human resources and social policy of the Company approved by Decision of the Company's Board of Directors of 10.02.2015 (Minutes No. 67).

### Building a positive social environment

The Company strives for the human resources policy and social guarantees to ensure most comfortable labour and recreation conditions for the employees, without which efficient work is impossible.

The 2020 social policy of the Company developed systemically to keep up the social package, i.e., the package of benefits, compensations and privileges for the Company personnel, their family members and power industry veterans; as it is an important driver of highly qualified personnel recruitment and retention, and labour turnover reduction.

The 2020 social policy of PJSC IDGC of the North-West aimed at:

- maintaining social stability and development of social partnership;
- providing social security guarantees to the personnel, members of their families and power industry veterans;
- development of the corporate culture in order to motivate personnel to implement the Company's mission and fulfil current tasks;
- building a sustainable favourable social and psychological climate among employees;
- ensuring a positive public image of the Company.

This system of benefits was implemented in 2020 in the following target areas:

- non-state pension provision;
- voluntary medical insurance;
- ensuring employees health and recreation;
- support for maternity and childhood;

<sup>31</sup> Report on the results of ensuring the human performance reliability and special assessment of the working conditions in shown in Annex 18 to the Annual Report .

- sports and recreation activities;
- support of the retired veterans of the power company and young professionals;
- measures to build and develop corporate culture.

Basic principles of social policy:

#### targeting

- a primary focus on the groups of employees who are most important for efficient performance of operational tasks and achievement of the goals of the grid system of the North-West, and on the most vulnerable groups of employees;

#### relevance

- adequacy of the benefits granted to the essential needs of particular groups of employees, an individual approach;

#### -awareness

- provision of social support in various areas of life;

#### -openness

- open discussion of the developed social regulations and availability of information on existing benefits and guarantees;

#### -effectiveness

- continuous monitoring and evaluation of the incentives' efficiency.

### **Preventive healthcare and health improvement for employees and their children**

Priorities of the Company's social policy include provision of up-to-date high-quality medical service to employees, organisation of health resort treatment and disease prevention.

Important features of employee's health improvement, healthy lifestyle promotion and disease prevention are the opportunities provided to the Company's employees in terms of fitness and sports, holding competitions and sports events, participation in sports tournaments, friendly matches, festivals and contests.

In 2020, due to the pandemic and the implementation of a set of preventive restrictive measures, the number of mass cultural and sports and recreation activities drastically reduced. A total of 75 sports events were held for the employees of the Company, attended by about 1,800 people.

### **Support of retired employees**

The Company's social responsibility stipulated by the collective agreement also provides for financial support of the former employees of PJSC IDGC of the North-West. In the reporting year, they received non-regular financial aid payments to mark the Victory Day, International Day of Older Persons, personal anniversaries, and in cases of emergency needs; relatives of retired veterans received compensations for funeral services.

### **Cultural and educational events**

In 2020, approximately 350 events were held to promote the Company's corporate culture with the participation of approximately 15 thousand persons.

During the reporting year, the Company held 84 themed entertainment events and 7 guide tours for the employees engaging over 5 thousand people, as well as 13 exhibitions of creative works by power industry employees and their children.

The Company organised over 26 events aimed at attracting and retaining young, qualified workers and professionals at the power grid facilities, with participation of over 300 students of the region and young employees of the Company. These included outreach meetings of heads of the power energy companies with school and professional education institutions graduates, and open days.

About 100 events were held for members of the Council of Veterans of the Company that unites about 6 thousand people. More than 4 thousand people took part in them.

36 thematic events dedicated to national memorable dates were organized. The number of participants amounted to approximately 2,500 people. For instance, in seven regions of PJSC IDGC of the

North-West operation, thousands of employees of the company took part in celebrations dedicated to the main national holiday, the Great Patriotic War Victory Day e. The Company’s Youth Council was actively engaged – it held memorial events in honour of the important dates in the Russian history, rendered charitable assistance to retired employees living alone – power industry veterans, carried out maintenance works at the monuments to defenders of the country.

Commemorative events and celebrations in honour of the veterans were held in large regional centres as well as remote settlements where power industry employees work, including the following:

- floral offerings at the memorial monuments;
- photo exhibitions “Immortal Regiment” with photo materials about the heroes from the power industry and members of the employees’ families at PDZs and PUs;

PJSC IDGC of the North-West employees volunteer at regional search movements.

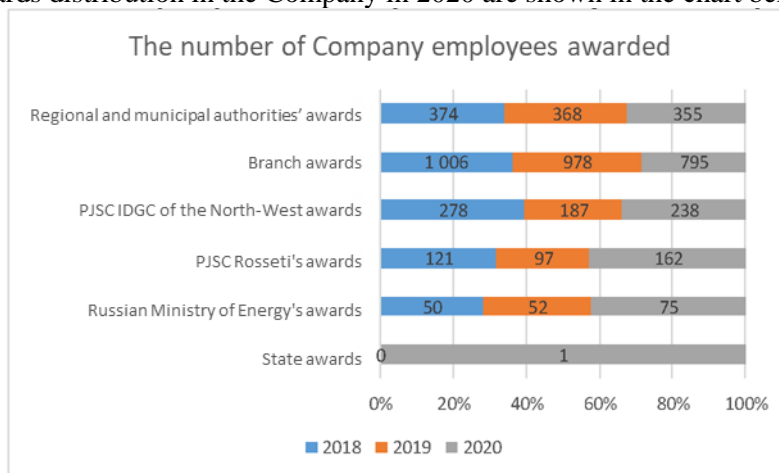
PJSC IDGC of the North-West has a procedure of awarding employees who achieve the best operational indicators, carry out innovative projects, have been dedicated to their work for many years, show top professional skills, contribute to the development of the North-Western power industry.

The awards policy pursued by the Company to boost social motivation of its employees is based on the following principles:

- uniform requirements to the employee awarding procedures;
- unbiased selection;
- adequacy of the award to the merits;
- awards differentiation;
- combination of financial and moral benefits.

Over 2020, employees of the Company with the best record of contribution to the power industry development received 1,626 awards.

The data on awards distribution in the Company in 2020 are shown in the chart below.

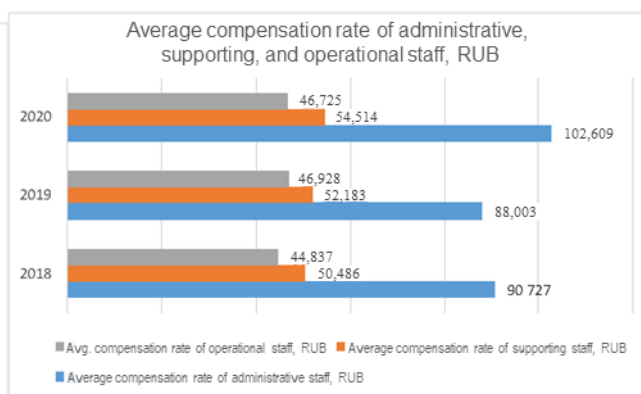
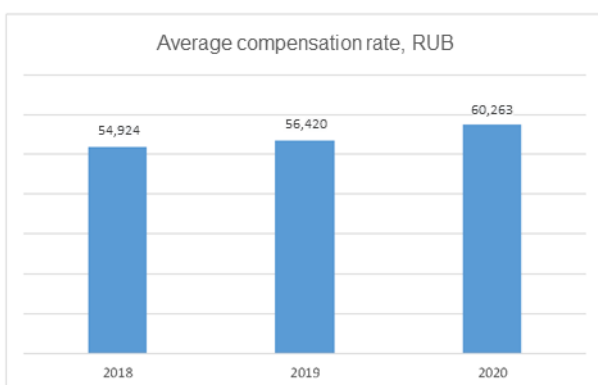


## Remuneration at the Company

### Key performance indicators:

	2018	2019	2020
Average headcount, pers.	15 627	14 595	14 108
Expenditures for social policy implementation, RUB mln	737	730	495

The Company’s system of labour remuneration is based on the uniform principles of social partnership stipulated by the collective agreement of PJSC IDGC of the North-West, as well as the Regulation on remuneration of employees of OJSC IDGC of the North-West effective from 01.05.2009 (as subsequently amended). The labour organisation and remuneration system currently in force in the Company generally complies with the Recommendations for the uniform procedure of labour remuneration at base wage rates (official salaries) of power industry employees approved by the Russian Association of Electric Energy Employers and the All-Russian Electric Trade Union.



Overall, the average salaries of the PJSC IDGC of the North-West employees in 2020 grew by 6.8% against 2019.

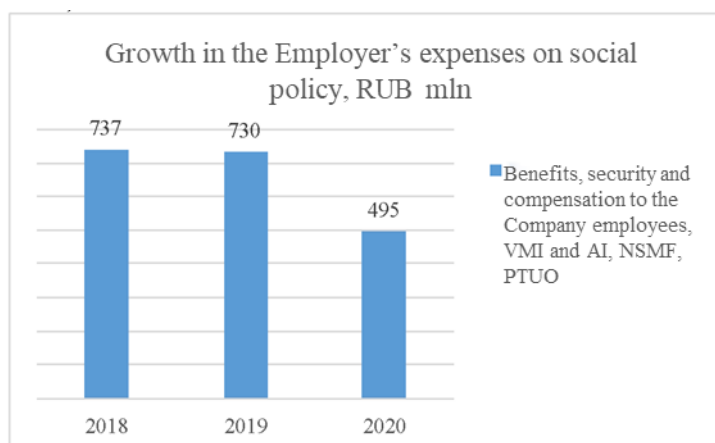
The efficiency of the HR and social policy is closely linked to timely payments and indexation of salaries to ensure their competitiveness in the regional labour markets, and therefore the salaries of employees of all the Company's branches have been traditionally higher than average salaries in the respective regions.

The Company's Regulation on remuneration of employees provides for incentives to employees in the form of increments that may be paid on a monthly basis (for particular performance achievements, for the length of service, for qualification), as well as bonuses payable based on monthly, quarterly and yearly basis subject to performance.

### Protection of employees' interests and rights

Throughout the reporting year, the Company built efficient relations with primary trade union organisations (PTUOs) and the Council of PTUO Representatives, in particular by fulfilling common tasks of communication to the staff, organisation of cultural, educational and sports events, implementation of the uniform collective agreement and the uniform Regulation on remuneration of employees of the Company. No violation of the terms of the collective agreement took place in the reporting year.

Members of primary trade union organisations account for 53.3% employees of the Company (7,582 persons).



The costs of the social policy implementation in 2020 reduced by 32%. The main factors behind the decline are the decrease in the average staff headcount during the reporting period, as well as a drop in the compensation payments for the children's health camp trips due to the spread of COVID-19.

In accordance with the standards of the Sectoral tariff agreement in the electric power industry of the Russian Federation and the effective collective agreement, in the reporting year the Company transferred RUB 29.4 mln to the accounts of primary trade union organizations of the branches and the Company's executive bodies for the purpose of organising cultural and sports events.

### Implementation of the non-state pension programme

The non-state pension programme for employees of PJSC IDGC of the North-West (hereinafter – the NSP programme) was approved by the Company's Board of Directors for 2020 (Minutes of 10.08.2020 No.371/7). The main goal of the programme is to ensure a decent standard of living for the Company's employees at the retirement age, as well as to create conditions for efficient solution of various personnel

issues, such as optimisation of the number of administrative and management personnel, reducing the staff turnover and retaining employees in the power system. During 2020, the Company cooperated with JSC Non-State Pension Fund Otkrytie (hereinafter – NSPF Otkrytie) towards the implementation of the non-state pension provision programs for employees in three areas:

- - the corporate plan (financed by the Company), including the “Supporting” programme;
- - the parity plan (financed by the employee and the Company);
- - the co-financing programme (financed by the employee, the Company and the State).

Under the approved NSP programme for 2020, the Company carried out the co-financing programme in line with the Federal Law of 30.04.2008 No.56-FZ “On additional insurance contributions to the cumulative component of employment pensions and state support for accumulation of pension savings”.

Over 2020, retired employees received non-state pensions. The size of non-state pensions primarily depended on the employee’s salary, the length of his/her work in the electric power industry, and on whether he/she has state, industry or corporate awards. Understanding the social significance of financial support of the employees after their retirement, the Company’s management annually finds opportunities to finance non-state pension programs, although the regional tariff regulation bodies excluded those costs from the tariff structure.

#### **Targeted social benefits, bonuses and compensations to the Company’s employees**

In accordance with the Collective Agreement, this component of the social package of the Company’s personnel comprises a range of targeted payments and compensations to employees, the largest of which are:

- - non-recurring recreational leave allowance;
- - compensation for expenses to travel to the place of the recreational leave and back within the Russian Federation payable to employees and their dependents if the employees work in Far North districts and equated localities;
- - 50% discount for household use of electric power;
- - payments in cases of childbirth, registration of marriage, death of relatives;
- - non-recurring bonus to employees resigning after the retirement age.

## **Occupational Health and Safety<sup>32</sup>**

“All the facilities of the power company are high-risk locations. Therefore, we prioritise not the strict delivery of the plan “whatever it takes”, but organisation of safe working processes. Promotion of occupational safety culture involves the so-called risk-oriented approach to operations. It means that before any moves the employees think about what they are going to do. They do not tolerate risky behaviours – their own or colleague’s.”

**First Deputy General Director – Chief Engineer of PJSC IDGC of the North-West Denis Yagodka**



**[GRI 103-2]** In accordance with the Occupational Safety Policy of the Rosseti Group,<sup>33</sup> the Company defines its occupational safety priorities as protection of its employees’ life and health in the course of their operational activities, as well as those of visitors and contractors’ employees at the Company’s facilities

<sup>32</sup> The Labour Safety Report is available in Annex 19 to the Annual Report.

<sup>33</sup> Approved by Order of PJSC Rosseti of 30.08.2018 No. 143 “On approving the occupational safety documents of PJSC Rosseti”, accepted for implementation by Order of PJSC IDGC of the North-West dated 19.09.2018 No. 628 “On improvement of the occupational safety management system”



and manifests life and health of each employee to be the key value.

Major goals in the area of occupational safety include:

- development of healthy and safe working conditions;
- consistent and ongoing decrease of the occupational injury rate and professional diseases;
- ensuring high level of the corporate safety culture.

In its development strategy and the context of the current Policy, the Company management is committed to the principles of Vision Zero concept of zero injuries.

Any initiatives of the Company employees and other stakeholders aimed to ensure and improve the working conditions and occupational safety will be studied, encouraged and duly appreciated.

The Company management guarantees allocation of the necessary resources, as well as creating conditions to perform the commitments made in this Policy.

The Company management, being aware of the primary values, key goals and commitments, takes on the responsibility for implementation of this Policy.

In order to improve the culture of production, involve all personnel in the issues of occupational safety management and under the project “Development of safety culture” in the Company in 2020, an action plan for the development of a security culture has been developed and approved.

### ***Occupational injuries in the Company***

**[GRI 103-3]**

#### **Preventing the increase in the number of accident victims**

The Company’s operations involve high risks stemming from the impact of hazardous and adverse operational factors, emergencies and human errors. This aspect is of great importance for the Company, its employees and other stakeholders. As a result of the prevention measures taken in 2020, there has been a decrease in the number of accidents at work, as well as the severity of their consequences. Unfortunately, in 2020, the Company had 1 group accident (4 victims of moderate severity) as a result of an accident through the fault of the driver of a third-party car. The year-on-year number of accidents decreased by four. No fatal injuries have been reported. No work-related diseases were recorded. No accidents that occurred through the Company's fault were registered.

Major occupational injury causes are as follows:

- inadequate organisation of works;
- violation of traffic rules (violation of traffic rules by a third-party).

### **Occupational accidents in the Company**

Indicator	2018	2019	2020
Total number of people injured in accidents, persons	6	5	4
Total number of fatalities, persons	1	2	0
Total occupational injury frequency rate (per 1,000 employees)	0.40	0.34	0.28
Fatality frequency rate (per 1,000 employees)	0.07	0.14	0

To increase the responsibility of the Company management for accidents, the system of remuneration for the General Director and top management of the Company includes the quarterly indicator “No growth in the number of accident victims.”

### ***Occupational injury rate among contractors’ employees***

Contractors work at the Company’s power facilities in operation, under construction, technical re-equipment or renovation in accordance with Rules of personnel management at power industry companies of the Russian Federation, construction rules and regulations 12-03-2001 “Labour safety in construction. Part 1. General requirements”, the Rules of occupational safety in operating power facilities.

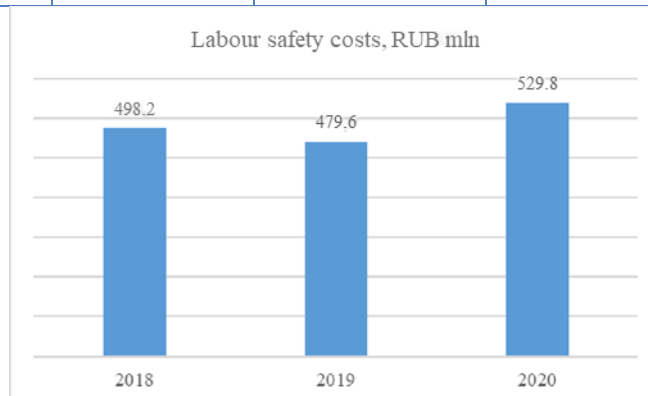
In 2020, there were no accidents involving contractors’ employees during operation at the power grid facilities of the Company.

To mitigate possible risk of occupational electric injuries to the staff of contractors and detached personnel involved in operations, as well as the Company personnel involved in joint activities with or working near the above third parties, the Company implements Organisational standard OS 01.O11-2020 “Organisation of safe work performance by the staff of contractors and detached personnel”. Standard forms of contractor agreements signed by PJSC IDGC of the North-West include sections “Compliance with the requirements of occupational safety,” “Penalties for occupational safety requirements violation.”

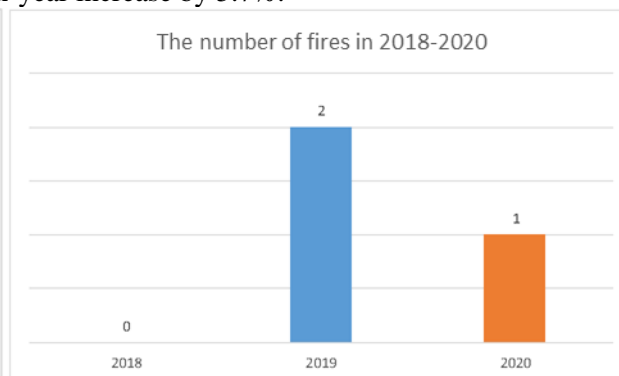
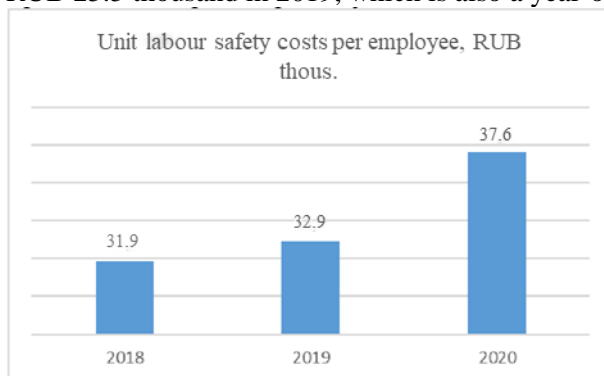
### Occupational safety spending

[GRI 103-3] The costs of occupational safety amounted to RUB 529,894.949 thousand in 2020, which accounts for 1.26% of the total expenses (cost of goods sold) of the Company and confirms compliance with the requirement of Article 226 of the RF Labour Code, under which financing of the conditions and occupational safety improvement shall account for no less than 0.2% of the cost of goods (works, services) sold.

	Total costs of occupational safety activities, RUB mln	including:			
		measures to prevent accidents	sanitary and hygienic activities to prevent work-related diseases	general improvement of the labour conditions	provision of employees with personal protection equipment
2018	498.2	33.3	97.6	8.5	358.8
2019	479.6	26.2	92.5	8.8	352.1
<b>2020</b>	<b>529.8</b>	<b>40.3</b>	<b>126.0</b>	<b>3.6</b>	<b>359.9</b>



Unit costs of occupational safety per employee in 2020 were RUB 37.6 thousand, which exceeds the previous-year indicator by 14.3%. Unit costs of personal protection equipment per employee amounted to RUB 25.5 thousand in 2019, which is also a year-on-year increase by 5.7%.



The occupational safety costs are scheduled. The increase in costs in 2020 by 10.5% is primarily associated with the adoption of measures to prevent COVID-19 spread (purchase of disinfectants, medical disposable and reusable masks, air recirculators, etc.).

### Environmental Responsibility

The Company's core business – power transmission and grid distribution – has an insignificant influence on the environment. At the same time, we strive to organise our activities so as to minimise any unfavourable environmental impact.

Being fully aware of the need to maintain the environmental balance as the basis of human life in areas of operations of PJSC IDGC of the North-West, the Company defines environmental protection and ensuring high level of environmental safety in the power grids operation and construction as its priority areas.

## Environmental policy



### Key performance indicators

	2018	2019	2020
Total environmental expenses by costs, RUB mln:	21.49	20.21	18.2
Payments for environmental impacts, RUB thous.	2 084,36	1 026,40	992.86
Number of imposed non-financial penalties, pc.	3	1	0
Total of all penalties, RUB thous.	10	10	0
Gross release of pollutants into air, t	477.695	560.267	543.744
Waste formed, t	4 326,939	3 903,959	4 318,172
Volume of waste transferred for disposal and decontamination, t	4,140.329	3,965.802	4 322,38
Equipping power grid facilities with bird protective devices, pcs.	804	1 298	1 462
Total environmental expenses by type of costs, RUB mln:	21.49	20.21	18.2

In 2020, The Board of Directors of PJSC IDGC of the North-West (minutes of 08.10.2020 №377/13) decided to join the implementation of the Environmental Policy of the Electric Grid Complex approved by the decision of the Board of Directors of PJSC Rosseti (Minutes No. 422 dated July 20, 2020) (hereinafter referred to as Environmental Policy).

The environmental policy for the power grid facilities aims at preserving favourable environment for the current and the future generations.

Key aspects of the environmental policy implementation are:

- compliance with the requirements and standards established by the environmental legislation of the Russian Federation and international legal instruments in the area of environmental protection;
- priority of pro-active measures to prevent adverse impact on the environment over remedial environmental action upon such impact;
- activities aimed at energy saving and improving energy efficiency;
- use of the best available technologies and innovations in the power grid sector to ensure compliance with the environmental requirements and mitigation of negative effect on the environment, including cable lines and self-supporting insulated wires in the distribution grids, as well as ultra-high poles for OL with the voltage of 110+ kV;
- replacement of petrol and diesel fuel with environmentally friendly types of motor fuel and use of electric vehicles in power grid companies;
- development of charging infrastructure and increase in the total share of electric vehicles in the Russian Federation;
- restrictions on operational and construction activities on the territories of particular environmental significance;
- ensuring conservation of biological diversity and remediation of disturbed lands;
- gradual shutdown of the equipment containing polychlorinated biphenyls, as well as oil-filled equipment and its replacement with environmentally friendly facilities;
- ensuring environmentally safe operational waste management;
- provision of open and readily available environmental data, informing all stakeholders on emergencies, their environmental implications and accident response;
- improvement of the system of operational environmental control;

- active participation in advancement of the regulatory framework in the field of environmental protection and environmental safety;
- personnel involvement in the activities aimed to ensure environmental safety, environmental protection and rational use of natural resources;
- education of the employees servicing power grid facilities on environmental protection and environmental safety.

The Company is committed to implement the environmental policy and undertakes to comply with the requirements of environmental legislation of the Russian Federation in full.

The Company's priority environmental protection objectives are to reduce the negative environmental impact and to evaluate environmental activities in order to improve them.

#### ***Use of advanced technologies and solutions in the area of environmental protection***

To increase the level of environmental safety, the Company implemented the following measures in 2020:

- replacement of oil break switches with vacuum and sulphur-hexafluoride circuit breakers, reducing the risk of environment pollution with circuit-breaker oil;
- renovation of oil receivers, oil piping, emergency oil collectors;
- arrangement of places for temporary waste accumulation at branches of the Company;
- transfer of hazard class 1-4 waste to specialised organisations for subsequent disposal is organized;
- analytical monitoring of air pollutant emissions from stationary sources with instrumental gauging.
- equipment of overhead power lines of 35+ kV with 1,462 bird protection devices in 2020 (overall, since 2015 the Company has installed 6,324 items).

#### **Use of new technologies for environmental protection**

Indicator	Unit	2018	2019	2020
35 kV vacuum circuit breakers	items	345	359	384
3-20 kV vacuum circuit breakers	items	7 157	7 239	7 375
SSIW for OL of 0.4 kV	km	8 323	9 039	9 548
SSIW for OL of 6-20 kV	km	7 254	7 530	8 062

#### ***Management and control of environmental protection activities***

The Company employs 8 environmentalists certified to carry out environmental audit activities and have certificates of environmental auditors (7 in branches of the Company, 1 in the Executive Office ).

Environmental audit is carried out at the Company's facilities in order to prevent violation of environmental requirements and ensure implementation of activities to reduce the negative impact of the operations on the environment. Moreover, compliance with the requirements of the environmental legislation is monitored for the contractors working at the power grid facilities

Internal environmental audit is a key aspect of environmental safety. It provides the Company with a comprehensive picture of the environmental indicators in all its regions of operation and enables it to manage proactively the adverse implications of its operations.

#### ***Environmental protection expenses and investments***

The Company finances activities aimed at environmental protection. The current environmental spending in 2020 amounted to RUB 18.2 mln.

Sufficiency in the financing of the environmental programs ensures compliance of the Company's facilities with the requirements of the Russian legislation, standards and regulations in the field of environmental protection.

#### ***Environmental protection expenses and investments***

Indicator	2018	2019	2020
Total environmental expenses by type of costs, RUB mln:	21.49	20.21	18.16

current costs, RUB mln, including:	21.49	20.21	18.16
water body protection	4.97	6.68	5.21
air protection	2.48	2.14	2.38
protection of environment from waste	10.74	10.24	9.76
remediation of disturbed lands	-	-	-
introduction of an environmental management system	3.30	1.16	0.81

***Fines and non-financial penalties imposed on the Company for non-compliance with the requirements of environmental legislation***

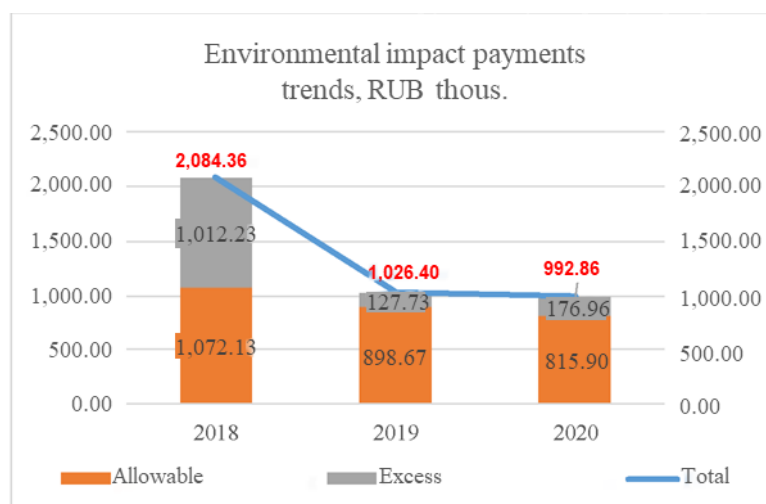
Financial and non-financial penalties imposed on the Company in 2020 were due to exceeding the established standards of pollutants discharge to water bodies and exceeding the established standards of air pollution.

Indicator	2018	2019	2020
Number of imposed non-financial penalties, pc.	3	1	0
Total of all penalties, RUB thous.	10	10	0

***Trends in payments for adverse environmental impact, RUB thous.***

	2018	2019	2020
Total, including	2 084,36	1 026,40	992,86
allowable volume	1 072,13	898,67	815,90
excess volume	1,012.23	127.73	176.96
Discharge to water bodies, including	4.16	0.123	0.128
allowable volume	0.004	0.066	0.069
excess volume	4.16	0.057	0.059
Air pollution, including	250.18	86.41	36.46
allowable volume	19.58	33.73	35.19
excess volume	230.60	52.68	1.27
Waste placement, including	1,830.02	939.87	956.27
allowable volume	1,052.55	864.87	780.64
excess volume	777.47	75.00	175.63

Payments for the adverse impact on the environment tend to decrease as the Company has environment-related permits in accordance with the requirements of the environmental legislation and transfers solid municipal waste (SMW) to SMW placement operators, who pay for the negative environmental impact from waste placement themselves.



## Energy saving and higher energy efficiency<sup>34</sup>

Energy saving and energy efficiency improvement activities were organised by PJSC IDGC of the North-West in 2020 in line with Federal Law No.261-FZ “On energy saving and energy efficiency and on amendments to some legislative acts of the Russian Federation,” Orders of the Russian Ministry of Energy, Regulation on the development of the energy saving and energy efficiency programs of subsidiaries and affiliates of PJSC Rosseti (approved by the Board of Directors of OJSC Rosseti, Minutes of 29.04.2014 No.156), as well as in accordance with the programme for energy saving and energy efficiency improvement of PJSC IDGC of the North-West in the period 2016-2020 approved by Decision of the PJSC IDGC of the North-West Board of Directors of 21 November, 2016 (Minutes No.223/14)

The programme for energy saving and energy efficiency improvement of PJSC IDGC of the North-West (hereinafter – the programme) stipulates the following target indicators:

- power losses level in transmission and grid distribution;
- own consumption of energy resources;
- equipment with up-to-date power metering devices in retail in accordance with the smart power metering development programme;
- number of LED-equipped lighting facilities.

The target values of the programme are set for the period of 2016-2020.

### Planned and actual target values of the programme for 2020

No.	Indicator	Units of measurement	2018	2019	2020		2021*
			actual	actual	Planned	Actual	Planned
1.	Power losses	mln kWh	2,258.56	2,156.44	2,406.92	2,065.82	-
		RUB mln net of VAT	5,188.64	5,348.14	6,355.82	5,442.62	-
		% of output to grid	6.59	6.23	7.17	6.22	-
2.	Consumption by substations for inhouse needs	mln kWh	74.28	73.38	88.15	68.72	76.25
		% of power losses	3.29	3.40	3.66	3.33	3.35
3.	Energy consumption for in-house needs of administrative and production facilities, total, including:	RUB mln net of VAT	306.71	319.52	359.93	319.63	340.89
		thous. TOE	18.56	17.51	16.43	16.64	17.03
3.1.	<i>electric power</i>	mln kWh	81.97	77.89	74.88	74.40	75.61
		thous. TOE	9.84	9.35	8.99	8.93	9.07
		RUB mln net of VAT	211.25	223.79	251.31	226.20	237.30
		mln kWh per hour	0.0001	-	0.00	0.00	0.0001
3.2.	<i>heat (building heating systems)</i>	Gcal	56,365.34	52,760.17	47,725.81	49,647.50	51,181.62
		thous. TOE	8.05	7.54	6.82	7.09	7.31
		RUB mln net of VAT	92.48	92.93	104.71	90.62	99.89
		Gcal/m <sup>3</sup>	0.04	-	0.05	0.05	0.04
3.3.	<i>natural gas (including liquefied gas)</i>	thous. m <sup>3</sup>	582.92	544.35	542.68	533.91	560.35
		thous. TOE	0.67	0.63	0.63	0.62	0.65
		RUB mln net of VAT	2.97	2.80	3.91	2.82	3.70
3.4.	<i>other fuels and energy resources (coal, fuel oil, diesel fuel, kerosene etc.)</i>	thous. m <sup>3</sup>	-	-	-	-	-
		thous. l	-	-	-	-	-
		thous tons	-	-	-	-	-
		thous. TOE	-	-	-	-	-

<sup>34</sup> The regulatory base on energy saving and energy efficiency organisation is shown on the Company web site: <https://clients.mrsksevzap.ru/energysaving>.

		RUB mln net of VAT	-	-	-	-	-
4.	Natural resource consumption for in-house needs of administrative and production facilities, total, including:	RUB mln net of VAT	4.63	4.45	8.01	4.36	6.76
		thous. m <sup>3</sup>	1 088,38	104.61	176.80	96.38	113.03
4.1.	<i>hot water supply</i>	thous. m <sup>3</sup>	15.01	11.87	44.69	11.15	14.29
		RUB mln net of VAT	0.50	0.83	1.39	0.94	1.56
4.2.	<i>Cold water supply</i>	thous. m <sup>3</sup>	94.04	92.74	132.11	85.23	98.74
		RUB mln net of VAT	4.13	3.62	6.62	3.43	5.20
4.3.	<i>other types of natural resources</i>	thous. m <sup>3</sup>	-	-	-	-	-
		thous. l	-	-	-	-	-
		thous. tons	-	-	-	-	-
		RUB mln net of VAT	-	-	-	-	-
5.	Motor fuel consumption by vehicles and special machinery, total, including:	thous. l	15,605.44	12,669.94	11,196.28	11,321.23	11,277.36
		thous. TOE	18.18	15.10	13.13	13.40	13.34
		RUB mln net of VAT	539.72	490.44	485.67	438.76	472.54
5.1.	<i>petrol, including:</i>	thous. l	8,686.26	6,586.05	6,727.36	5,519.34	5,629.57
		thous. TOE	9.75	7.46	7.62	6.25	6.37
		RUB mln net of VAT	288.80	236.74	292.48	200.45	227.78
		thous. l/100 km	0.02	-	0.0002	0.0002	0.04
5.1.1.	<i>by motor vehicles</i>	thous. l	7,608.32	5,740.36	5,310.73	5,033.06	4,791.28
		thous. TOE	8.61	6.50	6.01	5.70	5.43
		RUB mln net of VAT	247.64	201.06	223.43	165.97	182.88
		thous. l/100 km	0.02	-	0.02	0.0188	0.03
5.1.2.	<i>by special machinery</i>	thous. l	1,077.95	845.69	1,416.63	486.28	838.29
		thous. TOE	1.22	0.96	1.60	0.55	0.95
		RUB mln net of VAT	41.16	36.69	69.06	34.48	44.90
		thous. l/100 km	0.10	-	0.04	0.02	0.01
		thous. l/m. per hour	0.04	-	0.005	0.002	0.00
5.2.	<i>diesel fuel, including:</i>	thous. l	6,919.18	6,083.88	4,468.92	5,801.89	5,647.80
		thous. TOE	8.42	7.64	5.51	7.15	6.96
		RUB mln net of VAT	250.93	254.28	193.19	238.31	244.76
		thous. l/100 km	0.07	-	0.0004	0.0005	0.11
5.2.1.	<i>by motor vehicles</i>	thous. l	3,692.09	3,356.72	2,262.77	2,299.21	2,717.39
		thous. TOE	4.55	4.14	2.79	2.83	3.35
		RUB mln net of VAT	131.45	141.18	93.05	133.23	122.78
		thous. l/100 km	0.0005	-	0.03	0.03	0.06
5.2.2.	<i>by special machinery</i>	thous. l	3,227.09	2,840.62	2,206.15	3,502.68	2,930.41
		thous. TOE	3.98	3.50	2.72	4.32	3.61
		RUB mln net of VAT	119.48	118.11	100.14	105.08	121.98
		thous. l/100 km	0.0013	-	0.06	0.08	0.05
		thous. l/m. per hour	0.0183	-	0.01	0.02	0.02
5.3.	<i>other fuels for vehicles and special machinery, total, including:</i>	thous. TOE	-	-	-	-	-
		RUB mln net of VAT	-	-	-	-	-
5.3.1.	<i>natural gas (including liquefied gas)</i>	thous. l	-	-	-	-	-
		thous. TOE	-	-	-	-	-
		RUB mln net of VAT	-	-	-	-	-
5.3.2.	<i>electric power</i>	mln kWh	-	-	-	-	-

		thous. TOE	-	-	-	-	-
		RUB mln net of VAT	-	-	-	-	-
6.	Availability of energy-efficient LED lighting devices	%	22.68	36	75	69	79
6.1.	<i>number of lighting devices used, including:</i>	items	109,996	109,996	109,996	109,997	109,997
6.1.1.	<i>energy-efficient lighting devices (except LED)</i>	items	51 460	70 760	27 312	33 800	23 335
6.1.2.	<i>LED</i>	items	24 950	39 236	82 685	76 197	86 662

\* Planned values for 2021 are in accordance with the programme of Energy Saving and Energy Efficiency Improvement of PJSC IDGC of the North-West for 2021—2025, approved by the decision of the Board of Directors of PJSC IDGC of the North-West dated 08.12.2020 (Minutes №382/18).

**[GRI 302-1]** Electricity consumption for the in-house needs of substations and for the needs of administrative and industrial buildings amounted to 143.12 mln kWh, or 515,268 GJ.

The consumption of thermal energy for the needs of administrative and industrial buildings amounted to 49,647 Gcal, or 207,862 GJ.

Fuel consumption from non-renewable sources (natural gas, gasoline and diesel) was 14.02 thousand TOE, or 410,926 GJ.

Total energy consumption amounted to 1,134,056 GJ.

The actual consumption and cost indicators of fuel and energy resources for administrative and production consumption by branches of the Company reduced by RUB 44 mln to 16.64 thous. TOE, or RUB 324 mln.

In 2020, the share of LED lighting devices in the total lighting devices used by the Company amounted to 69%. The target level of 75% set by the RF Government Order of 27.09.2016 No.971, was not achieved by Karelia (53%), Murmansk (30%), and Novgorod (64%) branches. The reason for deviation from the target value was the need to reallocate the Company spending from the lighting systems upgrade to the activities aimed at ensuring reliability of consumer power supply (emergency response).

The actual motor fuel consumption and costs in the Company's branches was reduced by RUB 47 mln and amounted to 13,40 thousand TOE, or RUB 439 mln.

### Atmospheric emissions of pollutants

In 2020, gross emissions of air pollutants reduced year on year by 16.5 tonnes.

#### Atmospheric emissions of pollutants

	2018	2019	2020
Gross emissions of air pollutants, tonnes, including	477.695	560.267	543.744
solid	54.507	53.246	52.018
gas and liquid	423.188	507.021	491.726
including			
sulphur dioxide (SO <sub>2</sub> )	20.488	24.893	24.060
carbon monoxide (CO)	169.745	186.711	178.440
nitrogen oxides (in terms of NO <sub>2</sub> )	134.633	188.892	184.472
hydrocarbons (without volatile organic compounds)	2.766	2.785	2.813
volatile organic compounds	95.556	103.740	101.941
benzopyrene	0.000001	0.000001	0.000001

### Water usage

The Company uses water from centralized water supply systems (65%), artesian wells (27%) and surface water bodies (8%) for industrial and business drinking purposes.

At the same time, the majority of water consumed (88%) is spent on business and drinking needs while only 12% is used for industrial needs.

In 2020, the total water intake decreased by 11.6 thousand m<sup>3</sup>, or 8% year on year.



### Use of water resources [GRI 303-3]

	2018	2019	2020
Total water intake, thous. m <sup>3</sup> , including	147.19	142.34	130.76
from surface water bodies	11.49	9.92	11.03
from third party suppliers	98.34	96.30	84.88
from underground water bodies	37.36	36.12	34.85
Volume of reused water, thous. m <sup>3</sup>	-	-	-

The Company fully fulfils the terms of license agreements for subsoil resources usage. Laboratory tests of water from wells are carried out to check quality indicators and component composition.

### Wastewater disposal

The amount of water disposed to surface water bodies in 2020 decreased by 16% year on year and amounted to 8.70 thousand m<sup>3</sup>.

#### [GRI 303-3]

	2018	2019	2020
Total wastewater disposal, thousand m <sup>3</sup> , including:	15.56	10.38	8.70
decontaminated according to the regulations	0.36	0.54	0.54
not sufficiently decontaminated	15.20	9.84	8.16

The industrial purposes for water usage include filling fire tanks, examining fire extinguishing systems and fire hydrants, recharging circulating water supply systems in car washes.

The Company's branches effectively use systems for collecting and cleaning surface rain and snowmelt runoff from road transport sites. That eliminated major flows of contaminated surface drains and reduced negative environmental impacts.

### Waste generation

In line with Federal Law No.89-FZ "On production and consumption waste," the Company implements a comprehensive set of measures to reduce the production and consumption of generated and accumulated waste.

In 2020, the Company generated 4.3 thous. tonnes of production and consumption waste classified under hazard classes 1–5, which is by 0.4 thous. tonnes less year on year.

#### Waste generation

	2018	2019	2020
Waste generated, total tonnes, including:	4 326,939	3 903,959	4 318,172
hazard class 1	29.375	3.729	3.328
Hazard class 2	11.714	9.458	12.680
Hazard class 3	89.270	102.229	105.177
Hazard class 4	2,840.281	2,897.259	2,712.804
Hazard class 5	1,356.299	891.2451	1,484.183
Waste transferred to third parties, total	4,140.329	3,965.802	4,322.380
including for waste placement	3,362.385	3,122.826	2,916.953

#### Waste disposal

	2018	2019	2020
Waste transferred to third parties for:	4,140.329	3,965.802	4,322.380
use	376.999	577.658	1,221.815
treatment	400.945	256.282	183.612
storage	-	-	-
landfilling	3,362.385	3,122.862	2,916.953

## Biodiversity conservation



**[GRI 304-2]** According to expert research, most power lines operated are unsafe for birds and inflict severe damage on the ornithological fauna. Therefore, the Company plans and develops measures for bird protection, enabling it to prevent or minimise possible consequences.

Moreover, power experts of the Company pay considerable attention to protection of birds in the areas of their seasonal migration. The overhead lines going through large birds habitats are equipped with bird shields, strips of metallic wire preventing birds from resting on cross-arms. It serves to protect the birds' lives.

In 2020, technical bird protection measures were taken: installation of 1,462 bird protection devices at 35+ kV power lines. Overall, since 2015 the Company has installed 6,324 bird protection items.

Power lines of some branches of the Company go through the territory of the Russky Sever National Park (the Kirillovsky District of the Vologda Region), Darwin Nature Reserve (the Cherepovetsky District of the Vologda Region), Kivach Nature Reserve (the Republic of Karelia). The land plots occupied by the power lines are rented.

## Responsible business

### Code of Corporate Ethics<sup>35</sup>

#### **[GRI 102-16]**

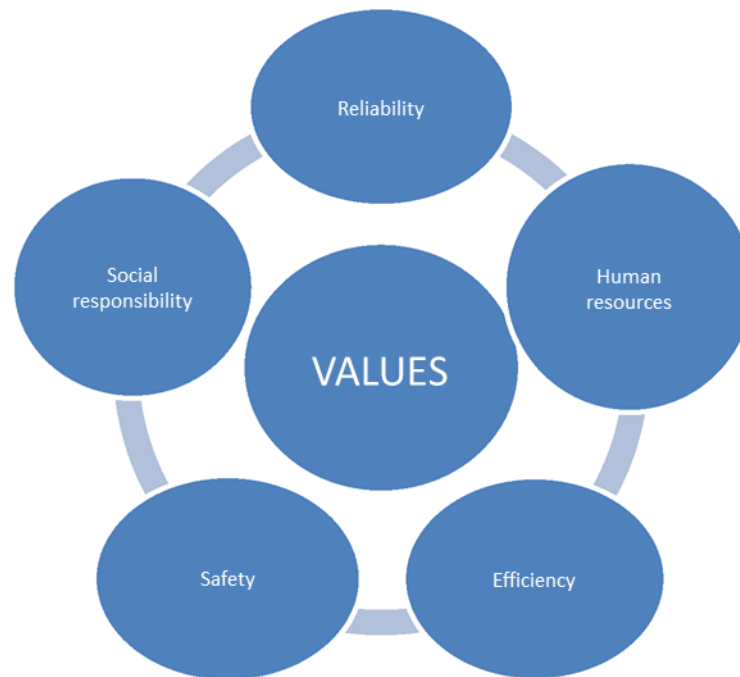
Commitment to the principles of sustainable development is part of the corporate culture of PJSC IDGC of the North-West; it is embedded in the corporate values of the Company. Rosseti North-West seeks to contribute to the development of the Company, as well as to take stakeholder interests into account when making management decisions.

The key document outlining the general principles, standards and rules of professional ethics and corporate behaviour of PJSC IDGC of the North-West is the Code of Corporate Ethics and Executive Conduct for Employees (hereinafter – the Ethics Code), approved by the Board of Directors of PJSC IDGC of the North-West on 03.05.2017 (Minutes No. 240/31).

The Ethics Code is an internal document of the Company defining essential standards and rules of individual and collective behaviour for each and all employees, members of management and control bodies. It is a body of principles, standards and rules of corporate behaviour, social responsibility and other business ethics issues for the employees and members of management and control bodies of the Company.

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<sup>35</sup> The document is available on the Company's website: [the Company's Codes](#)



Under Article 13.3 of the Federal Law of 25.12.2008 No.273-FZ “On anti-corruption measures,” adoption of the Code of Corporate Ethics and Executive Conduct for Employees is a separate anti-corruption measure classified as a corruption prevention activity.

In accordance with methodological recommendations on development and adoption of anticorruption measures by companies, approved by the RF Ministry of Labour and Social Protection on 08.11.2013, anti-corruption policy and other organisational documents regulating corruption prevention and counteraction are to be adopted as company regulations to ensure mandatory compliance with them by all employees of the organisation.

The national plan of anti-corruption measures approved by Decree of the Russian Federation President sets the objective of development of a set of organisational, advisory and other measures for the employees to comply with the bans, restrictions and requirements facilitating anti-corruption measures, unification of anti-corruption standards for employees of the Company and its S&A.

Order of the Federal Agency for State Property Management of 02.03.2016 No.80 approved methodological recommendations on risk management and internal control organisation in the area of anti-corruption measures at joint-stock companies with the ownership of the Russian Federation (hereinafter – the methodological recommendations).

Under p. 2.2, 2.10, 2.21-2.24 of the methodological recommendations, the Code of Corporate Ethics is to:

- comply with FZ No.273;
- include information on the procedures of the employee actions in case they reveal violations with signs of corruption and the procedures of receiving additional advice on the issues of anti-corruption legislation.

Considering the above, to implement anti-corruption behavioural patterns of employees in the corporate culture of the Company, it drafted the Code of Corporate Ethics and Executive Conduct for Employees. The Code tackles such issues as:

- conflict of interest prevention and settlement;
- corruption prevention;
- corporate values;
- executive conduct rules;
- confidentiality and data protection, insider information;
- corporate image;
- compliance with the environmental legislation;
- compliance with the regulations on occupational safety and health protection;
- compliance with the Ethics Code and responsibility.

The Ethics Code defines such core terms as “conflict of interest,” “corruption,” “corporate ethics,” “labour dynasty,” “business gifts,” “direct and immediate subordination,” “persons in close relation or connection with the Company employee” etc.

The Company considers development of an ethical and transparent business environment to be a prerequisite for maintenance and improvement of mutually beneficial relations with its business partners based on fair, open and ethical cooperation methods, commitment to contractual obligations and mutual respect. The core principles of the Company's business are integrity and responsibility for its business policy and actions, respect for human dignity and interests of other business actors.

## Procurement activities



### *Indicators associated with procurement activities:*

	2018	2019	2020
Amount of procurement from small and medium-sized enterprises, RUB billion, including VAT	10.5	7.96	12.4
Share of the procurement budget used for procurement from local suppliers in the areas of operations of the organization, RUB billion incl. VAT	3.03	2.15	2.9

In order to preserve the financial stability of PJSC IDGC of the North-West and to prevent negative consequences for the power grid complex of the Russian Federation during the COVID-19 pandemic as well as to enforce paragraphs 1.1—1.5 of the order of PJSC Rosseti dated 02.04.2020 No.142 “On provisional measures for preservation of financial stability,” the Company issued Order No. 232 of 13.04.2020. It establishes a special procedure for harmonizing new procurement procedures that do not involve:

- Ensuring the prevention of seasonal spread of acute respiratory viral diseases in the Company.
- Ensure reliability of power supply.
- Implementation of measures for technological connection, additional (non-tariff) services.
- Implementation of measures to reduce electricity losses.
- Attracting debt financing, providing bank guarantees.
- Informing the population using mass media (hereinafter referred to as mass media), including receiving feedback and control of the media information space.
- Enforcement of the requirements of legislation.
- Implementation of measures, the urgency of which is established by the instructions of the boards of directors of PJSC Rosseti or the Company.
- Ensuring the safety of the Company and protecting its interests

As a result, the total number of purchases decreased from 1,536 in 2019 to 1,432 in 2020. The total cost of purchases also decreased from RUB 18.367 billion in 2019 to 15.524 billion rubles in 2020. At the same time, the average number of bidders increased from 2.8 to 3.0.

**[GRI 103-2]** The Company procurement was carried out in 2020 in line with the Unified Procurement Standard of PJSC Rosseti (Procurement regulation), endorsed by Decision of the Board of Directors of PJSC Rosseti of 17.12.2018 (Minutes No.334 as revised in Minutes No. 417 of 28.05.2020 as revised in Minutes No.440 of 24.11.2020), which the Company joined under Decision of the PJSC IDGC of the North-West Board of Directors of 25.12.2018 (Minutes No.304/17 as revised in Minutes No. 366/2 of 26.06.2020 as revised in Minutes No. 383/19 of 22.12.2020).

Procurement activities of PJSC IDGC of the North-West are based on the following principles<sup>36</sup>:

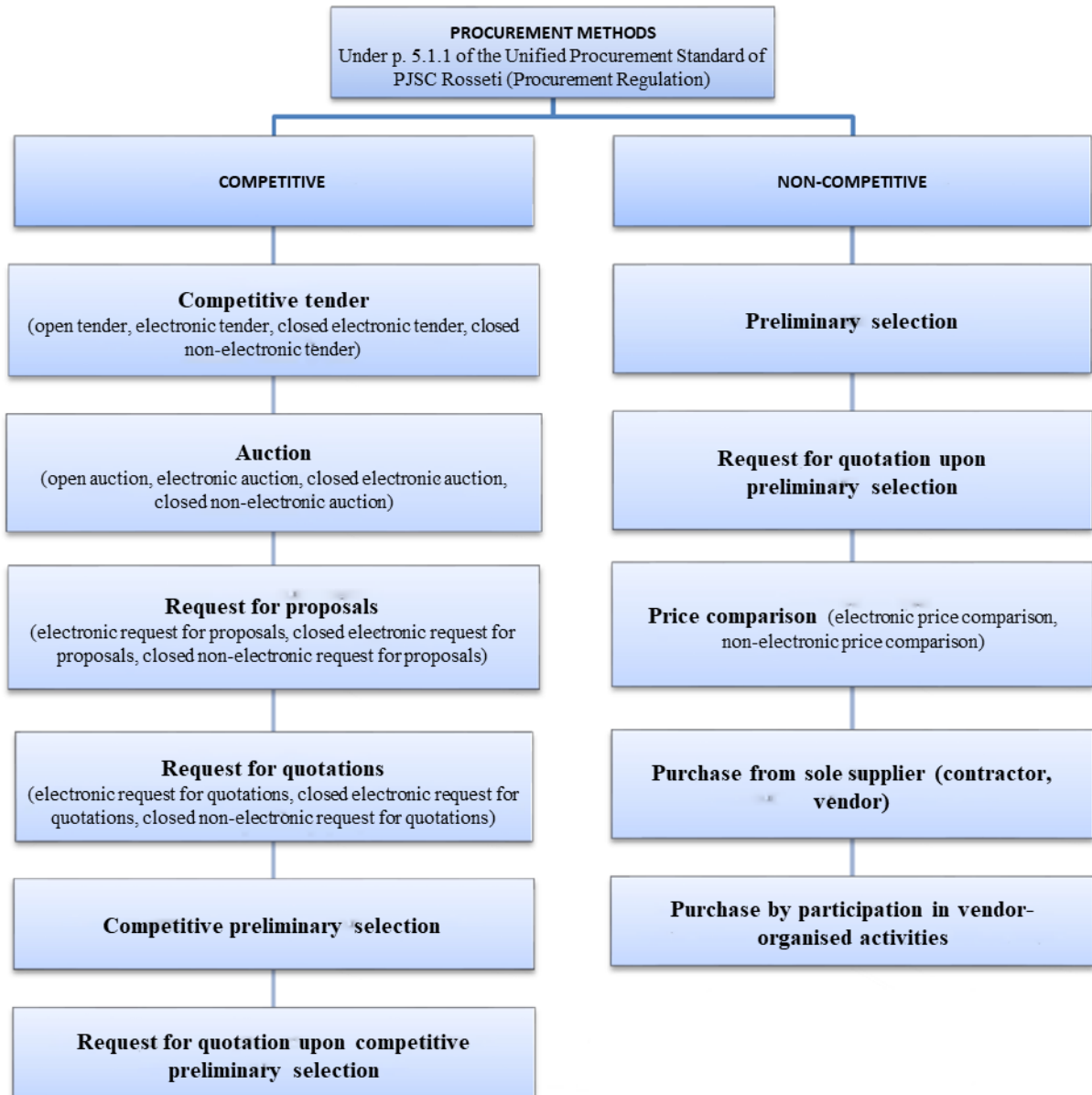
- information openness;
- equality, fairness, prevention of discrimination or unreasonable restrictions of competition towards the procurement parties;
- targeted and cost-effective expenditure to purchase goods, works, services and measures aimed at reducing costs;
- prevention of restricted access to participation in procurement activities by setting unmeasurable requirements to procurement parties;
- transparency and manageability of procurement activities;

<sup>36</sup> For details on regulation and principles of procurement see Annex 20 to the Annual Report.

- expertise and competence of employees participating in the procurement activities of PJSC IDGC of the North-West;
- compliance with the standards of the effective legislation regulating procurement procedures, as well as the anti-corruption legislation, including the anti-corruption standards of procurement activities of PJSC Rosseti and S&A PJSC Rosseti.

### *Methods of holding procurement procedures*

Procurement activity is implemented in the Company in line with the following methods stipulated by the Unified Procurement Standard of PJSC Rosseti (Procurement Regulation):



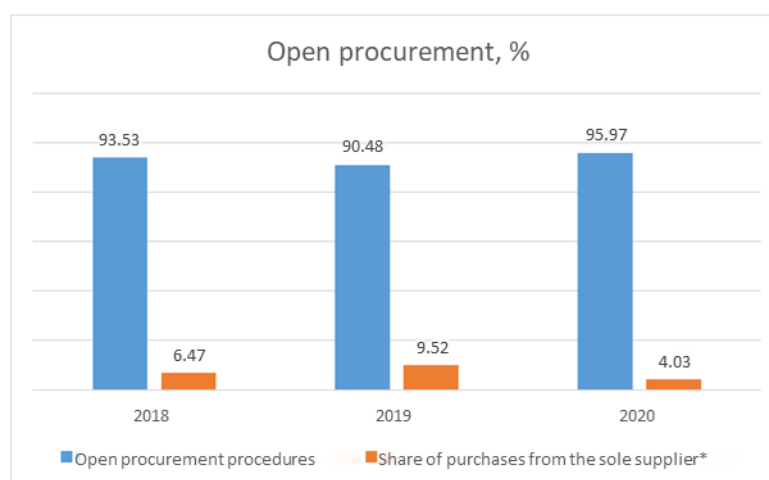
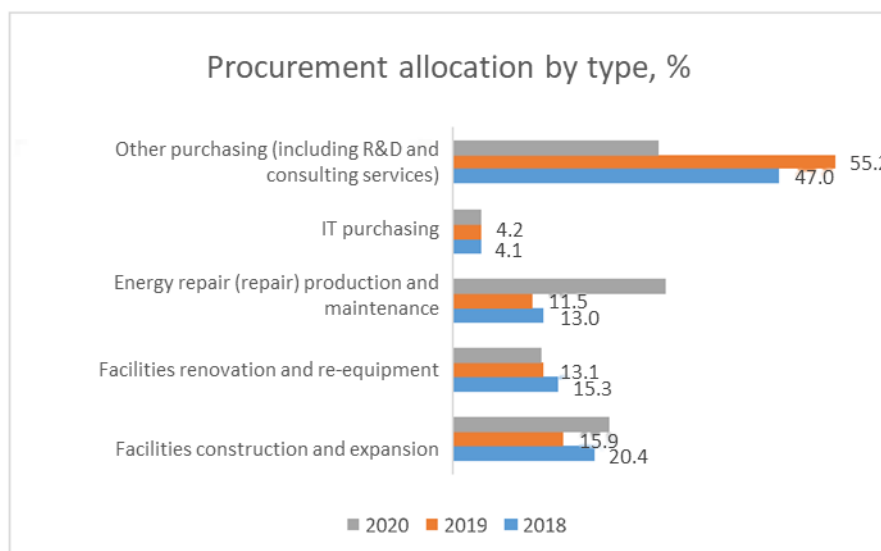
The main criteria of selecting the procurement methods other than an open competitive tender are:

- the level of sophistication of the purchased products;
- nature of the markets of the purchased products;
- cost of purchase;
- the need to ensure confidentiality required to protect the Company's interests;
- procurement schedules.

### Procurement breakdown

[GRI 103-3] In 2020, The Company held 1,261<sup>37</sup> procurement procedures for the total amount of RUB 14.6 bln. The cost efficiency achieved by these procedures was RUB 0.68 bln including VAT, or 4.83% of the planned declared value of competitive purchases.

Purchasing via e-commerce facilities (electronic trading platforms) accounted for 1,098 cases for the amount of RUB 14 bln including VAT (100% of the total procurement number, 100% of the total procurement volume<sup>38</sup> in monetary terms).

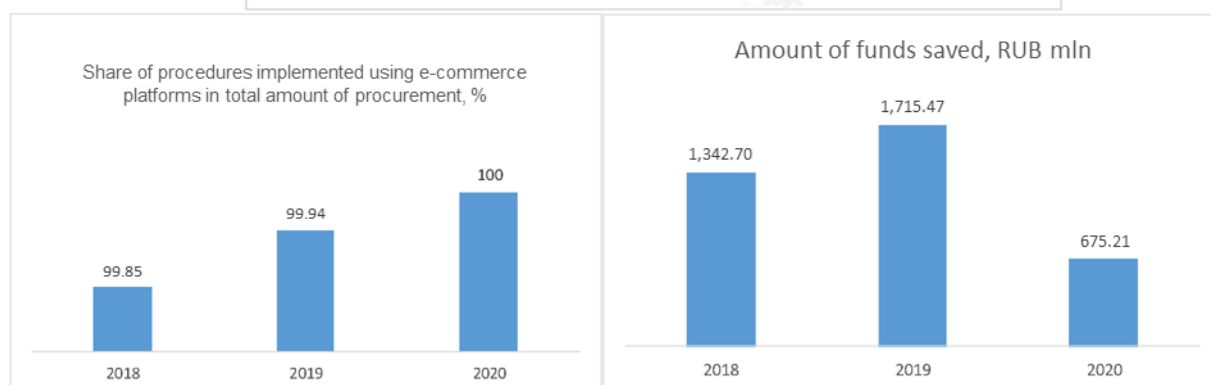
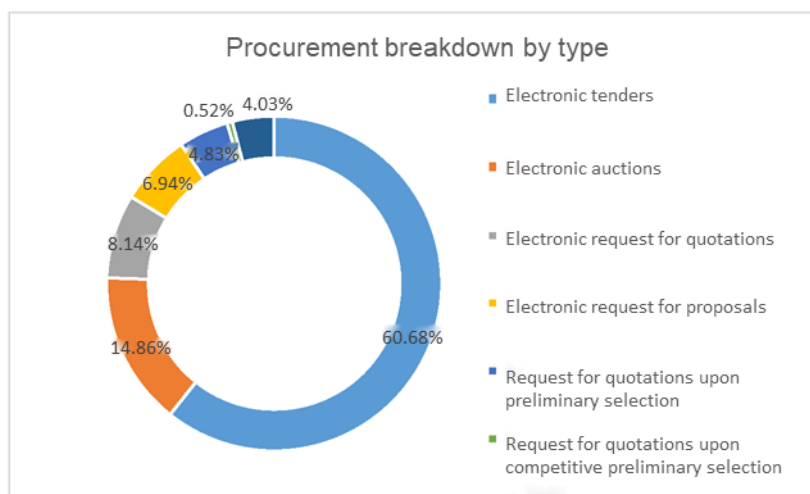


\* Net of purchasing services regulated by the RF legislation (pricing (tariffs), power transmission (transit) services, purchase of power to offset losses in grids) and other inevitable purchases from the sole supplier (rent of land, heat/water /gas supply, emergency response).

The share of equipment imports in purchases of PJSC IDGC of the North-West for 2020 is 6.4%.

<sup>37</sup> Net of purchasing power transmission services, purchase of power to offset losses and other inevitable purchases from the sole supplier (rent of land, heat/water/power/gas supply, emergency response).

<sup>38</sup> Net of purchasing from the sole supplier.



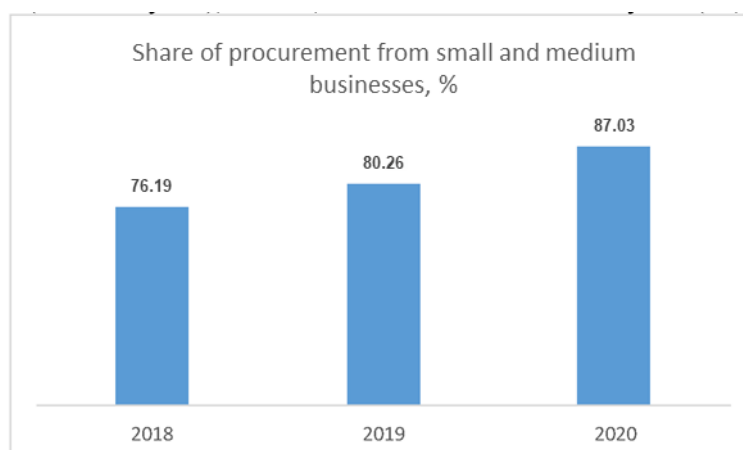
***Purchasing from small and medium businesses***

Purchasing from small and medium businesses accounted for RUB 12.4 bln including VAT (1,134 purchases), or 87.03% of all the purchasing (87.10% in number).

No procurement with SMEs as subcontractors took place.

The volume of competitive tenders where only small and medium businesses took part in accordance with the requirements of the tender/procurement documents, amounted to RUB 4.99 bln including VAT (667 purchases), or 35.03% of the actual volume (51.23% in number)<sup>39</sup>.

In 2020, there were 9 purchases which match the criteria for classifying goods, works and services as innovative and (or) high-tech products for the actual amount of RUB 69.1 mln including VAT.



<sup>39</sup> The data are compiled subject to the requirements of the RF Government Order of 11.12.2014 No. 1352.



## Anti-corruption policy<sup>40</sup>

[GRI 103-2] PJSC IDGC of the North-West aims to build relations with its subsidiaries, partners and third parties according to the anti-corruption principles, notifies all stakeholders of the anti-corruption policy in place, and implements it in all its structural units and subsidiaries.

PJSC IDGC of the North-West aims to conduct fair and transparent business, as well as consolidate the trust of key stakeholders and improve its public image.

In 2020, the Company updated and approved internal regulatory documents stipulating prevention of and fight against corruption, as well as settlement of the conflict of interest:

1. The Regulation on the Commission on Compliance with Corporate Ethics and Conflict of Interest Resolution in the new edition was approved by the Order of 22.01.2020 No. 25;
2. By the Order of 28.02.2020 No.133 approved the Anti-Corruption Plan for 2020;
3. The Order of 17.03.2020 №168 approved the Procedure for receiving and considering statements from complainants about corruption in the new edition;
4. By the Order dated 17.04.2020 No. 242 the Anti-Corruption Clause was approved to be included in the Civil and Legal Agreements (Agreements) concluded by PJSC IDGC of the North-West;
5. By the decision of the Board of Directors of the Company dated 30.06.2020 (Minutes No. 367/3) the Anti-Corruption Policy of PJSC Rosseti and Rosseti subsidiaries was approved in a new revision and put into effect by order of the Company of 22.07.2020 №422;
6. The Register of Corruption Risks of the Company for 2020 was put into force by the Order of 03.09.2020 No. 440p.

Particular attention is paid to prevention of corruption-related offences. With that view, a number of measures were introduced to reveal and remove the causes of corruption:

The section on anti-corruption policy was created and updated on the official web site of PJSC IDGC of the North-West;

- information on measures aimed at the implementation of the Anti-Corruption Policy is published in the corporate periodical;
- anti-corruption examination of organizational and administrative documents and their projects is carried out;
- internal control is organized and carried out;
- qualification requirements are made to applicants for positions replaced in the Company, checks in accordance with the established procedure of the information submitted by these persons.

In 2020, the Company carries 982 candidates inspections, 47 of which were given negative opinions. Verification of candidates, for example through the “Declaration” module in the Automated System for Analysis and Collection of Information on Beneficiaries, allows to establish the affiliation of candidates with counterparties and employees not only in PJSC IDGC of the North-West, but also other subsidiaries of S&A PJSC Rosseti. The 22% decrease in the number of inspections for 2020 year on year is due to a temporary ban on accepting new employees in the Company in Q2 2020 due to the threat of COVID-19 spread. The percentage of negative opinions remained at 5% of the total number of inspections.

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<sup>40</sup> The legal and methodological foundations of the anti-corruption policy are shown at the Company’s web site: <http://www.mrsksevizap.ru/aboutcorruptionpolicy#tab1>.

For preventive purposes, the case of a criminal case against a person for extortion of a bribe in the Murmansk branch received wide coverage. Operational and search activities were carried out by the employees of the Russian Federal Security Service Office in Murmansk region. According to the information of the security unit of the Murmansk branch of PJSC IDGC of the North-West, the head of department in the Murmansk region of the Federal Agency Rosstandart extorted funds in the amount of 200 thousand rubles from the employee of the Murmansk branch of PJSC IDGC of the North-West to ban an unscheduled inspection of the branch and prolong the terms of the order for replacement of metering devices. On 12.03.2020 the said official was detained in the act of receiving a bribe. A criminal case was opened in the Murmansk region as the crime was classified based on Article 290, Part 5 (c) of the Criminal Code of the Russian Federation; currently urgent investigative actions and necessary law enforcement intelligence operations are carried out.

The press release was published on the news feed of the Arctic-TV channel ([https://арктик-тв.рф/news/murmanskaya-Region-arktika-16/zaderzhan-chinovnik-vyogavshiy-vzyatku-u-sotrudnikov - murmanskogo-filiala-rosseti-severo-zapad](https://арктик-тв.рф/news/murmanskaya-Region-arktika-16/zaderzhan-chinovnik-vyogavshiy-vzyatku-u-sotrudnikov-murmanskogo-filiala-rosseti-severo-zapad)), and on the news feed

on social media on the pages of the Company as well as on anti-corruption information stands.

On 10 November 2020 Pervomaysky district court of Murmansk found the said official guilty of the crime as per Article 290, Part 5 (c) of the Criminal Code of the Russian Federation; he was sentenced to a fine of 1 million 600 thousand rubles with the revocation of the right to hold positions in the civil service and in local governments for a period of 5 years.

Online training and testing of all employees in accordance with the Rosseti Group Training programme on Prevention and Anti-Corruption is carried out in accordance with the order of the Company dated 31.01.2020 No. 46p in 2 stages:

- employees with individual workplaces (computers);
- workers without individual workplaces.

The anti-corruption training course was uploaded to the corporate portal in January 2020. As of 31 December 2020, 14,906 employees of PJSC IDGC of the North-West have been trained and tested.

In assessing the level of integrity of the Company's partners and contractors, the degree of their rejection of corruption in business practice is taken into account, including the availability and implementation of anti-corruption programs. Compliance with anti-corruption principles is deemed to be an important factor in establishing contractual relations, including the reservation stipulating possible termination of contract relations in due order in case of violation of the anticorruption principles.

**[GRI 103-3]** In 2020, there were 4,810 inspections of procurement procedures participants, 162 of which received adverse opinions. The main reasons for declines are contractors' failures to provide full data on owners, including ultimate beneficiaries, consent to personal data processing and other data stipulated by the requirements of procurement documentation (44% of the total number of rejections), as

Since 25.05.2015, the Company has been a member of the Anti-Corruption Charter of the Russian Business. Members of the Charter declare zero tolerance for any form of corruption in their business and intentions to promote the principles of zero tolerance of and countering corruption in building their relations with the governmental authorities, contractors, and corporate relations. Participants in the Charter are to confirm their compliance with its requirements on a regular basis (biannually). In case this condition is not met, the membership is suspended and the entity is further excluded from the Consolidated Register of the Anti-Corruption Charter of the Russian Business.

In May 2019, The Company sent its Declaration of compliance with the provisions of the Anti-Corruption Charter to the RF Chamber of Commerce and Industry (outgoing Letter of 23.05.2019 No.MR2/40-07-07/4072), informing about the conformity of the Declaration to the guidelines on the methodology of anti-corruption measures assessment for declaration and public confirmation of the company implementation of the Anti-Corruption Charter of the Russian Business. Thus, the Company confirmed its compliance with the requirements of the Charter by self-declaration.



well as cases of affiliation of the procurement participants – 39%, in some cases – effective court verdicts on breach of contract, lack of financial and business operations, or other adverse information on the counterparty – 17%. Procurement participants were investigated for possible affiliation with employees of the Company. The timely access to information on changes in the counterparties’ owners chain was ensured along with the inclusion of the Anti-Corruption Clause and other mandatory conditions in the contracts.

The Company has a commission on compliance with the corporate ethics and settlement of the conflict of interest. In the reporting year, 1 meeting of the commission was held to carry out declaration activities and review matters of settlement of the conflict of interest (Minutes No. 1 of 29.04.2020).

Activities aimed at identification, prevention, revealing and investigation of corruption include the procedures for receiving, studying and resolving communication from informers (employees, contractors and other individuals and legal entities) on allegations of corruption (hereinafter – the Communication). The mechanism of receiving communication is based on the 24/7 hotline principle and includes the following options:

- filling in a feedback form at the official web site of the Company in the section “Anticorruption policy”;
- a hotline phone call;
- sending an e-mail to an employee of the Anticorruption Compliance Procedures Department of the Company;
- sending a written request to the Anticorruption Compliance Procedures Department of the Company.

Each item of communication is reviewed for the possibility of corruption, an investigation is carried out, due measures are worked out to prevent corruption-related offences.

**[GRI 103-3]** In 2020, the PJSC IDGC of the North-West received 4 communications from informers via hotline and confidential hotline, 1 of them contained allegations of corruption. All requests were considered: 2 communications were redirected for consideration to the relevant subdivisions of the Company (technological connection, transmission of electric energy), 2 were considered together with the relevant units. A communication about an alleged corruption event featuring the action/omission of one of the heads of the branch was received from an anonymous informer. The facts outlined in the appeal were investigated, and the information was not confirmed.

In 2020, the Anti-Corruption Compliance Procedures Unit of the Security Department of PJSC IDGC of the North-West received 13 notifications from employees of the Company on receiving presents in connection with their position. In accordance with the requirements of the regulatory administrative documents of the Company, all presents were submitted by them to the logistical and administrative unit of the Company Administration for valuation, and later returned to their receivers, as their value did not exceed RUB 3 thous.

	2018	2019	2020	change 2020/2019, %
Number of counterparties undergoing bankruptcy proceedings, pc.	241	226	247	+9
The amount of the Company's claims included in the register of claims of creditors and presented to debtors undergoing bankruptcy proceedings with regards to current payments, RUB mln.	9,588.02	7,610.69	6,990.08	-8
The total amount of funds received by the Company's budget from counterparties undergoing bankruptcy proceedings, RUB mln.	198.396	133.428	64.392	-52
The overdue accounts receivable by counterparties undergoing bankruptcy proceedings, RUB mln.	38.66	25.28	19.70	-22
The amount of money saved by the Company due to the acquisition of its own debt to debtors during bankruptcy proceedings, RUB mln.	0	0	0	-
The total amount of transactions declared invalid between the Company and counterparties undergoing bankruptcy proceedings, RUB mln.	0	0.291	32.701	11 137

**Information on alleged corruption in PJSC IDGC of the North-West can be communicated:**

1. By filling in a feedback form, selecting “Report a violation – Report corruption”.
2. By making a hotline phone call at 8 (812) 305-10-69.
3. By sending an e-mail to geb@mrsksevzap.ru.
4. By sending a written request to the Anti-Corruption Compliance Procedures Unit at: 3A Konstitutsii Sq., Saint Petersburg, 196247

## Social responsibility



### **Social responsibility of the Company and its employees during the COVID-19 pandemic**

In the context of the COVID-19 pandemic, the Company demonstrated maximum readiness to provide a rapid response to the need for backup power supply to the residents in the footprint areas and social facilities in case of outages.

In particular, Governor of the Vologda Region Mr Oleg Kuvshinnikov thanked Rosseti North-West General Director Artem Pidnik in April 2020 for the Company's effective work under adverse epidemiological conditions: “I am grateful to Rosseti North-West for its effective work under adverse epidemiological conditions. Our energy industry professionals provide reliable power supply to consumers of the Vologda region and social infrastructure around the clock. At the same time, medical institutions are under special control, as well as call centres, facilities providing public services, cellular communication and Internet access. Energy industry workers as doctors, police officers and volunteers, are now on the front lines and contribute to the common cause of fighting the spread of the infection.”  
<https://t.me/rossetisevzap/26>

### **Employees of the Company took part in volunteer programs and social solidarity projects in the North-West Federal District.**

As part of the mutual assistance campaign #МыВместе (We are together in Russian), volunteers delivered medicines and products, provided assistance to medical staff.

Head of the Production and Technical Department of South Karelian Electric Networks Mr Andrey Tkachev acted as a volunteer of the campaign #МыВместе and provided assistance to medical workers: in his free time, he transported doctors to the workplace. <https://t.me/rossetisevzap/830>

The Metrology Engineer of Rosseti North-West branch in the Komi Republic Mr Maxim Izmaylov, being the coordinator of the volunteer centre in Pechora, received a medal from the President of Russia for helping the elderly and the challenged during the pandemic. The medal “For selfless contribution to the organization of all-Russian mutual assistance action “We are together” on behalf of the President of Russia was presented by Mr Sergey Usachev, Chairman of the State Council of the Komi Republic. <https://t.me/rossetisevzap/702>

The Group’s activity plays a key role in the life of the operations area. Therefore, high level of social responsibility to the public and the citizens has been the Company’s traditional priority.

In construction and renovation of power grid facilities, the Company searches for and implements the best possible solutions in terms of location and structural design, accounts for the interests of the landowners and the respective legal rights of land plot use required for construction, as well as the interests of local communities (including indigenous minorities) in their traditional areas of residence.

Companies of the IDGC of the North-West Group sign agreements with constituent entities of the Russian Federation on cooperation and social partnership.

### **Charity projects and volunteering programs**

PJSC IDGC of the North-West supports regional and federal charitable projects in the following areas:

- conservation of cultural and historical heritage;
- support of educational initiatives, sports and healthy lifestyle promotion;
- social engagement of people with special needs;
- targeted social support of individuals, including veterans.

Long-term traditions of PJSC IDGC of the North-West include charity events for children at orphanages and foster homes. The employees conduct campaigns to collect presents and stationery, arrange celebrations for the supported children's social institutions. For example, the Company has been a patron of Kildinskoye boarding school for children with special needs (in the Murmansk Region) for over ten years.

A vital component of the charitable activities are joint educational events – the power industry professionals regularly hold edutainment classes, off- and online. Similar events are held at boarding schools and orphanages across the operations area.

PJSC IDGC of the North-West implements target support programs for low-income pensioners, veterans of the Great Patriotic War, former juvenile prisoners and war workers. The Company initiates purchase of memorial gifts, medicines and renders financial assistance at the expense of the PTUO, jointly with the veteran and youth councils of the Company branches. PJSC IDGC of the North-West employees participate in maintenance of military burials, visit historic and memorial places, maintain the war obelisks.

Moreover, employees of PJSC IDGC of the North-West regularly take part in donor initiatives and environmental volunteering.

# CORPORATE GOVERNANCE REPORT

## Letter by the Chairperson of the Board of Directors

Dear shareholders!

In 2020, PJSC IDGC of the North-West demonstrated the efficiency of the corporate governance system and its compliance with the high standards of the Rosseti Group. Herewith, improving corporate governance remains among the most important Company's priorities.

The Board of Directors plays a key role in the corporate governance system; its activity and the work of the Committees of the Board of Directors comply with the key recommendations of the Corporate Governance Code of the Bank of Russia.

In the reporting year, the Company complied, fully or partially, with 96 % of the Code recommendations. Members of the Board of Directors have all the necessary professional competencies and knowledge, business skills, and experience.

In May 2020, the annual General Meeting of the Company Shareholders approved a new revision of the Regulation on the Board of Directors, which would allow further improvement of the compliance with the recommendations of the Bank of Russia.

In 2020, the Company Board of Directors included 3 independent directors. Independent directors are also included in all Committees of the Company Board of Directors, and 4 of 5 Committees of the Board of Directors are composed of independent directors in total.

Thus, Audit Committee is 2/3 composed of independent directors and is led by an independent director, while the Reliability Committee and the Technological Connection Committee are half composed of those.

In the reporting year, the Company introduced the practice of inviting all independent directors who are not members of the HR and Remuneration Committee to participate in the discussion of issues at in-person meetings of this Committee.

The Board of Directors highly appreciates the contribution of independent directors to improving the efficiency of the Board of Directors. The Expert RA agency assessed the quality of corporate governance, including the arrangement and functioning of the Board of Directors, confirming the A++.gq rating of the Company's governance.

In 2020, the Board of Directors self-assessed its work along with that of the Committees for the 2018-2019 corporate year, the conclusions, and recommendations drawn were used to improve the efficiency of the Company Board of Directors. The Board of Directors decided to engage an independent consultant to assess the work of the Board of Directors for the 2019-2020 and 2020-2021 corporate years.

In 2020, we devoted a great deal of time to the issue of strategic development, i.e., Digital Transformation according to the programme 'Digital Transformation 2020–2030 of PJSC IDGC of the North-West' approved by the decision of the Board of Directors of PJSC IDGC of the North-West on 27 January 2020, as part of implementing the 'Digital Transformation 2030' Concept approved by the Board of Directors of PJSC Rosseti.

Our main goal for 2021 remains the adherence to the best corporate governance standards, ensuring a high level of information transparency and corporate reporting.

**Respectfully,  
Chairperson of the Board of Directors  
of PJSC IDGC of the North-West**

**K.A. Mikhailik**

## Memorandum of the controlling shareholder PJSC Rosseti on the controlled power grid companies

### The purpose of ownership and plans for controlling shares

PJSC Rosseti is a public holding company with the state share in the authorised capital of 88.04%. It was established in accordance with Decree of the Russian Federation President of 22.11.2012 No.1567 in order to enhance the performance and develop the power grid facilities of the Russian Federation, as well as coordinate the management of these facilities via subsidiaries and affiliates.

PJSC Rosseti owns controlling stakes in 14 distribution grid companies (PJSC Kubanenergo, PJSC Lenenergo, PJSC MOESK, PJSC IDGC of Volga, PJSC IDGC of the North-West, IDGC of Northern Caucasus, PJSC IDGC of Siberia, OJSC IDGC of Urals, PJSC IDGC of Centre, PJSC IDGC of Centre and Volga Region, PJSC IDGC of South, PJSC TDC, JSC Rosseti Tyumen, JSC Yantarenergo) and 1 transmission system operator (PJSC FGC UES).

PJSC Rosseti considers these controlling shares as strategic assets, the disposal of which is not planned.

### Key asset objectives

The key objective of PJSC Rosseti in the management of these subsidiaries according to the Development strategy of the Rosseti Group for the period up to 2030, approved by the Board of Directors of PJSC Rosseti (Minutes No. 388 dated 26.12.2019), is developing the power grid facilities based on advanced innovative technologies to meet the needs of consumers and the Russian economy, considering the increase in the shareholders' profit and the opportunity for the professional growth of employees.

PJSC Rosseti defined strategic development priorities for the Group's companies:

- ensuring reliable, high-quality, and affordable power supply in the new digital environment,
- ensuring further efficiency improvement in the core business of power transmission,
- endorsing legislative initiatives aimed at the industry development,
- maintaining the balance of interests of all stakeholders: government/consumers/shareholders/investors,
- developing new business areas (non-tariff and consumer services) through digital transformation to ensure the company's resilience against the industry development.
- promoting energy and environmental security.

### Corporate governance principles

PJSC Rosseti carried out management of the Group's companies in accordance with the single corporate standards aimed to ensure the efficiency of business processes, control their quality, minimise all kinds of corporate risks.

As a controlling shareholder, PJSC Rosseti acutely understands the importance of improving corporate governance in the Group's companies; it strives to ensure openness and transparency of their activities and implement the recommendations of the Corporate Governance Code in their business practices.

Following the best corporate governance practices, PJSC Rosseti annually includes independent directors in the Boards of Directors of the Rosseti Group's companies, whose shares are in on-exchange trading in an amount sufficient to comply with the listing rules and corporate governance principles. To ensure the independence and objectivity of the Boards of Directors of the Rosseti Group's companies, it is planned to maintain no less than the current number of independent directors in their composition.

Representatives of PJSC Rosseti also participate in the annual General Meetings of Shareholders of the Group's companies to communicate to minority shareholders on the Company's development prospects.

PJSC Rosseti guarantees the compliance of the Group's companies with market principles in performing financial and economic activities.

As the controlling shareholder, PJSC Rosseti supports the initiatives of the Group's companies for protecting the rights and interests of minority shareholders.

Pursuant to Order of the Russian Federation Government No. 1094-r the dated 29.05.2017, PJSC Rosseti undertakes to put at least 50 % of the net profit according to the financial statements, including the consolidated one, composed according to the International Financial Reporting Standards, considering the net profit adjusted according to the above-mentioned Order of the Russian Federation Government, to pay dividends.

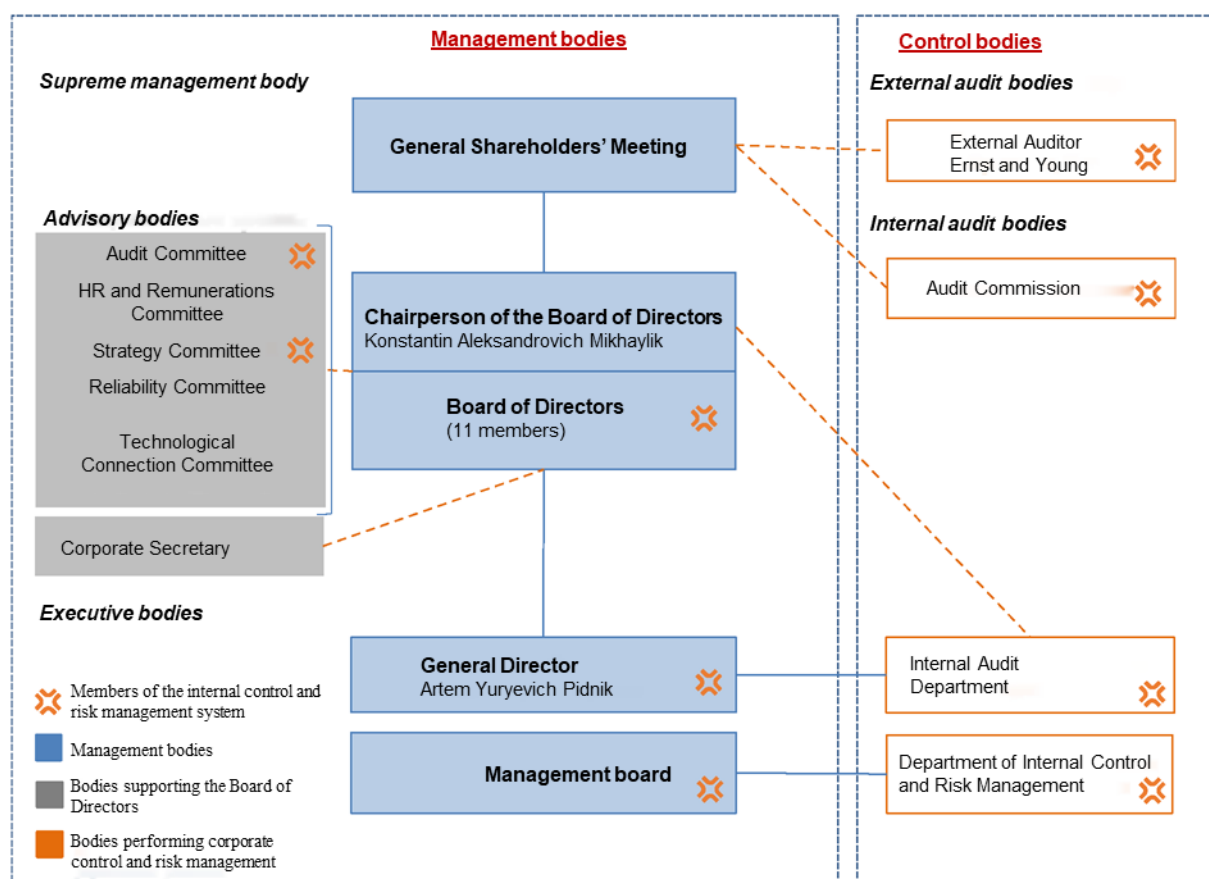
## Overview of the company's corporate governance

[GRI 102-16] The governance system of the Company complies with the current legislation of the Federation, the Company Charter, as well as the Corporate Governance Code approved by the decision of the Board of Directors of the Bank of Russia dated 21.03.2014 and recommended for implementation by the letter of the Bank of Russia No. 06-52/2463 dated 10.04.2014 (hereinafter referred to as the Corporate Governance Code of the Bank of Russia).

Internal documents regulating the principles, practice and specific procedures of the corporate governance are available at the Company's web site (<http://www.mrsksevzap.ru/charterinternaldocuments>).

### Corporate Governance System Structure

[GRI 102-18]



For the functions and performance of the Audit Committee, see p.165

For the functions and performance of the HR and Remuneration Committee, see p.168

For the functions and performance of the Strategy Committee, see p.170

For the functions and performance of the Reliability Committee, see p.172

For the functions and performance of the Technological Connection Committee, see p.174

**General Meeting of Shareholders** – the supreme management body of PJSC IDGC of the North-West.



**Board of Directors** – the management body responsible for working out the development strategy, monitoring the activities of the executive bodies, and objectively assessing the financial performance of the Company.

**Management Board** – the collective executive body set up to resolve the most complicated issues of the current Company’s operations.

**General Director** – the sole executive body managing the routine Company’s operations and responsible for implementing its strategy developed by the Board of Directors.

**Audit Commission** – the body monitoring the financial and business-related Company’s activities on a regular basis.

**Auditor** – the entity performing an independent audit of the accounting (financial) statements of the entity under audit to express an opinion on the accuracy of such statements, a member of a self-regulatory auditor organization.

**Corporate Secretary** – the Company’s administrative official whose functions include organizational support of the work of the Company Board of Directors, participation in the preparation and holding General Meetings of Shareholders of the Company etc.

**Committees of the Board of Directors** – the advisory bodies of the Company set up to consider the issues within the Board of Directors frame of reference (or examined by the Board of Directors to control the activities of the Company’s executive body), and to work out the required recommendations for the Board of Directors and the Company’s executive bodies.

**Internal Audit Department** – the structural Company’s unit supporting the Board of Directors and the Company’s executive bodies in improving the Company’s management efficiency.

**Internal Control and Risk Management Department** is the Company’s subdivision, which ensures coordination and methodological support of internal control and risk management activities.

## **Self-assessment of the corporate governance efficiency**

The Company has been assessing the internal corporate governance efficiency for more than three years. This assessment follows the methodology developed based on the Corporate Governance Code guidelines and the requirements of the PJSC Moscow Exchange listing rules approved by the Company Order. Under the new revision of this Methodology, the corporate governance assessment is performed at least once a year at the end of the corporate year.

The main goal of the assessment is to provide the Company Board of Directors, the Audit Committee of the Company Board of Directors, the sole executive body and the Management Board of the Company with unbiased and independent information on the state of the Company’s corporate governance and its efficiency, as well as work out recommendations to improve the corporate governance of the Company.

The Company’s corporate governance efficiency assessment components included “Shareholder rights”, “Board of Directors”, “Executive bodies”, “Transparency and information disclosure”, “Risk management, internal control and internal audit”, “Corporate social responsibility, business ethics, compliance”.

Under the assessment, in the 2019-2020 corporate year, the Company scored 462 of 525 points possible (88 %), which enabled the Internal Audit Department to conclude that the Company’s corporate governance is ‘advanced practice’. In the 2019–2020 corporate year, the Company demonstrated an increase in the overall score of the corporate governance within the ‘Developed Practice’ from 87 % as of the end of the 2018–2019 corporate year to 88 % as of the end of the 2019–2020 corporate year. The growth in the overall corporate governance score as of the end of the 2019-2020 corporate year is due to the below measures taken by the Company:

- developing the practice of attracting independent directors,
- developing the practice of holding in-person meetings of the committees of the Board of Directors,
- including information on the Company development prospects (the volume of sales, productivity, controlled market share, income growth, profitability, the ratio of proprietary and borrowed funds) in the Annual Report 2019,
- performing the procedure of independent approval of the Sustainable Development Report,
- performing an external independent assessment of the Company’s internal audit activity.



The Company strives to improve the corporate governance quality, including the activities based on the assessment findings analysis.

### **Report on compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia**

PJSC IDGC of the North-West report on compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia has been preliminarily considered by the Company Board of Directors<sup>41</sup> under the issue 'On Preliminary Approval of the 2019 Annual Report of the Company' and is given in Annex 21.

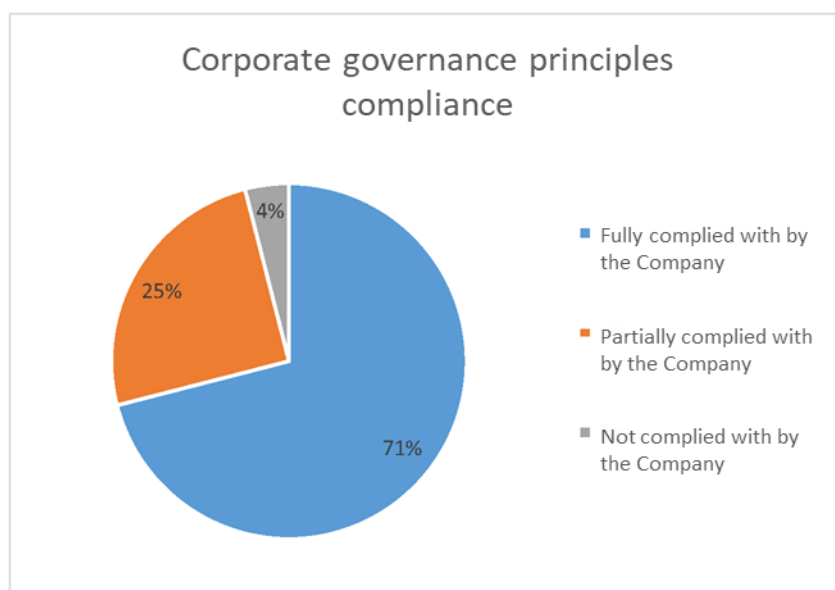
The Board of Directors confirms that the report data contain complete and reliable information on the Company's compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia for 2020.

#### **Statistics of compliance with the corporate governance principles**

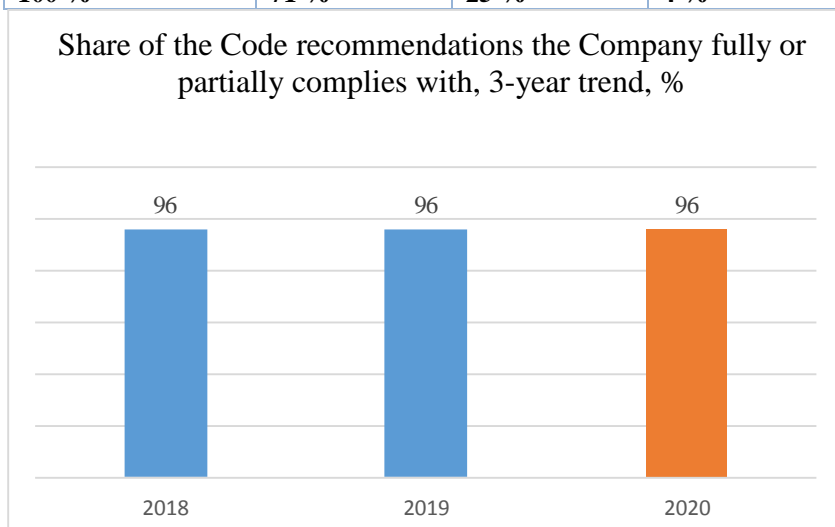
Section	Principles recommended by the Code	Principles that the Company fully complies with	Principles that the Company partially complies with	Principles that the Company does not comply with
Rights of shareholders and equitable treatment of shareholders in exercising their rights	13	10	2	1
Company Board of Directors	36	25	10	1
Corporate Secretary of the Company	2	2	0	0
Remuneration of the members of the Board of Directors, executive bodies, and other management of the Company	10	7	3	0
Risk management and internal control system	6	6	0	0
Company information disclosure, information policy of the Company	7	5	2	0
Major corporate actions	5	1	3	1

<sup>41</sup> The assessment of the compliance with the corporate governance principles was based on the methodology stipulated by the Bank of Russia recommendations on compiling the report on compliance with the principles and recommendations of the Corporate Governance Code (Bank of Russia's Letter of 17.02.2016 No. IN-06-52/8).

<b>Total</b>	<b>79</b>	<b>58</b>	<b>18</b>	<b>3</b>
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Principles recommended by the Code	Principles that the Company fully complies with	Principles that the Company partially complies with	Principles that the Company does not comply with
<b>79</b>	<b>56</b>	<b>20</b>	<b>3</b>
<b>100 %</b>	<b>71 %</b>	<b>25 %</b>	<b>4 %</b>



### **Corporate governance improvement in 2020**

Key measures aimed at improving the corporate governance practice in 2020 include:

I. Approval of the Regulation on the Company Board of Directors as amended by the annual General Meeting of Shareholders<sup>42</sup>.

<sup>42</sup>Approved on 11.03.2020 by the Annual General Meeting of Shareholders of PJSC IDGC of the North-West (Minutes No. 16).

The main changes were aimed at bringing the schedule of meetings of the Company Board of Directors in compliance with the Regulation on the Board of Directors of a public joint-stock company recommended by the Bank of Russia for use by public joint-stock companies (letter from the Bank of Russia No. IN-015-52/66 of 15.09.2016, On Regulations on the Board of Directors and the Committees of the Board of Directors of a Public Joint-Stock Company).

II. Approval by the Board of Directors of:

1. Regulation on the Technological Connection Committee of the Company Board of Directors as amended<sup>43</sup>.

The changes affected the expansion of the Committee's tasks and competencies to develop non-tariff and additional services for consumers and improve the efficiency of other Company's activities.

2. Regulations for implementing the unified communication policy of PJSC IDGC of the North-West as amended<sup>44</sup>.

The changes are aimed at improving information support for the Company's activities and preventing reputational risks and critical situations.

### ***Plans for 2021***

In 2021, the Company is to continue improving its corporate governance based on ongoing interaction of all the corporate relation system participants to achieve the Company's strategic development priorities and top-level goals and uphold the interests of shareholders in the short, mid, and long-term horizons.

Amendments to the Company's Charter are planned for approval by the General Meeting of Shareholders for the transition of the Company to the single brand architecture under the decision of the Company Board of Directors on joining the unified corporate identity standard of PJSC Rosseti and Rosseti Group's companies.

Also, in 2021, it is planned to perform an independent assessment of the efficiency of the Company Board of Directors. The appropriate decision was made by the Board of Directors on 02.02.2021 (Minutes No. 386/22).

## **General Meeting of Shareholders**

The General Meeting of Shareholders is the supreme management body of PJSC IDGC of the North-West, authorized to decide on the most important issues of the Company's business.

The frame of reference, schedule, and procedures for preparing and holding the General Meetings of Shareholders are prescribed by the Federal Law "On Joint-Stock Companies"; Regulation of the Bank of Russia No. 660-P dated 16.11.2018 On General Meetings of Shareholders, the Charter of PJSC IDGC of the North-West; the Regulation on the General Meeting of Shareholders of PJSC IDGC of the North-West.

The Board of Directors, the Management Board, the General Director, and the Audit Commission report to the General Meeting of Shareholders.

The procedure of holding the General Meeting of Shareholders ensures equal opportunities for all the Company's shareholders to participate effectively in the General Meeting of Shareholders.

The procedures for preparing, convening, holding, and summing up the results of the General Meeting of Shareholders of PJSC IDGC of the North-West are determined by the Regulation on the General Meeting of Shareholders of PJSC IDGC of the North-West<sup>45</sup>.

In connection with the pandemic caused by the new coronavirus infection and being guided by the provisions of Article 2 of Federal Law No. 50-FZ dated 18.03.2020, the annual General Meeting of Shareholders of PJSC IDGC of the North-West following the results of 2019 was held on 29.05.2020 by absentee voting.

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<sup>43</sup>Approved on 12.05.2020 by the Board of Directors of PJSC IDGC of the North-West (Minutes No. 353/30).

<sup>44</sup>Approved on 14.06.2019 by the Board of Directors of PJSC IDGC of the North-West (Minutes No. 363/40).

<sup>45</sup>Approved on 6/14/2019 by the Annual General Meeting of Shareholders of PJSC IDGC of the North-West (Minutes No. 14).

## Information on the General Meetings of Shareholders in 2020

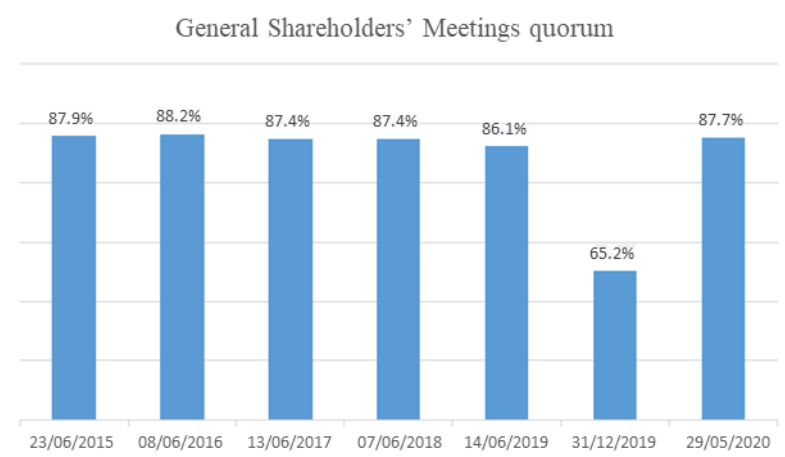
**Annual General Meeting of Shareholders of PJSC IDGC of the North-West 5/29/2020**

**By absentee voting (Minutes No. 16)**

The following issues were considered:

- Approval of the Company's Annual Report and annual accounting (financial) reporting for 2019,
- Allocation of profit (including payment (declaration) of dividends) and loss at the end of 2019,
- Election of the Company Board of Directors members,
- Election of the Company Audit Commission members,
- Approval of the Company Auditor,
- Amendments to the Company's Charter, requiring filing an application to the Ministry of Justice of the Russian Federation for permission to include the word derived from the official name 'Russian Federation' or 'Russia' in the new Company's corporate name **(no decision has been made)**,
- Approval of the Regulation on the Company Board of Directors as amended.

In connection with the pandemic caused by a new coronavirus infection and being guided by the provisions of Article 2 of Federal Law No. 50-FZ dated 18.03.2020, the annual General Meeting of Shareholders of PJSC IDGC of the North-West following the results of 2019 was held on 29.05.2020 by absentee voting.



\*extraordinary General Meeting of Shareholders

On 27.12.2018, the Expert RA rating agency rated the governance quality of IDGC of the North-West under the new methodology as A++.GQ (top level of governance quality).

Analysing the Company's activity in 2020, on 05.03.2021, Expert RA rating agency confirmed the management quality rating of IDGC of the North-West as A++.GQ (top level of governance quality). The agency highly assessed the company's strategic support level, including the accuracy of forecasting key financial and operational indicators.

The Agency still assesses the level of performance of the management bodies as moderately high. Members of the Board of Directors are re-elected annually, while the core composition remains quite stable. All members have extensive experience in the appropriate field. The Strategy, Audit, HR and Remuneration, Reliability, and Technological Connection Committees operate under the Board of Directors in the Company. Their staff includes independent directors and managers of appropriate Company's activities. The agency notes a reduced number of in-person meetings of the Board of Directors over the past year, which is primarily due to the COVID-19 pandemic. However, the small number of in-person meetings was compensated by regular meetings of the Committees held as video conferences to preliminarily consider the most important issues within the competence of the Board of Directors. The collective executive body – the Management Board consisting of seven members as of the beginning of 2021, is also

positively assessed. A small number of independent directors (only three) remains a constraining factor in assessing the corporate governance indicators.

The efficiency of the Company's risk management system is highly assessed. A separate subdivision has been formed – the Internal Control and Risk Management Department reporting to the Deputy General Director. The Company regularly analyses the materialization of financial, credit, operational, process, and liquidity risks. Over the past 12 months, no significant deviations from the rules for assessing risks or losses from the materialization of significant risks have been revealed. Regular certification according to ISO 9001: 2015 also positively characterizes the Company's control system.

A high level of information disclosure was noted. The Company regularly posts up-to-date financial statements and information on all material aspects of its activity on its website, including strategic goals, corporate governance regulations, and personnel, anti-corruption, information, and dividend policies that contribute to increasing the Company's information transparency.

The Agency assesses the degree of protection of the interests of owners and other stakeholders as high. The Company has adopted a dividend policy with dividend payment timeframes not exceeding 25 business days from the date on which the persons entitled to receive dividends are determined. The rating is positively affected by the availability of the Anti-Corruption Policy, the Regulation on Insider Information, the Corporate Governance Code, the Code of Corporate Ethics, and other regulations aimed at identifying and preventing potential corporate conflicts. Arranging interaction between the Company's management bodies is charged to the Corporate Secretary, whose activity is regulated by the appropriate Regulation. The rating score is constrained by the absence of an Ethics Committee under the Board of Directors.

The agency notes the high level of arranging labour relations. The Company Board of Directors has approved an HR and social policy prescribing approaches, goals, and objectives. Training and professional development of personnel are being implemented on an ongoing basis, and the employees' performance is assessed according to key performance indicators. The low active staff turnover of 4.9 % is positively assessed.

<https://raexpert.ru/releases/2021/mar05d/>

## Company Board of Directors

A vital component of the efficient corporate governance in the Company is availability of a professional Board of Directors. The activities of the Company Board of Directors are stipulated by the Regulation on the Board of Directors of PJSC IDGC of the North-West<sup>46</sup>.

### [GRI 102-26]

The key functions of the Company Board of Directors<sup>47</sup> are resolving the issues of the Company's general strategic management, defining the Company development priorities, monitoring the activities of the executive bodies in the interests of the Company and its shareholders, objectively assessing the Company's financial standing.

## Board of Directors' Report

In 2020, the Board of Directors of PJSC IDGC of the North-West held 41 meetings, of which 2 in-person and 39 in absentia and considered 184 issues.

*Participation of the Board of Directors members in meetings of the Board of Directors and Committees*<sup>48</sup>

Member of the Board of Directors	BoD	AC	HR&R C	SC	RC	TCC
	Participation	Participation	Participation	Participation	Participation	Participation
<b>Sergeeva O.A.</b>	20/20		1(1)/2			
<b>Alyushenko I.D.</b>	20/20		2/2			
<b>Zharikov A.N.</b>	20/20		2/2			2/2
<b>Stepanova M.D.</b>	20/20			13/13		
<b>Mikhailik K.A.</b>	21/21					
<b>Bychko M.A.</b>	41/41	12(1)/13				
<b>Golovtsov A.V.</b>	41/41	13/13		22/22	11/11	3/3
<b>Goncharov Yu.V.</b>	21/21		4/4			
<b>Korneev A.Yu.</b>	41/41	11(2)/13				5/5
<b>Mikheev D.D.</b>	21/21					
<b>Morozov A.V.</b>	40/41	12(1)/13		22/22	6/6	5/5
<b>Obrezkova Yu.G.</b>	21/21			21(1)/22		
<b>Pidnik A.Yu.</b>	41/41					
<b>Fedorov O.R.</b>	41/41	6/6	4/4	9/9	11/11	5/5
<b>Shagina I.A.</b>	41(1)41	11(2)/13	3(1)/4			

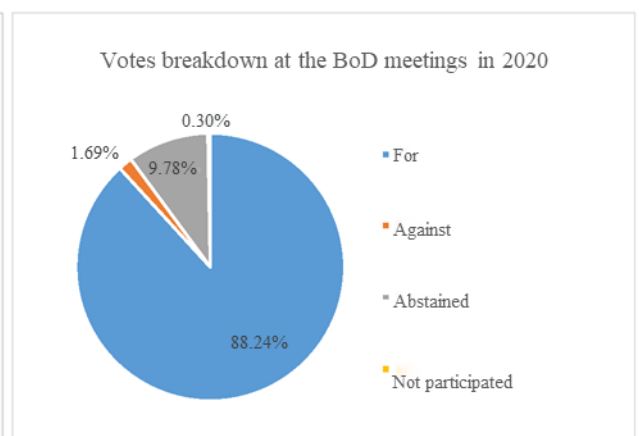
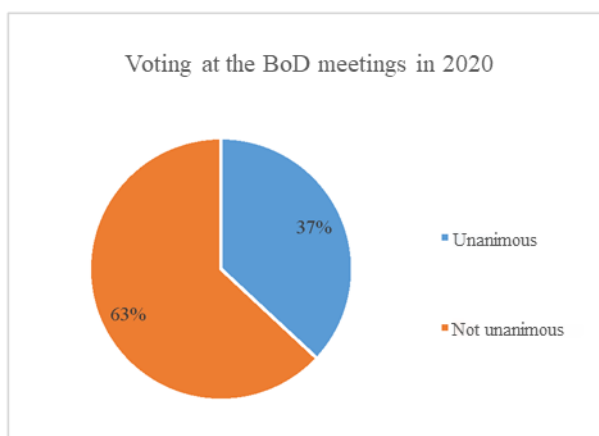
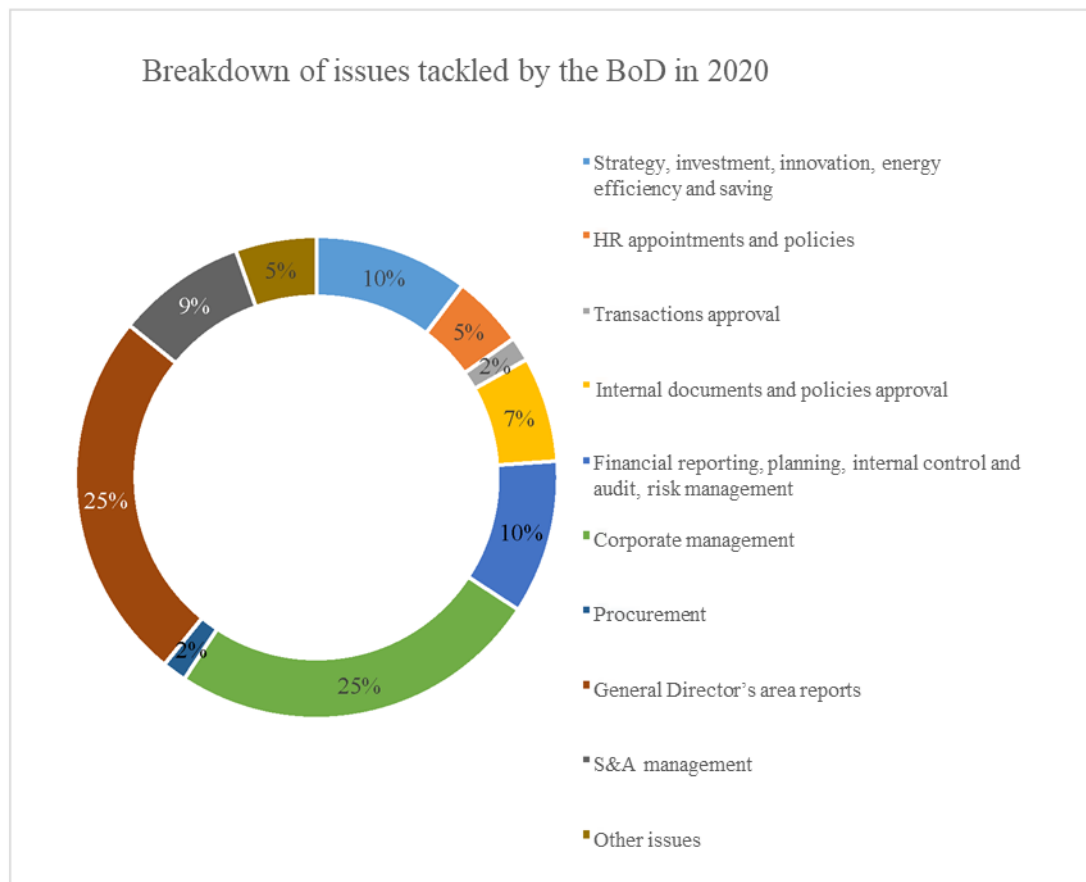
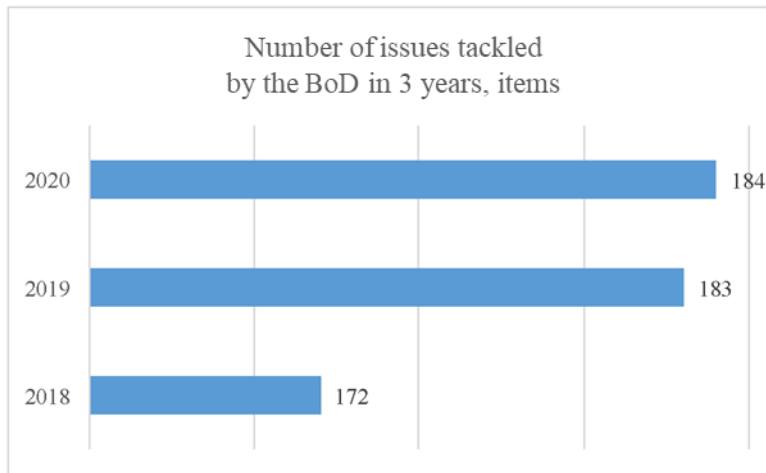
Note:

**Participation.** The tabular data are given in the 5(2)/7 format specifying that the person could take part in 7 meetings of the Board of Directors (Committee) and actually took part in 5 meetings, of which in 2 – by providing a questionnaire. The coincidence of the number of possible and actually attended meetings indicates a high degree of involvement of the director in the work of the Board of Directors and/or the Committee and participation in all meetings. A significant number of the provided questionnaires (when holding meetings by joint attendance and in-person/in absentia) means a significant proportion of in-person meetings not physically attended by the person.

<sup>46</sup> Notices of the material facts disclosed in 2020 are posted on the Company's website: <http://www.mrsksevzap.ru/statementsmaterialfacts#tab1>.

<sup>47</sup> The frame of reference for the Board of Directors of PJSC IDGC of the North-West is prescribed by the Company Charter <http://www.mrsksevzap.ru/charterinternaldocuments>.

<sup>48</sup> More details on participation of the members of the PJSC IDGC of the North-West Board of Directors in meetings held in 2020 are given in Annex 22 to the Annual Report.





## Report of the Board of Directors on priority areas of activity

The Company Board of Directors performs general management of the Company's activity and monitors the activities of the Company's executive bodies.

The primary task of the Company Board of Directors is to identify priority areas of the Company's activity, including approval of the Company's development strategy, innovative development programme, and reports on their implementation.

The main objectives of the Company's activity are specified in the Company's Charter:

- the Company profitability,
- ensuring efficient and reliable functioning of the power grid facilities,
- ensuring sustainable development of the power grid facilities,
- ensuring reliable and high-quality power supply to consumers (in terms of power supply and transmission).

In recent years, the country's economy had experienced global challenges, and in 2020, the whole world faced a coronavirus pandemic. Against the background of the developing coronavirus pandemic, the pace of business activity decelerates, accompanied by a decrease in power consumption by industrial enterprises, which, even with increased power consumption by the population, leads to a shortfall in the planned income of PJSC IDGC of the North-West and a deterioration in the consumers' payment discipline.

Given the uncertainty of the duration and consequences of the coronavirus pandemic, prompt response to changing conditions and the implementation of the necessary anti-crisis measures are required.

To ensure the Company's financial soundness and reliable power supply to consumers, the Board of Directors has approved the List of priority anti-crisis measures to be taken in the current economic situation, which includes the following areas:

- prioritization of funding the Company's investment programme actions,
- optimization of operating costs,
- maintaining the liquidity level.

In the reporting year, work continued to improve operational efficiency and reduce costs. As part of the Report on Implementing the Company's Business Plan for 2019, the Board of Directors reviewed reports on implementing the Programme for Improving the Company's Operational Efficiency and Reducing Costs and the Company's Action Plan Aimed at Ensuring the Break-Even Power Transmission Activity. As part of the Company's Business Plan for 2021, the Board of Directors approved the Programme for Improving the Company's Operational Efficiency and Reducing Costs for 2021–2025.

The Company is adapting to such a global challenge as digitalization, robotization – the processes that change production but are running all over the world and cannot be stopped. To follow the instructions of the Board of Directors of 27 January 2020, the Company is currently developing the updated Digital Transformation Programme of PJSC IDGC of the North-West for 2020–2030 and Programme for the Development of Smart Power Metering in the Company's Power Grids for 2020–2030.

The register of decisions of PJSC IDGC of the North-West Board of Directors on defining the priority areas of the Company's activity is given in Annex 23 to the Annual Report. In 2020, no decisions on defining priority areas of the Company's activity were made by the Board of Directors.

Below is the information on the issues considered by the Company Board of Directors within the framework of implementing the Company's priority areas in 2020.

Board of Directors priorities	Key issues considered by the Board of Directors in 2020, and decisions made
<b>Profitability</b>	
<b>Improving operational efficiency</b>	<ul style="list-style-type: none"> <li>• As part of the Company's Business Plan for 2021, the Programme for Improving the Company's Operational Efficiency and Reducing Costs for 2021–2025 was approved (<i>Decision of 28.12.2020, Minutes No. 384/20</i>).</li> <li>• The List of Priority Anti-Crisis Measures to be Taken in the Current Economic Situation was approved (<i>Decision of 31.08.2020, Minutes No. 373/9</i>).</li> <li>• The Programme for Power Saving and Improving the Company's Energy Efficiency for 2021–2025 was approved (<i>Decision of 08.12.2020, Minutes No. 382/18</i>).</li> </ul>

	<ul style="list-style-type: none"> <li>As part of the Report on Implementing the Company's Business Plan for 2019, the reports on implementing the Programme for Improving the Company's Operational Efficiency and Reducing Costs and the Company's Action Plan Aimed at Ensuring the Break-Even Power Transmission Activity; the Programme for Power Saving and Improving the Company's Energy Efficiency were reviewed for 2019 (<i>Decision of 28.05.2020, Minutes No. 364/41</i>).</li> </ul>
<p><b><i>Decrease in the accounts receivable</i></b></p>	<ul style="list-style-type: none"> <li>Quarterly Scheduled Plans were approved for PJSC IDGC of the North-West activities aimed at reducing the overdue accounts receivable for the power transmission services and dispute settlement (hereinafter – the Scheduled Plans) as of 01.01.2020 (<i>Decision of 31.03.2020, Minutes No. 357/34</i>); as of 01.04./2020 (<i>Decision of 30.06.2020, Minutes No. 367/3</i>); as of 01.07.2020 (<i>Decision of 28.09.2020, Minutes No. 376/12</i>); as of 01.10.2020 (<i>Decision of 22.12.2020, Minutes No. 383/19</i>).</li> </ul> <p>As part of the issues of approving the quarterly Scheduled Plans, the Board of Directors reviewed reports on implementing the Scheduled Plans previously approved by the Company Board of Directors, the information on the work performed on the new overdue receivables, and reports on the accounts receivable turnover.</p> <ul style="list-style-type: none"> <li>An instruction was issued to ensure settlement of RUB 1,653.6 mln. overdue accounts receivable from the amount as of 01.01.2020, in 2020, with quarterly reporting on the progress (<i>Decision of 31.03.2020, Minutes No. 357/34</i>).</li> </ul>
<p><b><i>Decrease in the technological consumption (losses) of power</i></b></p>	<ul style="list-style-type: none"> <li>A Programme of Measures to Reduce Power Losses in the Grids of PJSC IDGC of the North-West for 2020 and the period until 2024 was approved (<i>Decision of 26.03.2020, Minutes No. 356/33</i>); a report on implementing the Programme of Measures to Reduce Power Losses in the Grids of PJSC IDGC of the North-West for 2019–2023, was reviewed for 2019 (<i>Decision of 04.09.2020, Minutes No. 374/10</i>); the reports on implementing the Programme of Measures to Reduce Power Losses for the 1st quarter of 2020 (<i>Decision of 04.09.2020, Minutes No. 374/10</i>) and the 1st half of 2020 (<i>Decision of 12.11.2020, Minutes No. 380/16</i>) were reviewed.</li> <li>The Programme for the Development of Smart Power Metering in the Company's Power Grids for 2020–2030 was approved (<i>Decision of 27.01.2020, Minutes No. 347/24</i>).</li> <li>As part of the Report on Implementing the Company's Business Plan for 2019, a progress report on implementing the Programme for the Long-Term Development of Power Metering Systems in the Retail Power Market was reviewed (<i>Decision of 28.05.2020, Minutes No. 364/41</i>).</li> </ul>
<p><b>Competitiveness</b></p>	
<p><b><i>Ensuring the reliability and quality of the services rendered</i></b></p>	<ul style="list-style-type: none"> <li>The updated Programme for the Modernization (Renovation) of Power Grid Facilities for 2020–2026 was approved (<i>Decision of 24.04.2020, Minutes No. 360/37</i>).</li> <li>The Company's Production Assets Management System Development Plan for 2020–2022 was approved. (<i>Decision of 04.09.2020, Minutes No. 374/10</i>).</li> <li>The report on implementing the Production Assets Management System Development Plan was reviewed for 2019 (<i>Decision of 28.05.2020, Minutes No. 364/41</i>).</li> </ul>

<p><b><i>The General Director and top management key performance indicator system</i></b></p>	<ul style="list-style-type: none"> <li>• The Methodology for calculating and estimating the achievement of the key performance indicators of the General Director of PJSC IDGC of the North-West was approved (<i>Decision of 12.08.2020, Minutes No. 382/18</i>).</li> <li>• Target KPI values of the General Director of PJSC IDGC of the North-West were approved for 2020 (<i>Decision of 12.08.2020, Minutes No. 382/18</i>).</li> <li>• The Report on the achievement of target KPI values of the General Director of the Company was approved for 2019. The target KPI values for 2019 have been met (<i>Decision of 28.09.2020, Minutes No. 376/12</i>).</li> </ul>
<p><b><i>Ensuring the availability of power infrastructure and the quality of technological connection</i></b></p>	<p>Information on the Company’s activity on the technological connection of consumers to distribution power grids, including contractual work and general statistics of connection was reviewed, considering individual consumer groups, for 2019 (<i>Decision of 22.09.2020, Minutes No. 375/11</i>), the 1st quarter of 2020 (<i>Decision of 28.09.2020, Minutes No. 376/12</i>), and the 1st half of 2020 (<i>Decision of 08.12.2020, Minutes No. 382/18</i>). An instruction was issued to reduce the number of effective overdue contracts, including through the fault of the applicants.</p>
<p><b>Development</b></p>	
<p><b><i>Digital transformation</i></b></p>	<ul style="list-style-type: none"> <li>• The Digital Transformation Programme of PJSC IDGC of the North-West for 2020–2030 was approved (<i>Decision of 27.01.2020, Minutes No. 347/24</i>). An instruction was issued to amend the Digital Transformation Programme of PJSC IDGC of the North-West for 2020–2030 in the event of a change in the source parameters and indicators of the Digital Transformation Programme of PJSC IDGC of the North-West for 2020–2030.</li> </ul>
<p><b><i>Consolidation of power grid assets</i></b></p>	<ul style="list-style-type: none"> <li>• Reports on the purchase of power grid facilities, the approval of the acquisition of which by the Board of Directors is not required, were reviewed for the 3rd quarter of 2019 (<i>Decision of 24.01.2020, Minutes No. 346/23</i>), 2019 (<i>Decision of 22.09.2020, Minutes No. 375/11</i>), Q1 2020 (<i>Decision of 22.09. 2020, Minutes No. 375/11</i>), and Q2 2020 (<i>Decision of 26.10.2020, Minutes No. 379/15</i>). The Company has performed all transactions on the purchase of the power grid facilities in line with the criteria of decision-making on the power grid asset consolidation projects, specified by the decision of the Board of Directors.</li> </ul>
<p><b><i>Innovative development of the Company</i></b></p>	<ul style="list-style-type: none"> <li>• The Mid-Term Plan for Implementing the Programme for the Innovative Development of PJSC IDGC of the North-West for 2020-2024 was approved (<i>Decision of 22.09.2020, Minutes No. 375/11</i>).</li> <li>• The report on Implementing the Programme for the Company's Innovative Development for 2016-2020 with an outlook until 2025 was approved for 2019 (<i>Decision of 22.09.2020, Minutes No. 375/11</i>). The KPI ‘Efficiency of Innovative Activity’ for 2019 has been met.</li> </ul>
<p><b><i>Improvement of the internal control and risk management system</i></b></p>	<ul style="list-style-type: none"> <li>• The report on managing key operational risks was reviewed for 2019 (<i>Decision of 28.05.2020, Minutes No. 364/41</i>).</li> <li>• The reports on the arrangement and operation of the internal control system and the arrangement, operation, and efficiency of the risk management system were reviewed for 2019 (<i>Decision of 28.05.2020, Minutes No. 364/41</i>).</li> <li>• The report of the Company’s Internal Audit on the assessment of the efficiency of the internal control and risk management systems of the Company was reviewed for 2019 (<i>Decision of 24.04. 2020, Minutes No. 360/37</i>).</li> </ul>

<b>Internal audit function development</b>	<ul style="list-style-type: none"> <li>• The independent expert JSC KPMG’s report on the assessment of the arrangement and activity of the Company’s internal audit was considered (<i>Decision of 04.02.2020, Minutes No. 349/26</i>).</li> <li>• The Action Plan for the Development and Improvement of the Internal Audit in PJSC IDGC of the North-West for 2020-2024 was approved (<i>Decision of 31.03.2020, Minutes No. 357/34</i>) as amended (<i>Decision of 28.12.2020, Minutes No. 384 /twenty</i>).</li> </ul>
<b>Safety of the power grid facilities, including environmental safety</b>	
<b>Programme of the Company’s Environmental Policy implementation</b>	<ul style="list-style-type: none"> <li>• The report on implementing the Action Plan to Pursue the Environmental Policy of PJSC IDGC of the North-West for 2017–2019 was reviewed for 2019 (<i>Decision of 5/28/2020, Minutes No. 364/41</i>).</li> <li>• The Company joined the Environmental Policy of Power Grids, approved by the Decision of the Board of Directors of PJSC Rosseti as amended (Minutes No. 422, 7/20/2020) (<i>Decision of 10/8/2020, Minutes No. 377/13</i>).</li> </ul>

The key issues of the Company's activities are considered at meetings of the Board of Directors in the mixed form – in person and in absentia with the involvement of the Company's management representatives to ensure an open dialogue.

To prevent the spread of coronavirus infection, only two such meetings of the Board of Directors were arranged and held in 2020, where the following issues were discussed:

- Approving the Digital Transformation Programme of PJSC IDGC of the North-West for 2020–2030,
- Approving the Programme for the Development of Smart Power Metering in the Company's Power Grids for 2020–2030,
- Reviewing the General Director’s Report on Implementing the Business Plan of PJSC IDGC of the North-West for the 1st half of 2020,
- Reviewing the General Director’s Report on Implementing the Investment Programme of PJSC IDGC of the North-West for the 1st half of 2020,
- Reviewing the Company’s Internal Audit Report on Assessing the Corporate Governance Efficiency for the 2019-2020 corporate year.

## Composition of the Board of Directors

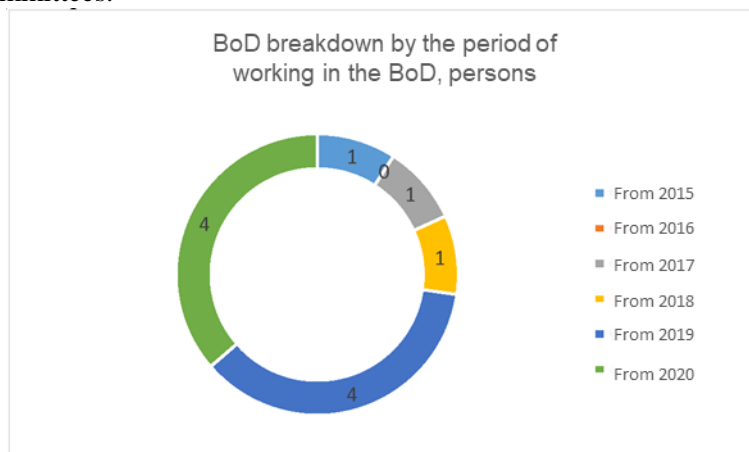
[GRI 102-22]

The number of the Company Board of Directors members is stipulated by the Charter as 11 persons. In 2020, there were two compositions of the Company Board of Directors<sup>49</sup>:

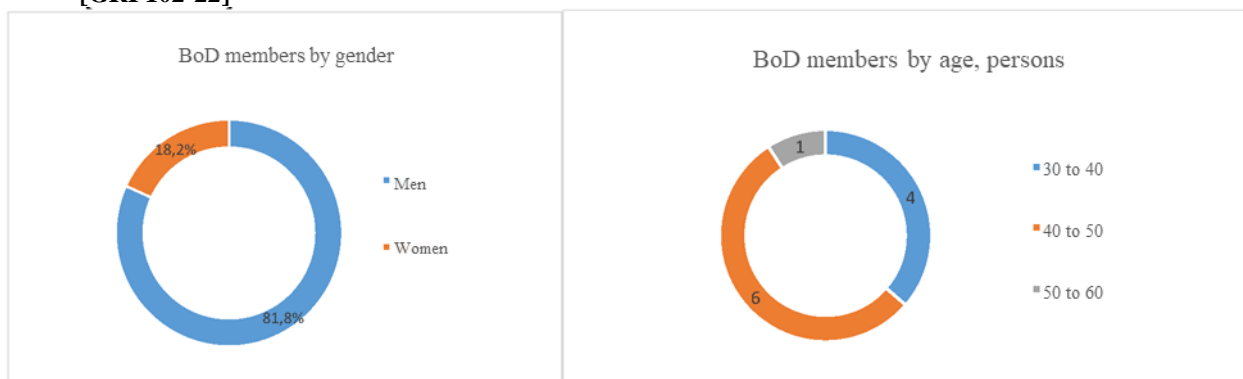
<b>From 1/1/2020 to 5/29/2020</b>		<b>From 5/29/2020 to the present day</b>	
1.	Sergeeva Olga Andreevna	1.	Mikhailik Konstantin Aleksandrovich
2.	Alyushenko Igor Dmitrievich	2.	Bychko Mikhail Aleksandrovich
3.	Bychko Mikhail Aleksandrovich	3.	Golovtsov Aleksandr Viktorovich
4.	Golovtsov Aleksandr Viktorovich	4.	Goncharov Yuri Vladimirovich
5.	Zharikov Aleksey Nikolaevich	5.	Korneev Aleksandr Yurievich
6.	Korneev Aleksandr Yurievich	6.	Mikheev Dmitry Dmitrievich
7.	Morozov Andrey Vladimirovich	7.	Morozov Andrey Vladimirovich
8.	Pidnik Artem Yurievich	8.	Obrezkova Yuliya Gennadievna
9.	Stepanova Maria Dmitrievna	9.	Pidnik Artem Yurievich
10.	Fedorov Oleg Romanovich	10.	Fedorov Oleg Romanovich
11.	Shagina Irina Aleksandrovna	11.	Shagina Irina Aleksandrovna

<sup>49</sup> The consent of the members of the Board of Directors to disclose the personal information given in the 2020 Annual Report of PJSC IDGC of the North-West was obtained. .

Members of the Company Board of Directors have outstanding management and industry experience, are reputable experts in the power sector, and make a valuable contribution to the work of the Board of Directors and its Committees.



[GRI 102-22]



### ***Independent directors***

In accordance with the recommendations of the CGC, the Board of Directors should be an efficient and professional management body of the Company capable of making unbiased independent judgements and decisions promoting the interests of the Company and its shareholders. Involvement of independent directors is a vital principle of the corporate governance development and encourages the development of such institute in the activities of the Company's management bodies.

As of 31 December 2020, 3 members of the Board of Directors had the status of independent directors: A.V. Golovtsov, A.V. Morozov, and O.R. Fedorov

Independent directors actively work on the Board of Directors and are also members of all the Company BoD's Committees; 4 of 5 BoD Committees are composed of independent directors in total.

The Company highly appreciates the contribution of independent directors to improving the efficiency of the Board of Directors.

The Company management interacts with shareholder representatives to increase the number of independent directors within the Company BoD, nominated for election and supported by voting at the General Meeting of Shareholders. HR and Remunerations Committee annually considers the compliance of the candidates to the Board of Directors with the independence criteria.

Upon assessment of the independence of the BoD members under the criteria set by PJSC Moscow Exchange Listing Rules and the CGC provisions, the Board of Directors decided (Decision of 30.12.2020 Minutes No. 385/21) to recognize A.V. Golovtsov and A.V. Morozov as independent directors, despite the formal criterion of relations with the issuer and its substantial shareholder. The Board of Directors re-recognized the independence of A.V. Golovtsov and A.V. Morozov despite newly revealed circumstances (relations with the issuer's substantial counterparty) due to changes to the Listing Rules of PJSC Moscow Exchange in terms of determining the independence criteria.

Active participation of independent directors in the Company Board of Directors and its Committees testifies to their ability to take an independent stand, proving the autonomy of judgments aimed at

improving the Company's efficiency and competitive advantages in line with the interests of the Company and its shareholders.

### Biographies of the Board of Directors members

<p><b>Mikhailik Konstantin Aleksandrovich</b>  <b>[GRI 102-23]</b>  <b>Chairperson of the Board of Directors</b></p> <p><b>Non-executive director</b></p> <p><b>First elected to the Board of Directors on 29.05.2020</b></p> <p><b>Shareholder nominating the director – PJSC Rosseti</b></p>	<p>Born in 1983.          Graduated from the St. Petersburg University of the Ministry of Internal Affairs of Russia in 2004, majoring in Jurisprudence, the Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of Russia in 2005, with the qualification of an International Economist with knowledge of foreign languages, majoring in Finance and Credit, and the Federal State Budgetary Educational Institution of Higher Education National Research University Moscow Power Engineering Institute in 2016, majoring in Electric Power and Electrical Engineering.</p> <p><b><u>Positions held in the recent five years:</u></b></p> <ul style="list-style-type: none"> <li>• 2015-2018 – First Deputy General Director of PJSC IDGC of Centre,</li> <li>• 2019-2020 – Deputy General Director for Operations of PJSC Rosseti,</li> <li>• 2020-present – Deputy General Director for Digital Transformation of PJSC Rosseti,</li> <li>• 2020-present – Deputy General Director for Digital Transformation of PJSC FGC UES (part-time).</li> </ul> <p><b>Participation in the management bodies of other organizations:</b>          Chairperson of the Board of Directors of JSC FTC, PJSC Rosseti South, a member of the Board of Directors of JSC VOLS-VL Management, PJSC IDGC of Centre, PJSC Tomsk Distribution Company, JSC Real Estate EC UES.</p> <p><b>Participation in the Company Board of Directors' Committees:</b>          none</p>
<p><b>Pidnik Artem Yurievich</b></p> <p><b>General Director, Chairperson of the Management Board</b></p> <p><b>Executive Director</b></p> <p><b>First elected to the Board of Directors on 14.06.2019</b></p> <p><b>Shareholder nominating the director – PJSC Rosseti</b></p>	<p>Born in 1983.          In 2005, graduated from St. Petersburg State University in Law with the qualification of Lawyer. In 2017, received a diploma of St. Petersburg State University in the retraining programme Executive MBA.</p> <p><b><u>Positions held in the recent five years:</u></b></p> <ul style="list-style-type: none"> <li>• 2013-2014 – Deputy Director for Development of CJSC Building and Construction Department No. 10 of Metrostroy,</li> <li>• 2014-2018 – General Director, First Deputy General Director of LLC Sevkabel Group,</li> <li>• 2017-2018 – General Director of LLC Politburo Managing Company (part-time),</li> <li>• 2018 – Advisor of the Administrative Department, acting Deputy General Director for Economy and Finance of PJSC IDGC of the North-West.</li> <li>• 2018-present – Chairperson of the Management Board, General Director of PJSC IDGC of the North-West.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b>          none</p>

	<p><b>Participation in the Company Board of Directors' Committees.</b> none</p>
<p><b>Morozov Andrey Vladimirovich</b></p> <p><b>Independent director</b></p> <p><b>First elected to the Board of Directors on 6/14/2019</b></p> <p><b>Shareholder nominating the director – The Prosperity Quest Fund</b></p>	<p>Born in 1978. Graduated from the Russian Law Academy of the Ministry of Justice of the Russian Federation in 2000, majoring in Law with the qualification of Lawyer. Graduated from Harvard Law School in 2016, with a master's degree in Finance and Corporate Governance.</p> <p><b><u>Positions held in the recent five years:</u></b></p> <ul style="list-style-type: none"> <li>• 2003-2015 - Head of the Legal Department of the Moscow Representative Office of NCH Advisors, Inc. (USA).</li> <li>• 2017-present - Legal Director of the Association of Professional Investors.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> a member of the Board of Directors of PJSC IDGC of Centre and Volga Region and PJSC IDGC of Volga.</p> <p><b>Participation in the Company Board of Directors' Committees:</b> a member of the Audit, Strategy, Reliability, and Technological Connection Committees.</p>
<p><b>Korneev Aleksandr Yurievich</b></p> <p><b>Non-executive director</b></p> <p><b>First elected to the Board of Directors on 14.06.2019</b></p> <p><b>Shareholder nominating the director – PJSC Rosseti</b></p>	<p>Born in 1980. Graduated from the Moscow Power Engineering Institute in 2003, majoring in In-Plant Electrical Equipment with the qualification of Engineer.</p> <p><b><u>Positions held in the recent five years:</u></b></p> <ul style="list-style-type: none"> <li>• 2013-2017 – Head of the Administration for Regulation of Technological Connection of PJSC Rosseti,</li> <li>• 2017-2018 – Director of the Department for Long-Term Development of the Grids and Technological Connection at PJSC Rosseti,</li> <li>• 2018-2019 – Deputy Director of the Service Implementation Department of PJSC Rosseti,</li> <li>• 2019-2020 – Director of the Technological Connection and Infrastructure Development Department of PJSC Rosseti,</li> <li>• 2020-present – Head of the Technological Connection and Infrastructure Development Department of PJSC Rosseti,</li> <li>• 2020-present - Head of the Technological Connection and Infrastructure Development Department of PJSC FGC UES (part-time).</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> a member of the Board of Directors of JSC Energoservice of Kuban, JSC Yantarenergoservice, JSC MUS Energetiki, JSC Chitatekhenergo.</p> <p><b>Participation in the Company Board of Directors' Committees:</b> Chairperson of the Technological Connection Committee and a member of the Audit Committee (until 12/22/2020).</p>
<p><b>Mikheev Dmitry Dmitrievich</b></p>	<p>Born in 1983.</p>

<p><b>Non-executive director</b></p> <p><b>First elected to the Board of Directors on 29.05.2020</b></p> <p><b>Shareholder nominating the director – PJSC Rosseti</b></p>	<p>Graduated from the I.I. Polzunov Altai State Technical University in 2005, majoring in Industrial Power Supply with the qualification of Engineer, the Altai Academy of Economics and Law in 2008, with a master’s degree in Management.</p> <p><b><u>Positions held in the recent five years:</u></b></p> <ul style="list-style-type: none"> <li>• 2012-2019 – Deputy Director of the Power Engineering Development Department of the Ministry of Energy of the Russian Federation,</li> <li>• 2019-present - Director of the Service Implementation Department of PJSC Rosseti.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> a member of the Board of Directors of JSC Tyvaenergo.</p> <p><b>Participation in the Company Board of Directors’ Committees:</b> none</p>
<p><b>Fedorov Oleg Romanovich</b></p> <p><b>Independent director</b></p> <p><b>First elected to the Board of Directors on 13.06.2017</b></p> <p><b>Shareholder nominating the director – The Prosperity Quest Fund</b></p>	<p>Born in 1968. Graduated from the M.V. Lomonosov Moscow State University in 1992, mathematician.</p> <p><b><u>Positions held in the recent five years:</u></b></p> <ul style="list-style-type: none"> <li>• 2012-2014 — Advisor to the Head of the Federal Agency for State Property Management.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> a member of the Supervisory Board of PJSC ALROSA.</p> <p><b>Participation in the Company Board of Directors’ Committees:</b> a member of the Reliability, Technological Connection, Audit, HR and Remuneration, and Strategy Committees.</p>
<p><b>Shagina Irina Aleksandrovna</b></p> <p><b>Non-executive director</b></p> <p><b>First elected to the Board of Directors on 07.06.2018</b></p> <p><b>Shareholder nominating the director – PJSC Rosseti</b></p>	<p>Born in 1979. Graduated from the All-Russian State Distance-Learning Institute of Finance and Economics in 2001, majoring in Accounting and Audit with the qualification of Economist; graduated from Vladimir Institute of Law of the Russian Federal Penitentiary Service in 2013, majoring in Law with the qualification of Lawyer.</p> <p><b><u>Positions held in the recent five years:</u></b></p> <ul style="list-style-type: none"> <li>• 2011-2015 — Deputy Head of the Power Industry Regulation Department of the Federal Tariff Service of Russia,</li> <li>• 2015-2020 — Director of the Tariff Policy Department, Head of the Tariff Setting Unit of the Tariff Policy Department of PJSC Rosseti,</li> <li>• 2020-present — Head of the Tariff Policy Department of PJSC Rosseti.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> a member of the Board of Directors of PJSC Kubanenergo, PJSC TDC, OJSC IDGC of the Urals, OJSC Tomsk Backbone Grids.</p> <p><b>Participation in the Company Board of Directors’ Committees:</b></p>



<p><b>Obrezkova Yuliya Gennadievna</b></p> <p><b>Non-executive director</b></p> <p><b>First elected to the Board of Directors on 29.05.2020</b></p> <p><b>Shareholder nominating the director – PJSC Rosseti</b></p>	<p>a member of the Audit and HR and Remuneration Committees.</p> <p>Born in 1985.</p> <p>Graduated from the I.I. Polzunov Altai State Technical University in 2007, majoring in Finance and Credit with the qualification of Economist.</p> <p><b>Positions held in the recent five years:</b></p> <ul style="list-style-type: none"> <li>• 2014–2017 – Chief Expert of the Credit and Structured Finance Directorate of the Finance Department of PJSC Rosseti,</li> <li>• 2017–2019 – Head of the Strategic Project Division of the Directorate for Capital Markets and Strategic Investments of the Finance Department of PJSC Rosseti,</li> <li>• 2019 – Head of the Directorate for Capital Markets and Strategic Investments of the Finance Department of PJSC Rosseti,</li> <li>• 2019–present - Deputy Director of the Strategy Department of Rosseti PJSC.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> a member of the Board of Directors of JSC Real Estate EC UES, JSC Centre for Technical Customer, JSC Rosseti Tyumen.</p> <p><b>Participation in the Company Board of Directors' Committees:</b> a member of the Strategy Committee.</p>
<p><b>Golovtsov Aleksandr Viktorovich</b></p> <p><b>Independent director</b></p> <p><b>First elected to the Board of Directors on 14.06.2019</b></p> <p><b>Shareholder nominating the director - The Prosperity Quest Fund</b></p>	<p>Born in 1973.</p> <p>Graduated from D.F. Ustinov BSTU in 1996, majoring in Automation and Control in Technical Systems with the qualification of Electrical Engineer.</p> <p><b>Positions held in the recent five years:</b> 2005–2019 - Head of Analytical Research Department of JSC URALSIB Management Company.</p> <p><b>Participation in the management bodies of other organizations:</b> a member of the Board of Directors of PJSC IDGC of Centre and Volga Region and PJSC IDGC of Centre.</p> <p><b>Participation in the Company Board of Directors' Committees:</b> Chairperson of the Audit Committee, a member of the Reliability, Strategy, and Technological Connection Committees.</p> <p><b>The share of stock owned: 0.0007 %.</b></p>
<p><b>Bychko Mikhail Aleksandrovich</b></p> <p><b>Non-executive director</b></p> <p><b>First elected to the Board of Directors on 23.06.2015</b></p> <p><b>Shareholder nominating the director – PJSC Rosseti</b></p>	<p>Born in 1971.</p> <p>Graduated from the Moscow Power Engineering Institute in 1994, majoring in Power Plants with the qualification of Electrical Engineer. Graduated from the Russian Government Academy of National Economy in 2004.</p> <p><b>Positions held in the recent five years:</b></p> <ul style="list-style-type: none"> <li>• 2015–2016 – Advisor at PJSC Lenenergo,</li> <li>• 2013–2020 – Director of the Capital Construction Department of PJSC Rosseti.</li> <li>• 2020–present – Head of the Design and Estimate Control Department of PJSC Rosseti,</li> </ul>

	<ul style="list-style-type: none"> <li>• 2020–present – Head of the Design and Estimate Control Department of PJSC FGC UES (part-time).</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> a member of the Board of Directors of JSC Yantarenergo, JSC CIUS UES, JSC Electrosetservice UES.</p> <p><b>Participation in the Company Board of Directors' Committees:</b> a member of the Audit Committee.</p>
<p><b>Goncharov Yuri Vladimirovich</b></p> <p><b>Non-executive director</b></p> <p><b>First elected to the Board of Directors on 29.05.2020</b></p> <p><b>Shareholder nominating the director – PJSC Rosseti</b></p>	<p>Born in 1977. Graduated from Moscow State Mining University in 2000 with master's degree in Management. Graduated from the Moscow Institute of Economics, Politics, and Law in 2014, majoring in Law, bachelor's degree in Law.</p> <p><b>Positions held in the recent five years:</b></p> <ul style="list-style-type: none"> <li>• 2013–2018 – Deputy General Director for Corporate Governance of PJSC Rosseti,</li> <li>• 2018–present – Chief Advisor at PJSC Rosseti.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> Chairperson of the Board of Directors of OJSC IDGC of Urals, member of the Board of Directors of JSC Rosseti Tyumen, PJSC Lenenergo, PJSC Rosseti North Caucasus, PJSC IDGC of Centre and Volga Region.</p> <p><b>Participation in the Company Board of Directors' Committees:</b> a member of the HR and Remuneration Committee.</p>

No transactions with the PJSC IDGC of the North-West shares were made by the members of the Board of Directors in 2020.

Over 2020, members of the Board of Directors did not receive any loans (credits) from the Company, or any legal entity incorporated in the Group the Company is part of.

None of the members of the Board of Directors early terminated his/her powers in 2020.

Except for A.V. Golovtsov, members of the Board of Directors did not own any shares of PJSC IDGC of the North-West in 2020.

The biographies of the members of the Company Board of Directors, acting from 14.06.2019 to 29.05.2020 are given in Annex 24 to the Annual Report.

The list of affiliated persons of PJSC IDGC of the North-West as of 31.12.2020 is available at the Company website: [http://www.mrsksevzap.ru/id\\_affilatelists#tab1](http://www.mrsksevzap.ru/id_affilatelists#tab1).

## **Independent assessment of the Board of Directors performance**

**[GRI 102-28]**

In order to improve its corporate governance, the Company continues introducing the procedure of the Board of Directors performance assessment. In 2019, an independent appraisal of the Board of Directors of PJSC IDGC of the North-West was performed for the 2017–2018 corporate year by the independent external advisor JSC VTB Registrar (hereinafter – the Independent Assessment).

According to paragraph 5.5 of Art. 5 of the Regulation on the Board of Directors of PJSC IDGC of the North-West, the Board of Directors is entitled to annually assess the performance of the Board of Directors independently (perform self-assessment) or with the involvement of an independent external entity (advisor), duly qualified to perform such an assessment.

According to the Methodology for Assessing the Work of the Board of Directors and Committees of the Board of Directors of PJSC IDGC of the North-West approved by the decision of the Board of Directors IDGC of the North-West, PJSC dated 07.06.2019 (Minutes No. 321/34), in 2020, a self-assessment of the work of the Board of Directors of PJSC IDGC of the North-West and its Committees for the 2018-2019 corporate year was performed.

The assessment objects comprised the work of the Board of Directors as a whole; the work of each Committee of the Board of Directors (Audit Committee; HR and Remuneration Committee; Strategy and Development Committee; Reliability Committee; Technological Connection Committee); the work of the Chairperson of the Board of Directors; the work to support the activities of the Company Board of Directors and its Committees.

The assessment included interviewing members of the Board of Directors and its committees.

For self-assessment, appropriate questionnaires were sent to the members of the Board of Directors and its Committees, acting for the period specified. The questionnaires were filled in anonymously, while the members of the Board of Directors/Committees could express their opinions on each issue therein and provide comments and recommendations, is required.

The Self-Assessment Report comprises an analysis of the data obtained, conclusions, and recommendations based on the questionnaire analysis outcome. The Company Board of Directors reviewed the report on 02.02.2021 (Minutes No. 386/22). The Company Board of Directors also decided to recognize it expedient to assess the work of the Company Board of Directors for the 2019-2020 and 2020-2021 corporate years with the involvement of an independent external advisor.

### **New BoD member induction procedure**

The induction of newly elected members of the Board of Directors starts with their familiarization with the decisions adopted by the General Meeting of Shareholders of PJSC IDGC of the North-West, at which new members of the Company Board of Directors have been elected, and the documents approved by the General Meeting of Shareholders.

Members of the Board of Directors are notified of providing the organizational and information support of the work of the Board of Directors and its Committees via the Internet resource 'Personal Account of Members of the Management Bodies of PJSC IDGC of the North-West' (hereinafter – the Personal Account). They are informed of the Personal Account resources, which include holding meetings of the Company's management bodies without e-mailing materials, automatically notifying users about the new meetings of the Company's management bodies, changes to their status, posting materials to be reviewed at the meetings of the Company's management bodies, voting on the meeting agenda matters by filling in a questionnaire in the Personal Account subject to signing an Agreement for the Terms, Conditions, and the Procedure for using the electronic resource Personal Account of Members of the Management Bodies of PJSC IDGC of the North-West.

Members of the Company Board of Directors also receive comprehensive information on the Personal Account content, where they can familiarize themselves with the Company's Charter and internal documents regulating the work of the Company's management bodies; the schedule of meetings of the Company Board of Directors and its Committees; the agenda materials, minutes of meetings of the Company Board of Directors and its Committees since 2014; information on the composition of the Company Board of Directors, its Committees, and Management Board, and their work plans.

The newly elected members of the Board of Directors are requested for their consent to processing personal data, notification of signs of possible interest, and bank details to transfer remuneration; members of the Board of Directors are notified of their inclusion in the list of the Company insiders.

### **The BoD member liability insurance**

Directors & Officers Liability Insurance is an obligatory type of insurance for the Company, prescribed by the Regulation on Insurance Coverage of PJSC IDGC of the North-West (as amended) approved by the Company Board of Directors on 10.08.2020 (Minutes No. 371/7).

Director & Officer Liability Insurance allows protecting the property interests of the Company's shareholders, ensuring a source of compensation for possible losses of the Company and/or the Insured persons when an insurance event occurs, and protecting the property interests of the Insured from third-party claims.

On 24 February 2021, the Company Board of Directors approved the candidacy of the Insurer for the Director & Officer Liability Insurance (Minutes No. 387/23).

## Committees of the Company Board of Directors

In order to implement the principles stipulated by the Corporate Governance Code, advisory and consultative bodies were set up by the Company Board of Directors – Committees of the Board of Directors – for preliminary research into the most important aspects of the Company activity:

- Audit Committee,
- HR and Remunerations Committee,
- Strategy Committee,
- Reliability Committee,
- Technological Connection Committee.

The Committees are actively engaged in the process of decision-making by the Company Board of Directors, enhancing its efficiency. They preview recommendations on the key issues within the frame of reference of the Board of Directors and provide them to the Board of Directors. The Committees' decisions serve as guidelines for the Company Board of Directors.

The Committees' activities are regulated by the Regulations on the Committees determining their competence, the procedure for their composition forming and operation, and the rights and obligations of the committee members.

The number of members and appointments for each Committee are determined by decision of the Company Board of Directors. The Committees operate in line with the Committee Action Plans annually approved at the Committee meetings.

In 2020, each Committee of the Board of Directors operated in several compositions.

The staffs of the Audit, HR and Remunerations, Reliability, Technological Connection, and Strategy Committees of the Board of Directors as of 31.12.2020<sup>50</sup> were elected by the Company Board of Directors on 30.06.2020 (Minutes No. 367/3) as amended on 22.12.2020 (Minutes No. 383/19), 30.06.2020 (Minutes No. 367/3), 13.07.2020 (Minutes No. 369/5), 21.07.2020 (Minutes No. 370/6), and 10.08.2020 (Minutes No. 371/7), respectively.

### Audit Committee

#### **The Audit Committee Report for 2020 Letter by the Chairperson of the Audit Committee of the Board of Directors of PJSC IDGC of the North-West**

Dear Colleagues!

Last year, our key priorities were the Company's financial reporting, corporate governance, and the development of the internal audit. In close contact with the management and the external auditor, we have considered all important aspects of financial statements under Russian and international standards in-depth and in detail, paying particular attention to assumptions and judgments regarding reserves, values of assets and liabilities, and non-routine transactions. I believe that a reasonably prudent approach to these aspects, applied in the preparation of financial statements, can serve as a good basis for further improving the Company's performance.

We thoroughly and comprehensively reviewed the state of corporate governance in the Company and made recommendations to the Board of Directors on further approaching the best international practices in this area.

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<sup>50</sup> Compositions of the Board of Directors Committees of PJSC IDGC of the North-West and participation of the former Committee members are shown in Annex 25 to the Annual Report.

We thoroughly reviewed the Company's internal audit work and development plans and reports on their implementation while focusing primarily on the audit relevance, the internal auditor recommendations, and their positive impact on the Company. We also tried to ensure the most favourable environment for improving the skills of the Internal Audit Department employees and the quality of its work, including through the formation of its budget. *According to the 2020 results, the Committee noted the improved efficiency of the internal audit and its positive impact on the Company, in particular, in the areas of procurement, capital construction, insurance, and executive discipline in the branches.*

We also continued working towards the improvement of the efficiency of our internal control and risk management systems. Given the growing importance of sustainable development issues, the Committee paid special attention to combating corruption.

**Aleksandr Golovtsov**  
**Chairperson, Audit Committee**

The Committee objective is to contribute to the efficient performance of the Company Board of Directors by preliminary consideration of issues related to control over the Company's financial and business operations.

In the reporting period, the Audit Committee was guided in its activities by the Regulations on the Audit Committee of the Board of Directors of PJSC IDGC of the North-West, approved by Decision of the Company Board of Directors of 29.02.2016 (Minutes No. 197/12), as amended by the Company Board of Directors on 28.10.2016 (Minutes No. 222/13).

The key objectives of the Committee are:

- Review of the Company's accounting (financial) statements and supervision of their preparation.
- Monitoring the reliability and efficiency of the internal control system, risk management system and corporate governance practice.
- Control of the external audit procedures and the choice of the External Auditor.
- Ensuring independent and unbiased internal audit function.
- Supervising the efficiency of the system for countering unfair actions of the Company's employees and third parties.

By Decision of the Board of Directors of 30.06.2020 (Minutes No. 367/3), the Audit Committee staff was defined as 6 members; the same decision approved the persons appointed to the Committee. However, guided by the amended Listing Rules of PJSC Moscow Exchange, approved by Decision of the Supervisory Board of PJSC Moscow Exchange on 16.11.2020 (Minutes No. 12) and entered into force on 07.12.2020, by the Decision of the Board of Directors of 22.12.2020 (Minutes No. 383/19) the Audit Committee member A.Yu. Korneev's powers were early terminated, and the Audit Committee staff was determined as 5 members.

An independent director Aleksandr Viktorovich Golovtsov with experience and knowledge in preparing, analysing, assessing, and auditing accounting (financial) statements, was elected the Chairperson of the Committee. The Audit Committee Members M.A. Bychko, A.V. Morozov, O.R. Fedorov, and I.A. Shagina have a degree in finance, economics, mathematics, law, management, power economy, and power equipment operation.

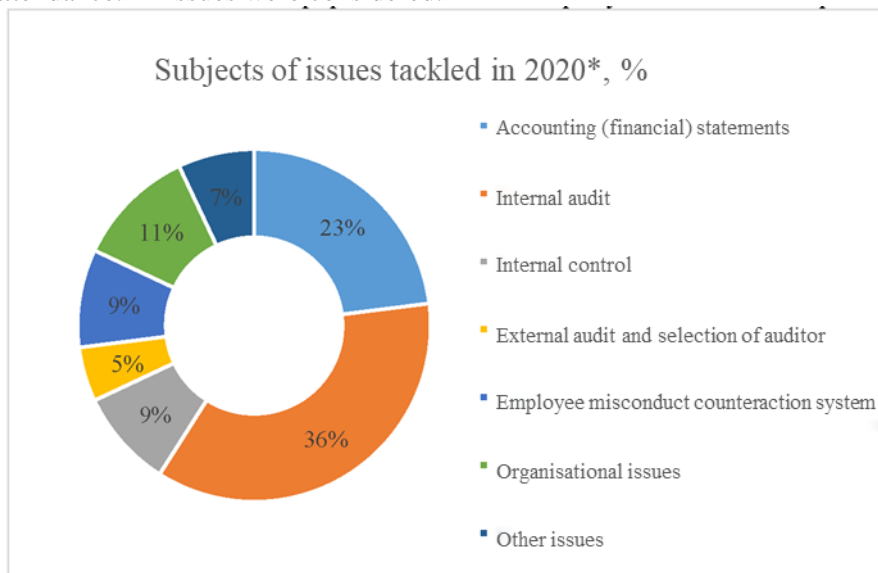
All members of the Audit Committee have the experience and qualifications required for the Committee to work effectively.

[GRI 102-22]

*Personal data and contribution of the acting members of the audit committee of the board of directors<sup>51</sup>*

Full Name	Position	Participation <sup>52</sup>	% of participation
<b>Golovtsov Aleksandr Viktorovich</b> Chairperson	A member of PJSC IDGC of the North-West Board of Directors	6 of 6	100
<b>Bychko Mikhail Aleksandrovich</b>	Head of the Design and Estimate Control Department of PJSC Rosseti	6 of 6	100
<b>Korneev Aleksandr Yurievich</b>	Director of the Technological Connection and Infrastructure Development Department of PJSC Rosseti	6 of 6 <sup>53</sup>	100
<b>Morozov Andrey Vladimirovich</b>	Legal Director of the Association of Professional Investors	6 of 6	100
<b>Fedorov Oleg Romanovich</b>	A member of the Board of Directors of PJSC IDGC of the North-West	6 of 6	100
<b>Shagina Irina Aleksandrovna</b>	Head of the Tariff Policy Department at PJSC Rosseti	6 of 6	100

In 2020, the Audit Committee of the Company Board of Directors held 13 meetings, of which 4 by joint attendance. 44 issues were considered.



\*The list of issues considered by the Audit Committee of the Company Board of Directors in 2020 is given in Appendix 26 to the Annual Report.

**Results of operations in 2020**

The Company Board of Directors considered the below issues:

- based on the Audit Committee recommendation of 24.04.2020 (Minutes No. 360/37), the Report of the Company's Internal Audit was reviewed on assessment of the efficiency of the internal control and risk management systems for 2019,

- based on the Audit Committee recommendation of 28.05.2020 (Minutes No. 364/41), the reports of the sole executive body and the Management Board of PJSC IDGC of the North-West were reviewed on

<sup>51</sup> Includes only members of the Board of Directors. Information on the Committee composition acting from 01.01.2020 to 30.06.2020 is given in Annex 25 to the Annual Report.

<sup>52</sup> Information on participation in the Audit Committee is given for the acting Committee members for the period from the election date - from 6/30/2020 to 12/31/2020.

<sup>53</sup> Information on participation in the Audit Committee is given for the member for the period from 30.06. 2020 to 22.12.2020.

the arrangement and functioning of the internal control system and the arrangement, functioning, and efficiency of the risk management system in 2019,

- based on the Audit Committee recommendation of 30.06.2020 (Minutes No. 367/3), the Anti-Corruption Policy of PJSC Rosseti and SDCs of PJSC Rosseti was approved, as amended,

- based on the Audit Committee recommendation of 21.10.2020 (Minutes No. 378/14), the Report of the Company's Internal Audit was reviewed on assessment of the efficiency of corporate governance for the 2019-2020 corporate year.

On 25.03.2021 (Minutes No. 10), the Audit Committee considered the issue of preliminary reviewing the Company's Internal Audit Report on implementing the Action Plan for the development and improvement of the Internal Audit activity.

On \_\_/\_\_/2021 (Minutes No. \_\_), the Audit Committee considered the issue of preliminary reviewing the Company's Internal Audit Report on assessment of the efficiency of the internal control and risk management systems in 2020.

Based on the results of the internal assessment (self-assessment) of the Company's Internal Audit performance according to the Programme for Internal Audit Quality Assurance and Improvement of PJSC IDGC of the North-West (approved by Decision of the Company Board of Directors of 22.12.2016, Minutes No. 225/16, enacted by the Company Order No. 857 dated 30.12.2016), sustainability of the internal audit function of the Company was noted. The Company's Internal Audit was deemed 'generally compliant' with the Company's Internal Audit Policy in 2020.

The issue of assessing the efficiency of the external audit of the accounting (financial) statements of the Company for 2020 was considered at the Audit Committee meeting on \_\_/\_\_/2021 (Minutes No. \_\_).

The performance results of the Audit Committee of PJSC IDGC of the North-West Board of Directors in the 2018-2019 corporate year were reviewed by the Company Board of Directors on 22.09.2020 (Minutes No. 375/11).

## **HR and Remunerations Committee**

### **The HR and Remunerations Committee Report for 2020 Letter by the Chairperson of the HR and Remuneration Committee of the Board of Directors of PJSC IDGC of the North-West**

Dear Colleagues!

In 2020, the HR and Remunerations Committee ensured the effective work of the Board of Directors on the issues of the HR and social and remuneration policies. The reports of the Company management representatives on the HR proposals and the improvement of the personnel management system were heard.

At the Committee's in-person meetings, candidates for certain positions in the Company, as well as the results of the activities of officials, the approval of candidacies for the positions of which is within the competence of the Board of Directors, were carefully reviewed, and appropriate recommendations were prepared for the Company Board of Directors and the General Director.

The practice of inviting representatives of minority shareholders to attend in-person Committee meetings of the members of the Board of Directors with the right to participate in discussions of the agenda matters has been introduced.

The Committee actively worked to maintain the PJSC IDGC of the North-West stocks in the Second-Level Quotation List on the PJSC Moscow Exchange.

The Committee preliminarily assessed the candidates to the Company Board of Directors included in the list for voting at the annual General Meeting of Shareholders of the Company for compliance with the independence criteria of the PJSC Moscow Exchange Listing Rules and the Corporate Governance Code of the Bank of Russia, as well as assessed (verified) the compliance of some members of the Board of Directors with the independence criteria prescribed by the PJSC Moscow Exchange Listing Rules, including to recognize them as independent despite formal signs of relations.

In terms of the organizational design measures, at an in-person meeting, the Committee preliminarily considered and approved the organizational structure of the executive body of PJSC IDGC of the North-West and prepared appropriate recommendations to the Board of Directors.

As part of implementing the measures to optimize the structures of the Company's branches, the Committee approved proposals for the reorganization of the management system of PJSC IDGC of the

North-West (merging/regrouping production departments, power grid areas), and as a result, approved the organizational structures of the management of the Company's Vologda, Novgorod, and Pskov branches.

In the area of remuneration and material incentives, the Committee prepared recommendations to the Board of Directors on the methodology for the calculation and assessment of achieving the key performance indicators, the Regulation on Financial Incentives for the General Director, and the Regulation on Financial Incentives and Social Benefits for Top Managers of the Company.

### **Yuri Goncharov** **Chairperson, HR and Remuneration Committee**

According to the Regulation on the HR and Remunerations Committee of the Board of Directors of PJSC IDGC of the North-West approved by Decision of the Board of Directors of 22.08.2014 (Minutes No.163/5), the main goal of the HR and Remunerations Committee is to ensure efficient operations of the Company Board of Directors regarding the issues within its frame of reference, and to develop the necessary recommendations for the Board of Directors and executive bodies of the Company.

The main goal of the Committee is to work out and present recommendations (findings) in the following areas:

- development of recommendations on the amount of remuneration to the Company Board of Directors members,

- development of the principles and criteria for determining the amount of remuneration for the Board of Directors members, members of the collective executive body and the person performing the functions of the Company's sole executive body,

- working out proposals for determining the material terms of contracts with the Board of Directors members, members of the collective executive body and the person exercising the functions of the Company's sole executive body,

- defining criteria for nominating members of the Board of Directors, members of the collective executive body and to the position of the Company's sole executive body, as well as preliminary assessment of these nominees,

- regular assessment of the activities of the person performing the functions of the Company's sole executive body, members of the collective executive body and preparing proposals for the Board of Directors on the possibility of their re-appointment.

By the decision of the Board of Directors of 30.06.2020 (Minutes No. 367/3), the HR and Remunerations Committee staff was defined as three persons. The same decision determined the Committee staff consisting of only members of the Board of Directors.

The members of the HR and Remunerations Committee have the professional experience and knowledge of the Company's business required to perform their functions.

[GRI 102-22]

*Personal data and contribution of the acting members of the hr and remunerations committee of the board of directors<sup>54</sup>*

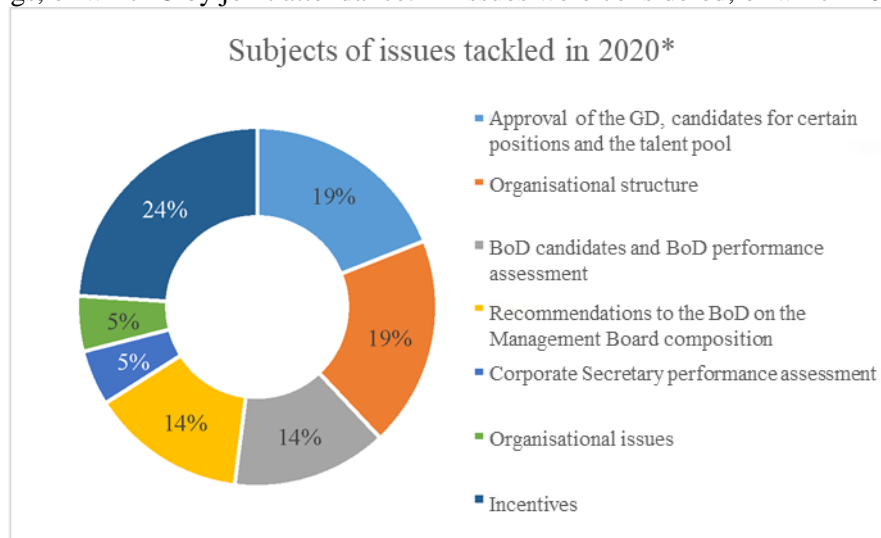
Full Name	Position	Participation <sup>55</sup>	% of participation
<b>Goncharov Yuri Vladimirovich</b> Chairperson	Chief Advisor of PJSC Rosseti	4 of 4	100
<b>Fedorov Oleg Romanovich</b>	A member of the Board of Directors of PJSC IDGC of the North-West	4 of 4	100
<b>Shagina Irina Aleksandrovna</b>	Head of the Tariff Policy Department of PJSC Rosseti	4 of 4	100

<sup>54</sup> Includes only members of the Board of Directors. Information on the Committee composition acting from 01.01.2020 to 30.06.2020 is given in Annex 24 to the Annual Report.

<sup>55</sup>Information on participation in the HR and Remuneration Committee is given for the acting Committee members for the period from the election date - from 30.06.2020 to 31.12.2020.



Over 2020, the HR and Remunerations Committee of the Company Board of Directors held 6 meetings, of which 3 by joint attendance. 21 issues were considered, of which 10 in the in-person form.



\* The list of issues considered by the HR and Remuneration Committee of the Company Board of Directors in 2020 is given in Appendix 26 to the Annual Report.

## Strategy Committee

### Letter by the Chairperson of the Strategy Committee of the Board of Directors of PJSC IDGC of the North-West

Dear Colleagues!

In 2020, the Strategy Committee work was aimed at ensuring the performance efficiency of the Company Board of Directors in business planning, investment and innovation activities, risk management, and other issues affecting the Company's financial and economic activity within the Committee's frame of reference.

As part of this work, the Committee prepared recommendations for the Board of Directors, which were considered when making appropriate decisions.

The key issues were reviewed at the in-person meetings of the Strategy Committee, which provided the best opportunity for discussion and development of well-argued decisions. In the course of the discussions, recommendations were given to the Company management on the issues reviewed, which had been considered when the issues were brought to the Board of Directors.

At the in-person meetings of the Strategy Committee, the Digital Transformation Programme of PJSC IDGC of the North-West for 2020-2030 and the Programme for the Development of Smart Power Metering in the Company's Power Grids for 2020-2030 were reviewed, which were of paramount importance for the Company, considering its focus on digital transformation. Also, in-person meetings were held on the issues of fulfilling the 2020 Business Plan and reviewing the 2021 Business Plan, at which the participants, among other things, discussed the measures taken by the Company to maintain financial sustainability under conditions of a pandemic and economic slowdown in the country.

**Olga Tikhomirova**  
**Chairperson, Strategy Committee**  
**[GRI 102-26]**

The key purpose of the Strategy Committee is to ensure efficient operations of the Company Board of Directors regarding the issues within its frame of reference, and to enhance the long-term performance of the Company on the whole.

In the reporting period, the Strategy Committee was guided in its activity by the Regulation on the Strategy Committee of the Board of Directors of PJSC IDGC of the North-West, approved by Decision of the Company Board of Directors of 15.08.2019 (Minutes No. 329/6).

In accordance with the Regulation on the Strategy Committee of PJSC IDGC of the North-West Board of Directors, the Committee aims at working out and presenting recommendations (findings) to the

Board of Directors of the Company on the activities of the Board of Directors within the competence of the Committee, including: strategic development and priority areas, innovative development, business process organisation, business planning, dividend policy, risk management, assessment of the performance of the Company and its subsidiaries, as well as other objectives and areas defined by the Corporate Governance Code of the Bank of Russia.

The acting Strategy Committee was elected by Decision of the Company Board of Directors of 10.08.2020 (Minutes No. 371/7) as 10 members.

[GRI 102-22]

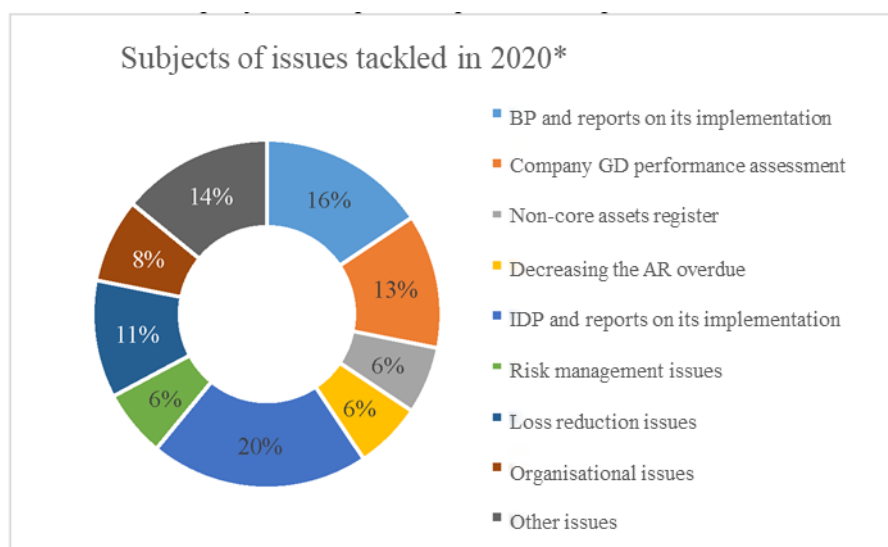
***Personal data and contribution of the acting members of the strategy committee of the board of directors***

Full Name	Position	Participation <sup>56</sup>	% of participation
<b>Tikhomirova Olga Vladimirovna</b> Chairperson	Head of the Treasury Department of PJSC Rosseti	9 of 9	100
<b>Pavlov Aleksey Igorevich</b>	Head of the Strategy Department of PJSC Rosseti	9 of 9	100
<b>Ivanova Tatiana Aleksandrovna</b>	Deputy Head of the Tariff Policy Department of PJSC Rosseti	9 of 9	100
<b>Parfentiev Nikolay Aleksandrovich</b>	Director for Digitalization and Information Technologies - Head of the Digitalization and IT Operation Department of PJSC Rosseti	8 of 9	89
<b>Obrezkova Yuliya Gennadievna</b>	Deputy Head of the Strategy Department of PJSC Rosseti	9 of 9	100
<b>Bashindzhagyan Astkhik Artashesovna</b>	Deputy Head of the Corporate Governance Department of PJSC Rosseti	9 of 9	100
<b>Temnyshev Aleksandr Aleksandrovich</b>	Head of the Department for Corporate Governance and Interaction with Shareholders of PJSC IDGC of the North-West	9 of 9	100
<b>Fedorov Oleg Romanovich</b>	A member of the Board of Directors of PJSC IDGC of the North-West	9 of 9	100
<b>Morozov Andrey Vladimirovich</b>	Legal Director of the Association of Professional Investors	9 of 9	100
<b>Golovtsov Aleksandr Viktorovich</b>	A member of the Board of Directors of PJSC IDGC of the North-West	9 of 9	100

Members of the Strategy Committee have the knowledge of the Company's business required for them to perform their functions.

Over 2020, the Strategy Committee held 22 meetings, of which 4 by joint attendance. 64 issues were considered.

<sup>56</sup> Information on participation in the Strategy Committee is given for the acting Committee members for the period from the election date to 31.12.2020.



\* The list of issues considered by the Strategy Committee of the Company Board of Directors in 2020 is given in Appendix 26 to the Annual Report.

## Reliability Committee

### Reliability Committee Report for 2020

Dear Colleagues!

One of the key areas of responsibility of the Reliability Committee was the emergency response and investigating the causes of accidents in the power industry, in connection with which the key Committee's activity was aimed at ensuring the prescribed level of reliability of the services provided and qualitative analysis of the process disturbance causes.

The Committee considered issues related to reducing the risk of personnel injury and made recommendations to the Company Board of Directors, which contributed to the development of a safety culture and a risk-based approach to work. Along with labour protection, the Committee approved the Report on implementing the Environmental Policy Action Plan, and the results achieved in this area were recognized satisfactory.

At the beginning of the year, the Committee approved the Scenario conditions for drawing up an Investment Programme, corresponding to the new economic challenges. The work was also performed to ensure the comprehensive reliability of this Company's Programme as appropriately amended.

**Andrey Romankov**  
**Chairperson, Reliability Committee**

In the reporting period, the Reliability Committee proceeded in its activities from the Regulation on the Reliability Committee of the Board of Directors of PJSC IDGC of the North-West, approved by Decision of the Company Board of Directors of 31.07.2017 (Minutes No.249/4).

The key Committee's objectives are:

- expert review of the operational programmes, plans for technical re-equipment, renovation, new construction and repair of electric grid facilities, analysis of their development and implementation in terms of ensuring the requirements for reliability of operation and technical condition of the power grids are met,
- assessment of the completeness and adequacy of measures based on the accident investigation results in accordance with the rules of accident cause investigation in electric power industry approved by the Decree of the RF Government, as well as monitoring their implementation,
- expert review of the quality of investigation into the causes of technological power system disturbances (accidents),
- expert review of the Company's activity in the field of emergency response (ensuring readiness, organisation and carrying out emergency recovery operations at electric grid facilities),

- expert review of programmes for prevention and reduction of risks of injuries to the Company's personnel and third parties at the Company's power facilities, as well as control over their implementation,
- monitoring and assessment of the Company's technical services performance to ensure reliable operation of power grids and occupational safety,
- expert review of the Company's internal technical control system,
- expert review of the Company's occupational safety and health management system,
- expert review of the environmental policy implementation programme,
- expert review of the fire and industrial safety system.

The acting Reliability Committee was elected by Decision of the Company Board of Directors of 13.07.2020 (Minutes No. 365/5) in the composition of 6 members.

**[GRI 102-22]**

***Personal data and contribution of the acting members of the reliability committee of the board of directors***

Full Name	Position	Participation <sup>57</sup>	% of participation
<b>Romankov Andrey Olegovich</b> Chairperson	Deputy Chief Engineer of PJSC Rosseti	6 of 6	100
<b>Bogomolov Eduard Valerievich</b>	First Deputy Director of the branch of PJSC Rosseti - Centre for Technical Supervision	6 of 6	100
<b>Golovtsov Aleksandr Viktorovich</b>	A member of the Board of Directors of PJSC IDGC of the North-West	6 of 6	100
<b>Morozov Andrey Vladimirovich</b>	Legal Director of the Association of Professional Investors	6 of 6	100
<b>Fedorov Oleg Romanovich</b>	A member of the Board of Directors of PJSC IDGC of the North-West	6 of 6	100
<b>Yagodka Denis Vladimirovich</b>	A member of the Management Board, First Deputy General Director – Chief Engineer of PJSC IDGC of the North-West	6 of 6	100

In 2020, the Reliability Committee held 11 meetings in absentia, meetings in the form of joint attendance were not held, 29 issues were considered.



\* The list of issues considered by the Reliability Committee of the Company Board of Directors in 2020 is given in Appendix 26 to the Annual Report.

<sup>57</sup> Information on participation in the Reliability Committee is given for the acting Committee members for the period from the election date – from 27.08.2020 to 31.12.2020.

## Technological Connection Committee

### Technological Connection Committee Report for 2020

Dear Colleagues!

The key objective of the Technological Connection Committee is to ensure the transparency of activity and non-discriminatory access to services for technological connection of consumers to the Company's power grids. To achieve this goal, the Committee constantly monitors the Company's activity on the technological connection of consumers to distribution electric grids, including contractual work and general statistics of connection, considering individual groups of consumers.

Also, an analysis of achieving the KPI 'Improving the Power Grid Equipment Capacity Utilization in 2019' was performed. The Committee work allows improving the quality of assessing the efficiency of technological connection of consumers to power grids and preparing timely proposals to the Company Board of Directors.

**Aleksandr Korneev**  
**Chairperson, Technological Connection Committee**

The key purpose of the Technological Connection Committee is to ensure transparency and non-discriminatory access to the services of consumer technological connection to the Company's power grids.

In the reporting period, the Technological Connection Committee of the Board of Directors was guided by the Regulation on the Committee approved by Decision of the Company Board of Directors of 11.03.2020 (Minutes No. 353/30).

The acting Technological Connection Committee was elected by Decision of the Company Board of Directors of 21.07.2020 (Minutes No. 370/6) in the composition of 6 members.

Members of the Technological Connection Committee have the knowledge of the Company's business required for them to perform their functions.

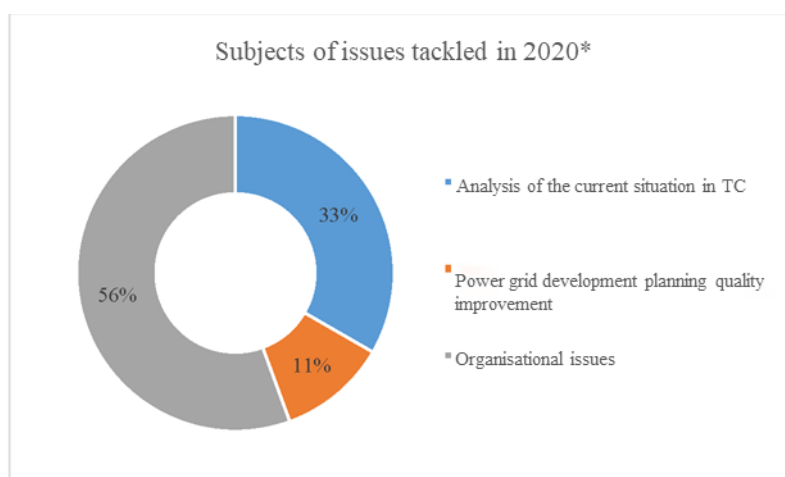
[GRI 102-22]

***Personal data and contribution of the acting members of the technological connection committee of the board of directors***

Full Name	Position	Participation <sup>58</sup>	% of participation
<b>Korneev Aleksandr Yurievich</b> Chairperson	Head of the Technological Connection and Infrastructure Development Department of PJSC Rosseti	3 of 3	100
<b>Golovtsov Aleksandr Viktorovich</b>	A member of the Board of Directors of PJSC IDGC of the North-West	3 of 3	100
<b>Morozov Andrey Vladimirovich</b>	Legal Director of the Association of Professional Investors	3 of 3	100
<b>Rudakov Dmitry Stanislavovich</b>	A member of the Management Board, Deputy General Director for Corporate Governance of PJSC IDGC of the North-West	1 of 3	33,3
<b>Fedorov Oleg Romanovich</b>	A member of the Board of Directors of PJSC IDGC of the North-West	3 of 3	100
<b>Filatova Svetlana Valerievna</b>	A member of the Management Board, Deputy General Director for Development and Marketing of Services of PJSC IDGC of the North-West	3 of 3	100

<sup>58</sup>Information on participation in the Technological Connection Committee is given for the acting Committee members for the period from the election date – from 21.07.2020 to 31.12.2020.

In 2020, the Technological Connection Committee held 5 meetings; those in the form of joint attendance were not held. 9 issues were considered.



\* The list of issues considered by the Technological Connection Committee of the Company Board of Directors in 2020 is given in Appendix 26 to the Annual Report.

## Corporate Secretary

The Corporate Secretary of the Company ensures due procedures of preparation and holding the General Shareholders' Meeting at the Company, coordinates the efforts to protect the rights and interests of shareholders, contributes to efficient performance of the Company Board of Directors and the operations of the Board of Directors Committees<sup>59</sup>.

The Corporate Secretary's activities are stipulated by the Regulation on the Corporate Secretary of PJSC IDGC of the North-West<sup>60</sup>, approved by Decision of the Company Board of Directors of 30.09.2016 (Minutes No.220/11).

To ensure independence of the Corporate Secretary of the Company, he/she is elected by the Board of Directors at the suggestion of the General Director of the Company and/or Chairperson of the Board of Directors. The Company Corporate Secretary is accountable to the Board of Directors. Administrative subordination of the Corporate Secretary is defined by the organisational structure approved by the Company.

The corporate secretary is not the secretary of the Management Board.

From 27.06.2008, Lyudmila Yurievna Nazarenko fulfils the functions of the Corporate Secretary in the Company.

The Corporate Secretary has sufficient knowledge, experience, and qualification to perform her duties, and impeccable professional reputation. She regularly upgrades her qualification.

### Biography of the Corporate Secretary

<b>Nazarenko Lyudmila Yurievna</b> <b>Corporate Secretary of PJSC IDGC of the North-West</b>	Born in 1971 Graduated from the Odessa Technological Institute of the Food Industry in 1993; studied Financial Management at the Intersectoral Institute of Advanced Training and Retraining for Managers of the Saint Petersburg State University of Economics in 2001-2002; graduated from St. Petersburg State University of Engineering and Economics in 2011, majoring in Law. <b>Positions held in the recent five years:</b>
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<sup>59</sup>The Corporate Secretary data are posted on the Company website and given in the Annual Report in the same scope as those of members of the Company Board of Directors and its executive bodies.

<sup>60</sup>The Regulation on the Corporate Secretary of PJSC IDGC of the North-West is available at the Company website: <http://www.mrsksevizap.ru/otherinternaldocuments>.

	<p>2006 – present – Head of the Corporate Governance Unit at the Department for Corporate Governance and Shareholder Relations of PJSC IDGC of the North-West.</p> <p><b><u>Awarded with sectoral awards:</u></b></p> <p>2002 – Certificate of Appreciation by RAO UES of Russia</p> <p>2006 – Certificate of Appreciation by OJSC IDGC of the North-West</p> <p>2013 – Certificate of Appreciation by the Ministry of Energy of the Russian Federation</p> <p><b>Participation in the management bodies of other organizations:</b></p> <p>None</p> <p><b>Participation in the authorized capital of PJSC IDGC of the North-West –</b> 0.0026 %.</p>
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The Corporate Secretary did not perform any transactions with the Company's securities in 2020. In 2020, the Corporate Secretary did not receive any loans (credits) from the Company, or any legal entity incorporated in the Group the Company is part of.

## Executive Management Bodies of the Company

### **General Director**

The sole executive body – the General Director of PJSC IDGC of the North-West performs routine management of the Company and is the Chairperson of the Management Board.

Pidnik Artem Yurievich

General Director, Chairperson of the Management Board

Born in 1983

Graduated from St. Petersburg State University in 2005, majoring in Law with the qualification of Lawyer.

Received a diploma from St. Petersburg State University in 2017, in the retraining programme Executive MBA for managers.

2013-2014 – Deputy Director for Development of CJSC Building and Construction Department No. 10 of Metrostroy,

2014-2018 – First Deputy General Director, General Director of LLC Sevkabel Group,

2017-2018 – General Director of LLC Politburo Managing Company (part-time),

2018 –acting Deputy General Director for Economy and Finance of PJSC IDGC of the North-West,

2018-present – General Director, Chairperson of the Management Board of PJSC IDGC of the North-West.

The General Director's frame of reference covers all issues related to the routine operations of the Company, except for the issues attributed to the competencies of the General Meeting of Shareholders, Board of Directors, and Management Board of the Company. The Company Charter authorizes the General Director to dispose of the Company's property, enter into transactions on behalf of the Company, issue orders, approve guidelines and internal documents on the subjects within his frame of reference, and exercise other rights.

## Management Board

The Management Board is a collective executive body of PJSC IDGC of the North-West.

The Management Board's activity<sup>61</sup> is regulated by the Federal Law "On Joint-Stock Companies", the Company Charter, and the Regulation on the Management Board.

According to the Charter, members of the Management Board are elected by the Board of Directors of the Company, and their number is determined by the decision of the Board of Directors at the suggestion of the General Director.

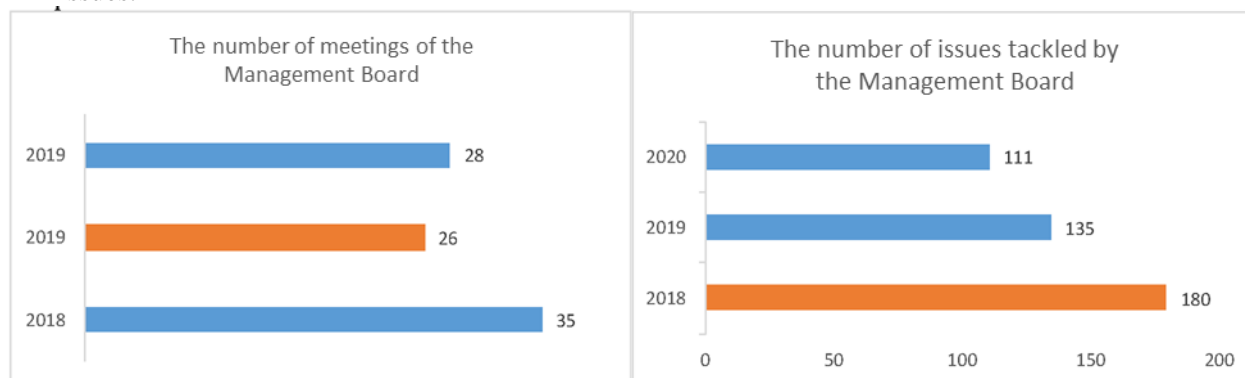
In 2020, due to the HR decisions, the composition of the Company Management Board changed as follows:

- by the Decision of the Board of Directors of 4/2/2020, the powers of the Management Board members Gusev Vladimir Sergeevich and Savin Nikolay Olegovich were terminated.

As of 31.12.2020, the Company Management Board comprised 7 members.

## The Management Board Report

In 2020, the Management Board of PJSC IDGC of the North-West held 28 meetings and considered 111 issues.

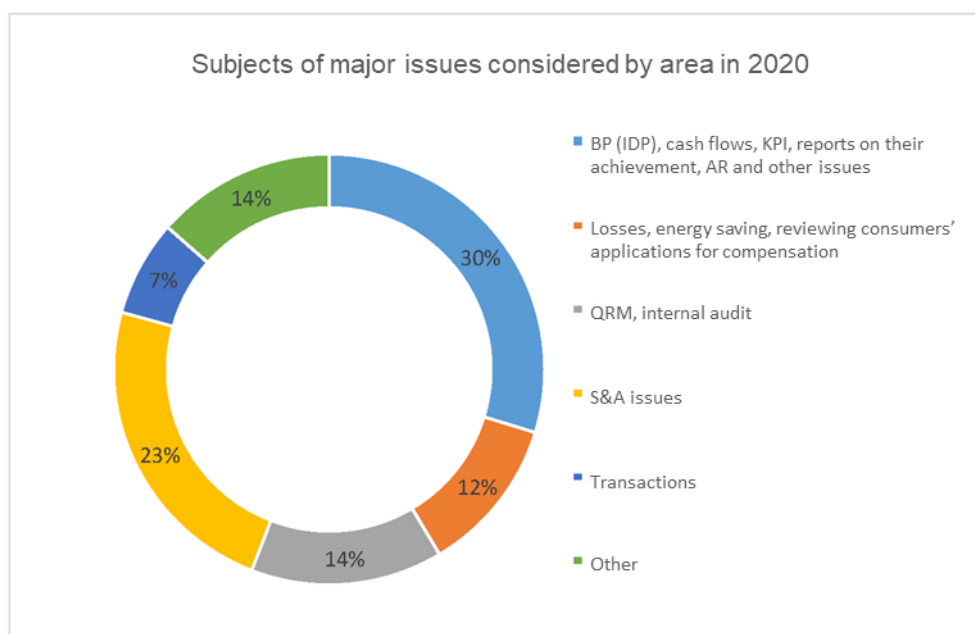


Participation of members of the Management Board in meetings held in 2020			
Pidnik Artem Yurievich	28	28	100
Gusev Vladimir Sergeevich*	7	2	29
Savin Nikolay Olegovich*	7	7	100
Shadrina Lyudmila Vladimirovna	28	27	96
Yagodka Denis Vladimirovich	28	28	100
Rudakov Dmitry Stanislavovich*	28	17	60
Trofimova Marina Mikhailovna	28	27	96
Filatova Svetlana Valerievna	28	27	96
Katkov Vadim Vladimirovich	21	21	100

\*powers terminated.

<sup>61</sup> The frame of reference of the Management Board of PJSC IDGC of the North-West is stipulated by the Company Charter <http://www.mrsksevizap.ru/charterinternaldocuments>.





To ensure the effective activity of the Company Board of Directors and the adoption of balanced and well-grounded decisions by this body, the Company Management Board previews the most important and significant issues within the competence of the Company Board of Directors and gives appropriate recommendations. When the Board of Directors makes decisions with instructions to the Company Management Board, the latter should timely fulfil these instructions.

#### Biographies of members of the Management Board

<p><b>Pidnik Artem Yurievich</b></p> <p><b>General Director Chairperson of the Management Board</b></p>	<p>Biography is given on p. 159.</p> <p><b>Participation in the management bodies of other organizations:</b> None</p>
<p><b>Katkov Vadim Vladimirovich</b></p> <p><b>Member of the Management Board Deputy General Director for Security</b></p> <p><b>Date of election to the Management Board – 02.04.2020</b></p>	<p>Born in 1973. Graduated from the Saratov State Academy of Law in 1995, majoring in Jurisprudence with the qualification of Lawyer; graduated from ANCO HE Smolny Institute of the Russian Academy of Education in 2013, majoring in Finance and Credit with the qualification of Economist.</p> <p><b>Positions held in the recent five years:</b></p> <ul style="list-style-type: none"> <li>• 2012–2019 — Deputy Head of the North-West Customs Directorate - Head of Logistics Service.</li> <li>• 2019–2019 — Head of the Security Department, Acting Deputy General Director for Security.</li> <li>• 2019–present - Deputy General Director for Security of PJSC IDGC of the North-West.</li> </ul> <p>2020–present – a member of the Management Board of PJSC IDGC of the North-West.</p> <p><b>Participation in the management bodies of other organizations:</b> None</p>
<p><b>Rudakov Dmitry Stanislavovich</b></p> <p><b>Member of the Management Board</b></p>	<p>Born in 1975. Graduated from the Moscow State Law Academy in 2002, majoring in Jurisprudence with the qualification of Lawyer.</p> <p><b>Positions held in the recent five years:</b></p> <ul style="list-style-type: none"> <li>• 2014-2015 — acting Director of the Priority Development Projects Department of Sevastopol; Director of the Department for Property and</li> </ul>

<p><b>Deputy General Director for Corporate Governance</b></p> <p><b>Date of election to the Management Board – 07.06.2019</b></p>	<p>Land of Sevastopol; Head of the Legitimacy Unit of the Department for Law, Property, and Land of Sevastopol Government.</p> <ul style="list-style-type: none"> <li>• 2015-2016 — Auditor of the Audit and Accounting Chamber of Sevastopol.</li> <li>• 2016–2019 — First Deputy Head of Administration; Deputy Head of Administration on Urban Development, Administration of Municipality of Rybinsk.</li> <li>• 2019 — acting Deputy General Director for Corporate Governance at PJSC IDGC of the North-West.</li> <li>• 2019-2020 — Deputy General Director for Corporate Governance of PJSC IDGC of the North-West.</li> <li>• 2019–2021 — a member of the Management Board of PJSC IDGC of the North-West.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> Chairperson of the Board of Directors of JSC Energoservis of the North-West; a member of the Board of Directors of JSC Tavrichesky Bank.</p>
<p><b>Trofimova Marina Mikhailovna</b></p> <p><b>Member of the Management Board, Deputy General Director - Head of Administration</b></p> <p><b>Date of election to the Management Board – 07.06.2019</b></p>	<p>Born in 1972.</p> <p>Graduated from St. Petersburg State University in 1994, majoring in Economics and Research and Development Management with the qualification of Economist.</p> <p><b>Positions held in the recent five years:</b></p> <ul style="list-style-type: none"> <li>• 2014–2016 — HR Director of JSC Kronstadt Group.</li> <li>• 2017 — Director of the Personnel Directorate of PJSC Bank Saint Petersburg.</li> <li>• 2019 — Advisor of the Administrative Department of PJSC IDGC of the North-West, acting Deputy General Director – Head of Administration.</li> <li>• 2019–2021 — Deputy General Director – Head of Administration of PJSC IDGC of the North-West.</li> <li>• 2019 - present – a member of the Management Board of PJSC IDGC of the North-West.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> None</p>
<p><b>Filatova Svetlana Valerievna</b></p> <p><b>Member of the Management Board, Deputy General Director for Development and Marketing of Services</b></p> <p><b>Date of election to the Management Board – 30.09.2019</b></p>	<p>Born in 1980</p> <p>In 2003 she graduated from the North-West State Technical University with a degree in Power Supply with the qualification “Engineer”.</p> <p><b>Positions held in the recent five years:</b></p> <ul style="list-style-type: none"> <li>• 2005–2017 — Director for Technological Connection, other positions at PJSC Lenenergo.</li> <li>• 2017–2018 — Deputy Director for Development and Marketing of Services of PJSC Lenenergo branch Gatchina Power Grids.</li> <li>• 2018 — Deputy General Director for Development and Marketing of Services of LLC Renaissance Engineering.</li> <li>• 2018-2019 — Advisor of the Administrative Department, acting Deputy General Director for Development and Marketing of Services of PJSC IDGC of the North-West.</li> <li>• 2019– present – Deputy General Director for Development and Marketing of Services of PJSC IDGC of the North-West, a member of the Management Board of PJSC IDGC of the North-West.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> Chairperson of the Board of Directors of JSC Pskovenergosbyt.</p>
<p><b>Shadrina Ludmila</b></p>	<p>Born in 1973.</p>

<p><b>Vladimirovna</b></p> <p><b>Member of the Management Board, Deputy General Director for Economy and Finance</b></p> <p><b>Date of election to the Management Board – 20.12.2018</b></p>	<p>Graduated from the Smolensk University for the Humanities in 1999, majoring in Finance and Credit with the qualification of Economist.</p> <p><b>Positions held in the recent five years:</b></p> <p>Participation in the management bodies of other organizations: Chairperson of the Board of Directors of Pskovenergosbyt JSC.</p> <ul style="list-style-type: none"> <li>• 2014–2018 — Advisor of the Acting Director for Finance, Deputy Director for Economy and Finance, Director for Finance at OJSC Klimov.</li> <li>• 2018 — Advisor of the Administrative Department (part-time), Acting Deputy General Director for Economy and Finance of PJSC IDGC of the North-West.</li> <li>• 2018-2019 — Deputy Chief Accountant of OJSC Klimov (part-time).</li> <li>• 2018–present – Deputy General Director for Economy and Finance of PJSC IDGC of the North-West, a member of the Management Board of PJSC IDGC of the North-West.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> a member of the Board of Directors of JSC Pskovenergosbyt.</p>
<p><b>Yagodka Denis Vladimirovich</b></p> <p><b>Member of the Management Board, First Deputy General Director - Chief Engineer</b></p> <p><b>Date of election to the Management Board – 20.12.2018</b></p>	<p>Born in 1979.</p> <p>Graduated from the Ivanovo State Power University in 2001, majoring in Power Supply (Industrial) with the qualification of Electrical Engineer.</p> <p><b>Positions held in the recent five years:</b></p> <ul style="list-style-type: none"> <li>• 2014-2015 — acting Deputy Chief Engineer for Operation – Head of the Maintenance and Repairs Department of OJSC IDGC of the North-West.</li> <li>• 2015-2016 — Deputy Chief Engineer for Operation – Head of the Maintenance and Repairs Department of PJSC IDGC of the North-West.</li> <li>• 2017 — Leading Expert of the Occupational Health and Safety and Environmental Protection Department of the Environmental Operation Monitoring Unit at OP 7810-SGK-St. Petersburg of LLC Stroygazkonsalting.</li> <li>• 2017 — Deputy Chief Engineer for Technological Development and Innovation – Head of the Department for Technological Development and Innovation, acting First Deputy General Director – Chief Engineer of PJSC IDGC of the North-West.</li> <li>• 2017–present – First Deputy General Director – Chief Engineer of PJSC IDGC of the North-West.</li> <li>• 2018–present – a member of the Management Board of PJSC IDGC of the North-West.</li> </ul> <p><b>Participation in the management bodies of other organizations:</b> None</p>

In 2020, the General Director and members of the Company Management Board did not perform any transactions with shares of PJSC IDGC of the North-West.

In 2020, the General Director and members of the Management Board did not receive any loans (credits) from the Company, or any legal entity incorporated in the Group the Company is part of.

The General Director and members of the Management Board did not own any shares of PJSC IDGC of the North-West in 2020.

The biographies of the members of the Management Board, whose powers were terminated in 2020, are given in Annex 27 to the Annual Report and posted on the Company website: <https://www.mrsksevzap.ru/about/controldepartments/rule/>.

## The Company remuneration system

[GRI 102-35]

### Remuneration system for members of the Board of Directors

Remuneration and compensation types, amounts and procedures of payment to members of the Company Board of Directors 2020 were stipulated by the Regulation on Remunerations and Compensations to Members of the Board of Directors of PJSC IDGC of the North-West (hereinafter – the Regulation), approved by Decision of the annual General Meeting of Shareholders of the Company of 14.06.2019 (Minutes No. 14)<sup>62</sup>.

[GRI 102-36]

The Regulation provides for the following payments:

#### 1. Remuneration for participation in the Board of Directors

The payment is made subject to the results of the activities in the period from the candidate's election to the Board of Directors till the Company Board of Directors is elected in the new composition.

Remuneration is paid quarterly to each member of the Board of Directors.

The amount of quarterly remuneration for each member of the Company Board of Directors depends on the total number of meetings of the Company Board of Directors (regardless of the form of holding) held in the reporting quarter, the number of meetings attended by the member of the Board of Directors for the period between the annual General Meetings of Shareholders, and the fixed amount of the remuneration.

The fixed amount of remuneration is determined based on the Company's revenue estimated under the RAS for the previous fiscal year preceding the election of the Company Board of Directors.

Along with remuneration for participation in the Company Board of Directors, the following additional payments are established:

- 30 % - to the Chairperson of the Company Board of Directors,
- 20 % - to the Chairperson of a specialized committee of the Company Board of Directors,
- 10 % - for membership in a specialized committee of the Company Board of Directors.

The total amount of the quarterly remuneration per each member of the Company Board of Directors, including additional payments, cannot exceed 1/4 of the fixed amount of remuneration.

No remuneration is paid to:

- the sole executive body (General Director) of the Company,
- persons who are restricted or forbidden by law to receive payments from commercial entities,
- members of the Board of Directors who attended less than 50 % of the meetings held.

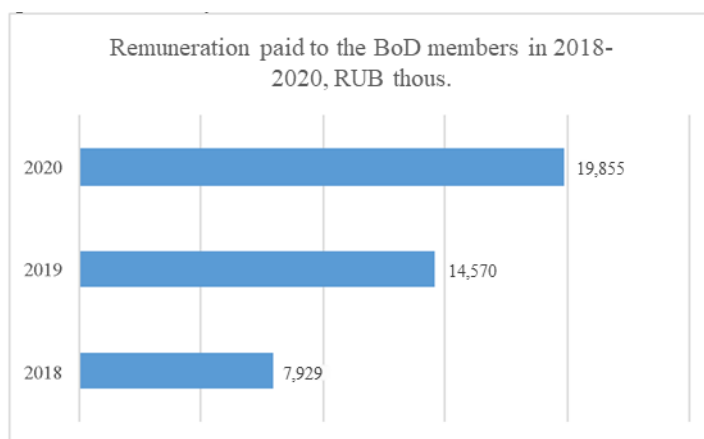
#### 2. Compensation to members of the Board of Directors.

A member of the Board of Directors is entitled to compensation for expenses related to participation in meetings of the Board of Directors, a specialized Committee of the Board of Directors, and General Meetings of Shareholders of Company in line with the standards of reimbursement of travel expenses effective in the Company as of the date of the meeting.

No remuneration or compensation is paid to members of the Board of Directors who are the sole executive body of the Company, members of the Management Board of the Company, and government officials.

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<sup>62</sup> The full text of the Regulation on Remunerations and Compensations to Members of the Board of Directors of PJSC IDGC of the North-West is available on the website of PJSC IDGC of the North-West at <http://www.mrsksevzap.ru/remunerationcompensationregulation>.



**Remuneration paid to members of the Company Board of Directors in 2018–2020, RUB<sup>63</sup>**

Full name	Position	For participation in meetings of the Board of Directors	Additional payments for chairpersonship of the Board of Directors, chairpersonship/membership in Committees of the Board of Directors	For increase in the Company's market capitalization	Total
<b>Paid in 2018</b>		6,890,110	1,038,462	-	7,928,571
<b>Paid in 2019</b>		14,193,955		375,804	14,569,759
<b>Paid in 2020, incl.:</b>		<b>19,855,001</b>			<b>19,855,001</b>
<b>Paid in 2020 to the Board of Directors elected by the AGSM 2019, including:</b>		14,735,770		-	14,735,770
1	Alyushenko Igor Dmitrievich	1,370,769	20 %	-	1,370,769
2	Bychko Mikhail Aleksandrovich	1,396,155	10 %	-	1,396,155
3	Golovtsov Aleksandr Viktorovich	1,650,000	40 %	-	1,650,000
4	Zharikov Aleksey Nikolaevich	1,370,769	20 %	-	1,370,769
5	Korneev Aleksandr Yurievich	1,650,000	30 %	-	1,650,000
6	Morozov Andrey Vladimirovich	1,607,692	30 %	-	1,607,692
7	Sergeeva Olga Andreevna	1,514,615	40 %	-	1,514,615
8	Stepanova Maria Dmitrievna	1,256,639	10 %	-	1,256,639

<sup>63</sup> Hereinafter in the Annual Report, the amounts of remuneration paid to management and control bodies are given without deduction of the individual income tax.

9	Shagina Irina Aleksandrovna	1,396,155	10 %	-	1,396,155
10	Fedorov Oleg Romanovich	1,523,076	20 %	-	1,523,076
<b>Paid in 2020 to the Board of Directors elected by the AGSM 2020</b>		<b>5,119,231</b>			<b>5,119,231</b>
1	Bychko Mikhail Aleksandrovich	465,385	10 %	-	465,385
2	Golovtsov Aleksandr Viktorovich	550,000	50 %	-	550,000
3	Goncharov Yuri Vladimirovich	507,692	20 %	-	507,692
4	Korneev Aleksandr Yurievich	550,000	30 %	-	550,000
5	Mikhailik Konstantin Aleksandrovich	550,000	30 %	-	550,000
6	Mikheev Dmitry Dmitrievich	423,077	-	-	423,077
7	Morozov Andrey Vladimirovich	550,000	40 %	-	550,000
8	Obrezkova Yuliya Gennadievna	465,385	10 %	-	465,385
9	Shagina Irina Aleksandrovna	507,692	20 %	-	507,692
10	Fedorov Oleg Romanovich	550,000	50 %	-	550,000

The Regulation provides for neither a system of long-term motivation of members of the Board of Directors nor dismissal payments upon termination of their powers.

***Compensation for the expenses paid to members of the Company Board of Directors in 2018-2020, RUB***

	2018	2019	2020
Compensation of expenses related to performing the functions of members of the Board of Directors	157,552	430,465	248,242

**Remuneration System for members of the Board of Directors Committees**

**[GRI 102-36]**

Remuneration and compensation types, amounts and procedures of payment to members of the Company's Board of Directors Committees are stipulated by Regulations on remunerations and compensations to members of the Board of Directors Committees of the Company approved by Decision of the Company Board of Directors of 25.08.2009<sup>64</sup> (hereinafter - the Regulation) as amended by the Board of Directors on 29.12.2015.

Under the Regulation, if the Chairperson or a member of the Committees of the Board of Directors are simultaneously members of the Company Board of Directors, their remuneration is regulated by the

<sup>64</sup>The full text of the Regulation on Remunerations and Compensations to Members of the Committees of the Board of Directors of PJSC IDGC of the North-West is available on the website of PJSC IDGC of the North-West at <http://www.mrsksevzap.ru/remunerationcompensationregulation>.

Regulations on Remunerations and Compensations to Members of the Board of Directors of PJSC IDGC of the North-West.

The Regulation provides for remuneration for each meeting attended by the member of the BoD Committee:

For participation in a meeting of the Committee of the Board of Directors held in absentia	For participation in a meeting of the Committee of the Board of Directors held in the form of joint attendance
remuneration is paid in the amount equivalent to one minimum monthly wage rate of a first-category worker (hereinafter – MMWR) set by the Sectoral Tariff Agreement for the Russian Federation Power Industry (hereinafter – the Agreement) as of the date of the meeting of the Board of Directors Committee, considering the indexation stipulated by the Agreement.	remuneration is paid in the amount equivalent to two MMWRs set by the Agreement as of the date of the meeting of the Board of Directors Committee, considering the indexation stipulated by the Agreement.

The amount of remuneration paid to the Chairperson (Deputy Chairperson) of a Committee for each meeting at which he/she acted as Chairperson of the Committee of the Board of Directors increases by 50 %.

Moreover, in line with the Regulations, members of the BoD Committees are entitled to compensation of the actual expenses related to performing the functions of the member of a Committee of the Board of Directors.

No remunerations and compensations are paid to Committee members who are:

- the sole executive body (General Director) of the Company,
- persons who are restricted or forbidden by law to receive payments from commercial entities.

Remuneration and compensation are not paid to members of the Committees who are:

***Remuneration paid to members of the Committees of the Board of Directors in 2018–2020<sup>65</sup>***

Period	Remuneration for participation in meetings of the BoD Committees RUB <sup>66</sup>
<b>Audit Committee</b>	
2018	-
2019	-
2020	-
<b>HR and Remuneration Committee</b>	
2018	-
2019	-
2020	-
<b>Strategy Committee</b>	
2018	925,038
2019	482,545
2020	2,133,198
<b>Reliability Committee</b>	
2018	379,631
2019	182,475
2020	295,193
<b>Technological Connection Committee</b>	
2018	239,817
2019	161,238

<sup>65</sup>The data do not include additional payments to remuneration paid to the members of the Company Board of Directors who are simultaneously members of the Company BoD Committees.

<sup>66</sup>In 2019, the following MMWRs were used to calculate the remunerations for participation in the meetings of the Company BoD Committees: from 01.01.2019 – RUB 8,110; from 01.07.2019 – RUB 8,313

2020	83,130
<b>Total remuneration paid for participation in meetings of the Committees of the Board of Directors</b>	
2018	1,544,487
2019	826,258
2020	2,532,303

## Remuneration System for the General Director and Members of the Management Board

### [GRI 102-36]

The system of motivation for the Company General Director is determined by the labour contract and the Regulation on Remunerative Incentives for the General Director of PJSC IDGC of the North-West approved by the Company Board of Directors on 15.06.2011 (Minutes No. 79/19) as amended by Decisions of the Board of Directors of 17.04.2012 (Minutes No. 96/17), 21.12.2012 (Minutes No. 118/16), 13.03.2015 (Minutes No. 176/18), 14.07.2017 (Minutes No. 248/3), 30.09.2019 (Minutes No. 334/11), and 30.12.2020 (Minutes No. 285/21).

Members of the Company Management Board are classified as the Company's top management. The incentive system for the Company's top management is determined by their labour contracts and the Regulation on Remunerative Incentives and Employment Benefits for the Top Management of PJSC IDGC of the North-West approved by the Company Board of Directors on 15.06.2011 (Minutes No. 79/19).

The system of remunerative incentives for the General Director and members of the Management Board (top management) includes the following types of remuneration:

- **Salary.** The key principle of defining the salaries for the General Director and the top management is establishing a fair competitive level of remuneration (position-related salary). The level of the salaries is consistent with the market conditions, which ensures the stability of the Management Board composition.

- **Remuneration for performing the functions of the Management Board member.** The Regulation on Remunerative Incentives and Employment Benefits for the Top Management of the Company provides for additional personal payments to the top managers for performing the functions of members of the Management Board in the amount up to 15 % of their position-related salary (in proportion to the hours of work).

- **Additional payments for work with data classified as a state secret.** The amount of additional payment is determined as a percentage of the position-related salary in line with the Rules for the payment of monthly rated allowances to the salaries (wage rates) of the citizens, who have been authorized for access to state secret on a permanent basis, and employees of the structural units for protection of state secret as approved by the RF Government Order No. 573 dated 18.09.2006.

- **Bonus payments.** The Regulations on Remunerative Incentives provide for the following types of bonus payments:

- bonus for achieving the quarterly KPI,
- bonus for achieving the annual KPI,
- additional incentives for achieving the targets (strategic priorities) at the year-end defined by the Company Board of Directors,
- special bonuses for achieving outstanding KPIs defined by the Company Board of Directors as priorities,
- bonus for performing tasks (work) of special importance.

Bonus payments are aimed at motivating the General Director and members of the Management Board to pursue priority tasks of the Company by achieving key performance indicators (KPIs)<sup>67</sup>.

The KPIs used to assess the performance of the General Director and the specific weight of each KPI in the quarterly and annual bonuses of the General Director are set by the Company Board of Directors. The KPIs for the top management are set by the General Director based on the KPIs approved by the

<sup>67</sup>The system of key performance indicators is given in the Section 'Key Performance Indicators (KPI)' of the Annual Report.



Company Board of Directors considering the degree to which a top manager can affect the achievement of the target KPI and the KPI of personal responsibility in the top manager's area.

***The KPIs set to motivate (define the amount of remuneration) of the General Director in 2020***

No.	KPI
<b>Annual KPIs</b>	
2.1.	Total shareholder return
2.2.	Return on invested capital
2.3.	Operating profit (EBITDA)
2.4.	Decrease in specific operating costs (expenses)
2.5.	Power loss level
2.6.	Increase in labour productivity
2.7.	The efficiency of innovation activity
2.8.	Decrease in receivables
2.9.	Compliance with the technological connection schedule
2.10.	Debt/EBITDA
2.11.	Compliance with the schedule for the commissioning of facilities
2.12.	Readiness to operation during the heating season
2.13.	Implementation of the Company Development Plan
2.14.	Achieving the reliability of the services provided
2.15.	The lack of industrial accidents

\*The target value for 2020 is not set due to the lack of the Company Development Plan 2020.

***The KPIs set to motivate (define the amount of remuneration) of the members of the Management Board in 2020***

No	Indicators
<b>Quarterly KPIs set by the Company Board of Directors (Order No. 411 of 15.06.2017, as amended by Orders No. 643 of 12.09.2017, No. 646 of 26.09.2018, No. 315 of 27.05.2019, No. 549 of 29.08.2019, No. 561 of 02.09.2019, No. 202 of 27.03.2020, and No. 399 of 10.07.2020)</b>	
1.	Consolidated operating profit (EBITDA)
2.	Consolidated net debt/EBITDA
3.	Implementation of the plan to reduce the Company's accounts receivable
4.	No growth in the number of major accidents
5.	No growth in the number of accident victims
6.	Compliance with the commissioning schedule
7.	Efficiency of investment activities: Compliance with the quarterly schedules of project implementation and commissioning of fixed assets under the Investment Programme
8.	Compliance with the plan of maintenance and repairs
9.	Limit of operating costs
10.	Power losses in grids of all voltage levels
11.	Power losses level in grids of 0.4-20 kV
12.	Compliance with the technological connection deadlines
13.	Zero violations of the current RF legislation, the Charter and internal documents of the Company in the corporate events organisation and conducting
14.	Quality of control over the progress of performing the instructions inherent in orders and regulations of the superior organisations
15.	Zero failures to take measures in cases when the Company suffers from large or especially large-scale financial damage or damage to its business standing
16.	Zero penalties for failure to submit reporting to tax authorities in due time or violation of the procedure for statistics presentation
17.	Ensuring performance of the obligations to pay for the services of power transmission in the grids of a branch
18.	Reaching the target reliability level of the services rendered
<b>Annual KPIs set by the Company General Director (Order No. 411 of 15.06.2017, as amended by Orders No. 643 of 12.09.2017, No. 646 of 26.09.2018, No. 315 of 27.05.2019, No. 549 of 29.08.2019, No.</b>	

**561 of 02.09.2019, No. 202 of 27.03.2020, and No. 399 of 10.07.2020)**

1.	Consolidated net cash flow
2.	Decrease in unit operating expenses (costs)
3.	Increase in the power grid equipment capacity utilisation
4.	Power losses level
5.	Reduction in unit investment costs
6.	Labour efficiency improvement
7.	Innovation activities efficiency
8.	Meeting the technological connection deadlines
9.	Reaching the reliability level of the services rendered
10.	Compliance with the schedule of capacity launch and the plan to implement the Investment Programme
11.	Increase in the efficiency of power grids servicing
12.	Fulfilment of the personnel training plans
13.	Ensuring performance of the obligations to pay for the services of power transmission in the grids of the Company
14.	Ensuring reliability of accounting and timely presentation of accounting, tax, IFRS and statistical statements
15.	Sale of non-core assets

Bonuses are paid upon achievement of the key performance indicators and depend on the degree to which the KPIs were achieved in the reporting periods (quarters and year). Results of the KPI achievement by the General Director in the reporting period are considered by the Strategy and Development Committee of the Board of Directors and approved by Decision of the Company Board of Directors. Results of the KPI achievement by the top management in the reporting period are approved by Order of the General Director.

General Director and top managers can receive bonuses for implementation of particularly important tasks approved by the management bodies of the Company. Particularly important tasks (activities) include those with special requirements regarding their timeframe and quality, responsibility and significance for the industry and the state.

• **One-off recreational leave payments.** It is established for the Company's top management and equals one position-based salary.

• **Severance package.** The conditions of the labour contracts with the General Director and the Management Board members do not provide for the possibility of any guaranteed payments in case of early termination of their office ('golden parachutes'), except for the guarantees provided for by the labour legislation.

***Data on the amount of remunerations paid to members of the Management Board of the Company, including the person holding the position of the sole executive body, RUB<sup>68</sup>***

Remuneration	2018	2019	2020
Salary	31,941,826	20,460,471	22,751,042
Remuneration for performing the functions of the Management Board member	2,336,280	3,140,042	3,410,164
Bonuses	42,477,709	4,163,993	65,998,370
<i>including annual incentives</i>	<i>19,314,239</i>		<i>34,578,373</i>
Other payments	3,255,507	7,555,257	12,221,006
Severance package	4,009,543	64,495	3,233,108
Total remuneration	84,020,865	35,384,258	107,613,689

<sup>68</sup> The table includes data on the aggregate annual remuneration for all members of executive bodies, including the key managers of the Company subject to the Company remunerations policy, broken down by remuneration types. .

**Data on remunerations paid to the person holding the position of the sole executive body, RUB**

Remuneration	2018	2019	2020
Salary	2,948,482	4,623,933	4,756,020
Remuneration for performing the functions of the Management Board member			
Bonuses	7,088,569	409,327	6,812,480
<i>including annual incentives</i>	<i>5,067,120</i>		<i>5,080,615</i>
Other payments	403,913	2,394,174	3,095,668
Severance package	4,542,135		
Total remuneration	14,983,099	7,427,434	14,664,168

The introduction and implementation of the Company’s Remunerations Policy are controlled by the HR and Remunerations Committee of the Board of Directors.

### Subsidiary Management System

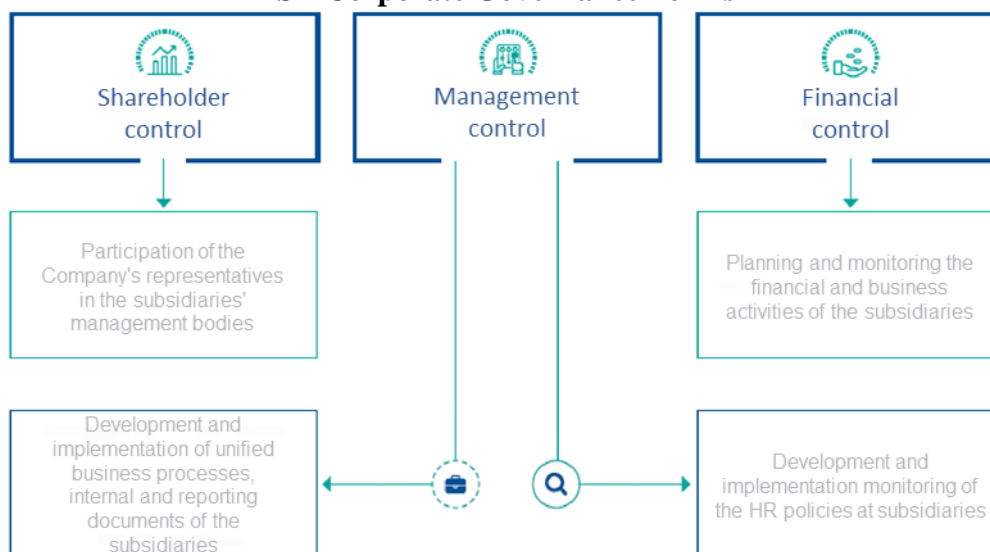
PJSC IDGC of the North-West interacts with its subsidiary entities (hereinafter – SE) using corporate governance methods subject to requirements of the Russian Federation legislation, the Charter, the procedure for PJSC IDGC of the North-West interaction with the organizations, in which it participates, and other internal documents of the Company, as well as Charters stipulating the procedures for management and control bodies (Regulations on the Boards of Directors, Audit Commissions, etc.).

The corporate governance of PJSC IDGC of the North-West SEs is performed via a system of management and control bodies in line with the Company’s interests:

- Board of Directors of PJSC IDGC of the North-West,
- Management Board of PJSC IDGC of the North-West,
- SE Board of Directors,
- SE Audit Commission.

Information on management and control bodies of the PJSC IDGC of the North-West SEs is given in Annex 28 to the Annual Report and posted on the Company website: <http://www.mrsksevzap.ru/aboutnorthwestcompany>.

### SE Corporate Governance Forms



## Supervisory Bodies and Risk Management

### Risk Management System

[GRI 102-30]

The Company has a risk management system (hereinafter – the RMS) aimed at ensuring reasonable confidence in the achievement of the Company’s goals determined by the Strategy for the Development of the Electric Grid Facilities of the Russian Federation, the development programme documents, and the Company Charter, and the growth of the Company’s value while maintaining a balance of interests of all stakeholders.

The RMS is aimed at identifying events that may affect the Company’s activities, managing the risks associated with these events, and maintaining the maximum permissible level of risks at the preferred risk level.

#### The Company's risk management goals

- Reduction in the probability and/or consequences of the events with adverse impact on achieving the Company’s goals,
- Setting priorities of the Company’s business based on the identification of existing risks, including financial ones,
- Protection of assets and efficient use of the available resources,
- Achievement of the planned performance indicators,
- Ongoing improvement of the performance efficiency in all areas by analysing and evaluating the existing risks,
- Ensuring reliable process operation of the power grid facilities in the Russian Federation,
- Achievement of the optimal efficiency of Company's RMS and the S&A,
- Timely and complete informational and analytical support of the management decision-making and planning the activities of the Company and the S&A.

Risk management is an ongoing process.

The Company's RMS is based on the following principles:

1. Risk management is an integral part of all organizational processes.
2. Risk management is part of the decision-making process.
3. Risk management is systematic, structured, and timely.
4. Risk management is based on the best information available.
5. Risk management is transparent and considers the interests of stakeholders.
6. Risk management is dynamic, iterative (repetitive), and responsive to change.
7. Risk management contributes to the continuous improvement of the organization.
8. All the RMS participants are responsible for identifying, assessing, analysing, and continuously monitoring risks within the framework of their activities, developing, and implementing the required risk management measures, and continuous monitoring of the efficiency of the risk management measures.

To operate the RMS, the Risk Management Policy of PJSC IDGC of the North-West has been approved by the Decision of the Board of Directors of 31.03.2016 (Minutes No. 200/15). The risk management policy defines the goals, operational guidelines, and components of the Company RMS, key functions and responsibilities of the RMS participants, and the procedures for assessing the RMS efficiency.

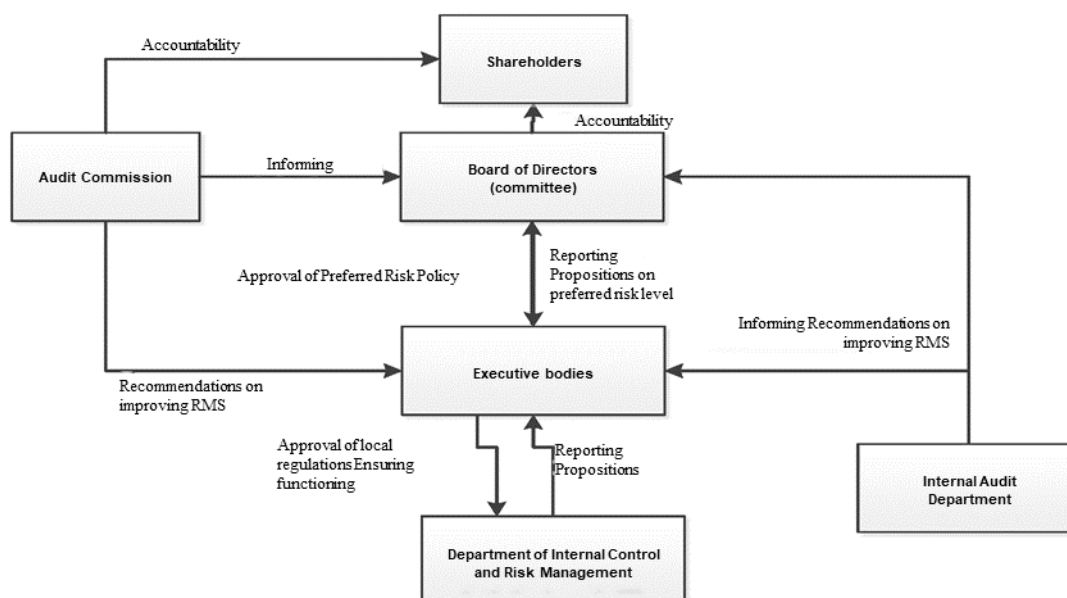
The Company also implements the following regulatory documents in the field of risk management:

1. Approved by Order No. 229 of 09.04.2020, On Approval of Methodological Documents in the Field of Risk Management for PJSC IDGC of the North-West:
  - Regulation on Risk Management.
  - the tree-like risk model of the Company.
  - the risk management system maturity model.
2. Approved by Order No. 484 of 21.08.2020, On Approval of the Methodology for Self-Assessment of the Risk Management System Efficiency by Risk Categories (Areas of Activity):
  - the Methodology for Self-Assessment of the Risk Management System Efficiency by Risk Categories (Areas of Activity).

The Company has an Internal Control and Risk Management Unit performing the functions of overall coordination of risk management processes, the development of a methodology on ensuring the risk management process and the RMS operation, reporting the risk management results, assessing the RMS efficiency, etc., according to the Risk Management Policy and the Regulation on the Unit.

The functions of the RMS participants are determined by the Company's Risk Management Policy, Regulations on structural subdivisions, job descriptions, and are given in Annex 29 to the Annual Report.

The interaction of the Company's RMS participants is shown in the diagram.



To ensure the RMS efficiency and compliance with the objective evolution of requirements and conditions, the Company's Internal Auditor assesses the RMS efficiency.

The internal independent assessment of the RMS efficiency is performed by the Company's Internal Auditor. In 2020, the RMS efficiency was reviewed by the Board of Directors upon preliminary discussion of the issue by the Audit Committee of the Board of Directors. The Company's RMS maturity level for 2020 was assessed as 4.5 points: intermediate between 'Moderate' and 'Optimal'. The overall RMS efficiency in 2019 was deemed 'Moderately efficient'.

To improve the RMS maturity level, the Company management developed a Plan for the Development and Improvement of the Company's Risk Management System for 2020-2023, which was approved by the Board of Directors on 12/31/2019 (Minutes No. 344/21) and enacted by the Company Order No.15r of 17.01.2020.

### Improving the Risk Management System in 2020

In the reporting year, the Company implemented the following key measures aimed at the RMS improvement:

1. According to the new risk management methodology, the Register of functional and business-process risks for 2020 (Minutes No. 10pr of the Management Board meeting of 30.04.2020) and the Risk Management Action Plan for 2020 (Minutes No. 11pr of the Management Board meeting of 27.05.2020) were approved.
2. Methodological documents on identifying, analysing, and assessing the Company's risks, responding to risks, and documenting information on them, as well as internal documents on assessing the risk management maturity level in the Company were approved.
3. The Regulation on the System of Automated Monitoring of Process Efficiency Indicators was approved and enacted, aimed at improving the decision-making process for responding to emerging risks and reducing the number of unforeseen events and losses in economic activity.
4. As part of the integration of the effective Anti-Corruption Compliance System into the general Company's Internal Control and Risk Management System, the Register of Corruption Risks of the Company for 2020 was introduced.

5. A training course on RMS, ICS, and QMS was developed, and training performed for top and mid-level management performing the functions of identifying, assessing, and documenting the risk data and developing action plans for risk management in the Company's activity areas, as well as employees of departments responsible for updating risk passports, reports on the implementation of risk management action plans, and control procedures under their job duties. The RMS, ICS, and QMS presentations are posted on the Company's corporate resource and are available to all the Company employees.

**Plans for 2021**

The key RMS development actions planned for implementation in 2021:

1. Updating the Risk Management Policy based on the principles of the COSO concept "Organization Risk Management. Integration with Strategy and Performance" and the ISO 31000-2018 standard, Risk Management – Guidelines.
2. Implementing a unified methodology for determining the risk appetite according to the standards of the Rosseti Group. Submitting the risk appetite assessment to the Board of Directors for approval.
3. Performing training for management and employees on the RMS arrangement and operation.

### *Information about key risk management*

As a new methodology for risk assessment was implemented in 2020 along with the update of the risk register in the context of the Company's Development Strategy, the dynamics of key risks is provided as of the end of the reporting period.

The Company ensures a timely identification, assessment and monitoring of the risks. The Company takes measures on the reduction of risk probability and implications and informs shareholders and other stakeholders about them.

In compliance with the Risk Management Regulation and by the decision of the Company's Board, the Company's Risk Register for 2020 was approved. It included 48 functional risks, i.e., aggregated business process risks and risk having a significant impact on the Company's activity, including KPIs of a sole executive body of the Company, and thus on the achievement of goals on the power grid facilities management and provision of strategic goal of the Group Rosseti.

To define the risk impact on the Company's activity, risk significance is identified. Risks are ranked by three levels of significance: moderate, significant, critical.

The actions on mitigation of the "significant" or "critical" risks are included in the Action Plan on the Company's risk management for 2020. The plan is upgraded on the annual basis.

No. п/п	Name of the risk	Impacted performance indicators	Risk significance level	Risk management actions
1	FR01-01	Decrease in the volume of power transmission services to the consumers of regional distribution grids	Significant	<ul style="list-style-type: none"> <li>Monitoring of general power demand. Making up a credit and debit balance, analysis of technological connection requests. Forming the volume of power transmission on the Company's grid to be included into the tariff request for 2021</li> <li>Forming and inclusion of revenues falling short due to the decreased power demand into a tariff and balance decision (TBD)</li> </ul>
2	FR01-02	Change in the structure of power transmission services on voltage, tariff options, consumer groups	Significant	<ul style="list-style-type: none"> <li>Monthly monitoring of power consumption</li> <li>Monitoring over the misconduct of LGOs</li> <li>Making up a credit and debit balance, analysis of technological connection requests. Forming the volume of power transmission on the Company's grid to be included into the tariff request for 2021</li> <li>Forming and inclusion of shortfall in revenues due to the decrease in power transmission services into a tariff and balance decision (TBD)</li> <li>Adjustment of power balance in a tariff request for the next regulation period</li> </ul>
3	FR01-04	Increase in prices for the power purchased to compensate losses	Significant	<ul style="list-style-type: none"> <li>Monitoring of the power price on the wholesale electricity and capacity market. Monitoring of the regulated prices the suppliers of last resort provide for sales premiums</li> </ul>
4	FR01-15	Provision of dividend assignment	Critical	<ul style="list-style-type: none"> <li>Generation of additional revenues not stipulated for in the business plan approved</li> <li>Control on the level of controlled expenses</li> </ul>

5	FR03-01	Failure or partial failure of contractors to fulfil the obligations on the payment for power transmission services within the terms stipulated by the agreement/contract	Achievement of the planned level of accounts receivable for the rendered power transmission services	Significant	<ul style="list-style-type: none"> <li>• Development of the actions on the decrease of overdue accounts receivable to be included into the scheduled plan of actions of PJSC IDGC of the North-West aimed at the reduction of overdue accounts receivable for the power transmission services dispute settlement</li> <li>• Control of overdue accounts receivable by the actions aimed at its reduction</li> <li>• Taking actions on the introduction of a full or partial power consumption restriction mode for direct consumers</li> <li>• Imposing fines on the contractors breaking the payment terms under 307-FZ</li> <li>• Putting forward the issues of inadequate payment discipline for discussion at the meetings of regional interagency commissions for monitoring the situation with settlements for electric power and power transmission services.</li> </ul>
6	FR05-01	Absence of power meters, their obsolescence and physical deterioration	Power loss level, %	Significant	<ul style="list-style-type: none"> <li>• Implementation of the programmes on power saving and energy efficiency, including the programmes of measures to reduce power losses and long-term development of power metering systems;</li> </ul>
7	FR06-01	Applicant's facilities are not ready for technological connection	Complying with the grid connection deadlines	Significant	<ul style="list-style-type: none"> <li>• Update of technological connection demand for the previously concluded technological connection agreements and the issued technical specifications. Monitoring the Applicants' readiness for technological connection (analysis and assessment of the Applicants' payment discipline, analysis and assessment of the dynamics of works conduct by the Applicants)</li> <li>• Setting up control to timely notify the Applicants about the fulfilment of obligations on the part of the Company's subsidiaries and associates with a possibility to obtain receipt confirmation in case the contractual obligations are fulfilled by the Company's subsidiaries and associates but no notification on the technological connection measures implementation is received from the Applicant</li> <li>• TC demand management (distributing information on the Internet and over the applicant service offices in the areas fed by under-loaded power stations as the connection to them requires minimum costs)</li> <li>• Setting up control to timely fulfil the technological connection agreements (at each of the stages: TOR development, calculation of technological connection cost, making technical design assignment, contractor agreement conclusion and implementation, TC agreement implementation using in-house resources), including technological connection automation</li> </ul>



8	FR07-05	Consumer's failure to fulfil contractual obligations to pay for technological connection services.	Compliance with the commissioning schedule, %	Significant	<ul style="list-style-type: none"> <li>• Formation and maintenance of a list of substitution objects under agreements, the implementation of which is associated with the risk of their non-fulfilment because the applicants are not ready for technological connection</li> <li>• Improving the quality of business plan generation and adjustment (analysis and assessment of the Applicants' payment discipline, analysis and assessment of the Applicants' work conduct dynamics)</li> <li>• Providing pre-trial dispute settlement in part of technological connection</li> </ul>
9	FR08-01	Unfavourable weather conditions causing technological disturbances	Reaching the reliability level of the rendered services	Significant	<ul style="list-style-type: none"> <li>• OL routes clearing</li> <li>• Identification of bottlenecks, flybys of OL routes with UAV</li> <li>• Control of OL routes clearing</li> <li>• Cutting threatening trees</li> <li>• Widening of OL routes</li> </ul>
10	FR08-04	Outside impact on the power grid facilities	Reaching the reliability level of the rendered services	Significant	<ul style="list-style-type: none"> <li>• Keeping fences in a proper state, timely renewal of safety posters</li> <li>• Identifying bird breeding grounds, bird protection devices installation</li> <li>• Supervision over the works conducted in the protected OL zones</li> <li>• Social advertisement in mass-media in electrical safety</li> </ul>
11	FR09-__[1]	Company professional risks (occupational health and safety)	Zero increase in the casualty toll among the employees of the Company's subsidiaries and affiliates	Significant	<ul style="list-style-type: none"> <li>• Organizing regular advance training and practical skill and work safe conduct training for employees for the purpose of developing the behaviour-based safety and prevention of hazardous situations</li> <li>• Implementation of a motivation system for the unconditional compliance with the occupational health and safety requirements. System of response to the occupational health and safety violation in place (unscheduled checks of workplaces, working teams (employees of PJSC IDGC of the North-West and third-party organizations), including on non-business days, during public holidays and weekends as well as at night), control of works organization at the facilities, provision of unconditional corrective measures taken in relation to the employees violating the occupational health and safety requirements.</li> <li>• Ensuring safety work conditions by providing certified and high-quality protection means, introducing and applying technologies for safe works performance along with setting up safe work environment</li> <li>• Control on the implementation of programs containing occupational health and safety requirements and aimed at injury prevention (programmes for injury-risk place elimination, etc.), administrative regulatory orders</li> <li>• Timely instructions on occupational health and safety with the follow-up of knowledge acquisition</li> <li>• Provision of the completeness and quality of injury information materials' analysis. Timely fulfilment of the measures, prescriptive acts and operational</li> </ul>

					orders issued by the results of the checks conducted by supervision and control bodies and in the course of the technical supervision implementation, as well as during the measures taken to eliminate the causes of injures specified in the investigation reports.
12	FR10-03	Lack of investment programme funds to implement innovative solutions	Effectiveness of innovation	Significant	<ul style="list-style-type: none"> <li>• Analysis of suggestions on the Company's investment programme correction, control of the inclusion of the actions for the mid-term implementation plan of the innovative development Programme into the investment programme upon the agreement of the Company's investment programme/adjusted investment programme of the Company</li> <li>• Formation of the Company's investment programme and suggestions on its adjustment with the account of actions included into a mid-term implementation plan of the innovative development Programme.</li> <li>• The priority at the Company's investment programme for the actions included in the mid-term implementation plan of the innovative development Programme</li> </ul>
13	FR12-04	Involving the Company / Company's employees into corruption activities	Complying with the legislation, including the anti-corruption and anti-monopoly laws	Critical	<ul style="list-style-type: none"> <li>• Conduct of the public awareness work, training events according to the approved anti-corruption regulatory documents</li> </ul>
14	FR13-08	Appeal of the Company's transactions	Ensuring an integrated security of the Company operations	Critical	<ul style="list-style-type: none"> <li>• Submission of a cassation appeal to the Supreme Court of the Russian Federation</li> <li>• Initiating the process of amending the Company's administrative and organizational documents facilitating control of the potentially voidable transactions on AR settlement</li> </ul>

**Key risks map of PJSC IDGC of the North-West, 2020<sup>69</sup>**

Probability level	High		FR13-08 FR01-15	
	Medium		FR01-01 FR10-03 FR01-02 FR07-05 FR01-04 FR06-01 FR03-01 FR05-01 FR08-01 FR08-04	FR12-04
	Low			FR09-__ [1]
		Low	Medium	High
		Implications		

### Internal Control System

The Internal Control System of the Company (hereinafter – the ICS) is an element of the Company’s overall governance system designed to ensure reasonable guarantees of goal achievement in the following areas:

- efficiency and high performance of the Company, including achievement of the financial and operational indicators, as well as safety of the Company assets;
- compliance with the applicable legislation and Company regulations, particularly in the course of economic operations and accounting;
- ensuring reliable and timely accounting (financial) and other reporting.

The ICS covers all the aspects of the Company’s business, control procedures are performed on an ongoing basis across all the Company’s processes (areas of activities) on all the management levels.

The Company, under Decision of the Board of Directors of 29.02.2016 (Minutes No.197/12), approved the Internal Control Policy of PJSC IDGC of the North-West (the new version). The Internal Control Policy stipulates the aims, principles of functioning and elements of the Company ICS, key functions and responsibilities of the ICS participants, as well as procedures for assessment of the ICS efficiency.

The Company implements the Procedures for Internal Control Policy requirements implementation outlining the pragmatic aspects of applying the rules of the Internal Control Policy. It was approved by the Company's order No. 54 of January 30, 2017 (revision No. 132 of February 28, 2020).

**Participants<sup>70</sup>** of the internal control process, in accordance with the Internal Control Policy include:

- Audit Commission of the Company;
- Board of Directors of the Company;
- Audit Committee of the Board of Directors of the Company;

<sup>69</sup> Graphic representation on risks with the significance levels "significant" and "critical" is provided on the Key risk map of the Company.

<sup>70</sup> Description of the internal control contributors is shown in Annex 30 to the Annual Report

- Other committees of the Company Board of Directors;
- Executive bodies (Management Board of the Company, General Director of the Company);
- Collective task forces created by the executive bodies of the Company (commissions, working groups etc.);
- Heads of divisions and structural units of the Company;
- Employees of the structural units of the Company performing control procedures as part of their job duties;
- Internal Control Unit;
- Internal Audit Unit.

Functions of the internal control participants are provided in Annex 29 of the Annual Report.

The roles of the internal control contributors are allocated depending on their participation in the respective internal control process stages.

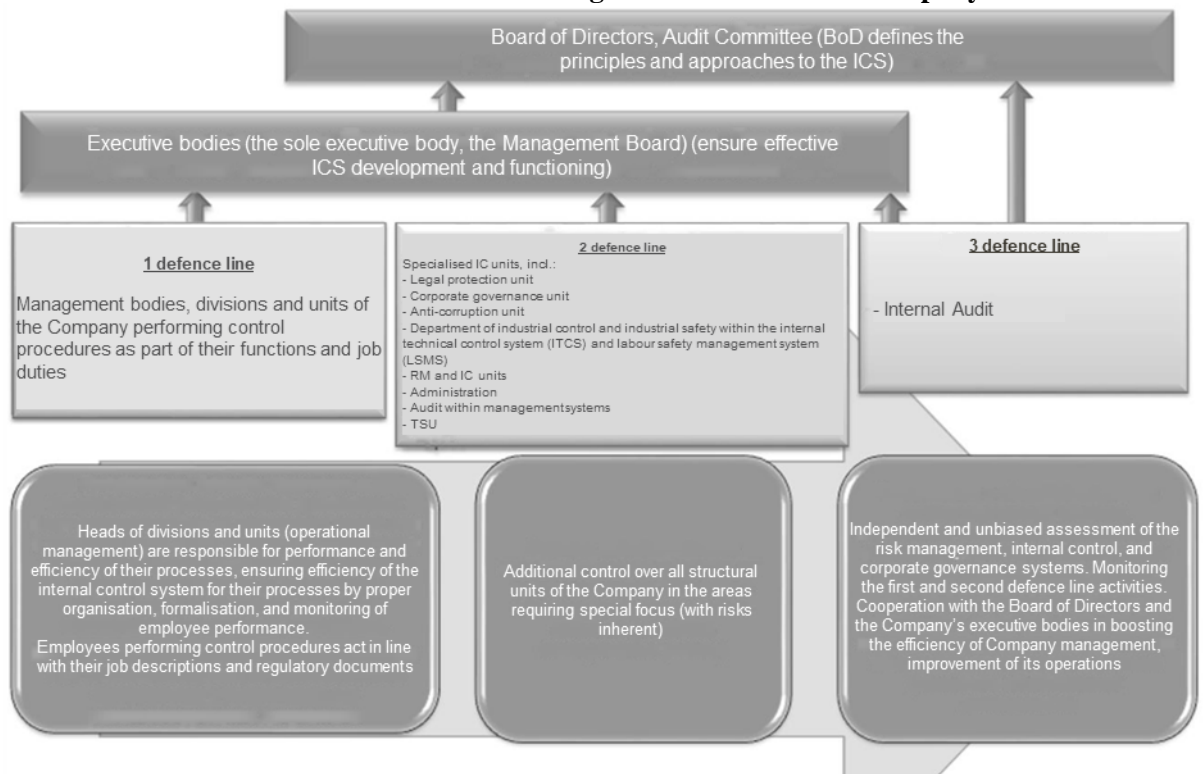
The ICS improvement and performance of control procedures are based on efficient and aligned interaction of all contributors to the internal control process on all management levels.

The responsibilities in this case should be divided, each control function should be assigned to one participant of the internal control process.

**The Internal Control System** of the Company functions in line with the “three defence lines” model. The model stipulates internal control implementation at the Company on three levels (Chart 1):

- on the level of management bodies, divisions and units of the Company performing control procedures as part of their functions and job duties, — the first defence line;
- on the level of the Company’s control units— the second defence line;
- on the level of the Internal Audit Department — the third defence line.

**Chart 1. Key functions of the three defence lines and interaction with the management bodies of the Company**



Control procedures regarding the core, managing and supporting processes and sub-processes of the Company are documented in matrices of control and risk by areas of activity.

In line with the Company Board of Directors Decision of 25.09.2019 (Minutes No. 332/9) regarding the issue No.7 the Company issued Order of 19.11.2019 No.717r “On approval of an activity plan to maintain and develop the ICS of PJSC IDGC of the North-West”, under which the plan to

maintain and develop the Internal Control System of PJSC IDGC of the North-West was approved to be implemented for 2019-2022.

### *Assessment of ICS performance*

To ensure that the ICS is efficient and complies with the changing objective requirements and conditions, the external and internal auditors of the Company carry out assessment of the ICS efficiency, its conformity to the target state and maturity level.

External independent assessment of the internal control system was carried out in 2019. According to the above external assessment, the overall performance of the Company internal control is estimated as “Efficient”. The frequency of external assessment of the internal control system efficiency is set by the Internal Control Policy and is conducted at least once in three years depending on the changes in the organization activity and a general level of ICS development, reliability and efficiency.

Internal independent assessment of the ICS efficiency was carried out by the internal auditor of the Company. ICS efficiency in 2020 was considered by the Board of Directors meeting upon preliminary discussion of the issue by the Audit Committee of the Board of Directors. The ICS maturity level was estimated as 4.8 points - “Optimal”, in 2018 and 2019 it was deemed to be “Optimal”, in 2017 between “Moderate” and “Optimal”, and in 2016 the ICS maturity was assessed as “Moderate”.

In the reporting year, the Company carried out the following key measures to improve the ICS:

1. By the end of 2020 the ICS covered 26 processes in the Company. As of 31.12.2020 the upgrade was conducted on 268 subprocesses for all processes, control and process risk matrices containing 377 control procedures and 254 risks. The Company also developed process passports that contain information on 106 process efficiency indicators and 57 process efficiency indicators.

2. To enable the Company's management conduct online monitoring of the deviation indicators in the course of process implementation, an automated information system PowerBI was introduced. It facilitates the process implementation monitoring in the automatic / semi-automatic modes by using the data from corporate information systems in accordance with set algorithms (rules). Having detected the operations with deviation signs, it sends a signal to the Company's subdivisions on the need to develop and implement corresponding response measures.

3. To minimise the risk of growth in operating expenses and failure to receive net profit, the Company approved a roadmap – an activity plan of the Company to ensure break-even power transmission services rendering operations, as well as compliance of the operating expenses with the level stipulated in the tariff and balance decisions, by each branch of the Company, starting 2019. The number of unfulfilled activities due in the reporting period = 0.

4. In the framework of the implementation of the operational efficiency improvement Programme and cost reduction the OPEX deficit was reduced by 1.6 billion rubles (52%) by 2018.

5. To streamline the process of defining business goals taking into account strategic priorities by the Company management, as well as goal management aimed at enhancing the quality of their setting and implementation, a regulation on goal setting was worked out and introduced.

6. The Company developed a Model of the Company's processes setting 38 Company processes, the Regulation on the system for automatic monitoring of process efficiency indicators and the CS.01-00.018.05-2020 "Process simulation and regulation" establishing single requirements to the simulation (description) of processes and their regulation (documentation) in the scope necessary for providing an efficient functioning of the processes of the Company's quality management system.

7. The Company developed a training course on risk management, internal control and quality management systems and trained the top and middle management responsible for the invention, documenting, introduction, monitoring and further development of risk management and internal control systems in the Company's activity domains. The training was also conducted for the subdivision employees in charge of the upgrade of process schemes, risk passports, development of process control and risk matrices as well as the reporting documents' preparation for risk management and internal control systems. A presentation on risk management, internal control and quality management systems is available on a corporate data source for all Company's employees.

8. As part of optimization and automation of grid facilities reporting based on the Company's accounting systems, the number of report forms was reduced by 5%.

The Company continues to work on the ICS development and improvement to enhance the efficiency and maturity level, in particular, in the following areas (with the consideration of the results of independent external assessment on ICS efficiency):

- upgrade of regulatory and methodological guidelines in internal control and risk management;
- improvement of ICS component efficiency "Risk assessment";
- elimination of the drawbacks in the design of certain control procedures;
- synchronization of automated control procedures introduction with the business process automation;
- integration of corruption risk control into business processes;
- introduction of the mechanism for financial sustainability control, support for liquidation and bankruptcy proceedings for the Company's contractors;
- organizations of training for the management and employees on ICS organization and functioning.

The Company's ICS and RMS are organized and operated in compliance with the local regulatory documents approved by the Company, show a general positive development dynamics in respect to all Company's activities. The current organization of functions is aimed at the efficient and satisfactory performance and achievement of the Company's goals.

#### ***Key indicators in part of risk management and internal control***

Indicators	Unit	Period				change 2020/2019, %
		2018	2019	2020		
1	2	3	4	5	6	
Critical risks*	items	-	-	3	-	
Significant risks*	items	-	-	11	-	
Internal assessment of ICS performance	point	4.8	4.8	4.8	-	
Internal assessment of the risk management system	point	4.4	4.4	4.5	+2%	

\* due to the change of the Company's risk management methodology in 2020 as well as the upgrade of the Company's risk register the values of indicators are provided for the reporting period only.

### **Internal audit**

The unit responsible for the internal audit implementation at the Company is the Internal Audit Department.

Internal Audit is functionally subordinate to the Company Board of Directors, which means that the Board of Directors controls and organises the activities of the Internal Audit unit, including approval of the Internal Audit action plan, report on the implementation of the Internal Audit action plan and the budget of the Internal Audit unit, endorsement of the decisions on appointment, dismissal, as well as remuneration of the head of the Internal Audit Department.

The purpose of the Internal Audit Department is to assist the Board of Directors and executive bodies of the Company in enhancing the efficiency of the Company management, improvement of its financial and business activities, implementing systemic and consistent approach to analysis and assessment of the systems of risk management, internal control and corporate governance as instruments to guarantee reasonable assurance that the Company will achieve its goals.

Aims and objectives, key principles of organisation and functioning of the internal audit, functions and authorities of the Internal Audit Department are stipulated by the Internal Audit Policy of PJSC IDGC of the North-West (new version), approved by the Board of Directors on 02.12.2019, Minutes of the meeting of the Board of Directors of PJSC IDGC of the North-West No.339/16.

The Company approved the standards of the internal audit activities and practical applications developed on the basis of the International Standards for the Professional Practice of Internal Auditing, including:

- the Internal Audit Policy of the Company<sup>71</sup> and the Code of Ethics for Internal Auditors, approved by Decision of the Board of Directors of 02.12.2019 (Minutes No. 339/16);
- The Regulation on the Internal Audit Department of PJSC IDGC of the North-West, approved by Decision of the Company Board of Directors of 21.11.2016 (Minutes No. 223/14);;
- The Programme for Internal Audit Quality Assurance and Improvement, approved by Decision of the Company Board of Directors of 22.12.2016 (Minutes No. 225/16); etc.

Feedback is received from the Audit Committee of the Board of Directors by the Head of the Internal Audit in a variety of forms in the course of interaction with the Audit Committee of the Board of Directors, including analysis of the decisions/recommendations of the Audit Committee on issues within the competence of the Internal Audit, as well as polling members of the Audit Committee of the Company's Board of Directors.

The satisfaction of the Audit Committee of the Company Board of Directors with the performance of the Internal Audit in 2019 is assessed as 1.1 points (“complies with reservations”). The quality assessment was conducted in line with the Programme of Internal Audit Quality Assurance and Improvement of the Company approved by the Company Board of Directors on 22.12.2016 (Minutes No. 225/16).

By the results of the assessment made at the end of 2019 the areas for improvement of the Company's internal audit were identified. Actions on the internal audit improvement were developed jointly with PJSC Rosseti. The Board of Directors of the Company approved the Plan of Actions for the Company's internal audit development and improvement in 2020 - 2024 (Minutes of 31.03.2020 No. 357/34).

The Plan contains the actions for the Company's internal audit development and improvement in the following areas:

- improvement of internal audit regulatory support;
- increasing the internal audit efficiency;
- development of internal audit skills and competences;
- introduction of IT-solutions for internal audit goals.

The action plan to develop and improve the internal audit activities of the Company in 2020 was fully completed.

In 2020, the headcount of the Internal Audit function was 7 persons.

## **Compliance service**

The Company's anti-corruption activities are improved and designed to boost the efficiency of anti-corruption measures stipulated by the law.

Under the provisions of p.1 Part 2 Article 13.3 of the law on anti-corruption measures, the Company created a structural unit responsible for prevention of corruption and other violations. According to the organisational structure approved by Decision of the Board of Directors of 19.07.2016 (Minutes No.214/5), such unit is the Anti-Corruption Compliance Procedures Unit of the Security Department (hereinafter – ACCP).

In 2020, the headcount of the Anti-Corruption Compliance Procedures Unit did not change (3 persons).

The ACCP functions include:

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<sup>71</sup> the Internal Audit Policy of PJSC IDGC of the North-West is available at the Company web-site: <https://www.mrsksevzap.ru/about/charterinternaldocuments/unitypolicy-p/internalauditpolicy/>.

- drafting organisational and administrative documents aimed at implementation of corruption prevention measures and their submission to the Company’s General Director for approval;
- organisation of implementing control activities to identify corruption-related offenses committed by the Company’s employees;
- receipt and review of messages on inducing employees to corruption offences in the interests or on behalf of a third-party entity, as well as on corruption offenses committed by the Company’s employees, contractors or other parties;
- arranging for the Company’s employees to fill in declarations on conflict of interests, property, income and property-related obligations, and studying them;
- organising individual consultations for the Company’s employees on corruption prevention and counteraction issues;
- assisting authorised representatives of control and supervision bodies and law enforcement authorities during their audits of the Company’s activities related to corruption control and prevention;
- assisting authorised representatives of law enforcement authorities during implementation of measures aimed to prevent and investigate corruption offenses;
- assessment of the results of anti-corruption measures and preparing relevant reports for the Company’s management.

### Audit Commission

The Audit Commission of the Company controls the Company’s financial and business activities. The Audit Commission is elected by the General Shareholders’ Meeting for the period until the next Annual General Shareholders’ Meeting.

The headcount of the Audit Commission of the Company is stipulated by the Charter as five persons.

In 2020 the Audit Commission of the Company comprised the following persons: M.A.Lelekova, S.A.Kim, A.N.Kirillov, E.A.Barmina, E.A.Kabizskina. On July 17, 2020 M.A.Lelekova divested her authority as the member of the Audit Commission.

On 14 December 2020 E.A.Kabizskina was elected as the Chairman of the Audit Commission.

#### The composition of the Audit Commission elected at the Annual General Shareholders’ Meeting of 14.12.2020, is as follows:

<p><b>Elena Aleksandrovna Kabizskina</b></p> <p><b>First elected to the Audit Commission of the Company: 23.06.2015</b></p>	<p>Born in 1964.</p> <p>In 1986, graduated from the Far Eastern State Technical Fisheries University with the qualification of Engineer-Economist.</p> <p>In 2006, graduated from the State University of Management with the qualification of Economist.</p> <p><u>Professional experience:</u></p> <p>2014 - present – Head Expert of Unit of Corporate Audit and Subsidiary Control, the Internal Audit Department, Head Expert of the Supervisory Unit of the Department for Internal Control and Risk Management, Deputy Head of the Audit Unit of the Department for Control and Auditing Activities of PJSC Rosseti.</p> <p>06.2020–present — Head Expert of the Unit of Corporate Audit and Subsidiary Control for the Department of Internal Audit of PJSC FGC UES (secondary employment).</p> <p>Owned no shares of PJSC IDGC of the North-West in 2020. Did not enter into any transactions with the Company’s securities in 2020</p>
<p><b>Kim Svetlana Anatolievna</b></p> <p><b>First elected to the Audit Commission of the Company: 13.07.2017</b></p>	<p>Born in 1981.</p> <p>Graduated from Moscow State University of Railway Engineering in 2004 with the qualification of Expert in Commerce.</p> <p><u>Professional experience:</u></p> <p>2013 – present – Head of the Audit Unit of the Department for Control and Auditing Activities of PJSC Rosseti, Head of the Supervisory Unit of the Department for Internal Control and Risk Management of PJSC Rosseti.</p>



	Owned no shares of PJSC IDGC of the North-West in 2020. Did not enter into any transactions with the Company's securities in 2020
<b>Artem Nikolaevich Kirillov</b>  <b>First elected to the Audit Commission of the Company: 12.03.2014</b>	<p>Born in 1984.</p> <p>Graduated from Moscow Power Engineering Institute with the qualification of Engineer.</p> <p><u>Professional experience:</u></p> <p>2013-2015 – Head of the Investment Audit Function, Audit Activities and Internal Audit Unit, Internal Audit and Control Department of PJSC Rosseti.</p> <p>2015-present– Head Expert of the Unit of ICS and Risk Management in the Department for Internal Control and Risk Management, Deputy Head of the Audit Activities Unit, Department for Control Activities / Department for Control and Auditing Activities of PJSC Rosseti, Deputy Head of the Supervisory Unit of the Department for Internal Control and Risk Management, Head Expert of the Unit of ICS and Risk Management, Department for Internal Control and Risk Management of PJSC Rosseti.</p> <p>06.2020 – present — Head Expert of the ICS and Risk Management Unit of Department for Internal Control and Risk Management of PJSC FGC UES (secondary employment).</p> <p>Owned no shares of PJSC IDGC of the North-West in 2020. Did not enter into any transactions with the Company's securities in 2020.</p>
<b>Barmina Ekaterina Aleksandrovna</b>  <b>First elected to the Audit Commission of the Company: 14.06.2019</b>	<p>Born in 1984.</p> <p>Astrakhan State Technical University (graduated in 2004) with the qualification of IT systems engineer in economy.</p> <p>Astrakhan State Technical University (graduated in 2006) with the qualification of PhD in Technical Sciences, management in social and economic systems.</p> <p>Astrakhan State University of Architecture and Civil Engineering (graduated in 2019) with the master's degree in heat power and thermal engineering .</p> <p><u>Professional experience:</u></p> <p>2014-2015 – Head of the Internal Audit and Control Sector of JSC REC IDGC / JSC TCC.</p> <p>2015 – Head Expert of the Control and Expert Unit of the Department for Control and Auditing Activities of PJSC Rosseti.</p> <p>2016-2018 – Head Expert of the Methodology and Internal Audit and Control Unit of PJSC MOESK.</p> <p>2018 – present – Head Expert of the Control and Expert Unit of the Department for Control and Auditing Activities of PJSC Rosseti, Head Expert of the Department for Internal Control and Risk Management of PJSC Rosseti.</p> <p>2020 – present — Head Expert of the ICS and Risk Management Unit of Department for Internal Control and Risk Management of PJSC FGC UES (secondary employment).</p> <p>Owned no shares of PJSC IDGC of the North-West in 2020. Did not enter into any transactions with the Company's securities in 2020</p>

***Remuneration paid to the Audit Commission***

According to the Regulation on the remuneration and compensation payment to members of the Audit Commission of the Company<sup>72</sup>(hereinafter – the Regulation), remuneration to members of the

<sup>72</sup> Approved by the Annual General Shareholders' Meeting on 07.06.2018 (Minutes No.13).

Audit Commission of the Company depends on their participation in the Audit Commission activities in the previous corporate year and the fixed amount of remuneration. The fixed amount of remuneration is defined on the basis of the Company’s revenue estimated under the RAS in the last financial year. The rate of participation of an Audit Commission member in its activities depends on the number of calendar days in the corporate year when the duties of the Audit Commission member were performed and the personal participation rate.

The personal participation rate is identified by the Chairperson of the Audit Commission for each member of the Audit Commission and reflects their contribution to the meetings of the Audit Commission, as well as performance of additional responsibilities as the Chairperson or the Secretary of the Audit Commission.

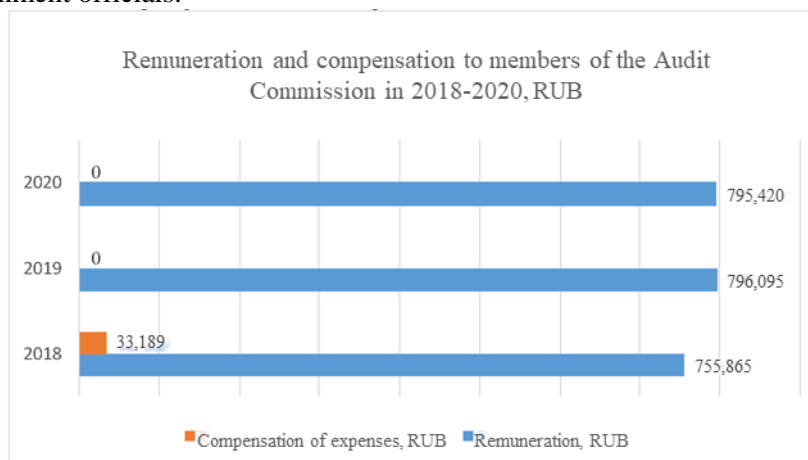
Remuneration is paid at the end of the corporate year. Under the Regulation, the corporate year is the period from the election of the persons to the Audit Commission at the General Shareholders’ Meeting of the Company till the next General Shareholders’ Meeting of the Company.

Members of the Audit Commission who failed to participate in over half of the meetings held in the period of their membership in the Audit Commission are not entitled to remuneration.

In case a member of the Audit Commission actively contributed in the corporate year to additional audits held by the Audit Commission or control activities on certain issues organised by decisions of the General Shareholders’ Meeting, the Company Board of Directors or upon request of a shareholder (shareholders) of the Company owning at least 10 percent of the Company’s voting shares, the Chairperson of the Audit Commission is entitled to apply to the General Shareholders’ Meeting for increase in the actual amount of remuneration.

Moreover, according to the Regulation, Audit Commission members receive compensation for the actual documented expenses incurred in the course of visiting the Company’s facilities, participation in meetings of the Audit Commission held at the Company’s location and performing other activities of the Audit Commission.

Remuneration and compensations are not paid to members of the Audit Commission who are government officials.



***Remuneration and compensation paid to members of the Audit Commission in 2020, RUB.***

	2020
Marina Alekseevna Lelekova	188,190
Artem Nikolaevich Kirillov	148,500
Kim Svetlana Anatolievna	161,730
Elena Aleksandrovna Kabizskina	148,500
Barmina Ekaterina Aleksandrovna	148,500
<b>Total</b>	<b>795,420</b>

## External Audit

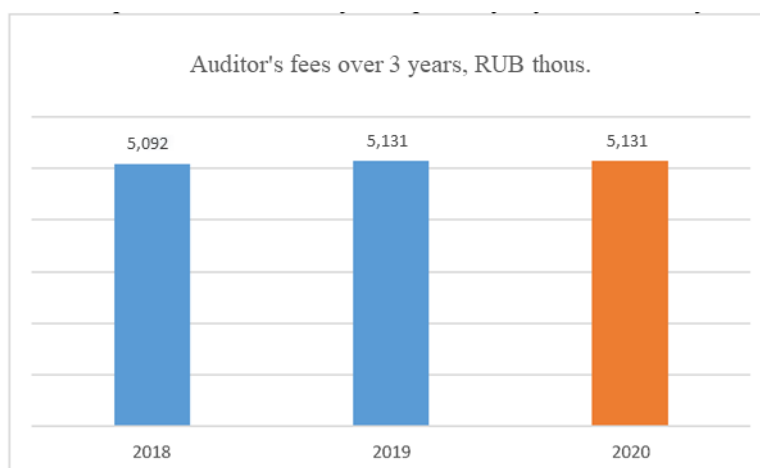
To ensure independent and unbiased activities of the Auditor, the External Auditor of the Company was selected by an open single-stage tender without preliminary qualification-based selection. In 2018, the External Auditor was selected to carry out the audit of the accounting (financial) statements of PJSC IDGC of the North-West compiled in line with the Russian Accounting Standards and the audit of the consolidated financial reporting of PJSC IDGC of the North-West compiled under the International Financial Reporting Standards for 2018–2020. The results of the tender were announced on 16.04.2018. The tender was held by PJSC Rosseti on the basis of Order of 30.10.2017 No.595r. The official method of holding the open tender was the official web site of the Russian Federation for placing tender information [www.zakupki.gov.ru](http://www.zakupki.gov.ru) (no. 31806037793), at the electronic trading facility of PJSC Rosseti (<http://www.etp.rosseti.ru>). According to the decision of the Tender Commission (Minutes of 16.04.2018 No.14/595r), LLC Ernst & Young was selected as the winner of the bid. Assessment of candidates was based on the criteria previously identified and disclosed in the tender conditions.

Under pp. 11 p. 10.2 Article 10 of the Company Charter, the General Shareholders' Meeting has the authority to approve the Auditor of the Company. Subject to the tender procedures, as well as recommendations of the Audit Committee, the Board of Directors proposes and the General Shareholders' Meeting of PJSC IDGC of the North-West approves of the independent Auditor. Under the decision of the Annual General Shareholders' Meeting of PJSC IDGC of the North-West dated 29.05.2020, the independent External Auditor of the Company for 2020 became LLC Ernst & Young.

Full name: Ernst & Young Limited Liability Company  
 Short name: LLC Ernst & Young  
 Location: 77 bldg. 1 Sadovnicheskaya Emb., Moscow, 115035 Russia  
 Mailing address: 77 bldg. 1 Sadovnicheskaya Emb., Moscow, 115035 Russia  
 Phones: +7 495 755-97-00, +7 495 755-97-01  
 Internet address: [ey.com/ru/ru](http://ey.com/ru/ru)  
 E-mail: [moscow@ru.ey.com](mailto:moscow@ru.ey.com)  
 Full name of the branch: Saint Petersburg branch of Ernst & Young Limited Liability Company  
 Location: 23 Malaya Morskaya St., Saint Petersburg, 190000 Russia  
 Mailing address: 23 Malaya Morskaya St., Saint Petersburg, 190000 Russia

Identification of the amount of the Auditor service fee is within the competence of the Company Board of Directors. According to the contract for audit of the RAS accounting statements and the IFRS consolidated financial statements for 2020, the amount of remuneration to the Auditor was RUB 5,131 thousand, including VAT.

No non-audit services were rendered by LLC Ernst & Young to the Company.



## The system for conflict of interest prevention and insider information

### [GRI 102-25]

To limit the influence of employees' personal interests on their business decisions, the Company undertakes measures for identifying, preventing and settling conflicts of interests.

To prevent occurrence or probability of a conflict of interest, the Company implements continuous declaration of conflicts of interests by the Company's current and potential employees and verification of the conflict of interest declarations on a permanent basis. To settle the emerging pre-conflict situations in the structural units, as well as to ensure full compliance with the requirements of Article 13.3 of the Federal Law "On anti-corruption measures", the Company established the Commission on Compliance with the Corporate Ethics and Settlement of the Conflict of Interest (hereinafter – the Commission).

In 2020, the Company verified 2,733 conflict of interest declarations submitted by the Company's employees, 117 employees (4.1 %) did not submit the declarations for valid reasons (maternity leaves, protracted illness, dismissal in Q1 2020). In 2020, the electronic declaration process was seamless.

The risks of emerging conflicts of interests were assessed with account of, among others, simultaneous employment of close relatives who could become a reason for conflict of interests, and submission by employees of false or incomplete data, etc.

In total for the executive bodies, branches and subsidiaries and affiliates of the Company 1,174 instances were identified, which included the following types:

- 76.5% - Positive statement in the declaration;
- 12.4% – Employee's declaration specifies the contractor of AAS AC (automatic accounting system of accounts receivable);
- 7.8% – Employee's declaration specifies the contractor for the automated system of safety incident information management (AS ASIB);
- 2.2% – The information in the declaration is not disclosed in full;
- less than 1% – Information about a relative is not disclosed in full, Employee's declaration does not specify the Contractor for AS ASIB, Employee's declaration does not specify the Contractor for AS ASIB of the relative.

The major share of answers belong to "Positive response in the declaration, most answers" (4.2%) - positive answer to the question 1.1 of "Relatives working for Rosseti" declaration

All the identified conflict of interests risks were subject to elimination measures. Some relatives work in various subsidiaries and affiliates of PJSC Rosseti, some are employed by the Company's executive bodies and branches in various subdivisions. No subordination or conflict of interest have been revealed.

## Information for investors and shareholders

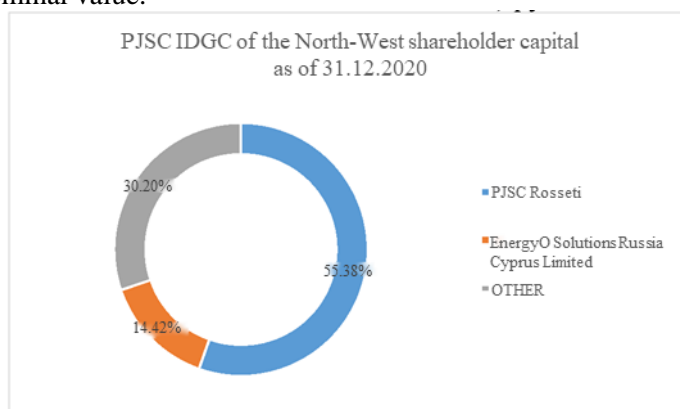
### Capital structure

As of 31.12.2019, the authorised capital of the Company amounts to 9,578,592,313 (nine billion five hundred seventy eight million five hundred ninety two thousand three hundred thirteen) rubles 80 kopecks.

#### Data on each category (type) of shares

Type and category of shares	Registered ordinary shares
Form of issue	uncertified
Number of ordinary shares, items	95,785,923,138
Nominal value of 1 (one) security, RUB	0.10
Data on the state registration of the securities issue	No. 1-01-03347-D

According to the Company Charter, the number of the authorized Company shares in addition to the placed shares is 1,076,862 (one million seventy six thousand eight hundred and sixty two) registered ordinary shares with the nominal value of 10 (ten) kopecks each for a total amount of RUB 107,686 (one hundred and seven thousand six hundred and eighty six) rubles and twenty kopecks at the nominal value.



**[GRI 201-4]** PJSC Rosseti is the largest shareholder, owning 55.38% of the authorized capital of the Company. The Russian Federation represented by Federal Agency for State Property Management owns 88.89% of ordinary shares of PJSC Rosseti (see the Statistics on the Share Capital Structure table. This table shows the shares of federal and municipal ownership).

There is not special right of the Company control “golden share” by the Russian Federation.

#### The number of state-owned PJSC Rosseti shares as of 31 December 2020\*

Share ownership	% of ordinary shares	% of the authorized capital
Federal Agency for State Property Management	88.89	88.04

\* The information is provided based on the PJSC Rosseti quarterly report for Q4 2020.

### Free float

The free-float shares of PJSC IDGC of the North-West account for 30%<sup>73</sup>.

PJSC IDGC of the North-West has no information on stock ownership shares exceeding 5%, apart from the ones that have already been disclosed by the Company.

As of 31.12.2020, PJSC IDGC of the North-West shares were not owned by the Company's subsidiaries and affiliates.

### Statistics of the share capital structure

Shareholder type	31.12.2019		31.12.2020	
	Number of shareholders	% of AC	Number of shareholders	% of AC
<b>Owners – individuals</b>	15,439	13.9537	16,443	14.2057
<b>Owners – legal entities</b>	190	85.7423	183	84.8881
<i>Federal property (RF, RF regions)</i>	3	0.0035	3	0.0035
<i>Municipal property</i>	3	0.0104	3	0.0104
<b>Nominee shareholders</b>	9	0.0111	11	0.4032
<b>Trustees</b>	10	0.2834	10	0.3730
<b>Foreign custodian</b>	2	0.0039	1	0.1229
<b>Unidentified persons</b>	2	0.0056	2	0.0071
<b>TOTAL</b>	15,652	100.00	16,650	100.00

### Number of shareholders, including individuals

Shareholder type	31.12.2019		31.12.2020	
	Number of shareholders	% of AC	Number of shareholders	% of AC
<b>RF residents</b>	15,536	74.3100	16,589	74.5316
<b>RF non-residents</b>	114	25.6844	59	25.4613
<b>Unidentified persons</b>	2	0.0056	2	0.0071
<b>Total</b>	15,652	100.00	16,650	100.00

### Geography of the Company's shareholders as of 31.12.2020 (RF non-residents)

Country	Number of shares	% of AC
<b>Australia</b>	1,180,964	0.0012
<b>Bulgaria</b>	2,630,000	0.0027
<b>The British Virgin Islands</b>	30,297,300	0.0316
<b>The United Kingdom</b>	10,515,278	0.0110
<b>Germany</b>	3,098,883	0.0032
<b>Israel</b>	1,063,105	0.0011
<b>Ireland</b>	3,443	0.0000
<b>Cyprus</b>	14,859,067,893	15.5128
<b>Kyrgyzstan</b>	60,000	0.0001
<b>Latvia</b>	163	0.0000
<b>Moldova</b>	917,598	0.0010
<b>Norway</b>	886,886,897	0.9259
<b>The Cayman Islands</b>	8,300,143,711	8.6653

<sup>73</sup> Under the calculation methodology approved by the Moscow Exchange, the free-float ratio is calculated as the proportion of the number of free-float shares to the total number of the issuer's shares. For more details, as well as the regulatory base and the methodology of calculating the free-float ratio, see the official web site of the Exchange at <https://www.moex.com/ru/listing/free-float.aspx>.

<b>The Seychelles</b>	4,258,949	0.0044
<b>The Commonwealth of the Bahamas</b>	6,767,807	0.0071
<b>The USA</b>	119,211,181	0.1245
<b>Uzbekistan</b>	220,000	0.0002
<b>Finland</b>	1,643,200	0.0017
<b>Switzerland</b>	154,548,537	0.1613
<b>Estonia</b>	5,733,723	0.0060

## Exchange details on the Company stock

Shares of PJSC IDGC of the North-West have been listed on the established securities market since 2008. Today, Company shares are traded on the Russian stock market PJSC Moscow Exchange MICEX-RTS in the Level 2 Quotation List.

Platform	Ticker	The inclusion into the non-listed stock list)	Start of trading in Quotation List B	Start of trading in Quotation List A, Level 2	Date of inclusion into the Level 1 Quotation List based on the listing reform results	Date of inclusion into the Level 2 Quotation List based on the listing reform results
<b>MICEX</b>	MRKZ	26.05.2008	29.12.2008	23.05.2011	09.06.2014	31.01.2017

The shares of PJSC IDGC of the North-West were included into the Level 2 Quotation List on January 31st, 2017 following the decision of PJSC Moscow Exchange within the listing reform process.

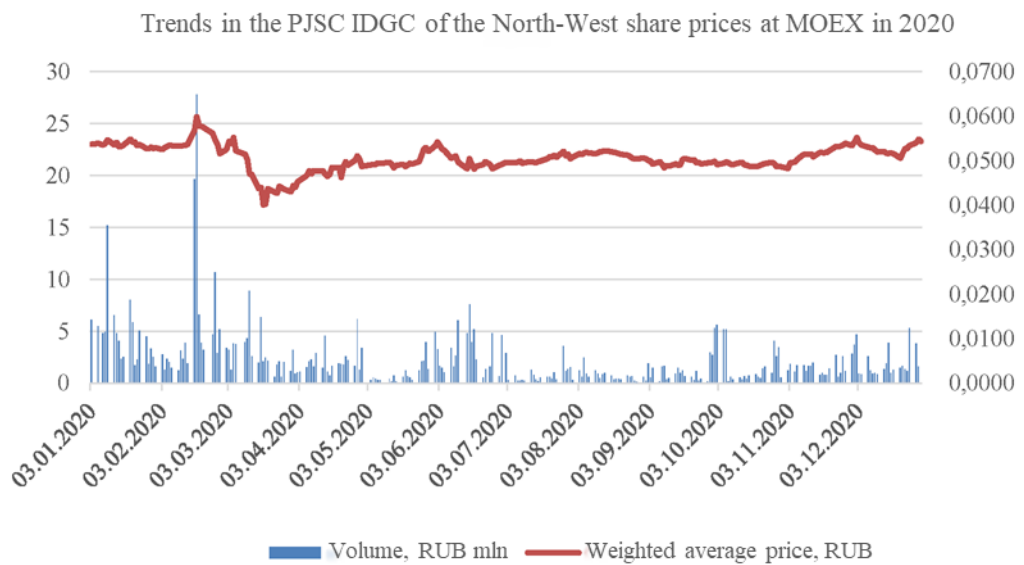
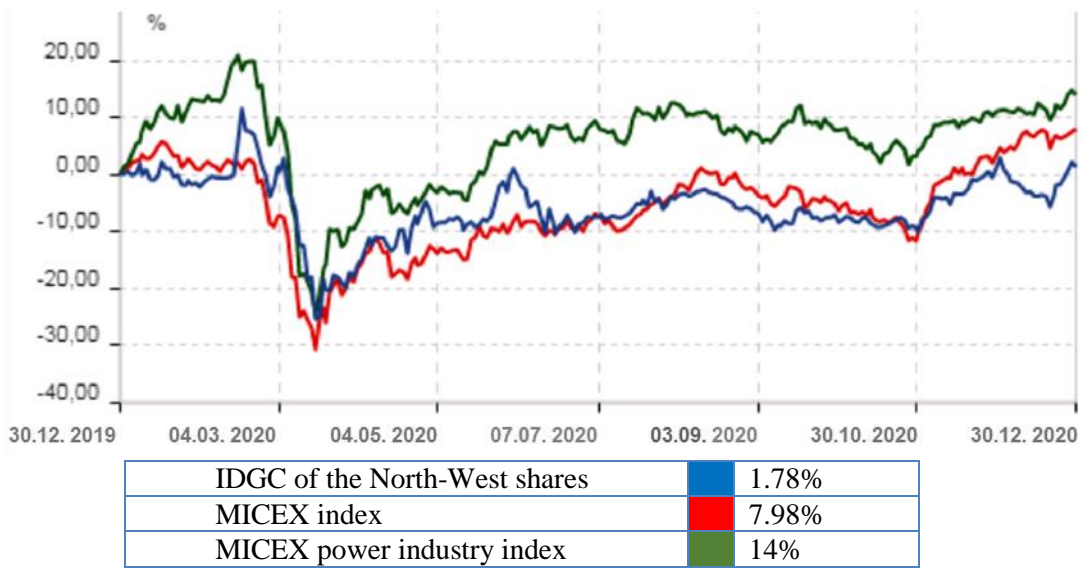
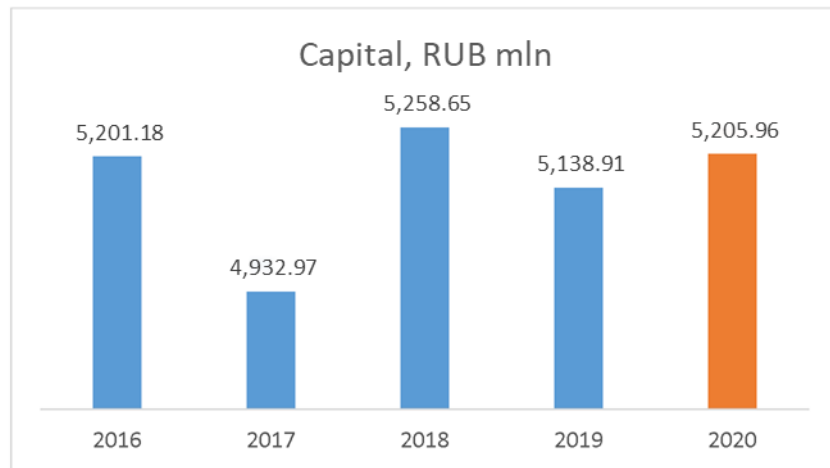
### *The Company's shares are included in the calculation bases by Moscow Exchange:*

	Weight of the shares in the index calculation base as of 31.12.2020
<b>MOEXBMI (broad market index)</b>	0.01%
<b>MOEXEU (power industry index)</b>	0.6%
<b>MOEX RegCo Index (regulated companies index)</b>	0.41%

### *Market features*

	Unit	29.12.2018	31.12.2019	31.12.2020	Change, %
<b>Weighted average price</b>	RUB	0.0549	0.0534	0.05435	1.78%
<b>Capitalisation*</b>	RUB mln	5,258.65	5,138.91	5,205.96	1.3%
<b>Trading volume (one year before the indicated date)</b>	RUB mln	433.93	772.48	563.99	-26.99%
	mln items	7,379.79	13,504.15	10,928.23	-19.08%

\* Calculated as the weighted average price per share as of the end of the reporting period multiplied by the total number of the Company's share.





## Investor and shareholder relations

Transparency is one of the principles underlying the Company's corporate governance, which implies timely disclosure of reliable information on all material facts related to the Company's operations, as well as free access to such information for all stakeholders.

The Company discloses information with the primary aim to achieve the highest level of trust toward the Company on the part of its shareholders, potential investors, contractors and other stakeholders by providing them with the information required for making carefully considered and justified decisions regarding the Company and its securities.

The Company provides free access to the system of Shareholders' Personal Accounts on the Company registrar's website. Through this service, shareholders can obtain required information online and exercise their rights (<https://www.mrsksevzap.ru/investors/shareholdersprivateoffice/>).

Information disclosure by PJSC IDGC of the North-West is primarily subject to the following requirements:

- Federal Law on Joint-Stock Companies;
- Federal Law on Securities Market;
- Regulations on Information Disclosure by Issuers of Equity Securities (approved by the Bank of Russia on 30.12.2014 No. 454-P);
- Corporate Governance Code approved by the Company Board of Directors;
- Company Order No. 715 of 13.10.2017 on the Information Disclosure Procedures of The Issuer of Equity Securities PJSC IDGC of the North-West

In line with the principles of open and transparent governance, the Company aims to provide access to the information on its business activities and securities to all stakeholders simultaneously and promptly

PJSC IDGC of the North-West informs its stakeholders via the official Internet website ([www.mrsksevzap.ru](http://www.mrsksevzap.ru)).

Besides, following the legislation of the Russian Federation, the information to be disclosed in accordance with the requirements set by the Bank of Russia is published on the web page provided by the authorised information agency (Interfax-CCID) at <https://www.e-disclosure.ru/portal/company.aspx?id=12761&attempt=1>.

In addition to the information subject to mandatory disclosure under the RF regulatory documents, the Company provides other information to ensure a high degree of transparency of the Company and contribute to achievement of the targets of its Information Disclosure Policy. Thus, it quarterly publishes its RAS accounting (financial) statements, IFRS consolidated financial statements and other information about the Company and its business on the corporate website.

The Company discloses insider information; its concept, scope and disclosure procedure are stipulated by the Company's Regulation on Insider Information, the revised version of which was approved by the Board of Directors of PJSC IDGC of the North-West on 31.07.2019 (Minutes No.328/5). The text of the Regulation is available at the Company web site <https://www.mrsksevzap.ru/about/charterinternaldocuments/otherinternaldocuments/>.

To ensure equal access to information of all stakeholders, specifically, to secure informational rights and interests of foreign shareholders and investors, the Company maintains the English version of the corporate website.

To maintain a high level of transparency and develop its positive image, the Company participates in the Russian contests of issuers' annual reports held every year by PJSC Moscow Exchange in cooperation with RCB media group, Expert RA rating agency, as well as foreign organizations (Galaxy Awards, LACP, MarCom Awards).

The quality of the 2019 Company Annual Report was rated high by the Russian and international professional community. The Annual Report received the grand-prix in the ARC Awards international annual report contest as the best annual report among Russian companies. Besides, it got II place in the Power Industry Company category.

In the LACP 2019 Vision Awards international contest, the Annual Report got the highest rank (99 of 100) for the first time. It was recognized as the best report from a power industry company (it

got a platinum award in the Power Supply and Power Industry category) and entered the top-100 reports from all over the world.

In 2020, the Company Annual Report won a prize in the Annual Moscow Exchange Contest of Annual Reports for the third time in a row. The Report got the third place in the XXIII Annual Moscow Exchange PJSC Contest of Annual Reports in the main category of the Best Annual Report from a Company with the Capitalization of up to 40 Billion Rubles. According to the experts, the Report was prepared using high professional standards and largely complies with the best practices of information disclosure.

### **Actions taken in 2020 to improve the investment appeal**

To ensure access of the investment community to material information, the Company maintains regular spoken and written bilateral communications with its shareholders and investors, as well as other professional securities market participants.

On 26 August 2020 the Company held a conference call for representatives of the investment community on the performance of PJSC IDGC of the North-West under IFRS for 6 months of 2020. Representatives from leading banks and investment companies (Renaissance Capital, Sova Capital, etc.) took part in this conference. The investment community representatives expressed high appreciation of the Company manager's openness for communication and the quality of information disclosure.

PJSC IDGC of the North-West also maintains regular communications with investors in other forms.

For the convenience of the shareholders and any interested parties, the Shareholders Q&A section of the corporate website lists answers to the most frequently asked questions. For the convenience of shareholders and all stakeholders, the Shareholders Q&A section of the Company's corporate site shows answers to frequently asked questions. Analytical presentation materials on IFRS reporting are shown at the Company's web site (<https://www.mrsksevzap.ru/investors/investorscalendar-p/presentations/>).

Since 2019, the Company has arranged a hotline for prompt shareholder communication with the Company ([www.mrsksevzap.ru/investors/shareholdersmeetinginfo/](https://www.mrsksevzap.ru/investors/shareholdersmeetinginfo/)) and a shareholder forum (<https://forum.mrsksevzap.ru>) when the General Meetings of Shareholders are prepared and held

### **Actions to attract ESG investors**

To boost the trust of investors, consumers, and other interested parties, the Company is trying to provide the most complete information in its Report concerning the sustainable development factors that are taken into account by socially responsible investors when making investment decisions (environmental, social, and corporate governance factors applied to the Company operations, hereinafter the ESG factors).

In 2020, to increase the quality of information disclosure while preparing the 2019 Annual Report, the Company hired an independent audit agency to make sure that the Report complies with the basic GRI SRS standards.

While preparing this Report, the Company relied on the recommendations of the independent audit agency on the further development of the sustainable development reporting system in PJSC IDGC of the North-West.

### **Relevant ESG rating**

Following the results of the study by AK&M Rating Agency, the 2019 Annual Report of PJSC IDGC of the North-West got 74.8 points in the Sustainable Development Report Rating. The Report was classified as a Group 2 company with "High level of sustainable development information disclosure in reports".

"The list of participants included 300 industrial, power, transport, trade, and communications companies with the highest profits. The final rating included 61 companies that published their sustainable development reports for 2019 on the Internet. The first two groups comprise the reports from 26 of the companies. These reports contain complete information and key indicators of the companies' activities in the public interest" <https://akmrating.ru/rejtingotchetnostiesg/>.

### **Calendar of investor activities for 2021**

*March.* Publishing the 2020 IFRS reports.

*April and May.* Meetings with minority shareholders before the Annual General Meeting of Shareholders.

*May and June.* Annual General Meeting of Shareholders.

*June.* St. Petersburg International Economic Forum (provided there are meetings with analysts and investors organized). Renaissance Capital investment conference (subject to the receipt of an invitation).

*July and August.* The ATON Day of the Power Industry Sector (subject to the receipt of an invitation).

*August.* Publishing the IFRS reports for 3- and 6-months period finishing on June 30th, 2021. Conference call organization.

*November.* The Power Industry Day of the BKS Finance Group (subject to the receipt of an invitation).

The full schedule of PJSC IDGC of the North-West investor events for 2021 is available at the Company website at <https://www.mrsksevizap.ru/investors/investorscalendar-p/investorscalendar/>.

### **Dividend Policy**

The net profits allocation policy of PJSC IDGC of the North-West is based on the balance of the Company's interests and those of its shareholders, improving the Company's investment attractiveness and its capitalisation, consistent acknowledgement of the rights of shareholders stipulated by the current RF legislation, the Company Charter and its internal documents.

Dividend policy of the Company, developed in accordance with Order of the RF Government of 29.05.2017 No.1094-r, is defined by the Regulation on the Dividend Policy approved by Decision of the Company Board of Directors of 02.02.2018 (Minutes No.265/20).

Key principles of the Dividend Policy of the Company are as follows:

- dividend calculation based on profit allocation without account of the impact of re-evaluation of financial investments;
- the need to maintain a proper financial and technical condition of the Company (implementation of the Investment Programme), ensuring the Company's development prospects;
- compliance of the Company's dividend calculation and payment practice with the legislation of the Russian Federation and best corporate behaviour standards;
- the Company's and the shareholders' interests shall be optimally balanced;
- the need to enhance the Company's investment attractiveness and capitalisation;
- ensuring transparency (clarity) of the dividend calculation and payment mechanism;
- dividends on ordinary shares are only paid out after full payment of dividends on preferred shares according to the Company Charter (if any preferred shares are issued by the Company).

The Company aspires, along with achieving capitalisation growth, to increase the amount of dividend paid to shareholders, subject to the amount of net profit gained in the reporting financial period and the development needs of the Company's operational and investment activities.

The recommended dividend amount is defined by the Board of Directors on the basis of the Company's financial performance, the Board of Directors aiming to ensure positive year-on-year dynamics of the dividend payments to shareholders.

### ***History of dividend payments***

	2018 (for 2017)	2019 (for 2018)	2019 (for 9 months of 2019)	2020 (for 2019)
Dividends per one ordinary share, RUB	-	0.003985	0.00199999807	0.001272429 3
Amount of dividend accrued, RUB thous.		381,707	191,570	121 881**
Share of net profit allocated to dividends, %		63.7	-	56.6
Amount of dividends paid, RUB thous.		376,503	Dividends began to be paid in 2020.	308,837

Dividend yield*, %		7.16	3.51	5.72
Announcement date		25.06.2019	14.01.2020	09.06.2020
Date of actual payment	The term of payment of dividends to the nominal holder and a trustee who is also a professional actor in the securities market is not more than 10 working days, other shareholders registered in Registry receive them within 25 working days from the date of drawing up the list of persons entitled to receive dividends.			

\* The dividend yield of shares is calculated as of the date of making the decision on the amount of annual dividends as the correlation of annual dividends per share and the median value of market prices for this share in the reporting year.

\*\* The amount of accrued dividends for Q4 of 2019 is indicated

The share of dividend paid in the total amount of declared dividend for 2018 was 98.64%. In 9 months of 2019, the Company accrued interim dividends in the amount of RUB 191,570 thous. On the basis of performance in 2019, dividends in the amount of 121,881 thousand rubles were added. Thus, the total amount of dividends for 2019 amounted to 313,451 thousand rubles. The share of dividends paid in the total amount of dividends declared for 2019 amounted to 98.53%. Dividends were paid to all the persons included in the dividend register, with the exception of those who had not submitted full and accurate details required for dividend payment.

#### ***Profit allocation in 2017-2019\****

	for 2017 (AGSM 2018)	for 2018 (AGSM 2019)	for 9 months 2019 (extraordinary general meeting of shareholders (EGMS) (2019) **	for 2019 (AGSM 2020)
Net profit (loss) in the reporting period, thous. RUB	-2,441,462	599,356	195,656	553,876
Undistributed profit (loss) in the reporting period, thous. RUB, including:				
Provisions	0	29,968	-	11,091
Profit for development	0	0	-	229,334
Dividends	0	381,707	191,570	313,451
Coverage of losses from previous years	0	187,681	-	0

\*Information on the distribution of profits in accordance with the decisions of the Annual General Shareholder Meetings (AGSM)

AGSM 2018 (2017) - AGSM Protocol No. 13 of 07.06.2018

AGSM 2019 (for 2018) - Protocol of AGSM No.14 of 14.06.2019

AGSM 2020 (for 2019) - AGSM Protocol №16 of 29.05.2020

\*\*EGMS 2019 (for 9 months of 2019) - EGMS Protocol No. 15 of 31.12.2019 contains information only on the amount of dividends, the terms and form of their payment based on the results of 9 months.

Minutes of the General Shareholders' Meetings are available at the Company's web site:  
<https://www.mrsksevizap.ru/investors/shareholdersmeetinginfo/>.

#### **Information on major and interested-party transactions**

In 2020, there were no major transactions with any state companies or the Company shareholders owning at least 5% of the Company's voting shares, as well as transactions classified as major by the Federal Law On joint-stock companies.

Information on the list of transactions made by the Company in the reporting year, which under Chapter 11 of the Federal Law On joint-stock companies are classified as interested-party transactions is shown in Annex 31 – Data on the interested-party transactions made by PJSC IDGC of the North-

West in 2020 recognized in accordance with the legislation of the Russian Federation as interested-party transactions.”

The report was signed by the General Director of the Company. The meeting of the Audit Commission 13.04.2021 (Minutes No.3) included assessment of the accuracy of the report on the interested-party transactions made by the Company in the reporting year.

Decision of the Company Board of Directors of     .    .2020 (Minutes No.     /    ) approved the report on the interested-party transactions in 2020.

Information on interested-party transactions is also available at the Company’s web site: <https://www.mrsksevzap.ru/infodisclosure/disclosureissuer/dealings/>.

## **Major court proceedings in 2020**

Subject to decision of the Supervisory Board of Association NCP Market Council of 21.12.2017, PJSC Arkhenergosbyt was deprived of the status of wholesale electric power and capacity supplier and excluded from the registry of wholesale market participants. By Order of the Russian Ministry of Energy of 22.12.2017 No. 1202, the status of power supplier of last resort within the area previously covered by PJSC Arkhenergosbyt, was given to PJSC IDGC of the North-West from 01 January 2018 (from 01.10.2018, by Order of the RF Ministry of Energy dated 14.09.2018 No. 763, the SLR functions in the area of PJSC IDGC of the North-West have been transferred to LLC TGK-2 Energosbyt).

The Arbitration Court of Karachay-Cherkessia on 29.12.2017 initiated insolvency (bankruptcy) proceedings upon the lawsuit of LLC METEK against PJSC Arkhenergosbyt (No.A25-2825/2017).

On 20.12.2018, PJSC Arkhenergosbyt was deemed bankrupt, and a bankruptcy procedure was initiated against it – bankruptcy administration with V.A.Iosipchuk appointed as insolvency administrator. The court hearing of the report on bankruptcy administration results is scheduled for 30.05.2019.

In 2018, the Company file four applications on including into the creditor's claims register of PJSC Arkhenergosbyt requirements for the total amount of RUB 3.5 bln, RUB 3.059 bln of which is the principal amount, and RUB 0.5 bln is penalties and interest. Upon their consideration, the requirements of the Company were fully sustained by the court.

In February 2019, the Company filed another applications on including into the creditor's claims register of PJSC Arkhenergosbyt requirements for the total amount of RUB 20.8 mln, where RUB 20.5 mln accounts for the principal amount, RUB 0.3 mln – the penalties. The claim was to be considered by the court on 18.04.2019. Upon its consideration, the requirements of the Company were fully sustained by the court.

By the decision of the court of 17.11.2020 the period of the procedure of bankruptcy proceedings of PJSC “Arkhenergosbyt” has been extended for six months. The court hearing on consideration of the report on the results of the bankruptcy proceedings is scheduled for 13.05.2021.

Subject to decision of the Supervisory Board of Association NCP Market Council of 23.03.2018, PJSC Vologdaenergosbyt was deprived of the status of power supplier of last resort in the Vologda Region. By Order of the Russian Ministry of Energy of 23.03.2018 No.178, the status of power supplier of last resort within the area previously covered by PJSC Vologdaenergosbyt, was given to PJSC IDGC of the North-West from 01.04.2018 to 01.04.2018.

On 16.04.2018, the Company lodged a legal application to declare PJSC Vologdaenergosbyt bankrupt (insolvent) and include the claims of RUB 7.3 mln in the creditor’s register. RUB 6.1 mln of this amount accounts for the principal debt. The application was taken up by the court, and an action of insolvency (bankruptcy) was brought against PJSC Vologdaenergosbyt (case No.A25- 846/2018).

15.10.2018 the Company's claims in the amount of 7.3 million rubles are left by the court without consideration in connection with payment of debt from a third party — JSC Finenergoinvest.

The court ruled on 28.12.2018 that PJSC Vologdaenergosbyt should be subject to a bankruptcy procedure – 5-month monitoring, the interim administrator is I.A.Yakovenko. The court hearings on the interim administrator report are scheduled for 16.05.2019. Court decision of 20.08.2019 postponed the consideration of the monitoring results to 12.11.2019.

As of 30.09.2019, the Company submitted 8 applications for intervention into the case of PJSC Vologdaenergosbyt bankruptcy (without the application submitted by the Company on 16.04.2018 to declare PJSC Vologdaenergosbyt bankrupt and include the claims in the creditor's register for the total amount of RUB 457 mln, where RUB 406 mln is the principal amount, and RUB 51 mln is the penalty. The Arbitration Court of Karachay-Cherkessia considered 8 applications of the Company and included them in PJSC Vologdaenergosbyt creditor's register. The Company also filed the ninth claim in the amount of RUB 0.08 mln, which was satisfied upon consideration within the framework of the bankruptcy administration on 30.01.2020.

On 19.11.2019, PJSC Vologdaenergosbyt was deemed bankrupt, and a bankruptcy procedure was initiated against it – bankruptcy administration with A.S.Solomonov appointed as insolvency administrator. The court hearing of the report on bankruptcy administration results is scheduled for 29.04.2020.





By the decision of the court of 29.10.2020, the period of the procedure of bankruptcy proceedings of PJSC Vologdaenergosbyt has been extended for six months. The court hearing on the report of the bankruptcy manager on the results of the bankruptcy proceedings is scheduled for 22.04.2021.

# ABOUT THE REPORT

## About the Report and materiality

### Report overview

[GRI 101]

<b>Reporting cycle</b>	Annual, for the period from 01.01.2020 to 31.12.2020 [GRI 102-50, GRI 102-52]
<b>Report format</b>	Integrated annual report of PJSC IDGC of the North-West
<b>International reporting standards</b>	 Sustainable development reporting standards GRI Sustainability Reporting Standards [GRI 102-54] (Core option, the compliance chart is shown in the section “Standards compliance charts”).  Sector supplement GRI G4 for the power industry, The Electric Utilities Sector Disclosures.  International integrated reporting standard The International Framework (the compliance chart is shown in the section “Standards compliance charts”).  Standard for interaction with stakeholders AA1000 Stakeholder Engagement Standard (2015).
<b>Russian reporting standards and regulatory requirements</b>	Regulation on Information Disclosure by Issuers of Equity Securities approved by the Bank of Russia on 30.12.2014 No.454-P. Corporate Governance Code recommended by the Bank of Russia
<b>PJSC Rosseti requirements to its subsidiaries' reporting</b>	2020 Annual Report guidelines for S&A of PJSC Rosseti.
<b>Date of the previous report</b>	May 2020 [GRI 102-51]
<b>Scope of the Report</b>	<p>The Report shows the performance of PJSC IDGC of the North-West, its branches, subsidiaries and affiliates.</p> <p>The Report discloses operational and financial results, as well as presents an overview of the corporate and social responsibility activities in 2020. Unless otherwise stated, the financial indicators of the Annual Report are provided and calculated on the basis of the IFRS consolidated financial reporting. The information on performance results in this document comprises consolidated data of the IDGC of the North-West Group.</p> <p>There were no restatements of the indicators against the previous year. [GRI 102-48]</p>
<b>Reported information verification</b>	In 2020, during the preparation of the 2019 report, the Company engaged FBK Grant Thornton, an Anti-Corruption Foundation and an independent audit organization, to confirm compliance of the Report with the basic application of GRI SRS Standards. Following the audit of the Grant Thornton ACF, a recommendation was made to fully disclose of <b>GRI 102-8</b> . In particular, the breakdown of the number of employees by contract of

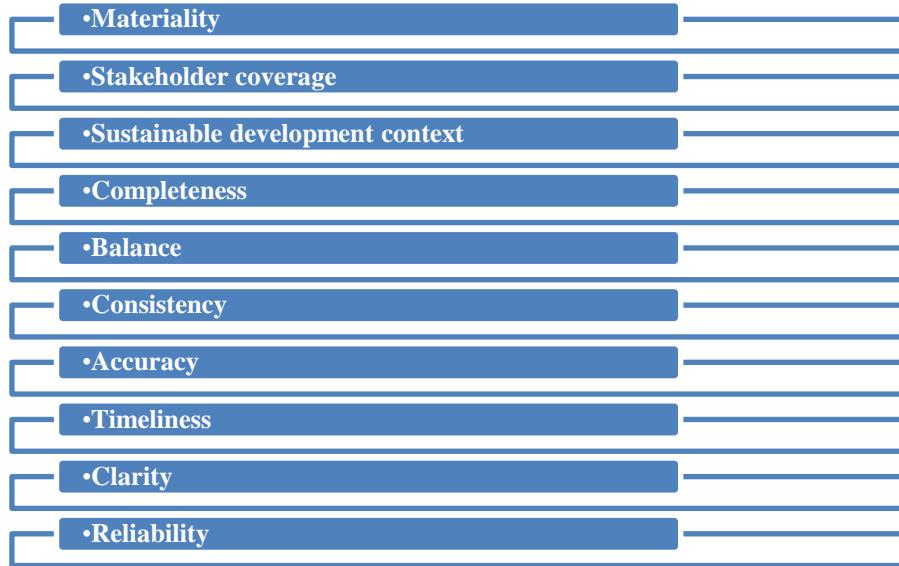
	<p>employment (including by gender and region) and by type of employment (including by gender). This recommendation is implemented in this Report.</p> <p>The reported information was verified by:</p> <ul style="list-style-type: none"> <li>• Independent auditor LLC Ernst &amp; Young, which validates the accounting (financial) reporting under RAS and the IFRS consolidated financial reporting.</li> <li>• Independent auditor FBK Grant Thornton, which confirms the compliance of the Report with the core option of GRI SRS Standards (the audit report of the independent auditor is provided in section “<i>About the Report</i>”) [GRI 102-56].</li> </ul>
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### Materiality definition

[GRI 102-46]

The Company shares and uses the key principles of international reporting on sustainable development shown in the scheme “Report content definition principles”.

#### Report content definition principles



[GRI 102-43; GRI 102-44]

In preparing this Report, the Company defined material topics for disclosure in the Report in cooperation with representatives of the major stakeholder groups. The representatives of the major stakeholder groups were surveyed by polling.

The respondents assessed the material topic by two parameters:

- the impact of the topic on stakeholders’ evaluations and decision-making;
- the Company’s impact on the economy, social context and the environment.

The findings of the survey served to build a materiality matrix. On the basis of the aggregated assessments the topics were divided into three groups by the degree of materiality:

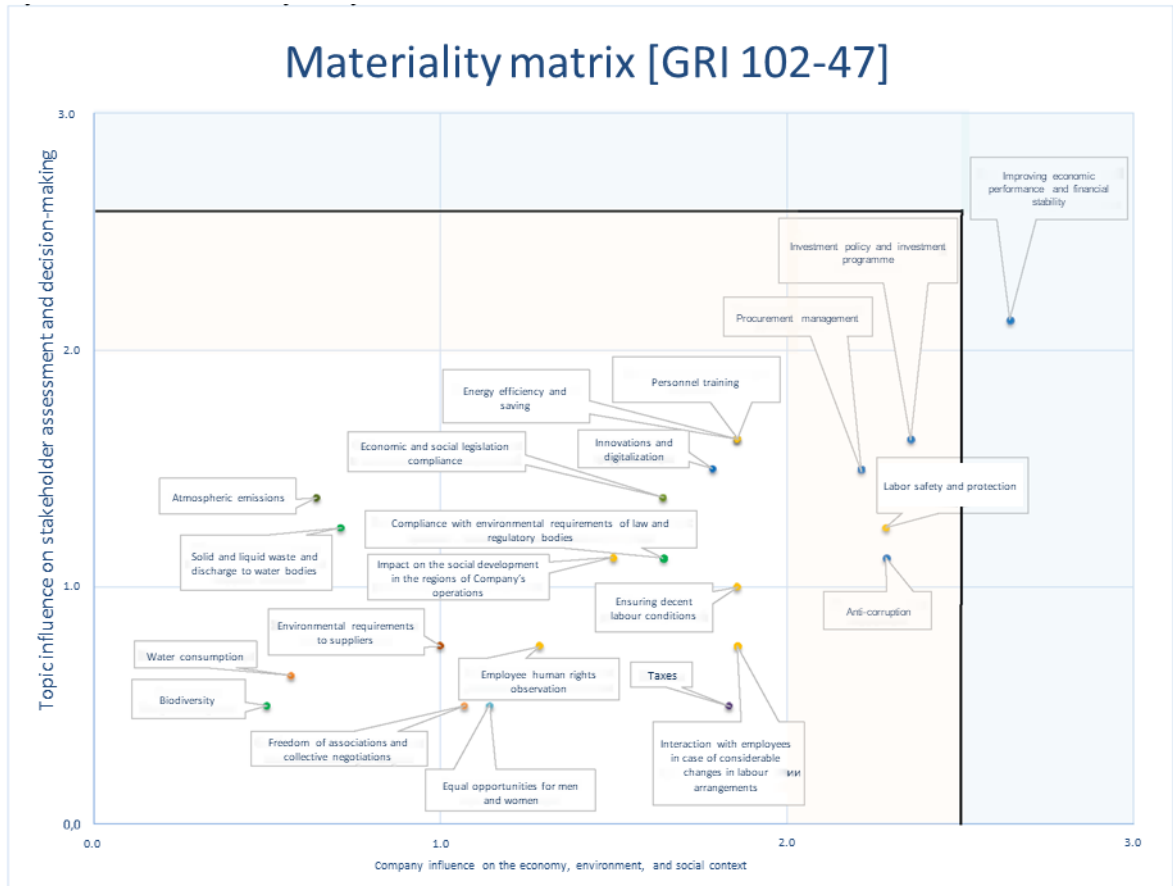
- Group I – material topics, scoring over 2.5 points by at least one parameter;
- Group II – fewer material topics, scoring from 2.0 to 2.5 points by at least one parameter;
- Group III – immaterial topics, scoring under 2.0 points by both parameters.

The boundaries of the topics are PJSC IDGC of the North-West, including all branches and S&A [GRI 103-1]

There are no material changes regarding the scope and boundaries against the previous reports



[GRI 102-49].



## Responsibility for the Report

[GRI 102-32] The Report is approved by decisions of the Board of Directors (preliminarily) and Annual General Meeting of Shareholders of PJSC IDGC of the North-West.

## Standard compliance chart

### GRI index

[GRI 102-55]

GRI indicator	Information disclosure in the Report	Report section / number of Annex to the Report	Excluded information / comments
GRI 101	Foundation 2016	Report overview, p.207	
<b>GRI 102 General disclosures 2016</b>			
<b>1. Organisation profile</b>			
GRI 102-1	Name of the company	Addresses and contacts, p.221	
GRI 102-2	Activities, brands, products, and/or services	Key performance indicators, p.11	Core businesses include power transmission and technological connection of consumers to grids, as well as sales of electric power to end users in the north-western region of Russia
GRI 102-3	Location of headquarters	Addresses and contacts, p.221	3A Konstitutsii Sq., Saint Petersburg, 196247, Russia, office 16H
GRI 102-4	Geographical footprint	The Company's geographical footprint, p.18	
GRI 102-5	Ownership and legal form	Addresses and contacts, p.221	
GRI 102-6	Markets served	The Company's geographical footprint, p.18 Production results, p.43, 46	
GRI 102-7	Scale of the organisation	Key performance indicators, p.11; The Company's geographical footprint, p.18; Production results, p.43; Financial performance analysis, p.74, Personnel headcount and breakdown, p.99. Capital structure is shown on p.11 of the IFRS consolidated financial reporting for 2020.	
GRI 102-8	The Company's staff and employees	Human resources and social policy, p.101	
GRI 102-9	Supply Chain	Business model, p.20	
GRI 102-10	Significant changes to the scope of the organisation and its supply chain		No significant changes took place in the supply chain during the reporting period.
GRI 102-11	Precautionary principle or approach		In accordance with the precautionary principle, PJSC IDGC of the North -West aims to avoid any anticipated environmental damage, even in the absence of any scientifically proven data

			<p>that a certain activity causes such damage. The stage of design documentation development for construction / renovation of power grid facilities involves assessment of the environmental impact of their operation; and design arrangements are made to prevent or mitigate any possible negative impact.</p>
GRI 102-12	Charters, principles or other initiatives which the organisation has joined or supported		<ul style="list-style-type: none"> <li>• • International standard ISO 9001 - 2015 (GOST ISO 9001 -2015) – Quality Management Systems. Requirements</li> <li>• International standard ISO 14001:2015 – Environmental management systems. Requirements with guidance for use</li> <li>• Global Reporting Initiative recommendations (GRI Standards, SRS)</li> <li>• International Integrated Reporting (IR) Standard recommendations</li> <li>• Anti-Corruption Charter of the Russian Business.</li> </ul>
GRI 102-13	Membership of the organisation in associations, industry and / or national and international organisations for protection of interests		<ul style="list-style-type: none"> <li>• ANO Strategic Partnership of the North -West</li> <li>• Association Non-Commercial Partnership of Territorial Power Grid Organisations</li> <li>• Association Non-Commercial Partnership – Market Council for Organising Efficient System for Wholesale and Retail Trade in Electric Energy and Capacity</li> <li>• • Non-Commercial Partnership – Research and Development Council of the Unified Power System</li> <li>• Non-Commercial Partnership – Union of Power Industry Auditors and Energy Service Companies</li> <li>• Union Energostroy Self-Regulated Organisation – Interregional Industry Union of Employers, Association of Organisations Involved in Construction, Renovation and Overhauls of Power Facilities, Grids and Substations</li> <li>• Non-Commercial Partnership Energoproekt – Association of Organisations Preparing Design Documents for Power Facilities, Grids and Substations</li> <li>• Self-Regulated Organisation Association – Non-Commercial Partnership EnergoProfAudit.</li> <li>• Self-Regulated Organisation Association – Saint Petersburg Builders Union</li> </ul>

			• Interregional Industrial Association of Employers of the Power Sector of Russia (RaEI).
<b>2. Strategy</b>			
GRI 102-14	Statement from senior decisionmaker in the organisation	Address by the General Director, p.6	
<b>3. Ethics and good business practice</b>			
GRI 102-16	Values, principles, standards and norms of behaviour	Responsible business, p.122; Overview of the Company's corporate governance, p.136	
GRI 102-17	Mechanisms for reporting unethical or illegal behaviour		Under p. 13.3 of the Code of Corporate Ethics and Executive Conduct for Employees, approved by the BoD of the Company on 03.05.2017 (Minutes No.240/31), if an employee is uncertain of further actions in a complicated situation described therein, or faces a situation involving a breach of the rules stipulated by the Code, he or she can seek consultation, advice or assistance from : - the immediate superior; - the unit performing the functions of preventing corruption and other violations.
<b>4. Corporate governance</b>			
GRI 102-18	Corporate Governance Structure	Overview of the Company's corporate governance, p.136	
GRI 102-22	Composition of the highest governance body and its committees	Composition of the Board of Directors, p.148, 149 Committees of the Board of Directors, p.158, 160, 162, 164, 165	
GRI 102-23	Chair of the highest governance body	Composition of the Board of Directors, p.150	
GRI 102-25	Conflicts of interest	The system for conflict of interest prevention and insider information, p.196	
GRI 102-26	Role of highest governance body in setting purpose, values, and strategy	Board of Directors, p.143 Strategy Committee, p.161	
GRI 102-28	Assessment of the activities of the supreme management body	Independent assessment of the Board of Directors performance, p.154	

GRI 102-30	Effectiveness of risk management processes	Risk management system, p.180	
GRI 102-32	Highest governance body's role in sustainability reporting and approving the report of the organization as well as providing coverage of all material aspects	Responsibility for the Report, p.209	
GRI 102-35	Remuneration policy for members of the highest management body and executive heads of the highest rank	The Company remuneration system, p.172	
GRI 102-36	Process for determining remuneration	Remuneration system for members of the Board of Directors, p.172; Remuneration system for members of the Board of Directors Committees, p.175; Remuneration system for the General Director and members of the Management Board, p.176	
<b>5. Stakeholder interaction</b>			
GRI 102-40	List of stakeholders	Stakeholder interaction, p.95	
GRI 102-41	Collective agreements	Current standards of sustainable development, p.16	The collective agreement is valid for all employees of IDGC of the North-West.
GRI 102-42	Identifying and selecting stakeholders for interaction	Stakeholder interaction, p.94	
GRI 102-43	Approach of the organisation to stakeholder engagement	Stakeholder interaction, p.94 Materiality definition, p.208	
GRI 102-44	Key topics and concerns raised by each group of stakeholders	Stakeholder interaction, p.95 Materiality definition, p.208	

<b>6. Report overview</b>			
GRI 102-45	List of legal entities whose reporting was included in the consolidated financial reporting		The consolidated financial reporting includes performance indicators of PJSC IDGC of the North-West, including all branches, JSC Pskovenergoagent, JSC Pskovenergosbyt, JSC Energoservis Severo-Zapada and OJSC Lesnaya Skazka. The material topics of these companies are also covered by the Sustainable Development Report
GRI 102-46	Methodology of defining the report contents	Materiality definition, p.208	
GRI 102-47	List of material topics	Materiality definition, p.209	
GRI 102-48	Restatements of information	Report overview, p.207	
GRI 102-49	Changes regarding the scope, boundaries or measurement methods used in the report	Materiality definition, p.209	
GRI 102-50	Reporting period	Report overview, p.207	
GRI 102-51	Date of the previous report	Report overview, p.207	
GRI 102-52	Reporting cycle	Report overview, p.207	
GRI 102-53	Contact point for questions regarding the report	Addresses and contacts, p.223	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	Report overview, p.207	
GRI 102-55	GRI index	GRI index, p.210	
GRI 102-56	External assurance	Report overview, p.208	
<b>GRI 103. Management approach 2016</b>			
GRI 103-1	Explanation of the material topic and its boundaries	Materiality definition, p.208	
GRI 103-2	The management approach and its components	Specified individually for each material topic	
GRI 103-3	Evaluation of the management approach	Specified individually for each material topic	

<b>Material topics (Group I at the materiality matrix)</b>			
<b>Improvement in economic efficiency and financial stability</b>			
<b>GRI 201. Economic Performance 2016</b>			
GRI 103-2	The management approach and its components	Strategic priorities and development prospects, p.26	
GRI 103-3	Evaluation of the management approach	Strategic priorities and development prospects, p.27	
GRI 201-1	Generated and distributed direct economic value	Direct created and distributed economic value, p.81	
GRI 201-3	Defined benefit plan obligations and other retirement plans		The information of the IDGC of the North-West Group's defined-benefit retirement programme obligations is provided in Note 27 to the IFRS consolidated financial reporting for 2020 at <a href="http://www.mrsksevizap.ru/id_1yearfinreport#tab2">http://www.mrsksevizap.ru/id_1yearfinreport#tab2</a> .
GRI 201-4	Financial assistance received from government	Annex 1. Key financial and economic indicators of the Group under IFRS. Capital structure, p.197	Recognition of estimated liabilities for property tax in the amount of RUB 1,088 million is due to the decision of the arbitration court in favour of the tax authority on the exit tax audit for 2013—2015. Estimated liability was created based on the maximum negative tax risk for 2013-2020 for similar objects reclassified by the tax authority into real estate objects
<b>Less material topics (Group II at the materiality matrix)</b>			
<b>Investment policy and investment programme implementation</b>			
<b>GRI 203. Indirect economic impacts 2016</b>			
GRI 103-2	The management approach and its components	Investment activities, p.36	
GRI 103-3	Evaluation of the management approach	Investment activities, p.36, 37	
GRI 203-1	Infrastructure investments and services supported	Priority investment projects completed in 2020, p.42	
<b>Procurement management</b>			
<b>GRI 204. Procurement Practices 2016</b>			
GRI 103-2	The management approach and its components	Procurement activities, p.125	
GRI 103-3	Evaluation of the management approach	Procurement activities, p.127	

GRI 204-1	Proportion of procurement spending on local suppliers	Business model, p.20	
<b>Anti-corruption policy</b>			
<b>GRI 205. Anti-corruption 2016</b>			
GRI 103-2	The management approach and its components	Anti-corruption policy, p.129	
GRI 103-3	Evaluation of the management approach	Anti-corruption policy, p.130, 131	
GRI 205-1	Operations assessed for risks related to corruption		<p>An identification and assessment of corruption risks was carried out in 2020. By order No.440r of 03.09.2020 "On documentation on the improvement of internal control and risk management systems of the Company based on new methodological approaches" a register of corruption risks was approved containing 15 business process risks by category:</p> <ul style="list-style-type: none"> <li>-Asset management, including non-core assets;</li> <li>-Procurement activities;</li> <li>-Commercial accounting and provision of electricity transmission services;</li> <li>-Technological connection;</li> <li>-Safety and security;</li> <li>-Accounting, tax accounting and reporting, IFRS;</li> <li>-Personnel management.</li> </ul>
<b>Occupational health and safety in the workplace</b>			
<b>GRI 403. Occupational health and safety 2016</b>			
GRI 103-2	The management approach and its components	Occupational health and safety, p.112	
GRI 103-3	Evaluation of the management approach	Occupational health and safety, p.113, 114	
GRI 403-4	Coverage of the health and safety issues in official agreements with trade unions	Annex 19. Labour safety report	<p>The Company's obligations regarding personnel health are additionally stipulated by the collective agreement of PJSC IDGC of the North-West. The collective agreement of PJSC IDGC of the North-West contains an article on labour safety.</p> <p>The S&amp;A conducting operations with the average staffing number of over 10 persons (JSC Pskovenergosbyt, JSC Pskovenergoagent) have their own collective agreements, including labour safety articles.</p>



<b>Immaterial topics (Group III at the materiality matrix)</b>			
<b>Energy efficiency and energy saving</b>			
<b>GRI 302. Energy 2016</b>			
GRI 302-1	Energy consumption within the organization	Energy saving and better energy efficiency, p.120	
GRI 302-4	Reduction of energy consumption	Power transmission and losses, p.45	2018 – base year.
<b>Biodiversity conservation</b>			
<b>GRI 304. Biodiversity 2016</b>			
GRI 304-2	Significant impacts of activities, products, and services	Environmental policy, p.122	
<b>Interaction with employees under considerable changes in labour management relations</b>			
<b>GRI 402. Labour-management relations 2016</b>			
GRI 402-1	Minimum notice periods regarding operational changes, its specification in the collective agreement		Under Article 74 of the RF Labour Code (RF LC) regarding changes of labour conditions and Article 75 of the RF LC regarding change in the organisation’s property owner, the minimum length of advance notice of the employees and their elected representatives of the implementation of the material operational changes which can considerably impact them is 2 months. Section 4 “Employment” of the collective agreement stipulates that in case the Company is reorganised, the Employer is obliged to notify PTUO representatives of the future reorganisation and provide them with information on the reorganisation decision made by the Shareholders’ Meeting, within 20 days from the date of the decision.
<b>Personnel development</b>			
<b>GRI 404. Training and education 2016</b>			
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Personnel training and development, talent pool, p.102	
<b>Impact on the social development in the operations area</b>			
<b>GRI 413. Local communities 2016</b>			
GRI 413-1	Operations with local community engagement, impact assessments, and	Highlights of the year, p.17	

	development programs		
GRI 413-2	Operations with significant actual and potential negative impacts on local communities		In 2020, there were no operations with significant actual and potential negative impacts on local communities.
<b>Socioeconomic compliance</b>			
<b>GRI 419. Socioeconomic compliance</b>			
GRI 419-1	Non-compliance with laws and regulations in the social and economic area		In the reporting period no material fines or non-financial penalties were imposed for failure to comply with the social or economic legislation requirements. Creation of a reserve for property tax in the amount of RUB 1,088 million is due to the additional accrual of the estimated liability for property tax for 2013-2020 based on the results of the field tax audit as the maximum negative tax risk on similar objects of fixed assets reclassified by the Federal Tax Service into movable property objects.

### Standard elements of the sector supplement

GRI indicator	Information disclosure in the Report	Report section / number of Annex to the Report	Excluded information / comments																	
EU4	Length of transmission and distribution lines by type	Company overview, p.9 Annex 5. Data on the key production assets in 2018–2020.																		
G4-DMA (previously EU8)	R&D conducted for the increase of power supply reliability and sustainable development of the Company	Innovative development, p.69																		
EU12	Power losses during power transmission and distribution as percentage of total volume of the power transmitted	Key performance indicators, p.11 Power transmission and losses, p.45	<table border="1"> <thead> <tr> <th rowspan="3">Indicator</th> <th colspan="3">Indicator</th> </tr> <tr> <th rowspan="2">total</th> <th colspan="2">by voltage level</th> </tr> <tr> <th>HV and MVI</th> <th>distributing grids (MV2 and LV)</th> </tr> </thead> <tbody> <tr> <td>Power output to grid (generating losses), mln kWh</td> <td>32,104.07</td> <td>30,313.56</td> <td>9,500.65</td> </tr> <tr> <td>Actual (reported) line power losses, mln kWh</td> <td>2,065.82</td> <td>925.95</td> <td>1,139.87</td> </tr> </tbody> </table>	Indicator	Indicator			total	by voltage level		HV and MVI	distributing grids (MV2 and LV)	Power output to grid (generating losses), mln kWh	32,104.07	30,313.56	9,500.65	Actual (reported) line power losses, mln kWh	2,065.82	925.95	1,139.87
Indicator	Indicator																			
	total	by voltage level																		
		HV and MVI	distributing grids (MV2 and LV)																	
Power output to grid (generating losses), mln kWh	32,104.07	30,313.56	9,500.65																	
Actual (reported) line power losses, mln kWh	2,065.82	925.95	1,139.87																	

		Actual (reported) power losses as percentage of the power output to grid, %	6.43%	3.06%	12.00%
EU28	Power outage frequency	Improving power supply efficiency, reliability and quality, p.59			
EU29	Average power outage duration	Improving power supply efficiency, reliability and quality, p.59			

## International Integrated Reporting (IR) Standard compliance chart

### Reflection of the fundamental concepts of the IR Standard in the Report

Fundamental concepts	Used / not used
Value creation for the organisation and its stakeholders	Used
Capitals	Used
Value creation process	Used

### Compliance of the Report with the guiding principles of the IR Standard

Guiding principles	Complies / does not comply
Strategic focus and future orientation	Complies
Connectivity of information	Complies
Stakeholder responsiveness	Complies
Materiality	Complies
Conciseness	Partially complies*
Reliability and completeness	Complies
Consistency and comparability	Partially complies**

\* The presentation version of the Report complies with the principle.

\*\* In 2018, the Company started using the GRI Standards, in 2019 – the Integrated Reporting Standard.

### Availability of the IR content elements in the Report

Content elements	Report section	Page number
Company overview and operating context	Company overview, Market	9, 21–25
Governance	Corporate governance	135–171
Business model	Business model	19–20
Risks and opportunities	Risk management system	180–190
Strategy and resource allocation	Strategic development guidelines, Key performance indicators	26–32; 33–35
Performance Results	Key performance indicators, Business model	11; 19–20
Future outlook	Company development prospects	30

## Terms and abbreviations

Abbreviation, term	
JSC	joint-stock company
ANO	autonomous non-profit organisation
OL	overhead (power) line
HEI	higher education institution
AGSM	Annual General Meeting of Shareholders
HPP	hydroelectric power plant
S&A	subsidiaries and affiliates

UNPG	Unified national power grid
IP	investment programme
IT	information technologies
CDP	comprehensive programmes of power grids development
KPI	key performance indicators
PL	power line
MICEX	Public Joint-Stock Company Moscow Exchange MICEX-RTS
IDGC	interregional distribution grid company
SME	small and medium enterprises
IFRS	International Financial Reporting Standards
MUE	municipal unitary enterprise
EMERCOM	RF Ministry for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters
FAS of Russia	Federal Antimonopoly Service
VAT	Value Added Tax
R&D	research and development
NSPF	non-state pension fund
RDB	research and development board
AWP	autumn and winter period
PJSC	public joint-stock company
D&S	design and survey
PTUO	primary trade union organisation
SS	substation
RAS	Russian accounting standard
RTS	Russian Trading System
RF	Russian Federation
PDZ	power distribution zone
ICS	internal control system
RMS	Risk management system
BoD	Board of Directors
NWFD	North-Western Federal District
SSIW	self-supporting insulated wire
DS&P	power industry development schemes and programmes of the Russian constituent entities
Media	the mass media
OAMS	operation assets management system
TGK	local generating company
TR&R	technical re-equipment and renovation
M&R	maintenance and repairs
LGO	local grid operator
FES	Fuel and energy complex
FTS of Russia	Federal Tariff Service
EBITDA	earnings before interest, taxes, depreciation, and amortization
IR	Investor Relation
CU	conventional unit
OS	organization standard
PU	production unit
PEI CPE	private educational institution of continuing professional education
QMS	quality management system
TC	technological connection
IP	investment project
CL	underground cable line
ACRA	Analytical Credit Rating Agency

AR	accounts receivable
CR	company regulation
LLC	Limited liability company
RAD	regulatory administrative document
PJSC	Public Joint-Stock Company
RF CC	Criminal Code of the Russian Federation
RAB	regulatory asset base
GRR	gross revenue requirement
CG	corporate governance
SLR	power supplier of last resort
RTD	research and technology documentation
CMIS	corporate management information system
APMS	automated process management systems
RPA	relay protection and automation
CJSC	Closely-held joint-stock company
Cont.	contract
SG	switchgear
DCTS	data collection and transfer system
AMIS EPFM	automated measuring and information system for electric power fiscal metering
UAV	unmanned aerial vehicles
SIU	situational information unit
FL	fault locators
AERD	automated emergency response devices
DCTD	data collection and transfer device
DPC	data processing centre
GCC	grid control centre
<b>Measurement units</b>	
A	ampere. Electric current measurement unit
Ha	hectare. Area measurement unit
Gcal	gigacalorie. Heat energy measurement unit
kV	kilovolt. Electric voltage measurement unit
MVA	megavolt-ampere. Measurement unit of apparent power
kWh	kilowatt hour. Electric power measurement unit
kW, MW	kilowatt, megawatt. Active power measurement units
km	kilometre. Length measurement unit
RUB mln	million roubles
RUB bln	billion roubles

## Addresses and contacts

### 1. Company details: [GRI 102-1; GRI 102-3; GRI 102-5]

<b>Full name:</b>	Public Joint-Stock Company Interregional Distribution Grid Company of the North-West
<b>Short name:</b>	PJSC IDGC of the North-West
<b>Ownership and legal form</b>	Joint private and foreign property, public joint-stock company Public Joint-Stock Company
<b>Address (location) of the Company:</b>	3A Konstitutsii Sq., Saint Petersburg, 196247, Russia, office 16H
<b>Phones, fax:</b>	phone +7 (812) 305-10-00, fax +7 (812) 305-10-98
<b>E-mail:</b>	<a href="mailto:post@mrsksevzap.ru">post@mrsksevzap.ru</a>
<b>Internet address:</b>	<a href="http://www.mrsksevzap.ru">www.mrsksevzap.ru</a>

<b>Bank details:</b>	Tax ID 7802312751, KPP code 781001001, OGRN code 1047855175785 OKPO code 74824610 current account 40702810855000000024 at the North-Western Bank of PJSC Sberbank Saint Petersburg correspondent account 30101810500000000653 BIK (bank identification code): 044030653
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## 2. Registrar of PJSC IDGC of the North-West:

<b>Full name:</b>	Joint Stock Company R.O.S.T. Registrar
<b>Short name:</b>	JSC R.O.S.T. REGISTRAR
<b>Location:</b>	18 bldg. 13, Stromynka St., 107996, Moscow
<b>Mailing address:</b>	PO box 9, 18 Stromynka St., 107996, Moscow
<b>Phones:</b>	+7 (495) 771-73-38, 771-73-39
<b>Internet address:</b>	<a href="http://www.rost.ru/">http://www.rost.ru/</a>
<b>Bank details:</b>	Bank: JSC Alfa-Bank, Moscow, current account: 40701810399929300006, BIC: 044525593, correspondent account: 30101810200000000593 Tax ID: 7726030449

## 3. JSC R.O.S.T. Registrar standalone branch in Saint Petersburg:

<b>Full name:</b>	North-Western Branch of Joint-Stock Company R.O.S.T. Registrar
<b>Location:</b>	6 Belovodsky Lane, 194044, Saint Petersburg
<b>Mailing address:</b>	6 Belovodsky Lane, 194044, Saint Petersburg
<b>Phones:</b>	+7 (812) 401-63-13, 401-63-14
<b>Internet address:</b>	<a href="http://www.rost.ru/">http://www.rost.ru/</a>
<b>E-mail:</b>	<a href="mailto:rost-spb@rost.ru">rost-spb@rost.ru</a>

## 4. Auditor of PJSC IDGC of the North-West:

<b>Full name:</b>	Ernst & Young Limited Liability Company
<b>Short name:</b>	LLC Ernst & Young
<b>Location:</b>	77 bldg. 1 Sadovnicheskaya Emb., Moscow, 115035 Russia
<b>Mailing address:</b>	77 bldg. 1 Sadovnicheskaya Emb., Moscow, 115035 Russia
<b>Phones:</b>	+7 495 755-97-00, +7 495 755-97-01
<b>Internet address:</b>	<a href="http://ey.com/ru/ru">ey.com/ru/ru</a>
<b>E-mail:</b>	<a href="mailto:moscow@ru.ey.com">moscow@ru.ey.com</a>

### 4.1. Saint Petersburg branch of Ernst & Young Limited Liability Company

<b>Location:</b>	23 Malaya Morskaya St., Saint Petersburg, 190000 Russia
<b>Mailing address:</b>	23 Malaya Morskaya St., Saint Petersburg, 190000 Russia

## 5. Hotlines on power supply issues:

<b>Branch/IDGC</b>	<b>Hotline number</b>
Arkhangelsk branch of PJSC IDGC of the North-West	8-800-220-0-220
Vologda branch of PJSC IDGC of the North-West	8-800-220-0-220
Karelia branch of PJSC IDGC of the North-West	8-800-220-0-220
Murmansk branch of PJSC IDGC of the North-West	8-800-220-0-220
Komi branch of PJSC IDGC of the North-West	8-800-220-0-220
Novgorod branch of PJSC IDGC of the North-West	8-800-220-0-220
Pskov branch of PJSC IDGC of the North-West	8-800-220-0-220

Universal for the responsibility area	8-800-220-0-220
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6. **Shareholder and Investor Relations Department contacts: [GRI 102-53]**

<https://www.mrsksevzap.ru/about/companycontacts/>

<b>Full name</b>	<b>Position</b>	<b>Phone, Email</b>
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Peresvetova Irina Mikhaylovna	Principal specialist	+7 (812) 305-1010 ext. 560 <a href="mailto:peresvetova@mrsksevzap.ru">peresvetova@mrsksevzap.ru</a>
Bogatyreva Ellina Fayruzovna	Principal specialist	+7 (812) 305-1010 ext. 437 <a href="mailto:bogatyrevaef@mrsksevzap.ru">bogatyrevaef@mrsksevzap.ru</a>