# REPORT





## GRI 102-1, 102-21, 102-44, 102-45, 102-46, 102-47

## **ABOUT THE REPORT**

This Annual Report has been prepared using the information available to IDGC of Centre, PJSC (hereinafter referred to as IDGC of Centre, Rosseti Centre, the Company) as at the date thereof and presents the results of the Company's activities for the period from 1 January to 31 December 2020. The information contained herein, including financials based on financial statements under Russian Accounting Standards (RAS), comprises IDGC of Centre' activity data. The section of the Annual Report containing the performance measures of the consolidated financial statements includes data on the activities of IDGC of Centre's Group of companies.

The Report has been prepared using the guidelines of the Global Reporting Initiative (GRI Standards) and outlining the Sustainable Development Goals formulated by the United Nations (UN SDG) the Company adheres to. The Company took steps in the reporting year to identify material topics involving external and internal experts. Key topics were:

- Countermeasures against COVID-19;
- Projects of the Digital Transformation Programme;
- Consolidation of territorial grid organisations (TGOs);
- Corporate sustainability (plans to develop additional services and increase of non-tariff revenue), as well as a buoyant business model;
- Contractors management;
- Respect for human rights;
- Safety net programmes for employees;
- Energy and resource savings;
- ESG factors;
- Incentives schemes for management team:
- Transparency of the dividend policy.

Disclosure of identified material topics is within the scope of the Report.

# DISCLAIMER

The Annual Report contains forward-looking statements that reflect expectations of IDGC of Centre's management. The forward-looking statements are not based on actual circumstances and include all statements regarding the intentions, opinions or current expectations of the Company regarding the operating results, financial position, liquidity, growth prospects, strategy and industrial sector IDGC of Centre operates in. By their nature, such forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

We generally use words such as 'intends', 'aims', 'expects', 'estimates', 'plans', 'believes', 'anticipates', 'may', 'should', 'will', 'continues' and other similar to identify forward-looking statements, and assume that the occurrence of specified events is dependent on various factors. Therefore, future performance may differ from current expectations, and users of the Report should not rely exclusively on the information presented therein.

In addition to official data on IDGC of Centre's performance, this Annual Report contains information received from third parties. Such information has been received from sources the Company believes to be reliable. However, the Company does not warrant that third-party information is accurate, complete or comprehensive.

IDGC of Centre cautions that forward-looking statements are no guarantees of future performance. The Company's actual performance results, financial position, liquidity, and evolution of the industry it operates in may significantly differ from those contained in the forward-looking statements set forth herein. Furthermore, even if the above indicators are consistent with the forward-looking statements contained herein, those results or developments may not be indicative of results or developments in future periods.

The Company makes no warranties or representations, whether express or implied, and bears no liability for any losses incurred by individuals or entities for any reason, whether directly or indirectly, as a result of using the forward-looking statements contained herein. These individuals and entities should not rely solely on the forward-looking statements contained herein, as they do not represent the only possible scenario.

Save as provided for by the Russian laws, the Company undertakes no obligation to update or confirm its expectations and estimates, or publish updated and revised forward-looking statements contained herein as a result of future events or new information.



2	Corporate Governance	90
4	Chairman of the Board of	
4	Directors' Report on Corporate Governance at IDGC of Centre	92
6	General Meeting of Shareholders	96
0	Board of Directors	98
	General Director	120
12	Management Board	121
4	Report on Remunerations	126
16	Control Authorities	131
8	Disclosure Policy	142
8	Anti-Corruption Initiatives	144
19	Resolution of Conflict of Interest	145
19	Securities	146
0	Corporate Responsibility	156
21	Principles of Corporate	100
2	Responsibility	158
3	Sustainability Management	158
24	Stakeholder Engagement	161
~	HR Development	163
6	Occupational and Industrial Safety	175
28	Anti-terrorism Security of Power Grid Facilities	179
4	Cybersecurity	180
0	Energy Saving and Energy	100
8	Efficiency Improvement	181
	Environmental Policy	184
0	Procurement Activities	192
52	Charity	193
57	Tax Policy and Budget Contribution	193
8	Customer Relations	194
6	Appendices	196

100%

# SINGLE BRANDING

# **TRANSITION TO A SINGLE BRAND ARCHITECTURE**

The decision to transit to single brand architecture for all subsidiaries and affiliates was announced in June 2019 at the St. Petersburg International Economic Forum, where Rosseti Group presented a new single brand architecture for the energy holding.

Rosseti Group operates in 80 constituent entities of the Russian Federation, adopts common approaches to the management and development of the domestic power grid infrastructure, and constantly improves the quality of services provided, while expanding their list.

The purpose of the rebranding is to strengthen the relationship between the enterprises of Rosseti's group of companies, to make the brand the most recognisable in the sector. With the transition to a single brand architecture, communication and interaction between the Consumer and Group of Companies will become easier and clearer.

The transition to the single brand architecture is part of the systemic process of great transformation across all areas of the energy holding. The rebranding tasks include:

	brand differentiation (adding to its uniqueness)		Strengthening the brand (higher customer loyalty)		expansion of the target audience of the brand (attracting new consumers)		
The first stage of rebranding is currently underway. During this time, the following activities were carried out: • Designing of electronic and printed media							
<ul> <li>Designing of electronic and printed media</li> <li>Use of the marketing brand name corresponding to the provisions of the Standard</li> </ul>							

(the verbal part of the trademark) in corporate communications	100%
Designing of buildings of the executive office of S&As	100%
• Designing of buildings of branches/main power grids, production departments	90.9%
<ul> <li>Designing of buildings of RPGs/enterprises of the main power grids, Customer Service Centres</li> </ul>	91.2%
<ul> <li>Designing of motor vehicles and special vehicles in the cities where the executive office of S&amp;As and executive office of branches of S&amp;As / main power grids are located.</li> </ul>	99.8%
Designing of motor vehicles and special vehicles	92.5%
Designing of wall and roof structures	76.6%
Designing of production facilities	
Designing of special and uniform clothing	69%
Designing of document flow templates and printing / stationery products	100%
Designing of advertising and souvenir products templates	100%
Designing of templates for congress and exhibition activities	100%

# ROSSETI



The second transition to a single brand architecture began - changing the name of the legal entity. For better work with requests from consumers of power grid services, Rosseti's subsidiaries and affiliates transferred to the common federal number 8-800-220-0-220 through the Unified Contact Centre of Rosseti's group of companies.

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES







CENTER AND VOLGA REGION









# COMPANY'S OVERVIEW GRI 102-4

IDGC of Centre, PJSC (IDGC of Centre, Rosseti Centre, the Company) is a Russian power grid company primarily engaged in providing power transmission and new grid connection services. With the Executive Office sitting in Moscow, the Company's branches operate in Belgorod, Bryansk, Voronezh, Kursk, Kostroma, Lipetsk, Orel, Smolensk, Tambov, Tver, and Yaroslavl.

IDGC of Centre's customers are major industrial manufacturers, transport companies, agricultural producers, community facilities, and guaranteeing suppliers (suppliers of last resort). Since September 2017, IDGC of Centre has been acting as the sole executive body of IDGC of Center and Volga Region, which is the key supplier of power distribution and grid connections services in the Vladimir, Ivanovo, Kaluga, Kirov, Nizhny Novgorod, Ryazan, Tula Regions, as well as Mari El and Udmurtia Republics. The agreement for the exercise of sole executive body (SEB) functions was prolonged for another term on 7 October 2020.

Furthermore, LLC Bryanskelectro joined IDGC of Centre' group of companies in 2020.

# HISTORY OF IDGC OF CENTRE 2004 2009

# Establishment of JSC IDGC of Center and North Caucasus

Establishment of a single operating company – IDGC of Centre by merging 11 regional grid companies of Central Russia

Start of stock trading on MICEX and RTS Listing of shares<br/>with QuotationApproval of<br/>the innovativeList B of the MICEX<br/>Stock Exchangedevelopment<br/>programme



12013 2012 Approval of the Start of the IT strategy functions of the guaranteeing supplier in the five regions of presence

## 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES





# HIGHLIGHTS



# DIGITAL **TRANSFORMATION**

# **FEBRUARY**

The Board of Directors of IDGC of Centre approved the Digital Transformation Programme for 2020–2030. The main effect of the Programme will be a reduction in the power interruptions and prompter response to process faults. The Programme opens up new opportunities for the rapid expansion of electric grid infrastructure while increasing the yield of companies' business.

The total investments of IDGC of Centre in the Programme activities of the first stage (until 2024 inclusive) will amount to RUB 51.4 billion, incl. VAT. The payback period is less than 10 years.

# JULY

In July 2020, the 110 kV Sputnik substation with a capacity of 80 MVA was inaugurated in Voronezh. This station is among the cutting-edge power facilities in Russia, utilises the full range of domestic advanced technologies within the digital transformation concept, and absorbed about RUB 900 mn of investments.

# SEPTEMBER

The Kostromaenergo branch started the commercial operation of the Digital Grid Control Centre (GCC) in September 2020. The GCC will centralise the management of the entire main and distribution grid of the said region; its dispatchers will do the online monitoring of the operation of about 24,000 km of transmission lines, analyse the electricity quality parameters and current data on consumers voltage. The latest technologies and systems adopted in the GCC significantly uplevels the observability and controllability of power grid facilities and also drastically improves the time of response to power disturbances. This facility is instrumented with digital communication channels and information systems, providing the operational and process-

enabled management of the region's

power grid complex on a real-time basis.

# NOVEMBER

In November 2020, the first interregional GCC became operational in Kursk, covering grid facilities of the Kursk Region. Going forward, the GCC's area of responsibility will also embrace the power grids of the Orlov Region. In total, over 1.8 million people reside in the above two regions. There is a potential for the further expansion to other regions of the Central Federal District and to other voltage levels.

For more details see page 46

# **CONSOLIDATION OF POWER GRID ASSETS**

# MAY

In May 2020, there was a change of ownership of a 100% stake in VGES (99.99997% - Sanatorium Energetik, 0.00003% - YarEGC) consolidated in 2019. VGES is a territorial grid company in the Voronezh Region.

# AUGUST

largest TGO within the Company's Region from 61 to 95%.

# **INTEGRATION WITH IDGC OF CENTER AND VOLGA REGION**

# **OCTOBER**

In October 2020, there was a renewal of a contract for the transfer of SEB functions of IDGC of Center and Volga Region to IDGC of Centre until the late 2023.

# **CORPORATE RESPONSIBILITY**

# AUGUST

IDGC of Centre was ranked third in the social efficiency rating of the largest Russian companies published by AK&M rating agency. The conducted study identified companies that maximise public benefit with minimal environmental impact. Rating participants were ranked by the ratio of social effect indicators (the amount of payments to the budget, to charity, environmental costs, etc.) and the environment burden indicators.

In August 2020, IDGC of Centre collected a certificate of the environmental auditors of the Russian Register management system, responsible approach to the preservation of actively search for and employ new eco-technologies.

6

## 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# **INTEGRATION OF GRID FACILITIES INTO THE URBAN ENVIRONMENT**

In August 2020, IDGC of Centre acquired control over LLC Bryanskelectro, the footprint. This transaction resulted in the increase of the share of IDGC of Centre Group in the total required gross revenue (RGR) in the Bryansk

A Mayak PTL pole stylised as a lighthouse was commissioned in Voronezh.

Voronezhenergo replaced the standard pole built 35 years ago as part of the 110 kV power transmission line with a stylised one.

Made in the form of a marine lighthouse, the new support became a view point and successfully complemented the nearby coastal zone. The Mayak pole is equipped with a LED-dynamic illumination system: 1,680 LED lighting fixtures, 52 LED and three anti-aircraft spotlights. On the platform next to the support, there is an interactive steering wheel with a display to display information about the Company, weather reports and an overview of the city panorama using a video camera located on the top of the Mayak.

management system compliance with the requirements of the international standard ISO 14001:2015. Independent Certification Association, based on the findings of the audit of management and production activities, marked the high competence of the Company's staff, commitment to the environmental natural wealth, desire to minimise the negative environmental impact and also

# MARCH

In March 2021, following the 2019 "ESG – Value Factor of Companies" rating study, IDGC of Centre, together with other 36 companies, was shortlisted as having the most advanced corporate ESG practice, with the awarding of the "A" rating the Best Corporate ESG Practice of the Russian Federation. The study organisers were Da-Strategy, the Russian Regional Integrated Reporting Network (RRS) and Perugia University (Universit' degli Studi di Perugia, Italy).

# TOGETHER COVID-19

# **PERSONNEL PROTECTION**

In response to the spread of the new coronavirus infection in 2020, IDGC of Centre undertook effective measures to protect the health and wellbeing of personnel and to render social support<sup>1</sup> for employees, their families and retirees.

- All 11 branches and executive offices of the Company set up relevant headquarters for the prevention and prompt response to the coronavirus spread to strengthen monitoring and management of the COVID-19 situation in business operations regions.
- Most of the staff were transferred to work from home.
- This mode was mandatory for all employees aged over 65.
- and for employees who have children under the age of 16 and are not in a position to care for them in the setting of closed school and pre-schools. The latter also had an option of taking a paid leave.
- Individual protection of employees was promoted through the following measures: day-to-day temperature control in all branches and the executive office of the Company, provision of staff with medical masks and antiseptic products.
- The Company's Contact Centre set up a hotline for receiving calls and giving consultations from/to Rosseti Centre staff on issues related to the business processes amid an unfavourable epidemiological environment.
- Preventative measures against the spread of coronavirus infection were strengthened by a special memo deployed by Contact Centre specialists to advise the Company's staff on the remote work or detection of coronavirus infection symptoms.
- The deadlines of employees training requiring travel to other regions were postponed.
- Social affairs commissions were organised to review applications of employees and retirees who experienced hardship because of COVID-19 to provide one-time material assistance. Such payments totalled RUB 2.1 mn and covered 172 employees and retirees.
- Employees suffered from the new coronavirus infection were granted up to three additional paid days of leave.
- In 2020, the Company conducted 42.2 thousand COVID-19 tests for 26.6 thousand employees to prevent the spread of coronavirus infection.

# The number of online queries **doubled** year-on-year

**1.9** mn gueries at Contact-centres

All measures were aligned with current changes in the coronavirus spread situation and contributed to the continuous functioning of the power grid complex within the corporate footprint.

All customer service centres have been successfully working in online mode since 30 March 2020 thanks to the availability of completely remote digital services. These days the Company provides a full range of online services, including grid connection applications and other queries.

# Digital tools for users:

- unified portal of power grid services Портал-ТП.рф;
- mobile app Россети личный кабинет (Rosseti – my account) in Google Play;
- mobile app Россети личный кабинет (Rosseti – my account) in AppStore;
- online service СветлаяСтрана.рф (Light Country);
- hotline 8 (800) 220-0-220.

172 employees and retirees received one-time material assistance

# SUPPORT FOR MEDICAL SPHERE

IDGC of Centre secured the power supply to medical facilities, public and municipal services facilities, cellular communications and Internet access facilities, internet service centres and call centres. The Company run intensive training sessions on prompt power restoration for health facilities and maintenance checks of equipment and emergency control automatics, checked the availability of emergency stock of materials and good working condition of reserve power supply sources.

Special attention is given to the preparedness of employees for emergency response with a minimum time to restore consumers power supply. For this purpose, the Company formed advanced mobility field-service and emergency teams. The uninterrupted consumer supply in emergency situations is ensured by means of reserve power supply sources and mobile substations, which are permanently kept fully operational and can be deployed at any location.



We are doing our best to meet all capacity requirements of health facilities in the regions. We keep an eye on both existing health care facilities and on facilities newly equipped in troubled epidemiological circumstances. The uninterrupted power supply of socially significant facilities is our contribution to the antipandemic strategy.

Igor Makovskiy, General Director, Rosseti Centre

## 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4 FINANCIAI REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES



725 reserve power supply sources with a total capacity of



1 mobile substation with a capacity of 25 MVA made available

# **PERFORMANCE HIGHLIGHTS**

# **PRODUCTION FIGURES**





# **FINANCIAL FIGURES (RAS)**



# SUSTAINABLE DEVELOPMENT INDICATORS



ENVIRONMENT





EBITDA was calculated as follows: Profit before Tax - Interest Payable + Depreciation = Line 2300 (RAS Form No. 2) - Line 2330 (RAS Form No. 2) + Line 6514 (RAS Form No. 2.1) + Line 6554 (RAS Form No. 2.1) + Line 6564 (RAS Form No. 2.1).

The data variation against the 2019 Annual Report stemmed from changes in the accounting policy resulting from the introduction of RAS 18/02 "Corporate profit tax accounting" from 1 January 2020.

Allocated to dividend payments during that period.

## 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 5. CORPORATE GOVERNANCE 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# 4. FINANCIAL REVIEW

# Occupational health and safety costs, RUB mn 77.6 604.2 604.8 **587.8** Ń 2018 2020 2019 2020

# INNOVATIONS

# STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

GRI 102-14, 102-26



# DEAR SHAREHOLDERS AND INVESTORS,

In 2020, despite the existing unbiased difficulties, Rosseti Center remained consistent with the Sustainable Development Goals and Rosseti Group Development Strategy until 2030 supporting a transition to a fundamentally new business model of modern innovation infrastructure. Positive improvements were recorded across the main strategic priorities: operational and investment efficiency, and reliability, quality and availability of infrastructure in the new digital environment. All this was reflected in the Company's fair value measurement by shareholders and investors the capitalization jumped up by more than 25%.

With the well-balanced investment policy, the Company held on tight to the outrunning modernization of the power grid complex, confirming the leading status in this area. We managed to successfully deliver key investment projects in furtherance of the development of the power grid complex in 11 regions of Central Russia, as well as lived up to all commitments to ensuring reliable and quality power supply to consumers and on top of this our employees enjoyed unprecedented occupational safety. The electronic document management brought about the simplification of the grid connection procedure for up to 150 kW consumer terminals, and we see it as a major accomplishment of the last year.

The Company continues to monitor its activities through the lens of ESG factors. Thus, Rosseti Centre transitioned to a new standard of energy management system ISO 50001:2018 in 2020. The energy efficiency of the entire Company is improved through the energy-efficient and innovative equipment and technologies designed to optimise the consumption of fuel and energy resources, as well as the in-process power consumption for vehicles. Compliance with the best European practices should help to reduce the negative impact on the environment and improve the Company's investment attractiveness as seen by responsible investors.

The tremendous development of the sector calls for the appropriate skills and competences of the staff, and Rosseti Centre is being given major consideration to this issue. The Company prepared and has been making good on the Staff Digital Transformation Competence Development Programme. In 2021, Rosseti Group is due and all ready to introduce the Digital Employee ecosystem: with features helping to organise workflows in online mode and remote work and training, as well as with a set of additional personal services for employees.

Rosseti Centre diligently upholds the social responsibility principles, which is a hallmark of the Company's contribution to the sustainable development of the regions within its functional coverage. In 2020, the Company launched a largescale volunteer movement that reached out to socially unprotected citizens during the pandemic. In the year of the 75th Anniversary of the Great Victory, special care was given to war veterans and homefront workers. Considerable efforts were made to preserve the memory of the heroes who led to the Victory in the front lines and in rear areas.

Rosseti Centre's corporate governance system, being quite literally a top-level one, play a crucial role in the fulfilment of the strategic tasks. During the last year we continued to perfect corporate procedures, both based on the findings of the previous performance selfassessment of the Company's Board of Directors and committees under the same. Rosseti Centre also holds out to comply with the strict requirements of the Listing Rules of the Moscow Exchange. The Company's openness and commitment to the best standards of corporate governance are confirmed by the results of the annual perception study, as well as by the high rating of 7+ "Developed Corporate Governance

## 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Practice" on the grading scale of National Corporate Governance Rating of the Russian Institute of Directors.

Management, all employees of the Company and members of the Board of Directors demonstrated a high standard of professionalism, an ability to shoulder responsibility and interact in extraordinary conditions. I am positive that further progress of the Company is contingent upon meeting the requirements of all stakeholders, pursuing sustainable development goals and conserving the momentum for positive changes.

Andrey Mayorov, Chairman of the Board of Directors, Rosseti Centre

# STATEMENT BY THE GENERAL DIRECTOR

GRI 102-14, 102-15, 102-31

DEAR SHAREHOLDERS, INVESTORS, CUSTOMERS, PARTNERS AND EMPLOYEES OF ROSSETI CENTRE,

Both the Company, the whole country and the world had a rather trying year. Nevertheless, Rosseti Centre competently met its engagement to ensure reliable and highquality electricity supply to consumers. We continued with the investment plans for the modernization and digital transformation of the power grid infrastructure, fulfilled the substantial potential for consolidation of grid assets and strengthened the synergistic effect from the SEB functions of IDGC of Center and Volga Region.

Over the need of investment cost optimization, the Company successfully completed all production programmes and the run-up for the autumn-winter period. In total, the repair programme covered more than 10.5 thousand km of power transmission lines, about 4.4 thousand transformer substations and about 1.3 thousand power transformers. More than 14.5 thousand hectares of right-of-ways were cleared. The number of faults in the 0.4 kV and higher grids decreased year-on-year by 17.7%, which confirms the Company's commitment to fulfilling strategic goals and maintaining a high level of system reliability.

Consolidation of power grid assets remains as one of the Company's priorities. In 2020, the scope of the production assets of Rosseti Centre increased by 8.3 thousand km of power transmission lines and 1,563 MVA of transformer capacity, and the size of workforce grew by 1.5 thousand through the purchase and lease of grids. The projects implemented to consolidate the power grid assets provide a return on investment, contribute to the reliable and high-quality power supply, cut the duplicative operating and capital costs, giving a self-evident effect of increased power management across respective regions, which positively reflects on the development of the territories where the Company operates. Against unfavourable external factors, we succeeded in further promotion of the Digital Transformation Programme, which has already yielded some positive dividends.

In 2020, the Company faced a 1.9% yearon-year drop in power transmission services. However, thanks to scrupulous monitoring of the situation and timely response to its changes through adjustment of operating and investment budget parameters, the management was able to maintain financial stability and ensure the accomplishment of planned financial results. With several anti-crisis measures taken, the Company not only achieved many key indicators of the business plan, but overachieved some of them. Strategically, we enjoyed a success in reducing losses in 2020: their level stood at 9.83%, which is line with the business plan, while in absolute terms the losses went down by 82 million kWh. Another key priority for the Company is the growth of non-regulated revenue. In 2020, Rosseti Centre boosted the revenue from additional services and facilities by 71%, overachieving the targets set. At the end of the year it amounted to RUB 2.7 bn vs RUB 1.6 bn in 2019. We must also mention that the Company realised additional savings from the Energy Saving Programme, which totalled RUB 118.4 mn. The above achievements resulted in a net profit of RUB 2.8 bn, which exceeds the business plan target by 45%.

The outcomes registered so far would not have been possible without thousands of like-minded energy workers who were behaving according to professional standards during such a traumatic time. I express my profound respect and gratitude to all employees of the Company. For its part, the Company has done everything possible to ensure

## 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

the unconditional safety of working environment. Prompt staff sanitary protection actions and transfer of nonshopfloor employees to work from home proved to be effective and minimised the virus transmission risk. Caring for the health of our employees was, is and will be one of our priorities.

New equally sweeping challenges now await the team of Rosseti Centre. And I am positive that we will tackle them successfully, ensuring the Company's progress towards building of a new hightech "smart" energy for our customers. Not casually we have proclaimed 2021 the *Year of Customers!* 

**Igor Makovskiy,** General Director, Rosseti Centre

# GRI 102-2, EU1, EU4 **BUSINES SMODEL**

IDGC of Centre is a leading power grid company that does its business on the territory of 11 regions of Central Russia, supplying electricity to households, industrial manufacturers, transport companies, agricultural producers, community facilities, and making power grid connections of new consumers.

# **ASSETS**<sup>1</sup>

# ACTIVITY

Installed capacity -54,860.0 MVA

> 35-110 kV substations -34.746.9 MVA

6-10 (35)/0.4 kV transformer substations, distribution transformer substations -19.633.2 MVA

6-10 kV distribution points -479.9 MVA

0.4-110 kV substations -104.425

ROW length of overhead lines -397,117.0 km

Length of cable lines -20,865.7 km

Personnel average headcount -**28.7** thous. people

Including finance lease, operating lease, and equipment under maintenance

# **POWER TRANSMISSION**

Power transmission services provided -45,475.2 mn kWh

# **POWER SALES**

Guaranteeing supplier functions in the Tver Region

# 0.9 thous. consumers legal entities, individual

entrepreneurs and citizens carrying on a trade or business

27.2 thous. consumers in the Households category

# **GRID CONNECTION**

Connected loads -1.013.3 MW

**OTHER TYPES OF ACTIVITIES** 

Services, rental, etc. Number of applications relating to additional services -81.8 thous. applications



# **PERFORMANCE HIGHLIGHTS**

Share in the power	Share in the grid
transmission market -	connection market -
<b>89.6%</b> <sup>2</sup>	<b>88.2%</b>
EBITDA -	Net profit -
RUB <b>18,516.9</b> mn	RUB <b>2,829.7</b> mn

<sup>2</sup> Share with controlled companies located within the Company's footprint.

## 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# **REVENUE BY TYPE OF ACTIVITY**

Revenue **RUB mn** 

Power transmission 90,490.5

> Grid connection 1.306.0

> > Power sales 531.2

Other activities 2.657.2

# **STAKEHOLDERS**

Customers Customer quality satisfaction score -4.2 out of 5.0

Employees

Turnover rate -4.3% Average monthly salary -

RUB 46,400

Government Tax liabilities -RUB 16.662.9 mn

Investors

Net debt/EBITDA -2.4

Shareholders Dividends (nine months of 2019) -

RUB 847.1 mn

Community Total environmental costs -

RUB 45.7 mn Charity -RUB **36** mn

**Business partners** Purchase volume -RUB **37,510.4** mn (incl. VAT)

For more details see page 1

# INVESTMENT **HIGHLIGHTS**

The dividend policy strictly observes the balance of interests of shareholders and the developmental needs of the Company.

RUB 847.1 mn allocated to dividend payments in 2020

or more details see page 151

In 2020, listed stock prices outperformed the power sector index and MOEX Index.

> +26.6% price appreciation of IDGC of Centre's stock in 2020

The status of a critical infrastructure company in central Russian regions with a steady demand for services

The Company dominates the economically developed regions of European Russia and plays a critical infrastructure role.

For more details see page 30

Leader in the number

of power grid assets.

IDGC of Centre holds a leading

position in the length of power

capacity among distribution

up its production potential.

transmission lines and substation

companies, while continuing to build

The effectiveness of the Company's corporate governance system is acknowledged by monitoring and confirming the corporate governance rating by an independent expert, the Russian Institute of Directors (RID). In August 2020, the RID affirmed the corporate governance rating of the Company at NRCG 7+ (Advanced Corporate Governance Practice).

Corporate Governance Rating at NCGR 7+

For more details see page 94

For more details see page 148					
The annual Perception Study of					
the Company showed that IDGC of					
Centre enjoys a higher level of the					
information disclosure than that of					
most peer distribution companies.					

High media profile 94.9% positive perception ratio (+2.4 p.p.)

For more details see page 154

For more details see page 5

# CREDIT RATINGS

**Standard & Poor's** 

"BB+". Stable outlook (long-term)

**"B"**. Stable outlook (short-term)

# **Expert RA**

"ruAA". Stable outlook

# OUTSTANDING **SECURITIES**

<ul> <li>MCXSM Index – Mid- and Small-cap Stocks</li> </ul>
<ul> <li>MOEXRCI - Regulated Company Index</li> <li>MOEXEU - Electric Utilities Index</li> <li>MOEXBMI - Broad Market Index</li> </ul>
LISTING (BONDS) <ul> <li>BO-04 Series<sup>1</sup></li> <li>Third Tier</li> <li>BO-06, BO-001R-01 and BO-001P-02 Series</li> <li>Second Tier in the Moscow Exchange</li> </ul>
1R-0 1 a 1



In 2020, despite the high turbulence in the Russian and global stock markets, the Company's shares managed to get ahead of the Electric Utilities Index and the MOEX Index in terms of stock performance.

For more details see page 148

# SHAREHOLDING **STRUCTURE**

Largest shareholders as of 5 May 2020, %



50.2 Rosseti **16.0** New Russian Generation Limited 0.5 Russian Federation 33.3 Others



For more details see page 146

18 19

## 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

32.9% Total Shareholder Return (TSR) on the Company's shares in 2020

# Largest shareholders as of 31 December 2020, %



# GOVERNANCE OF THE COMPANY



# CORPORATE STRUCTURE



In 2020, LLC Bryanskelectro – the largest TGO of the Bryansk Region – joined IDGC of Centre' group of companies. The Company established indirect control over LLC Bryanskelectro by acquiring 100% of its shares (99.999% acquired by Sanatorium Energetik, 0.001% – JSC YarEGC).

In May 2020, there was a transfer of ownership of a 100% stake in JSC VGES (99.99997% – Sanatorium Energetik, 0.00003% – YarEGC) consolidated in 2019.

## 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# **INTEGRATION WITH IDGC OF CENTER AND VOLGA REGION**

In September 2017, with due consideration of the territorial features and comparability of the characteristics, as well as with the view to improving the operating efficiency, IDGC of Centre was delegated the SEB authority over IDGC of Center and Volga Region. During the three-year period, IDGC of Centre made up a single corporate management centre, and also centralised and optimised the management system of both companies. In order to make better use of IDGC of Centre's capacity, a comparison of organisational, production, economic and management practices was conducted. The most effective practices were brushed up and put into practice in both companies, resulting in achievement of the determined goals and targets.

# The total economic impact of the SEB agreement (2017-2020), RUB mn



The first SEB authority delegation agreement ended in September 2020. Effects received over the duration of this agreement included the substantial reduction of costs of IDGC of Center and Volga Region, boost in income and improvement of the aggregate financial and economic performance; the key drivers behind these changes were:

- excluding duplicative functions and rightsizing the administrative staff;
- phasing in a two-level management system (dropping-out of the level of production departments) with the necessary changes to the operational and technological management model and the extension of automation of process supervisory processes:
- implementing the repair costs saving project under the principle of "repair by condition" adopted at IDGC of Centre;
- reducing the emergency recovery costs through creation of a single space for the emergency stock distribution and rightsizing due to the presence of common boundaries (seven of the nine branches of IDGC of Center and Volga Region share boundaries with the branches of IDGC of Centre);
- keeping contract prices down through the consolidation of procurement procedures;
- growing revenue and extending the range of additional services, implementing and applying model solutions for grid connection services;
- signing and realising regulatory agreements on the increase in investment potential through the rise in the tariff threshold level.

All the above translated into the total economic impact from the activities under the SEB agreement that exceeded the target numbers by more than three times.

The agreement on the transfer of SEB functions of IDGC of Center and Volga Region to IDGC of Centre was renewed on 7 October 2020 for a period with until late 2023, enabling to resume the transformation of the management system. The second phase offered the full integration of all the main functional units of the executive office, resulting in the following effects:

- improving the management through unified approaches and knowledge base; reducing management costs;
- improving procurement efficiency through economies of scale;
- increasing the labour productivity.

# 3.2-fold

increase in the total economic effect of the SEB agreement in 2017-2020 over the target

# until the end of 2023

the SEB powers of IDGC of Center and Volga Region were extended

Transition to a single executive office from November 2020

# MANAGEMENT SYSTEMS

IDGC of Centre has the following management systems in place.

# The Quality Management System

is designed to ensure high service quality in line with the requirements of regulatory documents, meet customers' needs and expectations, and satisfy all stakeholders, including the Company's employees, shareholders, investors, and partners.

The Energy Management System offers continuous examination to get information on power distribution and consumption level at an enterprise, and optimal power consumption both for production and non-production needs.

The Environmental Management System is integrated with quality management and energy management systems, embodies the Company's environmental guidelines on the management of natural resources and reduces the harmful impact of business operations on the natural environment and public health.

standards.

The Company aligns its activities with the Quality Policy approved in 2018.

IDGC of Centre	Management systems / Certificate validity			Certification authority
	ISO 9001 <sup>1</sup>	ISO 14001 <sup>2</sup>	ISO 50001 <sup>3</sup>	
Certificates apply to the entire Company.	22.05.2023	03.06.2023	11.04.2022	"Russian Register" Certification Association



Quality Management System. Environmental Management System.

Energy Management System.

## 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES



The Company's Management Systems comply with the requirements of international

# **KEY PERFORMANCE INDICATORS**

Achieving the overarching development goals of the Company is assessed by the system of key performance indicators (KPIs). The KPI system is based on Clause 52 Art.15.1 of the Company's Articles of Associations and approved by the decision of the Board of Directors of IDGC of Centre<sup>1</sup>.

# Targets and achieved KPIs

KPIs	2019 result / achievement	2020 targets	2020 results <sup>2</sup> /	Achievement estimate	2021 target
	estimate for 2019		% to the actual value of 2019 <sup>3</sup>	tor 2020	
Total shareholder return	Introduced from 2020	<ol> <li>the arithmetic average of funds to pay dividends as decided by general meetings of shareholders over three years prior to the reporting period and</li> <li>amount of funds provided for dividend payments in the reporting period, in line with the Company's business plan</li> </ol>	_4	_4	<ol> <li>&gt; the arithmetic average of funds to pay dividends as decided by general meetings of shareholders over three years prior to the reporting period and</li> <li>&gt; amount of funds provided for dividend payments in the reporting period, in line with the Company's business plan</li> </ol>
Return on invested capital (ROIC)	Introduced from 2020	»95.0%	129.8%	Achieved	»95.0%
Consolidated operating profit (EBITDA)	Introduced from 2020	Achieved 3.0%	Achieved 14.4%	Achieved	Achieved
Reduction of unit operating expenses (costs)	5.7% / Achieved	>2.0%	13.0% / 228%	Achieved	¥2.0%
Level of energy losses	10.25% / Achieved	<9.83%	9.13% <sup>5</sup> / 112%	Achieved	<9.43%
Increase in labour productivity	4.65% / Achieved	¥2.00%	11.42% / 246%	Achieved	>5%
Efficiency of innovations	131% / Achieved	>90%	_6	_6	»90%
Reduction of accounts receivable	Introduced from 2020	<100%	67.5% <sup>7</sup>	Achieved <sup>7</sup>	×100%
Complying with grid connection time-frames	1.0 / Achieved	\$1.1	1.1 /110%	Achieved	< the last year actual value multiplied by 0.85, but no less than 1.1
Debt/EBITDA	Introduced from 2020	Achieved	2.5	Achieved	Achieved
Compliance with the commissioning schedule	Introduced from 2020	>90%	94%	Achieved	»90%
Ready to work during the heating season	Introduced from 2020	Simultaneously:	0.99	Achieved	Simultaneously:
		<ol> <li>&gt;0.95;</li> <li>failure to reach the established value of the specialised indicator 'Outstanding activities to enforce the readiness by electric power engineering entities'</li> </ol>	Ŭ		<ol> <li>&gt;0.95;</li> <li>failure to reach the established value of the specialised indicator 'Outstanding activities to enforce the readiness by electric power engineering entities'</li> </ol>
Implementation of the Company's Development Plan	Introduced from 2020	Not set <sup>8</sup>	Х	Х	Not set <sup>9</sup>
Securing the reliability of services	Achieved	<ol> <li>Simultaneously:</li> <li>Ki &lt; 1;</li> <li>No significant deterioration in the rates set by tariff regulators;</li> <li>Zero increase in the number of major accidents</li> </ol>	<ol> <li>0.70; 0.75;</li> <li>Achieved</li> <li>1</li> </ol>	Achieved <sup>10</sup>	<ol> <li>Simultaneously:</li> <li>Ki ≤ 1;</li> <li>No significant deterioration in the rates set by tariff regulators</li> <li>Zero increase in the number of major accidents</li> </ol>
No accidents at work	Introduced from 2020	Simultaneously: 1. No more than two injured persons; 2. 0	1. 0; 2. 2	Not achieved	Simultaneously: <ol> <li>No more than two injured persons</li> <li>0</li> </ol>

Contains the expected level of KPI achievement for 2020, given the deadlines and procedure of reporting, which is the source of information for the calculation of KPIs. The final actual values are approved by the Board of Directors of IDGC of Centre.

development programmes of stock companies and Guidelines for assessment of the quality of development (updating) of innovative development programmes of stock companies.

- 2020 expected values are compared with 2020 targets and 2019 actual results on the basis of metrics with comparable calculation methods. The achievement of the indicator will be evaluated following the decision on the distribution of profits (loss) of the Company taken at the general meeting of shareholders at 2020

Actual level of losses, net of reversal and additional accrual, in comparable conditions (adjusted for the COVID factor). Innovation performance KPI (target > 90%, actual value is not determined) is not evaluated. The results of KPIs will be summed up by a separate decision of the Board of Directors in line with the KPI Calculation And Evaluation Methodology of General Director or of IDGC of Centre (approved by the Board of Directors on 12 October 2020, Minutes No. 46/20 dated 13 October 2020) following an assessment by the collective body of Rosseti Group on implementation and monitoring of the failure to deliver the 2016-2020 Innovation Development Programme of Rosseti and its subsidiaries with an outlook until 2025, subject to philosophy defined by the current Guidelines for the annual evaluation of the progress on innovative

- Taking into account objective factors: legal recoveries under enforcement procedures and/or in the legal enforcement of newly incurred debts in 2020, the deadline for the implementation of which was not met by the end of 2020 due to the deadlines set by the Arbitration Procedure Code of the Russian Federation. Implementation of 2020 Company's Development Plan is not set due to the absence of the Company's Development Plan in the reporting year. Implementation of 2021 Company's Development Plan is not set due to the absence of the Company's Development Plan in the reporting year. Taking into account objective factors: in IDCC of Centre's branch Tverenergo, on 18 July 2020 there was an accident associated with the loss of two telemetry channels (main and reserve) between the Kalinin nuclear power plant and Tver Regional Dispatching Office (RDO), due to damage to the fibre optic communication line caused by a third-party repair contractor contractor.

## 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Adopted KPIs are tied with variable compensation payable to the management. Every indicator has its weight in the total amount of bonus payments, and quarterly and annual bonuses are paid subject to the achievement of relevant KPIs.

Dated 12 October 2020 (Minutes No. 46/20 13 October 2020).

# DEVELOPMENT STRATEGY

POCC

89.6%

share of IDGC of Centre's group of companies in the electricity transmission services market

# +71%

increase in revenue from additional services

0



# **9**)

Business diversification, build-up of revenue from additional services – our strategic goals tasks for the near future. The Company aims to increase the share of non-tariff revenue from other activities to 5% by 2024. The reporting year showed that the measures we had been taking to expand the list of services and develop the most popular ones were effective – other revenue grew 71% year-on-year.

# Artem Aleshin,

First Deputy General Director for Economics and Finance at IDGC of Centre

# MARKET OVERVIEW

# **ENERGY SECTOR IN 2020**

The Unified Energy System of Russia (UES of Russia) envelops seven interconnected power grids: of East, Siberia, the Urals, the Middle Volga, the South, the Centre and the Northwest, and four territorial isolated energy systems (the Kamchatka Territory, the Sakhalin and Magadan Regions, as well as the Chukotka Autonomous District). According to SO UPS, the total installed capacity of Russian UES power plants<sup>1</sup> as at the end of 2020 was 245,313.25 MW.

Electric power consumption<sup>1</sup> in the UES of Russia in 2020 amounted to 1,033.7 bn kWh, which is down 2.4% year-onyear (a decrease estimated at 2.1% in comparable temperature conditions of the last year). The 2020 record of electric power consumption of 150.4 GW across UES of Russia was set on 25 December, with a year-on-year decline of 1.2 GW (0.8%). For the regions within the Company's footprint, consumption decreased by 0.4% year-on-year (except the effect of the additional day - 29 February 2020, the decrease is estimated at 0.7%).

# Structure of electrical generation in the UES of Russia in 2020, mn kWh



History of electricity consumption in the UES of Russia, bn kWh



# Electricity consumption by the Company's regions of operations, mn kWh

Region of the Company's	2019	2020	С	hange 20	20/2019
operations			abs.	%	% %, 29 February 2020 excluded
Belgorod Region	15,940.0	15,936.9	-3.0	0.0	-0.3
Bryansk Region	12,884.4	13,173.2	288.8	2.2	1.9
Voronezh Region	11,715.8	11,981.2	265.4	2.3	2.0
Kostroma Region	8,501.7	8,639.7	138.0	1.6	1.3
Kursk Region	8,283.0	8,051.6	-231.3	-2.8	-3.1
Lipetsk Region	8,245.4	7,951.8	-293.7	-3.6	-3.8
Orel Region	6,256.5	6,327.2	70.7	1.1	0.8
Smolensk Region	4,294.5	4,203.0	-91.5	-2.1	-2.4
Tambov Region	3,622.5	3,431.9	-190.6	-5.3	-5.5
Tver Region	3,620.0	3,389.5	-230.6	-6.4	-6.6
Yaroslavl Region	2,802.9	2,730.0	-72.9	-2.6	-2.9

The electricity generated by UES of Russia plants in 2020 amounted to RUB 1,047.3 bn kWh (-3.1% year-on-year).

The major demand for electricity in the UES of Russia in 2020 was covered by thermal power plants (TPP), which

generated 620.6 bn kWh (-8.7% yearon-year). The generation of hydropower plants (HPP) in the reporting year amounted to 207.4 bn kWh (+9.0% yearon-year), while nuclear power plants (NPP) generated 215.7 bn kWh (+3.3% year-on-year).

# THE MACROECONOMIC FACTORS AFFECTING THE SECTOR

# AND THE COMPANY<sup>2</sup>

The quantum index of GDP went down by 3.1 p.p. vs by 0.8% year-on-year. The forecast for 2021 is an increase of 3.3 p.p. The consumer price index rose by 4.9 p.p. vs 3.0 p.p. year-on-year, whereas.

The industrial production index in the reporting year was 97.1% as compared to 2019. In 2020, the production index for the activity "Production and distribution of electricity, gas and water; air conditioning" amounted to 97.5% as compared to 2019

The key rate of the Bank of Russia was 4.25% as at 31 December 2020. The resolution adopted by the Board of Directors of the Bank of Russia in July 2020 on raising the key rate to the specified level is proactive and aimed at limiting the inflation risks that are remaining high, particularly in the short-term perspective.

The key rate of the Bank of Russia in 2020 was reduced to

4.25%

**3.1** p.p. year-on-year decrease in the Index of the physical volume of GDP

**4.9** p.p. year-on-year growth of the consumer price index

# LEGISLATIVE INITIATIVES AS THE DRIVERS OF THE SECTORAL DEVELOPMENT

- of 2021-2022.
- mechanisms. Participation is voluntary.
- engineering tariffs.
- electricity and capacity.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

By the Decree of the Government of the Russian Federation No. 221 dated 2 March 2020 "On Amendments being made to the "Energy Development" State Programme of the Russian Federation", respective amendments were made to align the state programme with the parameters of the draft Federal Budget Act for 2020 and the planned period

• The Decree of the Government of the Russian Federation No. 320 dated 21 March 2020 "On Amendments being made to Some Acts of the Government of the Russian Federation on the Functioning of Active Energy Complexes" defines the conditions for the creation, operation and development of active energy complexes in retail electricity markets. The aim of the pilot project is to lay the groundwork for the creation and development of active energy complexes using innovative technologies, as well as to test the completeness and sufficiency of legal and technological regulatory

The Decree of the Government of the Russian Federation No. 554 dated 18 April 2020 "On Amendments being made to Some Acts of the Government of the Russian Federation on Improving the Electricity Metering Arrangements" changed the electricity metering organisation rules in retail markets.

• The Decree of the Government of the Russian Federation No. 691 dated 15 May 2020 "On Amendments being made to the Regulation on the Federal Antimonopoly Service" updated the authority of the FAS of Russia as to the regulation of the electrical power

• The Russian Government's Order No. 1523-r dated 9 June 2020 "On Approval of the Energy Strategy of the Russian Federation for the period up to 2035" updated the Energy Strategy of the Russian Federation for the period up to 2035, detailing the main provisions of this Strategy in the general development schemes and other documents for strategic and advanced planning in the energy sector.

• Order of the Russian Ministry of Energy No. 508 dated 30 June 2020 "On Approval of the Development Scheme and Programme of the United Energy System of Russia for 2020–2026" approved the scheme and development programme of the UES of Russia for 2020–2026. The main goal is to promote the development of grid infrastructure and generating assets, as well as to meet the long- and medium-term demand for

The Decree of the Government of the Russian Federation No. 1254 dated 17 August 2020 "On Amendments being made to the Regulation on State Supervision (Oversight) applicable to state-regulated prices (tariffs)" further detailed the procedure for the state supervision (oversight) applicable to state-regulated prices (tariffs).

The Decree of the Government of the Russian Federation No. 2801-r dated 28 October 2020 "On the data sheet of the pilot project "Improving the Reliability and Quality of Electric Power Supply to Consumers through the Introduction of New Technologies and Optimisation of the Activities of Territorial Grid Organisations" piloted the project to improve the reliability of electric power supply based on modern technologies, in particular, the use of digital twins of power grids, the introduction of online decisionmaking systems and human-independent monitoring mechanisms.

The Decree of the Government of the Russian Federation No. 2188 dated 21 December 2020 "On Amendments being made to the Decree of the Government of the Russian Federation No. 1178 dated 29 December 2011" made clarifications into the Basic Principles of Pricing in Regulated Prices (tariffs) in the Electrical Power Engineering.

# **POSITION IN THE POWER SECTOR**

IDGC of Centre is a key infrastructure company in Central Russian regions with stable high demand for its services. It covers electricity transmission and grid connection in 11 regions in Central Russia and provides electricity to bulk consumers of industry, transport and agriculture, as well as to the households of the covered regions. The share of IDGC of Centre in the electricity transmission market in 2020 stood at 89.6% (in 2019 -87.2%, in 2018 - 86.1%)<sup>1</sup>.

Belgorodenergo (98.0%), Bryanskenergo (96.8%), Kostromaenergo (96.6%) and Smolenskenergo (94.0%) accounted

for the largest market share in 2020. In 2020, the share of Bryanskenergo branch rose remarkably due to the affiliation of Bryanskelectro to IDGC of Centre's group of companies. The Tambovenergo and Kurskenergo branches account for the lowest market share of 77.3 and 81.8% respectively.

## The Company's share in the electricity transmission market in 2020, %



Other TGOs

# TRANSMISSION MARKET COMPETITORS

Under applicable laws, IDGC of Centre is a natural monopoly subject that performs state-regulated activities and has no direct competitors. However, in major cities within the Company's footprint there are other territorial grid organisations (TGOs), which render similar services.

In 2020, the largest TGOs offering power transmission services are as follows: • LLC Bryanskelectro (24.9%, Bryansk Region)<sup>3</sup>;

- JSC Oreloblenergo (15.5%, Orel Region);
- JSC Tambov Grid Company (14.3%, Tambov Region);
- JSC Kursk Power Grids (14.2%, Kursk Region);
- JSC LGEK (10.8%, Lipetsk Region);
- JSC VGES (7.6%, Voronezh Region)<sup>4</sup>.

The share of IDGC of Centre in the grid connection market in 2020 was 88.2% (in 2019 -88.3%, in 2018 - 88.5%).

The share of IDGC of Centre in the electricity transmission market, together with YarEGC, VGES and Bryanskelectro. In 2019 and 2018, the share of the electricity transmission market was 87.2 and 86.1%, respectively (taking into account subsidiaries and affiliates (S&As) within specified time).

Share of S&As in the regions of operations.

The Company established control over LLC Bryanskelectro in 2020. IDGC of Centre established control over JSC VGES in November 2019.

# The share of IDGC of Centre in the grid connection market in 2020 by branches, %



The Belgorodenergo branch covers 100% of the grid connection market in this region. The Company holds a more than 90% stake in Smolenskenergo branches (99.0%), Kostromaenergo (96.5%), Yarenergo (95.0%) and Tverenergo (93.0%). The lowest year-on-year share is in the branches of Tambovenergo (76.0%) and Bryanskenergo (77.5%).

# **GRIDCONNECTION MARKET** COMPETITORS

The key rivals of IDGC of Centre in grid

connection services are territorial grid

organisations operating in the major

structures, and municipal housing and

utility enterprises:

# • Kursk Power Grids (Kursk Region);

- LGEK (Lipetsk Region);
- Oreloblenergo (Orel Region);
- Tambov Grid Company and Tambov Utilities Systems (Tambov Region);
- Municipal Unitary Enterprise Tvergorelectro and LLC Opora (Tver Region);
- cities of the covered regions and being • the Rybinsk Municipal Power Grid (Yaroslavl Region). both commercial entities of different

IDGC of Centre's share in the electricity transmission market in 2020



89.6% IDGC of Centre<sup>1</sup> 10.4% Other TGOs



88.2% IDGC of Centre<sup>1</sup> 11.8% Other TGOs

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

- LLC KFK Energy (Kostroma Region);

# IDGC of Centre's share in

Taking into account S&As in the regions of presence.

# BENCHMARKING STUDY OF THE COMPANIES WITHIN ROSSETI'S GROUP OF COMPANIES

# Capitalisation as at 30 December 2020 (moex.com), RUB bn



# Average daily number of trades for 2020 (T+ trading mode)



# Dividends for 2019, **RUB mn**



# Trading volume for 2020 (T+ trading mode)<sup>1</sup>, RUB bn



# Average daily spread for 2020 (T+ trading mode), %



# Revenue for 2020, RUB bn



# Net profit for 2020, RUB bn



EV/S<sup>3</sup>

## Rosseti Lenenergo 🗾 0 3 Rosseti Ural Rosseti Siberia Rosseti Moscow Region Rosseti Tomsk Rosseti Northwest Rosseti Centre Rosseti Center and Volga Region Rosseti North Caucasus 09 Rosseti Kuban 10 Rosseti South Rosseti Volga

- EBITDA was calculated as follows: Profit before Tax + Interest Payable + Depreciation = Line 2300 (Form No. 2) Line 2330 (Form No. 2) + Line 6514 (Form No. 2.1) + Line 6554 (Form No. 2.1) + Line 6564 (Form No. 2.1).
- EV/S was calculated as follows: (Market capitalisation + Net debt of the Company) / Revenue. P/BV was calculated as follows: Market capitalisation / Carrying amount.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# EBITDA<sup>2</sup> for 2020, RUB bn



# Net assets for 2020, RUB bn

Rosseti Moscow Region Rosseti Lenenergo Rosseti Center and Volga Region Rosseti Centre Rosseti Volga Rosseti Ural Rosseti Kuban Rosseti Siberia 🚺 26.9 Rosseti Northwest 23.4 Rosseti South 📕 10.6 Rosseti North Caucasus 📘 5.0 Rosseti Tomsk 📕 4.0



# P/BV<sup>4</sup>



Rosseti Moscow Region 📃 0.1 Rosseti Northwest Rosseti Ural Rosseti Siberia Rosseti Center and Volga Region Rosseti Centre Rosseti Kuban Rosseti Tomsk Rosseti Lenenergo Rosseti North Caucasus Rosseti South Rosseti Volga

# **DEVELOPMENT IN LINE WITH** STRATEGIC PRIORITIES

# MISSION

Ensuring reliable and stable electricity supply to meet the evolving needs of the economy and society with fair transparent pricing that makes our services affordable to consumers.

# CARING FOR STAKEHOLDERS' **EXPECTATIONS**

## Investor Community

The Company's securities are a reliable investment that is callable, highly liquid and offers attractive yields.

# Customers

We deliver services in the shortest time possible, ensuring stable and reliable electricity supply and timely grid connections based on transparent procedures.

# Local authorities

We ensure support for local economies by matching electricity demand in the regional markets with our transmission capacity. We are a key partner of executive authorities across the Russian Federation in planning and delivering regional programmes for the development of territories and have built a reputation as a responsible taxpayer and employer.

# Employees

We are a well-structured company, with a transparent and clear corporate governance framework. We provide opportunities for employees to fully realise their personal potential and offer fair remuneration.

# STRATEGIC OBJECTIVES

The strategic development of IDGC of Centre is aligned with the goals and objectives set forth in the Development Strategy of Rosseti and its S&As (Rosseti Group) for the period up to 2030<sup>1</sup>, and looks to the implementation of industry strategic planning documents, among them the Energy Strategy of the Russian Federation<sup>2</sup> and the Power Grid Complex (PGC) Development Strategy of the Russian Federation<sup>3</sup> (PGC Strategy).

The Development Strategy of Rosseti's group of companies involves the transition to a business model of modern innovation infrastructure. The main strategic objectives of the Rosseti Group are as follows:

- Ensuring the reliability and quality of the energy supply at a given level;
- Increasing total shareholder returns;
- Ensuring resilience to changes in global and local electricity markets.

These goals are to be achieved through the development of the core business areas: digital transformation, development of new types of business, further improvement of operational and investment efficiency, development of human resources, etc.

Based on the goals and objectives of Rosseti Group, IDGC of Centre laid out the following priorities.



Psaidi

**TARGET VALUES FOR 2024** 

0.94 Psaifi

**0.15%** of revenue. Share of R&D costs

1.50 hour

8.55% **Electricity losses** 

At least 5% annually<sup>1</sup> Workforce productivity 4.6% Percentage of non-tariff revenue from other activities

# **IDGC OF CENTRE'S GROWTH OUTLOOK**

ENSURING THE RELIABILITY AND QUALITY OF THE ELECTRICITY SUPPLY

Reliability improvement programme

Programmes for prospective development of electricity metering systems

378 7

2019

250.9

2018

# Failure rate indicators

1,052 855 **3.7** 807 2018 2019 2020 2020 2021 (plan) (actual) (plan) Number of faults in the 110 kV and above grid Number of sustained cut-outs of 35-110 kV transformers - Failure rate for the 6 kV and above grid, failures per 1,000 equipment units **Reliability** ratio 2.72 1.59 156 1.62

metering devices, thous. For more details see page 60 Repair programme 24.224.8 15,284.8 5,547 2018 Repair of the 0.4-110 kV power transmission lines, km

substations

# For more details see page 52

2019

2020 2020

(plan) (actual) (plan)

2021

<sup>1</sup> Starting from 2021.

Psaidi, hour

2018

Psaifi

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

The Digital Transformation Programme should be central to consummating the priorities, since its technologies offer all means for changing the traditional way of solving everyday problems, as well as for introducing tools for business diversification.

On the top of that, IDGC of Centre promotes various programmes in its focus areas. For further details on key development programmes, as well as their progress in 2018-2020 and plans for 2021, refer to the table below.















Indicator	2018	2019	2020 (plan)	2021 (actual)	2021 (plan)
Effect from organisational measures, including:	110.6 mn kWh RUB 286.5 mn	266.6 mn kWh RUB 751.1 mn	44.1 mn kWh RUB 123.4 mn	128.1 mn kWh RUB 348.4 mn	53.0 mn kWh RUB 161.8 mn
<ul> <li>inclusion of unmetered electricity consumption into net delivery volume</li> </ul>	74.4 mn kWh RUB 190.3 mn	100.4 mn kWh RUB 285.6 mn	441.000 kWb	128.1 mn kWh RUB 348.4 mn	52.0 mm kW/h
<ul> <li>payment for uncontracted electricity consumption (not among the Loss Reduction Programme activities – given for reference)</li> </ul>	11.7 mn kWh RUB 31.4 mn	10.7 mn kWh RUB 30.4 mn	44.1 mn kwn - RUB 123.4 mn	11.9 mn kWh RUB 33.5 mn	RUB 161.8 mn
Effect from technical arrangements	14.1 mn kWh RUB 38.6 mn	8.6 mn kWh RUB 24.6 mn	5.9 mn kWh RUB 16.8 mn	11.1 mn kWh RUB 31.8 mn	3.4 mn kWh RUB 10.5 mn

Occupational injuries due to the fault of the Company's employees. Injuries to third parties due to the fault of the Company's employees. As per the Electric Loss Reduction Programme applicable to IDGC of Centre's grid complex in 2020 and through to 2024, approved by the Company's Board of Directors on 15 September 2020 (Minutes No. 42/20 dated 15 September 2020). Over the years, for the purpose of unified comparison conditions, the effect by volume reflects a reduction in the electric loss, and by value – a reduction in the cost of purchased electric loss.

## INCREASING TOTAL SHAREHOLDER RETURNS





Calculated by formula: ((Weighted average share price as of the end of period – Weighted average share price as of the beginning of the period + Dividend accrued per share in the reporting period and approved by the decision of the General Meeting of Shareholders) / Weighted average share price at the beginning of the period) × 100%.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# ENSURING RESILIENCE TO CHANGES IN GLOBAL AND LOCAL ELECTRICITY MARKETS





- Effect from reduced resource consumption for domestic needs, TFOE
- Effect from electricity loss reduction measures, mn kWh

## For more details see page 181

Innovative development programme





Research and design costs, RUB mn, excl. VAT

# For more details see page 66

# Consolidation of power grid assets<sup>1</sup>

Indicator	2018	2019	2020
Number of power grid assets, conventional units	29,610.6	57,837.1	72,647.2
Length of power transmission lines, km	5,321.4	10,600.7	13,052.4
Installed capacity of grid connections, MVA	898.0	2,202.9	2,675.7

For more details see page 57

**Business diversification** 

+71% increase in revenue from additional services and facilities in 2020

Among others, the Company prioritises the diversification of business and growth of non-tariff revenues. The last year gave a start for the Longterm Programme on the development and promotion of additional services

and facilities until 2024. The non-tariff revenue in 2020 amounted to RUB 2.7 bn vs RUB 1.6 bn in 2019.

The most popular services in 2020 that generate the most revenue:

- construction and installation (more than 62% of revenue from the sale of additional services, a year-on-year increase - 136%);
- maintenance and repair services (16% of revenue from additional services).
- The goal for 2021 is to develop and promote the following services:
- works within the applicant's competence during grid connection with the achievement of market coverage of 30%;
- installation of outdoor lighting (line maintenance, construction and reconstruction of outdoor lighting systems);
- modernisation of outdoor lighting.

# **BUSINESS PLAN FOR 2021**

# Indicator

The meeting of the Company's Board of Directors held on 29 December 2020 approved the business plan for 2021 and projections for 2022–2025. Scenario conditions for the business plan include indexation of electricity transmission services tariffs equal to or less than the forecast inflation level, increase in workforce productivity, reduction of unit operating expenses by at least 2%, as well as the dividend policy figures consistent with Decree of the Government of the Russian Federation No. 1094-r dated 29 May 2017.

RUB 98.3 bn planned revenue for 2021

RUB 2.5 bn target net profit for 2021  from other activitie Production cost, RUB Profit from sales<sup>1</sup>, RU Profit margin from sa EBITDA<sup>2</sup>, RUB mn EBITDA margin, % Net profit, RUB mn Net profit margin, % Power transmission Electricity losses, %



Revenue net of production cost commercial and management expenses EBITDA was calculated as follows: Net profit + Income tax and other similar mandatory charges + Interest payable + Depreciation.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# The Company's business plan indicators for 2021

Indicator	Target
Revenue (total), RUB mn, including:	98,343.0
<ul> <li>from electricity transmission, RUB mn</li> </ul>	93,361.5
• from grid connections, RUB mn	1,389.2
• from electricity sale, RUB mn	502.7
• from other activities, RUB mn	3,089.6
Production cost, RUB mn	89,273.6
Profit from sales <sup>1</sup> , RUB mn	6,800.7
Profit margin from sales, %	6.9
EBITDA², RUB mn	18,370.2
EBITDA margin, %	18.7
Net profit, RUB mn	2,505.2
Net profit margin, %	2.5
Power transmission services, mn kWh	45,421
Electricity losses, %	9.43

# **DIGITAL TRANSFORMATION**

The digital transformation looks to changing the logics of processes and transition of the Company to riskoriented management based on digital technologies and big data analysis.

## **GENERAL INFORMATION**

# **PROGRAMME STAGES**

In 2018, Rosseti's group of companies published the Digital Transformation 2030 Concept (hereinafter referred to as the Concept) developed pursuant to decrees of the President of the Russian Federation, V. Putin, No. 203 dated 9 May 2017 "On the Strategy for the Development of the Information Society in the Russian Federation for 2017-2030" and No. 204 dated 7 May 2018 "On National Goals and Strategic Objectives for the Development of the Russian Federation for the period up to 2024", which define the national goals and strategic objectives for the development of the Russian Federation for the period up to 2030.

In February 2020, IDGC of Centre's Board of Directors approved IDGC of Centre's Digital Transformation Programme for 2020–2030 (hereinafter referred to as the Digital Transformation Programme) based on the Concept. Digital transformation is a complex process of developing and implementing various initiatives and technologies that affect all of the Company's business processes. It necessitates the appropriate groundwork to be laid to promote its potential. Therefore, to make it quick, the digital transformation of the Company is divided into three stages.

## First stage 2019-2024

The foundation of all subsequent stages. Concentrates on implementing proven technologies that form the hardware and information basis for further development. This stage witnesses the start of work with data arrays, as well as partial digitisation of production processes and piloting of promising technologies.

# Second stage 2023-2026

Creates a single IT platform and a single data source through the integration of existing databases, introduces technologies that proved to be efficient at the piloting stage.

# Third stage 2026-2030

Introduces big data and machine learning technologies. This stage involves further adoption of technologies from previous and new stages, which came from recent scientific and technological developments.



- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATE
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICE

The Programme implies the following changes to be made to the Company's business processes.

- 1. Complete robotisation no human participation in the process. Applications: algorithm-driven procedures for processing and transfer of information (reporting, data reduction and filing).
- 2. Prompting in decision-making offers analytics, preliminary recommendations, but the final decision is up to a human. Applications: dispatcher assistants in switching and recommendations in generation of work plans.
- 3. Procedure exception streamlining the way the business process is going. Applications: abolishing some paperwork and reducing unnecessary approvals in production units.

4. Procedure upleveling – raising to a higher level of management. Applications: the transfer of the procedure from the power grid region to the branch, from the branch – to the executive office, the creation of a

common service centre. 5. Insourcing - the use of internal resources to provide external contracting services and work.

The change in business processes will bring about organisational changes:

- creation of common service centers centralising individual functions and reducing the number of management levels;
- enlargement of operating activities zones;
- redeployment and pooling of staff between functional units based on

the implementation results of digital technologies;

- replacement of staff of different functional units with specialists in the development and implementation of digital technologies;
- expansion of structural units to provide additional services, including through digital platforms.

Funding for the Digital Transformation Programme in 2020 increased almost sixfold and reached RUB 12.5 bn incl. VAT (in 2019 - RUB 2.1 bn incl. VAT). The target funding for 2021 is RUB 9.2 bn incl. VAT.

in real time

Availability of reliable end-to-

end data on consumption, grid

operating modes, and its elements

EXPECTED RESULTS OF

2

Δ Smart Grid – intelligent management without human involvement

# 5 Revealing the digital grid potential by identification of non-obvious patterns based on the in-depth data analysis

# Target results until 2030

-50% for SAIDI/SAIFI

+10% for asset life

-30% for operating expenses -15% for capital costs



THE PURPOSE OF DIGITAL TRANSFORMATION

# THE OBJECTIVES OF DIGITAL TRANSFORMATION



The organic integration of digitalisation principles in the work of a grid company requires a shared information space to be created at the first stage for all structural divisions at all levels: IDGC of Centre Executive Office – Branch Executive Office – power grid region



- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES





# PROJECT PORTFOLIO OF IDGC OF CENTRE

Today IDGC of Centre has a fully-formed portfolio of projects of the first phase of the Programme, the activities of which are grouped in four areas:

- process management and the digital grid;digital management of the company (change of internal corporate processes);
- additional services; • comprehensive information security system.

# Key project at the first stage of the Digital Transformation Programme

Designation	Objectives	Results of 2020
Production process control. Digita	Igrid	
Digital grid control centre (GCC)	Building an effective online process-related and situational management of power grid facilities using modern technologies, resulting in the improved reliability of the energy system and the higher level of management automation throughout the Company's footprint	Construction and installation activities related to Kostromaenergo GCC and Kurskenergo & Orelenergo inter- regional GCC were completed. In Voronezhenergo, the operational group of the power grid region was transferred to the GCC. The regional hub of the Geoinformation System (RGIS) was put into pilot operation
Digital substation (SS)	Reducing SS maintenance costs through the full application of the provisions of IEC 61850 standard. The project involves the creation of digital substations through new construction or brownfield regeneration	The 110/10 kV Sputnik digital substation was put into operation. The design of the 110/35/10/6 kV Nerekhta-1 (Kostromaenergo) digital substation was finalised
Digital power grid region (PGR)	Improving the electric reliability through the grid distributed automation features designed for early fault isolation and location. Improving SAIDI and SAIFI'. Reducing commercial and technical losses of electricity through the installation of fiscal meters on the consumers' side and technical meters at transformer substations and distribution points; these meters should also offer telemetry functions to spot the losses and optimise the operation of the grid. Reducing the operating costs	<ul> <li>Integrated power monitoring system:</li> <li>as at the end of 2020, 8,977 feeder lines of 6-10/0.4 kV transformer substation of digital PGRs were instrumented with smart meters, also housed in telemetry cabinets</li> <li>Reconstruction and automation of the distribution grid:</li> <li>The major works on 11 digital PGRs of the first stage were completed. Another 21 digital PGRs of the second stage to be finished in 2021–2022 were decided</li> </ul>
Energy storage devices	Determining effective applications of energy storage systems in 0.4-110 kV distribution grids	Construction and installation works begun on 15 sites for the installation of such systems in all 11 branches of the Company
Digital electrician	Introducing software and hardware solutions to automate field works	<ul> <li>Electrician for the operations management system :</li> <li>the development of the main modules of the software package was completed. The OMS software package was integrated with Enterprise Resource Planning System (ERP)</li> <li>Electrician for electricity metering devices - digital controller:</li> <li>the installation of the packaged solution (first stage) was completed; this solution was put into trial operation in three pilot branches (Smolenskenergo, Kostromaenergo and Belgorodenergo)</li> </ul>
Digital radio communications	Ensuring continuous and sustainable management of production processes in everyday settings and in case of process disturbances, accidents and emergencies by setting up a single digital radio network with the elimination of poor-reception areas	The digital radio coverage area in 2020 reached 36% of the entire service area, with 100% coverage of all digital PGRs
GLONASS. Motor control	A centralised area for collection and storage of location, route and speed limit data on Rosseti Centre vehicles, which allows real-time information to be obtained for analysis, management and optimisation of transport operations	The project was implemented in 2019

Designation	Objectives	Pecults of 2020
Designation	Deletives let is here to the	Results of 2020
Radar off-the-meter electricity detection system	neducing non-process electric loss by thor- ough analysis of metering points, using machine learning tools, for the likelihood of tampering	The Radar software package was developed and put into pilot operation in all branches of the Company
Automated diagnostic system for overhead lines with the use of drones	Improving the electric reliability by automating the diagnostic process of 35-110 kV overhead lines using drones and neural network technologies	The R&D acceptation is in progress
Smart metering and grid parameter transmission	Reducing electric loss in furtherance of the Federal Act No. 522-FZ dated 27 December 2018	As of the end of 2020, 381,678 fiscal smart meters are in place (+13.5% year-on-year), or 12% of the total amount (+2 p.p. year-on-year)
Digital management of the Compar	ny	
ERP development	Meeting the target reliability of electricity transmission and distribution through the efficient use of resources and asset management based on a balance of costs, risk and asset performance	Respective changes were made following a review of the procedure for assessing the failure effects and taking into account the failure risks in monetary terms The first stage of the establishment of an automated control system for retrofitting and upgrading was completed. The production asset management system was synchronised with the automated electricity transport information system. A model for predicting the probability of failure of production assets was automated. Forecasting changes in consumer electricity reliability and asset technical condition depending on available resources was automated. Functions related to planning of works on clearing and expansion of right-of-ways, replacement of ordinary wires with self-supporting insulating wires were automated
Development of personnel competencies in digital transformation	Creating a comprehensive approach to staff training for digital transformation projects	The higher and secondary educational institutions relations programme was realised, which involved the information course "Digital transformation in the power grid complex" given simultaneously in 11 universities of 11 regions of operations. In total, about 100 lectures for more than 800 students and teachers were delivered. A competition of graduate qualification papers on the Digital Transformation Programme topics was held, covering a total of 30 papers from 13 universities. Corporate staff training centres offered the groundwork for an advanced competence development programme on digital transformation, which was completed by more than 550 specialised workers. A training programme on business-process 11 was developed for employees of the technical development office. Branch articles on the Digital Transformation Programme topics (23 articles) were posted in the Technical Articles section on the corporate portal
Analysis of business processes for the changes related to the concept of digital transformation of Rosseti	Listing the changes of business processes realised due to the implementation of the Russian Digital Transformation Concept	A strategic session was held to prepare initiatives to improve business processes. A roadmap for digital transformation projects was formed. A relevant report was prepared
Additional services		
Self-service terminal	Improving the availability and quality of customer service (including in remote areas) and simplifying the customer interaction process	Two self-service terminals were manufactured and installed in the Varenergo branch
Development of an additional service for outdoor lighting	Increase in the market share within Rosseti Centre's footprint for the service "Organisation of outdoor lighting systems"	In 2020, the energy service agreement was fulfilled in Kostroma (revenue – RUB 309 mn) . As for the branches of IDGC of Centre, the number of lighting fixture in service increased by 10%. Outdoor lighting construction agreements were signed and relevant works were carried out (revenue – RUB 213 mn)
Comprehensive information security system	Creating the conditions for the sustainable operation of information infrastructure and the safe management of facilities	The Company's information protection subsystems were successfully connected to Rosseti Corporate Cyber Security Centre under the management of JSC VOLS-VL (pilot project)

# \_

	Objectives	Results of 2020
system	Reducing non-process electric loss by thor- ough analysis of metering points, using machine learning tools, for the likelihood of tampering	The Radar software package was developed and put into pilot operation in all branches of the Company
system the use	Improving the electric reliability by automating the diagnostic process of 35-110 kV overhead lines using drones and neural network technologies	The R&D acceptation is in progress
id m	Reducing electric loss in furtherance of the Federal Act No. 522-FZ dated 27 December 2018	As of the end of 2020, 381,678 fiscal smart meters are in place (+13.5% year-on-year), or 12% of the total amount (+2 p.p. year-on-year)
the Compan	у	
	Meeting the target reliability of electricity transmission and distribution through the efficient use of resources and asset management based on a balance of costs, risk and asset performance	Respective changes were made following a review of the procedure for assessing the failure effects and taking into account the failure risks in monetary terms The first stage of the establishment of an automated control system for retrofitting and upgrading was completed. The production asset management system was synchronised with the automated electricity transport information system. A model for predicting the probability of failure of production assets was automated. Forecasting changes in consumer electricity reliability and asset technical condition depending on available resources was automated. Functions related to planning of works on clearing and expansion of right-of-ways, replacement of ordinary wires with self-supporting insulating wires were automated
nel	Creating a comprehensive approach to staff training for digital transformation projects	The higher and secondary educational institutions relations programme was realised, which involved the information course "Digital transformation in the power grid complex" given simultaneously in 11 universities of 11 regions of operations. In total, about 100 lectures for more than 800 students and teachers were delivered. A competition of graduate qualification papers on the Digital Transformation Programme topics was held, covering a total of 30 papers from 13 universities. Corporate staff training centres offered the groundwork for an advanced competence development programme on digital transformation, which was completed by more than 550 specialised workers. A training programme on business-process 11 was developed for employees of the technical development office. Branch articles on the Digital Transformation Programme topics (23 articles) were posted in the Technical Articles section on the corporate portal
ocesses d to the formation	Listing the changes of business processes realised due to the implementation of the Russian Digital Transformation Concept	A strategic session was held to prepare initiatives to improve business processes. A roadmap for digital transformation projects was formed. A relevant report was prepared
	Improving the availability and quality of customer service (including in remote areas) and simplifying the customer interaction process	Two self-service terminals were manufactured and installed in the Yarenergo branch
itional nting	Increase in the market share within Rosseti Centre's footprint for the service "Organisation of outdoor lighting systems"	In 2020, the energy service agreement was fulfilled in Kostroma (revenue – RUB 309 mn) . As for the branches of IDGC of Centre, the number of lighting fixture in service increased by 10%. Outdoor lighting construction agreements were signed and relevant works were carried out (revenue – RUB 213 mn)
nation	Creating the conditions for the sustainable operation of information infrastructure and the safe management of facilities	The Company's information protection subsystems were successfully connected to Rosseti Corporate Cyber Security Centre under the management of JSC VOLS-VL (pilot project)

ignation	Objectives	Results of 2020
lar off-the-meter ctricity detection system	Reducing non-process electric loss by thor- ough analysis of metering points, using machine learning tools, for the likelihood of tampering	The Radar software package was developed and put into pilot operation in all branches of the Company
omated diagnostic system overhead lines with the use rones	Improving the electric reliability by automating the diagnostic process of 35-110 kV overhead lines using drones and neural network technologies	The R&D acceptation is in progress
art metering and grid ameter transmission	Reducing electric loss in furtherance of the Federal Act No. 522-FZ dated 27 December 2018	As of the end of 2020, 381,678 fiscal smart meters are in place (+13.5% year-on-year), or 12% of the total amount (+2 p.p. year-on-year)
tal management of the Compan	у	
development	Meeting the target reliability of electricity transmission and distribution through the efficient use of resources and asset management based on a balance of costs, risk and asset performance	Respective changes were made following a review of the procedure for assessing the failure effects and taking into account the failure risks in monetary terms The first stage of the establishment of an automated control system for retrofitting and upgrading was completed. The production asset management system was synchronised with the automated electricity transport information system. A model for predicting the probability of failure of production assets was automated. Forecasting changes in consumer electricity reliability and asset technical condition depending on available resources was automated. Functions related to planning of works on clearing and expansion of right-of-ways, replacement of ordinary wires with self-supporting insulating wires were automated
elopment of personnel opetencies in digital osformation	Creating a comprehensive approach to staff training for digital transformation projects	The higher and secondary educational institutions relations programme was realised, which involved the information course "Digital transformation in the power grid complex" given simultaneously in 11 universities of 11 regions of operations. In total, about 100 lectures for more than 800 students and teachers were delivered. A competition of graduate qualification papers on the Digital Transformation Programme topics was held, covering a total of 30 papers from 13 universities. Corporate staff training centres offered the groundwork for an advanced competence development programme on digital transformation, which was completed by more than 550 specialised workers. A training programme on business-process 11 was developed for employees of the technical development office. Branch articles on the Digital Transformation Programme topics (23 articles) were posted in the Technical Articles section on the corporate portal
lysis of business processes the changes related to the cept of digital transformation osseti	Listing the changes of business processes realised due to the implementation of the Russian Digital Transformation Concept	A strategic session was held to prepare initiatives to improve business processes. A roadmap for digital transformation projects was formed. A relevant report was prepared
litional services		
-service terminal	Improving the availability and quality of customer service (including in remote areas) and simplifying the customer interaction process	Two self-service terminals were manufactured and installed in the Yarenergo branch
elopment of an additional vice for outdoor lighting	Increase in the market share within Rosseti Centre's footprint for the service "Organisation of outdoor lighting systems"	In 2020, the energy service agreement was fulfilled in Kostroma (revenue – RUB 309 mn) . As for the branches of IDGC of Centre, the number of lighting fixture in service increased by 10%. Outdoor lighting construction agreements were signed and relevant works were carried out (revenue – RUB 213 mn)
nprehensive information urity system	Creating the conditions for the sustainable operation of information infrastructure and the safe management of facilities	The Company's information protection subsystems were successfully connected to Rosseti Corporate Cyber Security Centre under the management of JSC VOLS-VL (pilot project)

\_\_\_\_

1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# **DIGITAL GRID CONTROL CENTRES**



LAUNCH OF THE DIGITAL **BRYAN PGR** 

РОССЕТИ

цифровой

БРЯНСКИЙ

РЭС

IDGC of Centre continues to establish digital grid control centres (GCCs) and city dispatch points (CDPs) within its coverage zone. The Digital Transformation Programme works have been underway since 2019.

Digital GCCs are created in regional centres to manage the grid complexes of the regions. The CDPs manages power grids of cities with a population of more than 100,000 people. At this stage, the upgrade covered the GCCs in the Bryansk and Voronezh Regions, and the CDPs in Belgorod, Stary Oskol and Kostroma.

The upgraded facilities are based on a new digital structure, which introduces complete automation of processes. The dispatching control from the PGRs was transferred to the GCCs. All centres were equipped with digital communication channels and information systems that allow real-time monitoring of the state of power grid facilities, show electricity and power flows, analyse the parameters of electricity quality, current data on the consumer voltage, as well as coordinate the work of emergency teams and repair teams.

# In October 2020, the Company commissioned a digital Bryansk PGR. The ceremony was held at the All-Russian meeting on the run-up of electric power plants for the autumn-winter period.

The project utilises cutting-edge technologies. The power grid complex of the Bryansk Region enjoys 100% observability, full digital communication coverage and the possibility of remote switching in normal and emergency modes.

The funding of projects in the Bryansk Region in 2017-2019 totalled



in 2020-2024 this funding will exceed



# SMART LIGHTING PROJECT **IN KOSTROMA**



# **DIGITAL SUBSTATION IN VORONEZH**



The replacement of all fixtures took the shortest time possible just over a month, engaging every day more than 100 employees and 25 special-purpose machines. The upgrades extended the lifetime of the equipment, reduced the energy consumption and electricity bills for the municipality, as well as created a comfortable and safe environment for residents.

In July 2020, the Company opened a key power supply centre in Voronezh for the most densely populated northern part of the city - the Sputnik 110 kV substation with a capacity of 80 MVA. This substation is among the cutting-edge power facilities in Russia, utilises the full range of domestic advanced technologies, and absorbed about RUB 900 mn of investments.

It has two power transformers of 40 MVA each and cubicle switchboards of 10 and 110 kV. All data on operating parameters, crash processes and performance indicators are transferred through digital data transmission channels to the Voronezhenergo GCC. Primarily and secondary equipment, as well as engineering, security and other process-related systems are controlled remotely.

Sputnik digital substation - of 100% domestic make (video)

46 47

- 1. COMPANY'S OVERVIEW
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

The city lighting modernisation project in Kostroma is the largest in the history of the region. It was implemented by the Kostromaenergo branch under the energy service agreement with the administration of the regional centre.

The project included the replacement of 11,407 mercury and sodium gas-discharged street lamps and lighting fixtures with modern LED ones, as well as the introduction of a new automated outdoor lighting control system. In total, it covered 772 sections of the city streets, as well as 15 parks and squares. Particular attention was placed on pedestrian crossings.

IDGC of Centre is spinning up a number of advanced digital transformation projects in the Voronezh Region, has launched a single GCC at Voronezhenergo, is pioneering digital PGRs in the pilot areas of the region - Novosmansky and Ramonsky districts.

# PERFORMANCE REPORT





# **1,013.3** MW

capacity connected in 2020



# 9)

POCCETN

In 2020, the task of reducing electric losses to 9.83% of the delivery to the grid was successfully completed, which fully corresponds to the planned figure. This was enabled through organisational and technical measures, as well as improvement of the electric energy metering. The achieved result meets the interests of both electricity consumers and the Company's shareholders, reducing the cost of electric loss compensation.

# Vladislava Rezakova,

Deputy General Director for Service Sales at IDGC of Centre

# **REPORT OF THE BOARD OF DIRECTORS ON BUSINESS** PRIORITIES

Priority / date of approval by the Board Measures implemented in 2020 of Directors On certification of equipment, materials, In 2020, the certification of equipment, materials and systems involves the membership of and systems at the Company's facilities IDGC of Centre in the Certification Commission of Rosseti. By Order of IDGC of Centre No. 384-CA dated 7 August 2018, the Commission for the Clearance of Equipment, Materials (Minutes of the meeting of the Board of and Systems of IDGC of Centre was approved, several meetings were held with the Directors No. 13/14 dated 2 June 2014) preparation of relevant protocols for the clearance of equipment to the Company's power grid facilities The Internal Audit Department conducted a self-assessment of the 2020 internal audit Improvement of the Internal Control and Risk Management Systems, development guality. As a result, it was established that the activities to ensure and improve the guality of the internal audit function of internal audit are aligned with: • the Programme for Ensuring and Improving the Quality of Internal Audit of IDGC of (Minutes of the meeting of the Board of Centre (pre-reviewed by the Audit Committee on 25 November 2016 (Minutes No. 13/16), Directors No. 18/14 dated 22 August 2014) approved by the Board of Directors on 13 December 2016 (Minutes No. 33/16)); • the Action Plan of the Internal Audit Department of IDGC of Centre for 2020 approved by the Audit Committee of the Board of Directors of IDGC of Centre on 13 November 2019 (Minutes No. 18/19) and approved by the Board of Directors of IDGC of Centre (Minutes No. 45/19 dated 25 December 2019), as amended (approved by the Audit Committee, Minutes No. 11/20 dated 27 November 2020, approved by the Board of Directors, Minutes No. 60/20 dated 10 December 2020). Based on the results of the evaluation, it was confirmed that: • the Company's internal audit activities comply with the Company's Internal Audit Policy; • the Company's internal audit activities comply with the Internal Audit Definition; • the Code of Ethics is observed. In 2019, JSC KPMG conducted an external evaluation of the Company's Internal Audit activities, the results of the evaluation were reviewed by the Board of Directors on 23 January 2020. Following the received recommendations, JSC KPMG developed a Plan for the development and improvement of the internal audit activities of IDGC of Centre for 2020-2024 (approved by the Audit Committee of IDGC of Centre (Minutes No. 02/20 dated 28 February 2020) and approved by the Board of Directors of IDGC of Centre (Minutes No. 15/20 dated 31 March 2020) with amendments (approved by the Audit Committee, Minutes No. 11/20 dated 27 November 2020, approved by the Board of Directors, Minutes No. 60/20 dated 10 December 2020). In 2020, seven measures of the Company's Internal Audit Development and Improvement Plan were fulfilled. There are no outstanding or overdue activities On provision of the energy This priority area covers the following key measures taken by IDGC of Centre: infrastructure accessibility and high-• Providing information to potential consumers in order to assess key characteristics quality connection to the Company's and risks of business projects with allowance for opportunities for technological power grids connection (Minutes of the meeting of the Board of In 2020, the Company held public meetings with the consumers on the question of the Directors No. 19/14 dated 29 August 2014) procedure of access to the power grid infrastructure in each region. • Making the procedure for interaction with applicants in technological connection consistent with the effective legislation. In 2020, the guidelines RK BP 6/02-02/2020 "The Rules for the Connection of Consumer Terminals of Electricity Consumers, Generating Facilities and Grid Facilities Owned by Grid Companies and Other Persons to Electrical Grids of IDGC of Centre and IDGC of Center and Volga Region. In 2020, the share of the contracts involving construction, reconstruction and upgrading of the 0.4-10 kV distribution grids under the contracts on connection of consumer terminals to power grids to be carried out using own resources stood at 85.6%. In 2020, average term by "contract – notification" indicator under the Doing Business grid connection contracts, which implies that these works shall be implemented by a grid organisation, reduced ear-on-year and amounted to 61 days (vs 79 days in 2019).

During 2020, the Board of Directors did not decide on new business priorities. During this period, the Company was doing business in line with the following formerly adopted priority areas.

Priority / date of approval by the Board of Directors	Measures implemented in 2020	
On measures to increase the level of anti-terrorist and anti-sabotage protection of the Company's power grid facilities	For further information on the activities in this focus area in 2020 see the Anti-terrorist Security of Power Grid Facilities section of the Annual Report see p. 179	
(Minutes of the meeting of the Board of Directors No. 17/10 dated 19 August 2010)		
On ensuring the required reliability and services quality rate in line with the regulatory acts	For further information on the activities in this focus area in 2020 see the Reliability Status of Power Grid Facilities (6 kV and above) section of the Annual Report see p. 52	
(Minutes of the meeting of the Board of Directors No. 09/11 dated 2 September 2011)		
On the construction and operation of fibre-optic communication lines	This priority area covers the issue of technical specifications, construction and operation of fibre-optic communication lines within the contract of commercial representation	
(Minutes of the meeting of the Board of Directors No. 06/12 dated 2 April 2012)	of the Owner of electric power facilities for the purpose of concluding and executing contracts for the placement of fibre-optic communication lines at the power grid fact of the territorial distribution grid.	

In 2020, 159 km of its own fibre-optic lines were built



- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# **ASSETS**

## Electric grid assets operated by IDGC of Centre<sup>1</sup>

Asset	Unit of measurement	2018	2019	2020	Change 2020/2019, %
Substations	units	102,472	103,553	104,425	0.8
35–110 kV substations	units	2 370	2 378	2,378	0.0
6-10 (35)/0.4 kV transformer substations, distribution transformer substations	units	99,237	100,291	101,140	0.8
6–10 kV distribution points	units	865	884	907	2.5
Installed capacity	MVA	54,010.8	54,437.0	54,860.0	0.8
35–110 kV substations	MVA	34,410.2	34,545.0	34,746.9	0.6
6-10 (35)/0.4 kV transformer substations, distribution transformer substations	MVA	19,167.3	19,444.3	19,633.2	1.0
6-10 kV distribution points	MVA	433.3	447.7	479.9	6.7
ROW length of 0.4-110 kV overhead lines	km	385,148.4	389,543.2	390,778.1	0.3
110 kV and above overhead lines	km	29,802.0	30,020.0	30,033.0	0.0
35 kV overhead lines	km	33,601.0	33,587.0	33,571.0	0.0
6–10 kV overhead lines	km	170,108.5	171,515.7	171,742.7	0.1
0.4 kV overhead lines	km	151,636.9	154,420.5	155,431.4	0.7
Length of 0.4-110 kV cable lines	km	20,509.4	20,698.3	20,865.7	0.8
110 kV and above cable lines	km	31.1	33.5	33.3	-0.6
35 kV cable lines	km	49.0	49.6	50.4	1.6
6–10 kV cable lines	km	10,627.5	10,808.2	11,052.6	2.2
0.4 kV cable lines	km	9,801.8	9,807.0	9,729.4	-0.8

# **RELIABILITY OF THE POWER GRID ASSETS**

## Reliability of the power grid assets (6 kV and above)

Indicator	Unit of measurement	2018	2019	2020	202	Change 20/2019
					abs.	%
Human errors	units	1	0	0	0.00	0.0
Sustained outages of 35–110 kV transformers	units	5	7	4	-3.00	-43.0
Average interruption time (for 6-110 kV feeders)	frequency rate	1.83	1.61	1.56	-0.05	-3.1





## Failure rate indicators

Indicator	Unit of measurement	2018	2019	2020	( 202	Change 0/2019
					abs.	%
Number of faults in the 110 kV and above grid, including:	units	1,052	807	855	48.0	5.9
with successful reclosing	units	510	475	511	36.0	7.6
Failure rate over 6 kV and higher grid	per 1,000 equipment units	4.9	4.1	3.7	-0.4	-9.8

The number of adverse weather events in 2020 (247) went up 2.5 times compared to 2019 (99) almost throughout the entire service area, except for Orel and Yaroslavl Regions, resulting in slightly higher failure rate in 110 kV grids in the reporting year.

The number of process-related faults and the specific failure rate were reduced through purpose-oriented programmes and electric reliability enhancement programmes. Their key initiatives are listed below:

- opting-out the hazardous equipment;
- improving the reliability of the distribution grids;
- increasing the lightning-surge withstanding capability;
- replacing porcelain insulation with glass insulation;
- replacing oil-filled entrance bushings.

With the fulfilment of the scheduled programmes, the Company showed a year-on-year reduction in the system average interruption duration index (SAIDI) from 1.62 to 1.14 and the system average interruption frequency index (SAIFI) from 1.01 to 0.75.

# EU28, EU29

Initiatives to improve the functional reliability of the power grid complex taken by IDGC of Centre in 2020:

- the programme for clearing of the 6-110 kV overhead transmission line right-of-ways was overfulfilled by 6%, covering of total of 13,849.161 ha;
- the repair programme was delivered in full;
- the 2020 technical inspection programme was implemented in full (covering a total of 48,770 facilities, including production and administrative buildings and structures);
- the Company's branches underwent quarterly monitoring as to the current failure rate.

Operational programmes for 2021 were aligned with relevant standards, regulations and specifications, existing technical condition of 0.4-110 kV power grid facilities, and the outcomes of the failure rate analysis.

Including operating lease and equipment under maintenance contracts.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# **39** Trees falling due to adverse weather conditions **32** Equipment deterioration; breach of maintenance standards 11 Third-party interference **8** Atmospheric overvoltage

- (lightning surge)
- 6 Animals and birds
- 4 Exposure to repetitive natural phenomena (wind load, wire swinging, other natural effects)





# 43%

reduction in the number of sustained outages of 35-110 kV transformers

# 9.8%

reduction of the specific accident rate on the 6 kV and above grid

# Major causes of process-related faults in 2020, %

# **TECHNICAL EVALUATION OF THE COMPANY'S ASSETS**

The technical evaluation is carried out in the automated ERP-based production asset management system by making entries on the availability and composition of equipment, inspection reports and diagnostic tests and adheres to the unified rules and regulations. The final score is a ratio ranging from 100 (best condition and new dodged-up equipment) to 0 (old, used-up and unworkable equipment).

The calculation of asset depreciation rate is based on the standard service life of facilities:

- 25 years for substations and cable lines;
- 35 years for overhead transmission lines.

As at 31 December 2020, the Company's grid facilities depreciation rate was estimated at 11.8% (+0.1 year-on-year). The depreciation of fixed assets was controlled through the reconstruction of 0.4-110 kV grids. The scope of new and upgraded facilities in the reporting year encompassed more than 2,060 km of 0.4-10 kV overhead transmission lines and 38 km of 35 and 110 kV overhead transmission lines, as well as 2,456 10/6/0.4 kV transformer substations (distributing substations) with a capacity of 232 MVA. To reduce the depreciation of fixed assets, the Company put together a multi-year renewal programme, which scheduled an update of fixed assets worth RUB 1,748 mn for 2021.

The failure rate in 2020 decreased by 21.2% and to reached 19,802 failures per 1,000 equipment units vs 24,063 failures in 2019.

# As at 31 December 2020, the Company's grid facilities depreciation rate was estimated at 11.8%<sup>1</sup>



## Including:

0.4-110 kV overhead transmission lines 0.4-110 kV cable lines 3-110 kV transformer equipment 3-110 kV switching devices 3-110 kV substation equipment

# **REPAIR PROGRAMME**

The purpose of the annual repair programme is to prepare the Company's Power Grid Complex for the heating season, enhance repair and maintenance efficiency, and improve operational reliability of the power grid facilities. In 2020, this programme absorbed RUB 2,485.1 mn.

# Progress indicators of the Repair Programme

Indicator	Unit of measurement	2018	2019	2020 (plan)	2020 (actual)	2020 (plan)
Overhaul of overhead lines, Including:	km	15,284.8	14,549.7	9,223.8	10,638.8	6,405.1
35-110 kV overhead lines	km	4,472.1	4,115.0	3,416.5	3,995.8	2,559.8
0.4-10 kV power transmission lines	km	10,812.7	10,433.7	5,807.3	6,642.9	3,845.3
Clearing of the overhead transmission line right-of-ways	ha	24,224.8	13,006.7	13,758.1	14,658.3	14,120.2
including chemical treatment	ha	-	1,165.0	1,379.1	1,379.8	1,362.2
Overhaul of transformers and autotransformers, including:	units	1,496	1,476	1,112	1,290	1,073
35–110 kV power transformers	units	105	38	16	26	5
0.4–10 kV power transformers	units	1,391	1,438	1,096	1,264	1,068
Overhaul of switching devices	units	4,014	2,852	2,724	2,800	4,884
Repair of the 6/10-0.4 kB transformer substations (closed transforming substations, packaged transformer substations and distributing substations)	units	4,547	4,774	4,131	4,448	4,900
Repair campaign costs, including:	RUB mn	2,688.5	2,660.5	2,485.1	2,618.0	2,611.7
35-110 kV substations	RUB mn	354.8	346.9	358.7	323.7	373.0
35-110 kV overhead lines	RUB mn	144.0	152.4	155.8	166.1	404.4
0.4–20 kV distribution grid	RUB mn	1,183.5	897.2	914.3	1,004.4	1,224.7

Calculated by the method approved by Decree of the Government of the Russian Federation No. 1401 dated 19 December 2016. The repair campaign covered repair costs only, net of maintenance costs.

# **PRODUCTION ASSET MANAGEMENT SYSTEM (PAMS)**

The PAMS is based on equipment certification, filing of statistical data on availability and performances of the equipment, as well as continuous updating of data on its technical condition and current parameters.

The PAMS helps to introduce automation into most of production processes of the Company and it is a key segment of the Digital Transformation Programme. The Company's core business processes are now integrated into the corporate

# PAMS-based digital business process management model



- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

resource management information system, which includes a number of ERP systems, and are ready for the digitisation of the grids.

The Company performed a detailed certification and classification of the power grid facilities to create a database containing basic data about the equipment and also set up statistical and dynamic parameters of the equipment. The following tools were put into practice:

- a flexible reporting system that allows users to quickly obtain copious and up-todate information about the power grid facilities served;
- collection and distribution of defect data;
- entry of test and measurement data using mobile devices;
- setting up of reports of defects, tests, and measurements;
- analytical equipment status reporting based on the datasheet specifications (for repair planning);
- inspections, accounting and distribution of defects;
- computer-aided planning system for diagnostic tests and measurements of the Company's equipment;
- a health estimation methodology (indicator health index) for power grid facilities based on diagnostic tests and measurements, as well as data on equipment defects;
- planning the production activities based on standard frequency rates, taking into account the equipment health and consequences of its failure;
- typical production flowcharts;
- calculation of the planned estimated cost of maintenance and repair, including diagnostics and other service checks;
- planning/reflection of production activities is centralised in the PAMS through the features for keeping the scripted conditions for the formation of production programmes, as well for running the equipment maintenance and repair orders (scope of work, deadlines, material and human resources requirement, etc.). The rules for the core business processes of the Company (equipment technical diagnostic system, pursuit of production activities, etc.) were spelled out.

Source information for accounting figures is currently being entered and processed. These documents enter the system through a computerised function and are carried through the cost absorption locations, thus accumulating and mining the data for further use by the Company's segments of business, namely capital construction, material procurement & logistics and accounting structures.

# PAMS development plan for 2020-2022:

- automation of planning of multi-year and annual schedules and diagnostic reporting forms;
- automation of emergency reserve rationing, acquisition, rotation, utilisation and replenishment;
- automation of the analysis of emergency outages on 35 kV and above substation and overhead transmission lines:
- integration of the PAMS with an automated HR management system;
- automation of the non-worked time target calculation, maintenance and repair personnel productivity evaluation;
- automated keeping of the schedule for taking equipment down for repairs;
- creation of automated motor fleet control systems;

Along with that, there is an exchange and processing of information from the Client Hot-Line for Outages. By contacting this line, customers report outages, then this data is automatically transferred to related business and process-related information systems, intellectually processed, compared with facilities and becomes available to the personnel responsible for day-to-day processrelated management.

Thanks to the mobile solutions, a significant number of day-to-day operations carried out by structural units that operate power grid facilities was streamlined, in particular:

- ordering and monitoring of diagnostics and inspections;
- in-situ entry of the measurement, test and inspection results;
- confirmation of the actual performance of work.

On top of that, mobile solutions allow photo and video recording of defects and hazardous places, provide staff with the necessary regulatory documentation in situ (schemes, statements of work, testing procedures, process flow charts, etc.), keep an eye on the running time, as well as print test records and inspection sheets.

- automation of the ongoing operations management system;
- automation of the function of the automated occupational health and safety management information system;
- recording and certification of secondary equipment and automation of its maintenance and repair planning.

# **CONSOLIDATION OF POWER GRID ASSETS**

In 2020, as outlined by the Strategy for the Development of the Russian Federation's Power Grid Complex, the Company continued to address the fragmentation of territorial grid organisations and strengthen control over them in all regions of its presence. The focus here is on the consolidation of power grid assets under the control of independent TGOs. The most important of the projects implemented in 2020 was the acquisition of 100% stake in LLC Bryanskelectro – the largest TGO

in the Bryansk Region, with a power grid capacity of 39,949 conventional units. As a result of this transaction, the share of IDGC of Centre in the total required gross revenue of the Bryansk Region increased by 34 p.p., from 61 to 95% (excluding payment of losses and services of PJSC FGC UES).

In consolidation, the priority is given to operations with certain power grid facilities owned by both legal entities and individuals. In 2020, the total scope

# Power grid assets consolidated<sup>1, 2</sup>

IDGC of Centre4			2018			2019			2020
	MVA	km	c.u.	MVA	km	c.u.	MVA	km	c.u.
Grid facilities acquired	2.14	5.45	98.21	32.0	16.8	246.3	1,406.6	7,797.7	39,949.3
Grid facilities leased	878.45	5,254.17	29,254.87	1,128.6	5,489.2	31,327.4	1,229.4	5,003.6	31,835.2
Other (permanent rights of ownership and use)	0.00	0.00	0.00	1,023.6	5,026.1	25,987.9	5.8	64.6	189.2
Other (temporary rights of ownership and use)	17.42	61.80	257.55	18.7	68.6	275.5	33.9	186.5	673.5
Total	898.01	5,321.42	29,610.63	2,202.9	10,600.7	57,837.1	2,675.7	13,052.4	72,647.2

In the reporting period, the number of TGOs within IDGC of Centre's footprint reduced to 131, down by 2.2% (exclusive of the Company's branches).

The most important of the projects implemented in 2020 was the acquisition of 100% stake in LLC Bryanskelectro - the largest TGO in the Bryansk Region, with a power grid capacity of 39,949 conventional units. As a result of this transaction, the share of IDGC of Centre's group of companies in the total required gross revenue (RGR) of the Bryansk Region increased by 34 p.p., from 61 to 95% (excluding payment of losses and services of PJSC FGC UES).

Goal: make TGOs more united The share of IDGC of Centre's group of companies in the Bryansk Region increased to

95% due to the acquisition of LLC **Bryanskelectro** 

Total consolidated assets, including leases existing as at the end of the period, including those previously concluded ones. Taking into account the acquisition of shares of JSC VGES in 2019 and the stake in LLC Bryanskelectro in 2020.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

of consolidated power grid assets of municipal entities and other owners, not related to TGOs. amounted to 3.349 conventional units.

The scope of assets consolidated by the Company in 2020 (as at the end of the reporting period) include:

- installed transformer capacity - 1,563 MVA;
- length of power transmission lines – 8,276 km;
- power grid assets 43,298 c.u.



# **OPERATIONAL HIGHLIGHTS**

# **POWER TRANSMISSION**

The core business of IDGC of Centre is the transportation and distribution of electricity from the supergrids of FGC UES to TGOs, electricity retailers and large consumers.

## Business model on power transmission GRI 102-9



..... Settlement scheme with TGOs with joint operation paying to IDGC of Centre, as well as direct contracts of TGOs with FGC UES \_\_\_\_ Electricity

Electricity transmission fee

## Power transmission services provided, mn kWh

Indicator	2018	2019	2020	Change 2020/	
				mn kWh	%
Electricity delivered to the grid	54,235.7	53,141.3	51,892.9	-1,248.4	-2.3
Net delivery (within the balance sheet attribution of the Company's branches)	48,454.2	47,706.9	46,790.0	-916.9	-1.9
Electricity losses	5,751.5	5,434.5	5,102.9	-331.6	-6.1
Power transmission services provided	47,019.1	46,374.6	45,475.2	-899.4	-1.9

As at the end of 2020, the volume of power transmission services decreased by 899.4 mn kWh, or 1.9% year-on-year, stemming mainly from the introduction of restrictive measures by the Government of the Russian Federation to control the epidemiological situation related to COVID-19, as well as the reduction of energy consumption of oil pipelines due to the smaller throughput volume under the OPEC+ agreement. The same reasons were behind the lower power delivery to consumers and allied TGOs within balance sheet and operational responsibility boundaries of IDGC of Centre (by 916.9 mn kWh, or 1.9%).

# POWER DELIVERY STRUCTURE

Power delivered by voltage in 2020, %



50.5 High voltage (110 kV) 7.5 Medium voltage (35 kV) **19.1** Medium voltage (10 kV) **22.9** Low voltage (0.4 kV)

Over 50% of the total net electricity delivery of IDGC of Centre comes from the 110 kV grid. The share of the industrial consumers in the 110 kV net delivery is over 20%. The largest of them are:

- PJSC NLMK annual consumption of 0.9 bn kWh (1.8% of the total net electricity delivery from IDGC of Centre's grid);
- JCS Lebedinsky GOK annual consumption of 0.4 bn kWh (0.8% of the total net electricity delivery from IDGC of Centre's grid).

50.5% of the net delivery is accounted for by 110 kV grids

17.3% of the net delivery covers the consumers of the Household category

58

Including power transmission services on the territory of taking up guaranteeing supplier functions.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES





# Power delivered by consumer category in 2020, %



In 2020, TGOs (29.0%) and industrial consumers (23.0%), households and equated consumer groups (17.3%) were the largest consumers by delivery volumes.



# The largest industrial consumers from IDGC of Centre's grids in 2020

S. No.	Branch	Consumer	Consumption volume, mn kWh	Share of net electricity delivered, %
	Net electricity delivered in 2020 from	the grid	46,790.0	100.0
1	All 11 branches of the Company	JSC RZD	1,955.4	4.2
2	Kurskenergo	JSC Kursk Power Grids	1,048.8	2.2
3	Lipetskenergo	LLC GESK (OJSC LGES)	1,017.7	2.2
4	Lipetskenergo	NLMK Group	862.1	1.8
5	Orelenergo	JSC Oreloblenergo	849.5	1.8
6	Yarenergo	PJSC Slavneft-YANOS	610.4	1.3
7	Voronezhenergo	JSC Minudobreniya	392.6	0.8
8	Belgorodenergo	JSC Lebedinsky GOK	382.6	0.8
9	Voronezhenergo	JSC Voronezhsynthezkauchuk	300.1	0.6
10	Smolenskenergo	PJSC Dorogobuzh	280.6	0.6
Total for	10 major consumers		7,699.8	16.5

There were few changes in the list of the largest consumers compared to 2019. The group of companies of IDGC of Centre includes JSC Voronezh Municipal Power Grid, the largest consumer of 2019 (JSC Sanatorium Energetik and JSC YarEGC hold 100% stake in JSC VGES). LLC Initiativa (a branch of Kostromaenergo), whose year-on-year consumption went down by 8.2%, also dropped out of the rating.



# ELECTRIC LOSS REDUCTION EU12

# History of electricity losses, %

Indicator	2018	2019	2020	Change 2020/2019
Losses (actual)	10.60	10.23	9.83	-0.40 p.p.
Losses (plan)	11.02	10.26	9.83	-
For reference: Electricity losses in terms of electricity balance in 2020	10.86	10.30	9.83	-0.47 p.p.

In 2020, the electricity losses amounted to 5,102.9 mn kWh, or 9.83% of total electricity delivered to the grid. Actual losses for 2020 are equal to the planned figures and below the losses of the same period last year by 0.40 p.p.

At the end of 2020, the total reduction in electricity losses in absolute terms according to the consolidated indicators of the balance of electricity relative to the actual figures of 2019 amounted to 331.5 million kWh (RUB 939.6 mn of savings to purchase losses).

In 2020, the investment programme and energy service contracts covered:

- the upgrade of 92.6 thousand metering points;
- the installation of over 14.7 thousand fiscal metering devices<sup>1</sup>;
- the launch of remote data collection from 89.2 thousand metering points;
- related costs totalled RUB 2,260 mn.

14.7 thousand fiscal metering devices installed

92.6 thousand metering points upgraded

## DETECTION OF OFF-THE-METER ELECTRICITY CONSUMPTION

In its efforts to reduce electricity losses, IDGC of Centre takes measures to detect and deal with abstraction of electricity without proper contract and/or metering in place.

# 2020 results on detecting the off-the-meter electricity consumption

Uncontracted electricity consumption	11.9 mn kWh were paid for	Reduction of loss compensation costs - by RUB 33.5 mn , excl. of VAT
Off-the-meter energy consumption	128.1 mn kWh included in net delivery	Reduction of loss compensation costs – by RUB 348.4 mn , excl. of VAT

# **GRID CONNECTION**

Connection of new consumers to power grids is fully regulated by the Government. Connection procedure and timeframe are set by the Rules for the Connection of Consumer Terminals of Electricity Consumers, Generating Facilities and Grid Facilities Owned by Grid Companies and Other Persons to Power Grids<sup>1</sup>. Connection fees are approved by tariff regulators of constituent entities of the Russian Federation.

# Federation's entities:

- connection progress;

In 2020, average time by "Contract – Notification" KPI under the Doing Business grid connection contracts, involving works to be done by a grid organisation, reduced by 23% year-on-year and amounted to 61 days (vs 79 days in 2019).

# History of grid connection applications satisfied, pc.



In furtherance of Federal Law No. 522-FZ dated 27 December 2018 "On Amending Certain Legislative Acts of the Russian Federation due to the Development of Electric Energy (Power) Metering Systems in the Russian Federation

Approved by Decree No. 861 of the Government of the Russian Federation dated 24 December 2014.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

In the reporting year, IDGC of Centre carried out further work under the Grid Connection target model within its footprint, aiming at the simplification of business procedures and the enhancement of the investment attractiveness of the Russian

• the TП.РФ portal (https://портал-тп.рф/) has a User account, which allow submitting an application, concluding a grid connection contract, and monitoring the grid

• the official web-site (https://портал-тп.pф/cost\_calculator) offers a feature for preliminary calculation of grid connection fee by means of a special calculator; • the Company's branches on regular basis give consultations and explanations to the applicants as related to grid connection activities performed.

Change 2020/2019

%

-0.1

5.2

20.6

-17.5

MW

-4.2

-47.9

173.0

-233.7



The scope of the grid connections by the grid company depends on the health of the economy of the regions within IDGC of Centre's footprint and plans for their economic development. In 2020, the Company accepted more than 47.5 thousand applications for the connection of consumer terminals to the power grids. There has been a progressive slump in demand for grid connection over the last three years. In particular, the number of applications, signed and satisfied grid connection contracts dropped in the reporting year by 0.7% year-on-year - 6.1% and 20.6%, respectively.

However, the maximum capacity under the signed contracts by the end of 2020 went up by 5.2% compared to the previous year. Connected capacity (under satisfied grid connection contracts) increased by 20.6% due to the affiliation of the generation facility - PJSC Quadra by 264.8 MW, while the required capacity (according to accepted applications) remained flat with 2019 (decrease by 0.1%), which stems from the unfavourable epidemiological situation and the slackening of the rates of economic growth of applicants. The largest share of the connected capacity in 2020, like in the previous reporting periods, falls on applicants of the Up to 15 kW category (31% in 2020).

# Structure of satisfied grid connection contracts by category of applicants, MW

Category of applicants	2018	2019	2020	Change 2020/20	
				MW	%
Up to 15 kW inclusive	413.2	394.1	313.8	-80.3	-20.4
Over 15 kW to 150 kW inclusive	172.2	177.8	194.2	16.4	9.2
Over 150 kW and up to 670 kW	94.6	75.2	75.1	-0.1	-0.2
At least 670 kW	186.5	166.3	163.4	-2.9	-1.7
Generation	1.1	26.8	266.8	240.0	894.0
Total	867.5	840.3	1 013.3	173.0	20.6

# Connected capacity structure

by applicant category in 2020, %



19.2 From 15 to 150 kW 7.4 From 150 kW to 670 kW 16.1 670 kW and above 26.3 Generation

# Structure of satisfied grid connection contracts by sectors of economy, MW

Category of applicants	2018	2019	2020	Change 2020/20	
				MW	%
Individuals	386.9	364.2	282.1	-82.1	-22.5
Agriculture and forestry, fishing	76.6	60.9	52.8	-8.1	-13.3
Manufacturing industry	47.3	75.9	45.8	-30.1	-39.7
Electricity, gas and water utilities	32.9	59.2	302.9	243.7	411.4
Construction	81.2	55.4	58.3	2.9	5.3
Trade	38.9	25.8	23.1	-2.7	-10.4
Transport and telecoms	10.7	9.1	11.5	2.4	26.7
Healthcare, education, and social services	10.9	10.8	11.8	1.0	8.8
Others	182.2	179.0	225.0	46.0	25.7
Total	867.5	840.3	1 013.3	173.0	20.6

The bulk of the power capacity connected to IDGC of Centre's power grids in 2020 is covered by the following applicants: individuals (282 MW, or 27.8%) and electricity, gas and water producing and distributing facilities (303 MW, or 29.9%). The highest year-onyear growth in connected capacity was recorded in "Electricity, gas and water utilities" (by 411.4%) and "Transport and telecoms" (up 26.7%) categories, while the most significant decrease was seen in "Industrial manufacturing" category (by 39.7%).

In 2020, we proceeded with the simplification of the grid connection procedure. For cost cutting purposes, IDGC of Centre is increasing the number of contracts that are performed with the use of internal resources without contractors.

# Structure of grid connection contracts by mode of execution

Indicator		2018		2019		2020
	units	%	units	%	units	%
Existing contracts as of the end of the period	21,354	-	19,135	-	23,046	-
including:						
with measures taken by a grid organisation	14,718	-	14,732	-	20,957	-
Among them, contracts executed:						
Without contractors	9,836	66.8	11,365	77.1	17,897	85.4
With contractors	4,882	33.2	3,367	22.9	3,060	14.6

# History of grid connection applications satisfied, MW

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# Structure of connected capacity in 2020 by sectors of economy, %



- 27.8 Individuals
- 5.2 Agriculture and fishing
- **4.5** Manufacturing industry
- 29.9 Electricity, gas and water utilities
- 5.8 Construction
- 2.3 Trade
- **1.1** Transport and telecoms
- **1.2** Healthcare, education, and social services
- 22.2 Others

# **ADDITIONAL SERVICES**

IDGC of Centre develops additional services to be provided to the customers, not related to the core activities on electricity transmission and grid connection. These services are rendered on a commercial basis beyond government regulation and include the following groups of services:

- leasing and accommodation equipment at the Company's facilities;
- maintenance and upkeep, as well as construction and installation;

• consulting and administrative & engineering services;

- agency services;
- communication and IT services;
- other operational services.

The number of applications in 2020 was driven down by a decrease in the number of applications received in person behind the restricted reception of consumers due to the epidemiological situation.

The following additional services get most of applications:

- arrangements for electricity metering – 4,910;
- consulting and administrative & engineering services - 4,058;
- implementation of the work within applicant's competence during grid connection - 3,368 units.

information

A chatbot was launched in 2020 on the Company's website and in the Viber messenger for receiving and processing requests through interactive channels of consumers engagement regarding power outages. In addition, the project of outgoing canvas calling by a robotoperator (automated intelligent agent with the ability to recognise speech) was put into practice, notifying the planned power outage and collecting feedback on additional services.

There are plans for 2021 to introduce an additional scenario for the robotoperator on Passing an outage message (processing incoming calls).

Numbers
of consumer reques
by communication
channel
In person

Remotely through the call-centre

Including requests concerning power sup made via hotlines

Written requests via administrative offices Remote requests via online reception or us account, online helpde

and e-mail Other<sup>2</sup>

Total

Consur in 2020	ner requests by category ), %	Consu in 202	umer reque 20, %
1.3	Complaint	6.6	Grid connect
10.2	Requests for reference	0.9	Power trans
40.0	information/advice	10	Maintenance
10.0	Applications for services	23	Flectricity bi
//.5	Conveying of information	4.6	Additional se
0.5	Consumer's feedback	2.0	Quality of cu
	operations	5.6	Others
0.001	Consumer's suggestion on service quality improvement	0.0	
0.4	Others		

History of applications for additional services

Indicator	2018	2019	2020	Chang	e 2020/2019
				thousand applications	%
Number of applications relating to additional services	124.9	126.9	81.8	-45.1	-35.5

# CUSTOMER RELATIONS EU24

# Customer Relations Policy

The Company operates on the basis of the following customer relations policy:

- identification and satisfaction of reasonable requirements of customers (consumers);
- ongoing monitoring of customers' expectations and satisfaction;
- ensuring a reliable, uninterrupted power supply to bona fide clients (consumers) of the Company.

IDGC of Centre pursues systematic approach to customer engagement, monitors and analyses their needs, and studies opinions on the quality of service. The Company uses customer feedback to adjust its operations to better meet the customers' needs and expectations. The Company guarantees its customers an objective and unbiased review of their requests and complaints within the prescribed timeframes and upholds their right to appeal.

Cons	umer s	service type	es			
	Consur Custor Persor Call ce	mer Service Ce ner Affairs Off nal visit <sup>1</sup> ntre	entres / ïce		Company's dep • Russian Post • Personal visi • Phone <sup>2</sup> • Fax • Email	t
	<ul> <li>Autoconstruction</li> <li>Autoconstruction</li> <li>Autoconstruction</li> <li>the prest</li> <li>SMS</li> <li>Ema</li> <li>Voice</li> </ul>	pmatic provisio sumer informat lack of electrici planned time o oration il e mail	n of tion on ty and f power		Interactive cha • "The Light Co • "Портал-тп. • Email • Online Recep • Chatbot • The website Information section	nnels puntry" portal oφ" portal tion of IDGC of Centre, on Outages
	Reques	sts types				1
Appli	cation	Complaint	Consultation	Feedback	Proposal	Conveying of

In 2020, the scope of requests comprised the phone calls from consumers processed automatically by the interactive voice menu system (without an operator).

Due to the COVID-19-related restrictions, face-to-face service of consumers has been brought online from March 2020 With a view to raise the efficiency of customers interaction, all telephone numbers of PGR dispatchers were covered by the Call-Centre in 2020.

Fax and helpline of IDGC of Centre.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

		Numl	Change	
s —	2018	2019	2020 <sup>1</sup>	2020/2019, %
	070.004		40.75.4	
	273,291	239,381	49,754	-/9.2
2	595,687	633,233	1,894,990	199.3
oply	372,019	294,127	1,876,010	536.8
5	5,324	6,034	19,025	215.0
er esk	36,202	114,051	260,348	128.3
	26,399	28,506	87,107	205.6
	936,903	1,021,205	2,311,224	126.3

## Statistics on consumer requests

# Consumer requests by purpose



tion smission outage e of grid facilities illing metering ervices ustomer service

Most of the consumer complaints in 2020 pertained to maintenance of power grid facilities (45%), electricity transmission (20%) and outages (16%, not including reports of outages).

# Customer satisfaction measurement

The 2020 questionnaire survey involved 9.4 thousand consumers of IDGC of Centre. The survey showed that the quality of services rendered by the Company's branches remained approximately at the same level. The integral estimation of the customer satisfaction with the quality of services provided following the feedback received from consumers after their applications were reviewed (satisfied) is 4.2 out of five possible.

# **TECHNOLOGICAL DEVELOPMENT** AND INNOVATION

# INNOVATIVE DEVELOPMENT PROGRAMME

The innovative development of IDGC of Centre is aligned with IDGC of Centre's Innovation Development Programme for the period of 2016-2020 with an outlook until 2025<sup>1</sup>, comprising the following focus areas:

- transition to digital substations operating at different voltages;
- transition to digital smart grids with a distributed intellectual automation and control system;
- transition to integrated business processes and automation of control systems;
- utilisation of new technology solutions and materials in power engineering;
- R&D Initiatives.

## Total innovation and R&D costs, RUB mn (excl. VAT)



Performing R&Ds

Costs by	/ kov	innovative	develo	nment are	ac DI IR	mn	(avcl	νΔτ
COSLS D	у кеу	mnovative	uevelo	prilent are	as, RUD		(exci.	VAI

Innovative development area	2018	2019	2020 (plan)	2020 (actual)
Transition to digital substations operating at different voltages	88.0	57.2	80.3	80.3
Transition to digital smart grids with a distributed intellectual automation and control system	438.1	672.3	349.1	528.1
Transition to integrated business processes and automation of control systems	146.0	101.4	154.7	209.7
Utilisation of new technology solutions and materials in power engineering	117.0	43.0	25.0	27.8
Total innovation costs	789.1	873.9	609.1	845.9

PROGRESS ACROSS THE FOCUS AREAS OF THE INNOVATIVE DEVELOPMENT **PROGRAMME IN 2020** 

# Transition to digital substations operating at voltages between 35-110 (220) kV

Data communications at digital substations are digital and form a process monobus. This opens up the potential of rapid and direct data exchange between devices, which ultimately allows you to opt out of a whole lot of copper cable links and stand-alone devices, as well as achieve their closer packing. The underlying concept behind digital substations is to monitor all processes as closely to data sources as possible, transmit the

data to all subsystems through fibre optic communication lines, and virtualise most of the functions performed at the substation.

In 2020, the following facilities offered the groundwork for the digital substation projects:

- 110/10 kV Sputnik substation of IDGC of Centre's branch - Voronezhenergo;
- 110/35/10/6 kV Nerekhta-1 substation of IDGC of Centre's branch - Kostromaenergo;
- 110/35/10 kV Kozino substation of IDGC of Centre's branch - Smolenskenergo.

Transition to digital smart grids with a distributed intellectual automation and control system

The major feature of these projects is the use of intelligent switching devices (6-10 kV reclosers and remotely controlled disconnecting switches) and indicators of short-circuit currents and single phase-to-earth faults. Thanks to intelligent devices, overhead transmission lines are no

longer disconnected entirely, but only the emergency section is isolated, while other sections feed the rest of the consumers in the normal way. All these devices are integrated into the information system through reserved central transceivers.

In 2020, active adaptive grids with a distributed intelligent automation and control system were created in

## Introducing new technology solutions in the Company's branches

Designation	Description	Installed in 2020
Recloser	A switching device with the best functionality in the distribution grids	245
Controlled disconnector	The most reliable and robust device among automatic controls of 6–10 kV distribution grids	155+19 combined with short-circuit indicators
Short-circuit indicators	Detect both short circuits within a controlled section and single phase-to-earth faults (accounting for about 90% of all faults in 6-10 kV grids)	129
Energy storage devices	Connect to a 0.4 kV overhead transmission line and operate during peak load periods to ensure power conditioning along the 0.4 kV long-distance line and to reduce electricity losses.	In 2020, design and exploration work covered 15 sites (26 facilities) using the energy storage solution. The completion of the projects is scheduled for 2021.
		As of the end of 2020, there is one energy storage device installed in the Belgorodenergo branch.

Besides that, the digital PGR projects employed new technologies such as:

- intelligent electricity metering with telemetry and telecommand function realised at transformer substations. Earlier on, the dispatcher learned about the 0.4 kV voltage loss only after a hotline call. Now, special controllers or up-to-date meters installed in transformer substations can transmit information about the voltage loss immediately;
- digital radio communication to securely cover the territories of IDGC of Centre's branches and generate an alarm in case of accidents.

Transition to integrated business processes and automation of control systems This focus area encompassed comprehensive projects on the creation of SGCCs (single grid control centres) based on SCADA, DMS, OMS and GIS systems in Belgorodenergo, Bryanskenergo, Voronezhenergo, Kostromaenergo, Lipetskenergo and Smolenskenergo branches. These projects involves the creation of new process level dispatch centres and city dispatch points at the Company's branches in cities with a population of over 100,000 people.

Approved by the Company's Board of Directors (Minutes No. 07/17 dated 30 March 2017).

The deviation of actual values from the planned ones is explained by the update of the Company's Investment Programme. The achievement of the PR&D indicator was 91.6% of the targets. Yet nevertheless, the R&D cost KPI 0.9 of PR&D was achieved (0.916>0.9). In 2021, the PR&D indicator is to be achieved in full.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

the PGRs of the following branches: Belgorodenergo, Voronezhenergo, Kostromaenergo, Orelenergo, Smolenskenergo and Tambovenergo. A total of 245 reclosers, 19 motordriven disconnecting switches with a short-circuit indicator, 155 controlled disconnecting switches and 129 shortcircuit indicator were installed as part of integrated digital PGR projects.

The introduction of information systems will come along with the integration with existing corporate systems, among them are the automated electricity metering system (AEMS) and the automated electrical equipment status control system. Customers interaction was optimised through a new appeals and requests processing system. Participants in the new process of interaction are dispatchers of the grid control centers, operators of the Call-Centre - repair and emergency teams, crisis management centres (CMCs) of the Ministry of Emergency Situations of Russia and employees of the Public Safety Answering Point.

The above model gives the potential to improve the reliability of the electric power system and the automation of the management of the power sector for all voltage levels throughout the Company's footprint, reduce commercial and technical losses in the grids, minimise the number of accidents and reduce their damage control time, as well as the grid connection time.

# **R&D INITIATIVES**

- R&D initiatives undertaken in the reporting year are as follows:
- development of a UAV management system to perform continuous monitoring of the overhead transmission lines in automatic mode;
- examination of the existing 6-35 kV systems for capacitance fault current compensation;
- alarming and locking against feedback in transformer circuit in 10/0.4 kV transformer substations;
- study of the growth rate of the main types of forest forming species depending on the climatic zones and the state of the soil in the right of ways and in the area of existing overhead transmission lines;
- Big Data analysis software package to detect off-the-meter electricity consumption;
- design of a mobile laboratory for the verification of the transformer oil quality measures;
- development of a power controller software package to connect prosumers to the 0.4 kV distribution power grid.

# **TECHNICAL POLICY**

The key and critical investment projects implemented by IDGC of Centre in 2020 employed innovative, advanced and progressive technical solutions consistent with Rosseti's regulations on the Unified Technical Policy in the Power Grid Complex (Technical Policy)<sup>1</sup>. Below are the Technical Policy-related activities taken in the reporting year.

- Development of typical terms of reference for design of power grid facilities and supply of equipment.
- Reconciliation of terms of reference and design estimates for the construction of the investment programme facilities as per the protocols of IDGC of Centre.
- Participation of the management and specialists of IDGC of Centre in the coordinating councils of Rosseti on regulatory documentation as external regulatory and technical support experts.
- Meetings of the Technical Council of IDGC of Centre.
- Sitting of the heads and specialists of IDGC of Centre on the Technical and Science & Technology Councils of Rosseti.
- Meetings of the Commission on the Admission of Equipment, Materials and Systems.
- Sitting of IDGC of Centre's specialists on the Examination Commission of Rosseti. • Participation of IDGC of Centre's specialists as experts in competitions of youth
- innovations
- Organisation of the pilot operation of centralised relay protection and controls for the Ramon digital substation in Voronezhenergo branch and the Mamulino substation in Tverenergo branch.

# **INFORMATION TECHNOLOGIES**

Performance of IDGC of Centre as a modern power grid company is directly contingent on the use of state-of-the-art IT solutions and automation tools.

# DEVELOPMENT OF THE AUTOMATED PROCESS CONTROL SYSTEMS

The modernisation and upgrade of the branches involves the phasing-in of the SK-11 software to support the

core activities of the GCC as to dayto-day process-related and situational management. This software is of Russian make and included in a single registry of Russian software. The SK-11 platform uses Astra Linux operating system a domestic special purpose system designed for complex information protection and building of trustworthy automated systems.

In 2020, IDGC of Centre updated the programmes on upgrading and expansion of the data acquisition and transmission systems at branches of the Company in line with requirements of the Agreement on Technological Interaction between JSC SO UPS and IDGC of Centre dated 4 September 2020. The Company continued with the fulfilment of programmes for development of automated process control systems.

The document was approved by the decision of the Board of Directors of IDGC of Centre (Minutes No. 46/19 dated 26 December 2019) and posted on the corporate website of IDGC of Centre: https://www.mrsk-1.ru/en/about/development/technic

Highlights of the reporting year:

- the replacement of outdated telemetry and telecommand systems with modern ones at 30 35 kV substations and 15 110 kV substations;
- instrumentation of 18 distribution points with telemetry and telecommand systems; • front-end engineering and design of 21 110 kV substations and two 35 kV substations in terms of the modernisation of the uninterruptible power supply of the equipment of the operator- and process-enabled control and AEMS;
- upgrade of the AEMS and telemetry and telecommand system of 3,403 6(10)/0.4 kV transformer substations using a single technical solution;
- installation of central transceivers at three branches of the Company to obtain telemetry data from the distribution grid facilities and to broadcast these data to the operative information complexes of the GCCs of branches. Thus, individual central transceivers for distribution grid facilities were installed in 10 branches of the Company by the end of 2020.

# DEVELOPMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

The Concept of Day-to-day Processrelated and Situational Management of Rosseti covers a ongoing project for 100% coverage of the territories of the subjects of the Russian Federation with DMR technological radio communication. A single system of technological radio communication is built using duplex pairs of frequencies in the 146-174 MHz band and the radio and subscription Motorola equipment controlled by Russian-made software - TRBOnet.

The hook-up and commissioning of 139 base technological radio communication stations in 2020 allowed to expand the total radio coverage of the branches' footprint by 25%, eventually amounting to over 37%. Another achievement was 100% coverage of 17 digital PGRs. According to the standard distribution of portable radio stations to the emergency response and repair teams, such stations were distributed among more than 1,250 employees of branches and installed on over 800 vehicles.

# COMMUNICATION CHANNELISING SCHEME BETWEEN SUBSTATIONS AND GCCS

As prescribed by the concept of the development of the day-to-day processrelated management and situational management system in the power grid complex, Rosseti developed the digital communication channelising scheme and agreed it with SO UPS for prompt negotiations and transmission of telemetry data. These schemes are unified and are typical solutions in

arranging data transfer channels with substations. The suggested solutions involve a transition from outdated analogue technologies, E1 and xDSL, to state-of-the-art digital technologies with packet data transmission, which optimise service costs of the telecommunication infrastructure and leasing of the communication channels.

# INFORMATION SYSTEMS DEVELOPMENT AND BUSINESS PROCESS AUTOMATION

In 2020, the Company developed a business process automation software based on ERP system as part of the production asset management system development plan.

The Accident Rate software complex was evolved.

For the purpose of the long-term growth of the grid and consumers grid connection, the Company implemented and has been piloting a project to create a regional GIS hub within the framework of a single integrated information and analytical system of situational management.

The Vialon satellite monitoring and control system was introduced.

For staff worktime tracking amid the restrictions imposed by the isolation regime during the pandemic, the Working Time Tracking Subsystem was developed in-house and rolled out.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4 FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Comprehensive project implementation across all 11 branches of the Company is scheduled to be completed in 2026; yet 99% of the Belgorod Region, over 80% of the Tver Region and over 50% of the Kostroma and Smolensk Regions were already covered by the end of 2020.

The resilience of the telecommunications infrastructure was enhanced through the upleveling of redundancy rate and improvement of communication service quality.

A launch of the Telecommunications Competence Centre took place in 2020, initiating work on bringing infrastructure to standard design solutions.

The services of the Corporate Portal were upgraded in terms of PGR ratings, job services and analytical dashboards.

The R&D initiated the creation and rolling-out of the Radar system designed to predict the probability and volume of off-the-meter electricity consumption using artificial intelligence techniques.
# FINANCIAL REVIEW

**15.5%** EBITDA growth in 2020

2.8 RUB bn net profit for 2020

The weighted average interest rate reduced to







With timely measures taken, amid falling electricity consumption, the Company successfully coped with the challenges of 2020: EBITDA growth was 15.5%, net profit increased to RUB 2.8 bn. Throughout the year, the Company worked to improve the efficiency of current operating and investment expenses to ensure financial stability and to maintain a safe and reliable working mode. The Company demonstrated its ability to respond rapidly and withstand external challenges, and consequently, even improve its annual financial performance.

#### Artem Aleshin,

First Deputy General Director for Economics and Finance at IDGC of Centre

## **TARIFF POLICY**

The regulation of the Company's activities on electricity transmission and grid connection is enforced by the state by setting appropriate tariffs by the Federal Antitrust Service (FAS of Russia) and the Regional Energy Commissions (REC), which are local executive authorities in the area of state regulation of tariffs.



### **ELECTRICITY TRANSMISSION** TARIFFS

In 2020, two methods were adopted to setting tariffs for electricity transmission services applicable across IDGC of Centre's branches.

- long-term indexation of the required gross revenue (Belgorodenergo, Bryanskenergo, Voronezhenergo, Kostromaenergo, Kurskenergo, Lipetskenergo, Orelenergo, Smolenskenergo, Tverenergo);
- RAB-regulation (Tambovenergo, Yarenergo).

The regulation method for each of the Company's branches is chosen by reference to Resolution No. 1178 of the Russian Government dated 29 December 2011 "On Price Formation Regarding Regulated Prices (Tariffs) in the Power Industry".

Average weighted joint-operation ("single-pot") tariffs for electricity transmission

Indicator	2018	2019	2020
Average tariff for electricity transmission services across IDGC of Centre, kopecks/kWh	196.2	200.9	206.5
Growth, %	11.1	2.4	2.8

#### REQUIRED GROSS REVENUE

In December 2019, tariffs were set for electricity transmission on electricity grids that belong to TGOs on the basis of the right of ownership or under other legitimate grounds.

Tariff balance solutions (TBS) for 2020 applicable to the branches of the Company are aligned with minimum and maximum tariff levels for electricity transmission services approved by the FAS of Russia<sup>1</sup>.

The single-pot required gross revenue (RGR) for the Company's branches is approved at the rate of RUB 96,060 million (+1.6% compared to 2019), the single-pot net delivery - 46,509 million kWh (-1.2% compared to 2019). The increase was primarily spurred by higher cost of purchased electricity to offset losses. The highest growth of the singlepot RGR was recorded in Voronezhenergo (+4.4%), Bryanskenergo (+2.7%), Varenergo (+2.1%), and Kostromaenergo (+1.8%).

Not including Smolenskenergo branch, where the TBS were set in excess of the marginal tariff levels (growth of -2.5%) subject to the approval of the FAS of Russia (Russian FAS Order No. 1748/19 dated 26 December 2019)

Taking into account changes in federal factors (costs for FGC UES services and electric losses), RGR for branch operations was approved in the amount of RUB 47,501 mn (+1.4%, or +RUB 676 mn year-on-year).

Single-pot RGR in the reporting year experienced no strong changes. RGR for IDGC of Centre's branches accounts for the bulk (49.4%) of RGR, costs for FGC UES services amount to 17.9%, costs for other TGOs' services - 14.7%, and costs for compensation of losses in our transmission and distribution grids) - 17.9%.

The share of IDGC of Centre in the RGR of the covered regions in 2020 (with S&As) amounted to 89.6%.

89.6% share of IDGC of Centre's group of companies in the RGR of covered regions

2.8% increase in the average common-pot tariff for electricity transmission services

### **PAYMENTS FOR GRID CONNECTION**

Prices for grid connection services were regulated and established in 2020 by the executive authorities of the constituent entities of the Russian Federation responsible for state regulation of tariffs1:

tor	the	regu	latory	period:	

Standardised tariff rates (RUB per one grid connection, RUB/km, RUB/kW)	Calculated on the basis of data provided by grid organisations on actual expenses for the three previous years by the comparative method, given the costs of all grid organisations of a constituent entity, with single rates set for the entire constituent entity	Approv by a by c by c by c by t c drilli by t of su
Rates per maximum capacity unit (RUB per kW)	Determined on the basis of approved standardised tariff rates and actual averages on the connected maximum capacity for the previous three years	The ra tariff r wide va This is capaci and ty
Grid connection fee formula	It is established by the regulator or of the grid organisation pursuant t	the bas o the pr

Should any technical conditions necessitate the construction of last mile facilities, which has no standardised tariff rates for the regulatory period, the corresponding standardised tariff rates may be additionally set by the regulator during the regulatory period.

• on the application of the grid organisation - a grid connection fee on a customtailored basis (set by the regulator separately for each specific applicant).

As consistent with the guidelines approved by Order No. 1135/17 of the FAS of Russia dated 29 August 2017

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES



ved subject to the following differentiation: ctivities; category of applicants; voltage level; connected capacity; ypes and brand of a wire for overhead lines and cable lines; echnique of works (piercing method/method of horizontal directional ling): sypes and rated power of equipment and transformers ubstations ates per unit of capacity are differentiated similarly to standardised rates. The approved rates per unit of capacity for 2020 have a fairly ariation of values and variety of trends in year-on-year changes. due to the great variability of data on the volumes of connected ity on actuals of past years for individual grid organisations pes of activities

sis of standardised tariff rates and the method of grid connection rovisions of Clause 30 of Guidelines No. 1135/17 dated 29 August 2017

#### SUBSIDISED GRID CONNECTION

In keeping with the tariff decisions adopted for 2020, the following applicants are granted benefits for grid connection of consumer terminals:

- with maximum capacity of no more than 15 kW and incl. (including the capacity connected at the same connection point), for applicants who fall within the third reliability category (per one power source) at a voltage level equal or less than 20 kV and are located not more than 300 m in urban areas, or not more than 500 m in rural areas, away from existing grid facilities (of required voltage) of grid organisations to which the application is submitted, at a price of RUB 550 (incl.VAT) per connection.
- with maximum capacity of no more than 150 kW (given the previously attached maximum capacity). These applicants are free and clear of payment of grid connection investment costs.

In line with the Pricing Principles<sup>1</sup>, the grid connection revenue shortfall caused by subsidised grid connections are offset for the grid organisation through power transmission tariffs. In 2020, 79.6% of the total grid connection contracts were made with subsidised categories of consumers in the "Up to and including 15 kW" group. Other categories of applicants used the following billing options during the year.

Billing options selected by applicants in 2020, %



rates/rates\_transmission/



## **FINANCIAL REVIE**

### **FINANCIAL RESULTS**

### Changes in key financials, RUB mn<sup>1</sup>

Indicator	2018	2019	2021 (plan)	2020 (actual)	2020 2021 (actual) (plan)		hange 2020 (actual) 2 / 2019 to 2020 (pi		2020 (actual) an) variance
						RUB mn	%	RUB mn	%
Proceeds from product (service) sales, including:	93,873.5	94,505.8	96,215.2	94,984.9	98,343.0	479.1	0.5	-1,230.3	-1.3
from electricity transmission	90,015.4	90,886.7	92,694.8	90,490.5	93,361.5	-396.2	-0.4	-2,204.3	-2.4
Grid connection	1,863.9	1,542.0	1,214.1	1,306.0	1,389.2	-236.0	-15.3	91.9	7.6
from electricity sales	530.0	520.7	487.8	531.2	502.7	10.5	2.0	43.4	8.9
Other services	1,464.2	1,556.4	1,818.5	2,657.2	3,089.6	1,100.8	70.7	838.7	46.1
Cost of production/ services	83,936.4	84,508.6	87,802.0	84,889.2	89,273.6	380.6	0.5	-2,912.8	-3.3
Gross profit	9,937.1	9,997.2	8,413.2	10,095.7	9,069.4	98.5	1.0	1,682.5	20.0
Management costs	2,191.3	2,335.8	2,245.2	2,388.4	2,247.9	52.6	2.3	143.2	6.4
Selling costs	18.8	18.7	20.2	18.0	20.8	-0.7	-3.7	-2.2	-10.9
Profit (loss) from sales	7,727.0	7,642.7	6,147.8	7,689.3	6,800.7	46.6	0.6	1,541.5	25.1
Interest receivable	53.1	106.5	203.8	284.0	318.4	177.5	166.7	80.2	39.4
Interest payable	3,196.1	3,218.0	3,168.6	2,626.9	2,618.5	-591.1	-18.4	-541.7	-17.1
Income from shareholdings	14.4	14.8	0.0	14.2	10.0	-0.6	-4.1	14.2	-
Other revenues	3,509.9	3,603.5	1,310.2	3,458.7	941.3	-144.8	-4.0	2,148.5	164.0
Other expenses	5,900.0	6,975.1	1,564.1	4,639.1	1,779.5	-2,336.0	-33.5	3,075.0	196.6
Profit (loss) before tax	2,208.3	1,174.4	2,929.1	4,180.2	3,672.4	3,005.8	255.9	1,251.1	42.7
Income tax and other charges <sup>2</sup>	802.9	846.1	977.7	1,350.5	1,167.2	504.4	59.6	372.8	38.1
Net profit (loss) <sup>2</sup>	1,405.4	328.3	1,951.4	2,829.7	2,505.2	2,501.4	761.9	878.3	45.0
EBITDA <sup>3</sup>	16,555.9	16,038.3	18,067.1	18,516.9	18,370.2	2,478.6	15.5	449.8	2.5
Net debt/EBITDA	2.39	2.63	2.56	2.40	2.50	-0.23	-8.7	-0.16	-6.3
EV <sup>4</sup> /EBITDA	3.12	3.46	3.20	3.32	3.35	-0.14	-4.0	0.12	3.7
EBITDA margin	17.64%	16.97%	18.78%	19.49%	18.68%	2.52 p.p.	-	0.71 p.p.	-

Information in accordance with accounting (financial) reporting under Russian Accounting Standards (RAS). The 2019 data correspond to the data for 2019 stated in the 2020 year-end accounting statements. The data variation is attributable to the changes in the accounting policy due to the introduction of RAS 18/02 Corporate Profit Tax Accounting from 1 January 2020. EBITDA was calculated as follows: Profit before Tax – Interest Payable + Depreciation = Line 2300 (RAS Form No. 2) – Line 2330 (RAS Form No. 2) + Line 6514 (RAS Form No. 2.1) +

Line 6554 (RAS Form No. 2.1) + Line 6564 (RAS Form No. 2.1). EV was calculated as follows: EV = P + Net Debt, where P is the company's market capitalisation and Net Debt is the company's net debt.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

W



#### REVENUE

#### Revenue structure of IDGC of Centre, RUB mn

Indicator	2018	2019	2020	Change 2	2020/2019
				RUB mn	%
Revenue (total), including:	93,873.5	94,505.8	94,984.9	479.1	0.5
from electricity transmission	90,015.4	90,886.7	90,490.5	-396.2	-0.4
Grid connection	1,863.9	1,542.0	1,306.0	-236.0	-15.3
from electricity sales	530.0	520.7	531.2	10.5	2.0
other services	1,464.2	1,556.4	2,657.2	1,100.8	70.7
including revenue from additional services	1,136.2	1,416.8	2,371.6	954.8	67.4

In 2020, revenue rose by 0.5% year-onyear and amounted to RUB 94,984.9 mn driven up by higher proceeds from the other activities.

Revenue from electricity transmission services dropped by 0.4% and reached RUB 90,490.5 mn due to a decrease in single-pot net delivery by 902 million kWh (by 1.9%), resulting from a reduced electricity consumption following the restrictive measures introduced in 2020 to combat the spread of coronavirus infection.

Revenue from grid connection services went down to RUB 1,306 mn (by 15.3%) due to the implementation of large grid connection agreements in 2019 (LLC Tambovsky Bacon in the Tambovenergo branch and facilities of Miratorg Group of companies in the Kurskenergo branch).

With the growing volume of electricity sales, revenue from this category showed a slight rise (up 2%) and amounted to RUB 531.2 mn.

Revenue from other activities in 2020 amounted to RUB 2,657.2 mn, up 70.7% year-on-year, including revenue from additional services totalling RUB 2,371,6 mn (+67.4%). The growth of other revenue in the reporting year was triggered by the fulfilment of larger number of agreements for following services: Alteration of the Power Grid Facilities of IDGC of Centre on Account of Customers, Designing and Building of Energy Facilities and Organisation of Outdoor Lighting Systems.

#### COSTS OF PRODUCTION AND SALES

#### Changes of revenue cost, RUB mn

Indicator	2018	2019	2020	Change 2020/20	
				RUB mn	%
Costs of production and sales <sup>1</sup> , including:	86,146.5	86,863.0	87,295.7	432.7	0.5
for electricity transmission	84,392.5	85,076.2	85,319.4	243.2	0.3
for grid connection	348.0	375.5	311.3	-64.2	-17.1
for electricity sales	484.8	469.8	491.7	21.9	4.7
Other	921.2	941.5	1,173.3	231.8	24.6

The year-on-year increase in the cost of production (net of management and selling costs) totalled RUB 432.7 mn, or 0.5%, due to higher expenses for production-related services and personnel.

In 2020, the total cost of the services provided by the Company amounted to

87,295.7 **RUB** mn

#### Cost of revenue, RUB mn

Indicator	2018	2019	2020	Change 2	2020/2019
				RUB mn	%
Total uncontrollable costs, including:	57,355.7	58,034.4	56,774.9	-1,259.5	-2.2
loss compensation costs	14,976.5	15,123.3	14,490.0	-633.3	-4.2
services of PJSC FGC UES	17,315.2	17,245.0	16,616.0	-629.0	-3.6
TGO services	13,657.1	13,768.0	13,696.0	-72.0	-0.5
depreciation of fixed and intangible assets	11,151.5	11,645.9	11,709.8	63.9	0.5
electricity purchased for resale	255.4	252.2	263.1	10.9	4.3
Total controllable costs, including:	28,790.8	28,828.6	30,520.8	1,692.2	5.9
material costs	3,753.9	3,568.0	3,579.8	11.8	0.3
production-related services	1,286.7	1,221.6	1,944.4	722.8	59.2
staff costs (payroll, insurance payments and non-state pension fund)	18,133.4	18,569.3	19,656.9	1,087.6	5.9
others	5,616.8	5,469.7	5,339.7	-130.0	-2.4
Total costs	86,146.5	86,863.0	87,295.7	432.7	0.5

In 2020, controllable costs were equal to RUB 30,520.8 mn (35% of total costs), with a year-on-year growth of RUB 1,692.2 mn, or 5.9%, particularly:

- escalation of the cost of production-related services by RUB 722.8 mn, or 59.2%, was driven by larger scope of services related to the electric loss reduction measures taken in the Company (offset by a lower electric loss level), and larger scope of outsourced services for maintenance and repair of equipment;
- escalation in staff costs by RUB 1,087.6 mn, or 5.9%, was triggered by salary/wage indexation, compensation payments to branch staff during the epidemiology-related stay-at-home period, additional premiums of employees for electric loss reduction, detection of off-the-meter and uncontracted electricity consumption, as well as the sale of additional services to the Company.

In 2020, uncontrollable costs were RUB 56,774.9 mn (65% of total costs), with a year-onyear drop of RUB 1,259.5 mn, or 2.2%, particularly:

- loss compensation costs amounted to RUB 14,490 mn, which is below the last year actual value by RUB 633.3 mn (4.2%), resulting from a decrease in the electric loss volume by 331.6 million kWh;
- services of PJSC FGC UES amounted to RUB 16,616 mn, which is below the last year level by RUB 629 mn (3.6%), resulting from lower required capacity and less normative losses;
- TGO services amounted to RUB 13,696 mn, which is below the last year level by RUB 72 mn (0.5%) due to reduced usage of the services;
- depreciation of fixed assets and intangible assets amounted to RUB 11,709.8 mn, which is above the last year level by RUB 63.9 mn (0.5%), driven up by the commissioning of new fixed assets;
- costs for electricity purchased for resale amounted to RUB 263.1 mn, which is above the 2019 actual figure by RUB 10.9 mn (4.3%) due to the increased volume of electricity sales.

Profit from sales in 2020 amounted to RUB 7,689.3 mn, stating a year-on-year increase of RUB 46.6 mn (0.6%) due to higher revenues from other activities.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

The negative balance of other revenues and expenses at the end of 2020 amounted to RUB 1,180.4 mn, down RUB 2,191.2 mn year-on-year. The upside was mainly spurred by an increase in the volume of recovery and accumulation of lawsuit reserves by RUB 1,386 mn owing to the settlement of differences with counterparties.

#### Structure of costs of production and sales, RUB bn



Controllable costs

#### NET PROFIT

The above changes in revenues and expenses led to a year-on-year increase in net profit by RUB 2,501.4 mn. The year-end financial result amounted to RUB 2,829.7 mn.



#### Net profit structure, RUB mn

Indicator	2018	2019	2020	Change 2020/2	
				RUB mn	%
Net profit, including:	1,405.4	328.3	2,829.7	2,501.4	761.9
from electricity transmission	-400.4	-1,171.9	448.2	1,620.1	-138.2
from grid connection <sup>1</sup>	1,211.1	878.9	775.1	-103.8	-11.8
from electricity sales	-39.6	11.7	-22.2	-33.9	-289.7
other services	634.3	609.6	1,628.6	1,019.0	167.2

#### EBITDA

As at the end of 2020, EBITDA was RUB 18,516.9 mn, with a year-on-year drop of RUB 2 478.6 mn, or 15.5%, driven up by a lower negative balance of other income and expenses (excluding interest payable) by RUB 2,191.2 mn and an increase in revenues from other activities.

### NET DEBT / EBITDA, EV/EBITDA

Net debt/EBITDA as of 31 December 2020 stood at 2.40, down 0.23 points year-onyear. EV/EBITDA as of 31 December 2020 stood at 3.32, down 0.14 points year-onyear. The downfall in figures is explained by a year-on-year increase in EBITDA.

#### EBITDA MARGIN

EBITDA margin for 2020 stood at 19.49%, which is up 2.52% (14.85 p.p.) compared to 2019, due to a year-on-year increase in EBITDA.



#### ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

#### ACCOUNTS RECEIVABLE

#### Changes in accounts receivable, RUB mn

Indicator	31.12.2018	31.12.2019	31.12.2020	Change 2020/20	
				RUB mn	%
Accounts receivable, including:	12,873.1	13,061.0	14,617.8	1,556.8	11.9
trade receivables:	11,616.1	12,229.7	13,033.5	803.8	6.6
<ul> <li>for electricity transmission</li> </ul>	11,003.5	11,415.0	12,237.1	822.1	7.2
• for electricity sales	129.1	171.6	148.5	-23.1	-13.5
bills receivable	0.0	0.0	0.0	0.0	0.0
advances paid	131.7	180.8	357.8	177.0	97.9
other debtors	1,125.3	650.5	1,226.5	576.0	88.5

Debt growth as of 31 December 2020 since the beginning of the year amounted to RUB 1,556.8 mn (11.9%) and resulted from increased debt for electricity transmission services totalling RUB 822.1 mn, mainly due to non-payments of TNS Energo Group of companies.

Grid connection commitments recognised in the financial statements as net profit.

#### ACCOUNTS PAYABLE

#### Changes in accounts payable, RUB mn

Indicator	31.12.2018	31.12.2019	31.12.2020	Change 2	2020/2019
				RUB mn	%
Accounts payable, including:	14,153.1	13,199.3	14,485.6	1,286.3	9.7
trade payables	6,066.2	5,831.9	8,719.8	2,887.9	49.5
bills payable	0.0	0.0	0.0	0.0	0.0
taxes and charges	1,597.2	2,381.8	2,277.1	-104.7	-4.4
advances received	2,241.2	2,730.0	2,675.0	-55.0	-2.0
other accounts payable	4,248.5	2,255.6	813.7	-1,441.9	-63.9

Size of accounts payable as at 31 December 2020 amounted to RUB 14,485.6 mn, which is RUB 1,286.3 mn (+9.7%) higher than that as at the beginning of the year. This growth

was attributable to the rise in debts to suppliers and contractors by RUB 2,887.9 mn due to the increased number of payment defaults by energy retailers with concurrent reduction

#### EQUITY AND BORROWED CAPITAL

#### Structure of the capital of IDGC of Centre, RUB mn

Indicator	2018	2019	2020	Change	2020/2019
				RUB mn	%
Equity	57,116.3	55,726.5	58,571.1	2,844.6	5.1
Borrowed capital, including:	65,517.9	68,657.2	71,738.6	3,081.4	4.5
loans and borrowings	40,407.2	43,175.4	45,297.6	2,122.2	4.9
accounts payable	14,153.1	13,199.3	14,485.6	1,286.3	9.7
Leverage	0.87	0.81	0.82	0.01	1.2
Borrowed funds in liabilities	53.4%	55.2%	55.1%	-	-0.1 p.p.
Cash at the end of the period	786.3	1,015.9	796.2	-219.7	-21.6
Net debt	39,620.9	42,159.5	44,501.4	2,341.9	5.6

As at 31 December 2020, equity of IDGC of Centre amounted to RUB 58,571.1 mn, or 44.9% of the Company's total capital. The equity funds increased by RUB 2,844.6 mn in absolute terms due to the larger size of the undistributed profit on a year-on-year basis.

Net debt rose by RUB 2,341.9 mn (5.6%) through the attraction of credit resources to finance IDGC of Centre's investment programme and to reduce the amount of money at the end of the period.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

of the amount of received advances by RUB 55.0 mn, reduction of the income tax and VAT payable by RUB 104.7 mn and other debts by RUB 1,441.9 mn.





#### **CREDIT POLICY**

The main objectives of the Company's credit policy are to optimise the cost of service and to curb the unlimited growth of the loan portfolio. To achieve them, there is a Regulation on Credit Policy, which places limits on the debt position; the main ones are the borrowing cost limit, capping the total amount of the debt servicing cost, as well as the debt coverage limit, bounding the amount of the debt portfolio at no more than 3 EBITDAs.

In November 2020. the Company approved a new version of the Regulation on the Dividend Policy of IDGC of Centre.

#### History of loans and borrowings, RUB mn

Indicator	2018	2019	2020	Change 2020/20	
				RUB mn	%
Long-term debt	29,085.0	36,533.9	31,887.1	-4,646.8	-12.7
Short-term debt	11,322.2	6,641.5	13,410.5	6,769.0	101.9
Total	40,407.2	43,175.4	45,297.6	2,122.2	4.9

The major aim of attracting the borrowed capital in 2020 was to refinance the outstanding loans and to fund investment activities. All loan funds had no security from the Company

The maximum loan term in 2020 was 36 months. In addition, Rosseti granted an interest-free loan with the final maturity date in 2028.

There is no overdue principal or interest.

#### Weighted average rate

The weighted average rate on the debt portfolio of IDGC of Centre (net of interest-free loans) as of 31 December 2020 was 5.93% per annum. In order to reduce the debt servicing cost, the Company's management conducted a variety of activities during 2020, including advanced refunding of loans with higher interest rates.

5.62% weighted average interest rate

36 months maximum loan term in 2020

#### Change in weighted average rate, %

Indicator	2018	2019	2020	Change 2020/2019, p.p.
Weighted average rate for all borrowings (including the bond issue) as at the end of the period <sup>1</sup>	8.25	7.32	5.93	-1.39
Weighted average rate for all bank loans as at the end of the period	7.63	7.44	5.62	-1.82
The key rate of the Bank of Russia	7.75	6.25	4.25	-2.00

### FINANCIAL SUSTAINABILITY INDICATORS

Indicator	Unit of measurement	2018	2019	2020	Change 2020/2019
Current liquidity ratio	-	0.62	0.75	0.62	–0.13 p.
Quick assets ratio	-	0.51	0.65	0.53	-0.12 p.
Return on equity (ROE)	%	2.44	0.58	4.95	4.37 p.p.
EBITDA margin	%	17.64	16.97	19.49	2.52 p.p.
Sales net profit margin	%	1.50	0.35	2.98	2.63 p.p.
Equity to total assets ratio	-	0.47	0.45	0.45	0.00 p.
Leverage	-	0.87	0.81	0.82	0.01 p.
Long-term debt ratio, %	%	71.98	84.62	70.39	-14.23 p.p.
Net debt/EBITDA	-	2.39	2.63	2.40	-0.23 p.

The key driver behind the decline in liquidity ratios by the end of 2020 was the reclassification of debt funds from long-term ones to short-term ones. The Company is going to timely repay its short-term liabilities by applying free credit lines and placing bond issues, and also by applying net working capital.

The year-end net profit ratios were largely driven up by a surge in profit both net profit, and EBITDA).

The year-on-year share of long-term debt in total debt decreased to 70.4%, which was caused by the transfer of long-term liabilities under credits

#### **OPERATIONAL EFFICIENCY IMPROVEMENT AND** COST REDUCTION PROGRAMME

The programme to improve operational efficiency and reduce costs of IDGC of Centre was approved by the Board of Directors (Minutes No. 49/19 dated 31 December 2019). The Programme's activities made are included in the Business Plan, Investment Programme, Energy Saving and Energy Efficiency

Programme, Innovative Development Programme, and other target programmes prepared by the Company.

The performance indicators of the Programme cover the targets set forth by Decrees of the Government of the

#### Achievement of targets, %

Indicator	Target	Effect-2018	Effect-2019	Effect-2020
Decrees of the Government of the Russian Federation No. 2303p-P13 dated 16 April 2015	2.2	4.2	F 7	12.0
Year-on-year reduction of per unit operating costs in the reporting year	2-3	4.2	5.7	13.0

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

and loans in the short-term ones in accordance with the remaining maturity. Net debt/EBITDA for the current year sank from 2.63 to 2.40 due to profit growth.

Russian Federation No. 2303p-P13 dated 16 April 2015.

In line with the above Decrees, operating costs in 2020 were curtailed by 13.0% year-on-year, thus meeting the target set.

#### Activities undertaken by IDGC of Centre in 2020 to enhance operational efficiency, RUB mn

S. No.	Improvement areas	Measures	Financial effect, RUB mn
1	Enhancing the management efficiency relative to maintenance and repair of equipment, buildings, and facilities	<ul> <li>Reducing transport costs by streamlining real-time management, improving utilisation efficiency and reducing distance driven</li> <li>Reviewing the operating and maintenance rules and other standards, regulations and specifications (transition to equipment condition-based repair)</li> </ul>	259.6
2	Enhancing the working capital management	<ul> <li>Reduction in overdue receivables accumulated as at 1 January 2020</li> <li>Inventory optimisation</li> </ul>	3,187.0
3	Enhancing the fixed assets management	<ul> <li>Improving equipment performance by replacing and using 6(10)/0.4 kV power transformers with reduced energy consumption</li> <li>Optimising the depreciation charges</li> <li>Reduction in costs associated with maintenance and management of non-core assets, including costs associated with the disposal of these assets</li> </ul>	153.4
4	Enhancing the procurement and supply chains management system	<ul> <li>Obtaining the financial effect following the results of trading and procurement procedures through rebidding</li> <li>Category management in centralising the procurement</li> </ul>	273.0
5	Miscellaneous measures	<ul> <li>Measures under the Innovative Development Programme</li> <li>Streamlining of the business processes, elimination of redundant levels of management, overlapping functions, standardisation of the production structure. Centralising the supporting functions at the level of the executive office of S&amp;As. Planning the number of administrative staff in line with the developed regulatory standards</li> <li>Loss reduction programme initiatives</li> <li>Smart electricity metering development programme</li> </ul>	4,118.6

### SUMMARY OF IFRS FINANCIAL RESULTS

	Entities i	ncluded	within	the	group	o of	com	panies,	excep
--	------------	---------	--------	-----	-------	------	-----	---------	-------

Designation	Ownership share, %	Core business
JSC Sanatorium Energetik	100	Health resort services
JSC Yaroslavl Electrical Grid Company (JSC YarEGC)	51	Electric grid services
JSC Voronezh City Electric Grids (JSC VGES)	100	Electric grid services
JSC Tula City Electric Grids (JSC TGES)	69.9992	Electric grid services
LLC Bryanskelectro	100	Electric grid services

#### Basic financial results under IFRS, RUB bn

Indicator	2018	2019	2020	Change 2020/2019, %
Revenue (total), including:	93.9	94.6	97.6	3.2
electricity transmission services	90.0	90.9	92.8	2.1
grid connection services	1.9	1.6	1.5	-6.3
proceeds from electricity and power resale	0.5	0.5	0.5	0.0
other revenues	1.5	1.6	2.8	75.0
OPEX	87.2	88.5	89.4	1.0
Other net income	1.3	1.6	1.6	0.0
Operating profit	7.4	7.8	5.0	-35.9
EBITDA	17.2	17.8	22.0	23.6
EBITDA margin, %	18.3	18.8	22.5	19.7
Profit for the period	3.0	3.1	2.2	-29.0
Profit margin for the period, %	3.2	3.3	2.3	-30.3
Indicator	31.12.2018	31.12.2019	31.12.2020	Change 2020/2019, %
Total capital	44.9	45.9	47.9	4.4
Total assets	108.1	117.9	122.0	3.5
Borrowed assets	40.4	46.5	47.4	1.9
Cash and cash equivalents	0.8	1.5	1.4	-6.7

The increase in proceeds from electricity transmission due to the raise in tariffs and the affiliation of new subsidiaries with the group in late 2019 and 2020, as well as the increase of other revenues due to active promotion of unregulated services to the households and legal entities were the main contributors to the boost in of consolidated revenue.

Operating expenses of the group of companies for 2020 amounted to RUB 89.4 bn, up 1.0% year-on-year. The growth drivers included the raising depreciation costs consequent on the joining of fixed assets of new subsidiaries to the group, as well as higher payroll spending due to indexation of wages, compensation payments to staff during the epidemiology-related stay-at-home

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

#### ot for IDGC of Centre

period, additional premiums of employees for the performance results and the sale of additional services, as well as an increased costs for staff enrolled in the group of subsidiaries.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) in 2020 amounted to RUB 22.0 bn; EBITDA margin in the reporting year stood at 22.5%. As of 31 December 2020, the Company's assets totalled RUB 122.0 bn (vs as of 31 December 2019 - RUB 117.9 bn); net debt amounted to RUB 46.0 bn (vs as of 31 December 2019 - RUB 45.0 bn). The net debt was pushed up by the rise of loan portfolio mainly due to the financing of the group's investment activities. The weighted average loan rate for the group of complies (net of interest-free loans) as of 31 December 2020 was 5.93%.

The financial standing of the group of companies at the end of 2020 is described as stable.

The audited consolidated financial statements are available on the website: https://www.mrsk-1.ru/en/information/ statements/msfo/2020/.

22.5% EBITDA margin in 2020

RUB 12 **L** billion worth of the assets of the group of companies in 2020

#### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED GRI 201-1

#### Generated direct economic value

(based on IFRS reporting data), RUB mn

Indicator	2018	2019	2020
Net sales	93,935.3	94,641.6	97,638.8
Income from financial investments	68.4	104.8	160.7
Proceeds from asset sales	0.0	0.0	0.0
Generated direct economic value	94,003.6	94,746.4	97,799.6

#### Distributed direct economic value

(based on IFRS reporting data), RUB mn

Indicator	2018	2019	2020
Operating expenses	54,752.9	53,858.9	53,386.2
Salary, other payments and benefits for employees	19,261.3	19,415.8	21,635.8
Payments to equity providers	4,282.0	4,450.2	4,619.6
Payments to the state	3,018.4	3,678.1	3,869.7
Charity costs	38.0	17.0	0.51
(GRI 203-1)	50.0	17.0	0.5
Distributed economic value	81,352.7	81,420.0	83,511.8

#### Undistributed economic value, RUB mn

Indicator	2018	2019	2020
Generated direct economic value	94,003.6	94,746.4	97,799.6
Distributed economic value	81,352.7	81,420.0	83,511.8
Undistributed economic value	12,651.0	13,326.4	14,287.7

## **INVESTMENTS**

IDGC of Centre is a backbone infrastructure company in the regions of its operations. The investments made by the Company make a notable contribution to the economic prosperity of each region, and modernisation and new construction promote up the reliability of the power grid complex.

The Company's investment programme is aligned with regional development plans, the technical condition of the electricity grids and available sources of TBS-based financing.

#### Investment Programme progress

Indicator	Unit of measurement	2018	2019	2020 (plan)	2020 (actual)	2021 (plan)	Chang 2020 (actual) / 201	
							RUB mn	%
Financing	RUB bn incl. VAT	14.5	13.6	13.7	14.0	14.9	0.5	4
Assimilation of CAPEX	RUB bn incl. VAT	12.2	11.8	12.9	13.8	12.0	1.9	16
Commissioning of fixed assets	RUB bn incl. VAT	12.7	11.2	12.4	12.2	13.6	1.0	9
Commissioning of new transformer capacity	MVA	376	426	314	374	250	-52	-12
Commissioning of power transmission lines	thousand km	3.6	3.4	1.8	2.1	2.5	-1.3	-37

#### **PRIORITIES AND STRUCTURE OF CAPITAL INVESTMENT FINANCING**

CAPEX financing structure, RUB mn, incl. VAT

Total	14,493	13,563	14,039
Other investment projects	2,532	1,657	1,316
Purchase of land parcels for investment projects	-	-	-
Other new construction of grid facilities	351	328	417
Investment projects delivered through the schemes and programmes for the power industry prospective development (S&PPD)	14	16	8
Reconstruction, upgrading, and retrofitting	5,555	6,714	6,980
Grid connection	6,041	4,847	5,317
Funding streams	2018	2019	2020

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

The 2020 Investment Programme was approved by Order of the Ministry of Energy of Russia No. 11@ dated 14 December 2020.



## in 2020, % 37.9 Grid connection **49.7** Reconstruction. upgrading, and retrofitting 3.0 Other new construction 9.4 Other projects

CAPEX financing structure

The results of the investment programme in the reporting period include grid connection of new consumers, improved operational reliability of equipment and lower depreciation of fixed assets, conditions for the connection of new capacities and the local development within IDGC of Centre's footprint.

#### Grid connection activities under the investment programme in 2020 absorbed:

Capital investments - RUB 5.0 billion, including the subsidised category of applicants up to 150 kW - RUB 2.9 billion.

Financing - RUB 5.3 billion, including the subsidised category of applicants up to 150 kW - RUB 3.1 billion.

Commissioning of fixed assets - RUB 4.8 billion, including the subsidised category of applicants up to 150 kW - RUB 2.6 billion.

Commissioning of new transformer capacity: 305 MVA, including the subsidised category of applicants up to 150 kW - 144 MVA.

Commissioning of power transmission lines: 1,823 km, including the subsidised category of applicants up to 150 kW -1,569 km.

14.0 RUB bn. incl. VAT scope of the Investment Programme in 2020

1.823 km power transmission lines commissioned in 2020

**305** MVA new transformer capacity commissioned in 2020

#### FINANCING SOURCES OF THE **INVESTMENT PROGRAMME IN 2020**





**76.2%** Equity funds 15.4% Borrowed funds **8.4%** Payments for grid connection

The share of raised funds grew up to 15% year-on-year and amounted to RUB 2,157.2 mn. The volume of equity financing fell to 76% and amounted to RUB 10,700.0 mn. The bulk of this financing was formed out of RUB 10,046.0 mn worth of depreciation and RUB 627.0 mn worth of other profit. The profit from the grid connection of consumers amounted to RUB 1,181.7 mn, or 9%. Other funds were not drawn.

The Company's Investment Programme for 2020 does not involve CAPEX financing and assimilation for facilities implemented using federal budget funds.

#### PRIORITY INVESTMENT PROJECTS **COMPLETED IN 2020**

#### Construction of the 110/10 kV Sputnik substation, Voronezhenergo branch

Construction of the 110/10 kV Sputnik substation for the grid connection of LLC Vybor, contract No. 41199851 dated 28 March 2016; LLC Remstroy, contract No. 41210590 dated 16 September 2016 (over 670 kW, 80 MVA transformer capacity), Voronezh.

Designed capacity: 80 MVA

Project scope: construction of a twotransformer 110 kV substation with two 40 MVA transformers with the allocation of their capacity to cover 10 kV loads

Project deadlines: 2015-2020

Commissioning scope: RUB 903 mn and 80 MVA

The targets met and actual project output: commissioning of new capacity, expansion of the electricity market, implementation of a number of large grid connection agreements, as well as improved security of supply in the northern part of Voronezh.

## LONG-TERM INVESTMENT PROGRAMME

The Investment Programme was approved by Order of the Ministry of Energy of Russia No. 11@ dated 14 December 2020<sup>1</sup> in furtherance of the Russian Government's Decree No. 977 until 2025, taking into account:

- forecast of social and economic development of the Russian Federation for the planned period;
- the Company's updated obligations on the grid connection of consumers against the conclusion of new grid connection agreements, the change and termination of existing agreements;
- refinement of the list of facilities subject to condition-based retrofitting and reconstruction;
- update of measures to improve reliability of energy supply to consumers, energy system resilience, and asset security arrangements;
- approval/re-approval of design estimation paperwork for construction and reconstruction projects under the investment programme;
- actual performance of the Company's investment programme in previous periods; • a new long-term period of tariff regulation for the Tambovenergo branch from 2021 to 2025;
- review of the structure of financing sources for the investment programme.



- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

The delivery of IDGC of Centre's investment programme will bring about the achievement of the following main goals.

- Reliable and uninterrupted electricity supply to consumers in the Company's area of responsibility.
- Compliance with the Company's obligations on the grid connection of consumers to the power grid facilities under applicable laws.

24.5

20.4 20.3 18.6 18.2 13.6 12.0 12.1 Assimilation of CAPEX. Commissioning of fixed assets, RUB bn incl. VAT RUB bn incl. VAT 3.1 430 370 2.6 270 250 200 Commissioning of Commissioning of transformer capacities, overhead transmission lines, thousand MVA thousand km

Key parameters of investment activities as envisaged

by the long-term investment programme

IDGC of Centre's long-term programme covers an annual gain in achievement of all parameters during the period from 2022 to 2024 resulting from the implementation of electricity metering arrangements.



Financing of the long-term investment programme,

22.1 17.2 14.9 14.3 Financing, RUB bn incl. VAT



The total financing will be going up to RUB 24.5 bn incl. VAT until 2024 and in the period of 2023-2025 will remain above RUB 15 bn every year. The uprise is driven by the electricity metering initiatives.

Most of these initiatives are slated for 2024, therefore the financing for "Reconstruction, Upgrading, and Retrofitting" will be increased from RUB 8 bn in 2022 to RUB 18.5 bn in 2024

and will account for 76% of the total investment programme in 2024. The annual volume of the reconstruction programme, without the metering modernisation programme, totals at least RUB 6 billion and will have risen to RUB 7.7 bn by 2024, necessitated by a programme of comprehensive reconstruction of power grid equipment aimed at reducing the existing technical wear and tear of power grids.





Other new construction

Retrofitting and reconstruction

Other investment projects

S&PPD programmes<sup>1</sup>

 $\ensuremath{\mathsf{S\&PPD}}\xspace$  – schemes and programmes for the power industry prospective development.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

The total amount of grid connection financing is determined by existing consumer applications. The total amount of financing in the investment programme structure in the period of 2021-2025 will be RUB 4-4.8 bn.

# CORPORATE GOVERNANCE

# NCGR 7+

Corporate Governance Rating of the Russian Institute of Directors

26.6% capitalisation growth in 2020

Total shareholder return increased to





IDGC of Centre is in process of improving corporate governance and enhancing investment attractiveness. as consequence, we see an over 26% increase in the Company's year-on-year capitalisation.

The improvements include the independent evaluation of the performance of the Board of Directors and its committees for the 2020/2021 corporate year, the introduction of directors' liability insurance, and the election of independent directors to all committees of the Board of Directors.

Independent experts of the Russian Institute of Directors annually confirm the Company's welldeveloped corporate governance practices at NRCG 7+. The high level of consolidated reporting from year to year is confirmed by the results of international competitions of annual reports: LACP, ARC Awards and a competition hosted by the Moscow Exchange.

### Olga Danshina,

POCCETH

3

Deputy General Director for Corporate and Legal Activities at IDGC of Centre

## CHAIRMAN OF THE BOARD **OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE AT IDGC OF CENTRE**



### **Andrey Mayorov** Chairman of the Board of Directors

### Dear shareholders,

GRI 102-14

IDGC of Centre is a public company listed in the Second Tier of Moscow Exchange. The public capacity, as well as corporate governance compliance with not only the statutory requirements, but also with best practices are maintained through focused and conscious efforts of the Company to improve its corporate governance practices, comply with the requirements of the Moscow Exchange Listing Rules, as well as to enforce the recommendations of the Bank of Russia's Code of Corporate Governance<sup>1</sup> (the Code of Corporate Governance, the Code).

In the reporting year, the Company further followed up with the compliance with the recommendations of the Corporate Governance Code and Russian Institute of Directors, which performs an independent assessment within the framework of assigning a corporate governance rating, and with the action plan to improve the Company's corporate governance system based on the results of the internal audit of the effectiveness of the corporate governance system conducted in 2020.

IDGC of Centre stuck to the earlier practice of electing more than 30% of independent directors to the Board of Directors. The Board of Directors included four independent directors: A. Kazakov, A. Golovtsov, V. Zarkhin and A. Shevchuk. IDGC of Centre's Board of Directors recognised these directors as independent, considering the preliminary assessment performed by the Personnel and Remuneration Committee to check compliance with independence criteria specified by the Code and Listing Rules of Moscow Exchange. The number of independent directors corresponds to the best Russian and international corporate governance practices, thus promoting objectivity in the consideration of issues, and upgrading the performance efficiency of the Board of Directors. At the same time, the Company regularly monitors the directors' compliance with the independence criteria.

Each committee that was formed in 2020 consists of independent directors. The Audit Committee is chaired by an independent director and two thirds of its members are independent directors. The Personnel and Remuneration Committee, the Reliability Committee, and the Power Grid Connection Committee each have one independent director, and the Strategy Committee has three independent members of the Board of Directors. This practice allows the committees to make the most balanced recommendations to the Board of Directors.

During the preparation for the annual General Meeting of Shareholders following the results of 2019, the Company used a special e-mail address: ir@mrsk-1.ru to communicate with shareholders and provided a forum for the agenda issues on the Company's website at: https://www.mrsk-1.ru/en/about/management/controls/ forum/5642/.

For the second year in a row, shareholders were given the opportunity to vote by filling out an e-form in their personal account on the website of the Company's Registrar.

For the first time, IDGC of Centre conducted an independent assessment of the performance of the Board of Directors and its committees for the 2020/2021 corporate year. Results of the assessment conducted by independent experts of JSC VTB Registrar showed the governance excellence of the Company's Board of Directors. The work of the Board of Directors and Committees is generally well organised and complies with the strategic principles of the Company and key recommendations of the Corporate Governance Code. The structure of the Board of Directors and its committees fully meets the needs of the Company, its scale and the complexity of the business.

The assessment report, which contains recommendations for improving the performance of the Board of Directors and the Committees, will be reviewed by the Board of Directors. Thereafter the Company will make a decision on the elaboration of corrective actions.

In order to improve the quality of corporate governance in the reporting year, the Company approved revised versions of in-house documents:

- Regulations on Credit Policy;

• Anti-Corruption Policy.

survey.

Al the measure and activities carried out during 2020 translated into full or partial compliance of 96% of the recommendations (vs 94% in 2019 and 91% in 2018).

#### Compliance with Principles and Recommendations of the Corporate Governance Code

Corporate Governance Principles	Number of Code		2020		2019 2018					
	recommendations evaluated	<b>+</b> <sup>3</sup>	<b>+/</b> - <sup>4</sup>	_5	+	+/-	-	+	+/-	-
Shareholder rights and equality of conditions for shareholders in exercising their rights	13	12	1	0	12	1	0	12	1	0
Company's Board of Directors	36	28	6	2	27	6	3	24	7	5
Corporate Secretary	2	2	0	0	2	0	0	2	0	0
Remuneration system for members of the Board of Directors, executive bodies and other key employees of the Company	10 <sup>2</sup>	6	2	1	8	1	1	8	1	1
Internal Control and Risk Management System	6	6	0	0	6	0	0	6	0	0
Public Disclosure, Information Policy	7	5	2	0	7	0	0	6	1	0
Major corporate actions	5	1	4	0	1	3	1	1	3	1
Total	79 <sup>2</sup>	60	15	3	63	11	5	59	13	7
	100%	77%	19%	4%	80%	14%	6%	75%	16%	9%

In 2020, the Company did not assess compliance with the Bank of Russia's Corporate Governance Code according to criterion 4.4.2.

Observed.

Partially observed. Not observed.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

• Regulations on the Board of Directors;

• Regulations on the Grid Connection Committee under the Board of Directors;

Another positive change relates to the preparation of the Company's first ever integrated report for 2019 using the guidelines of the Global Reporting Initiative (GRI Standards). The report also reveals the material topics identified by the stakeholder

#### **CORPORATE GOVERNANCE ASSESSMENT**

An independent assessment of the corporate governance of IDGC of Centre is carried out as part of the monitoring and confirmation of the corporate governance rating by an independent expert – Russian Institute of Directors (RID). In August 2020, in the process of monitoring RID recorded a number of positive changes in the Company's corporate governance practices and confirmed the corporate governance rating at the level of NRKU 7+ Developed Corporate Governance Practices. The experts highlighted the following changes:

- four independent directors joined the Board of Directors;
- 2019 integrated report was prepared under the Global Reporting Initiative (GRI) methodology;
- an expert survey was conducted to assess the completeness of the disclosure of material topics in the report.

#### **TRANSACTION APPROVAL**

Major transactions and related-party transactions of IDGC of Centre are subject to approval by the Company's management bodies in accordance with Federal Law No. 208-FZ dated 26 December 1995 On Joint-Stock Companies and the Company's Articles of Associations.

In 2020, the Company made no major transactions. The report on relatedparty transactions made by IDGC of Centre in 2020 is given in Appendix No. 5 to the Annual Report.

NRCG 7+ rating proves that the Company complies with Russian corporate governance laws, and follows most of the recommendations from the Corporate Governance Code of Bank of Russia. The Company features relatively low risks of owner losses related to the corporate governance quality.

In addition, the internal audit conducted another annual assessment of IDGC of Centre's corporate governance efficiency in August 2020. The assessment was aligned with Guidelines on the assessment of the efficiency of the corporate governance system at IDGC of Centre<sup>1</sup> and covers the following components:

- shareholders' rights;
- Board of Directors;
- executive management;
- information transparency and disclosures;
- risk management, internal control, and internal audit;
- corporate social responsibility, business ethics, and compliance.

The overall score of IDGC of Centre for the 2019/2020 corporate year was 451.5 points out of 525 possible (in 2019, - 464.3), or 86.0%, which corresponds to the developed practice, described as: Corporate governance is consistent with established practices and has the potential to improve on a minor part of the issues.

To mitigate the risk of improper disposal of assets, the Articles of Associations was completed with an long list of transactions with the Company's property that are subject to mandatory pre-approval by the Board of Directors.

In addition to information about major transactions and related-party transactions, IDGC of Centre discloses quarterly monitoring of the following transactions on its website:

- transactions with over 2% of assets value;
- transactions with state-owned companies;
- intra-group transaction (with subsidiaries and members of management bodies).

Quarterly review of material transactions: https://www.mrsk-1.ru/en/about/management/transactions/4q-2020/





Commissions/councils with the General Director

- Advisory Council
- Central Procurement Commission
- Investment Commission
- Labour Protection Commission
- Fire Safety Commission
- Certification Commission for Industrial and Energy Safety
- Residential Real Estate Management Commission
- Commission for Social Matters
- Housing Commission

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES



## **GENERAL MEETING OF** SHAREHOLDERS

The General Meeting of Shareholders is the Company's supreme management body<sup>1</sup>. The scope of competence, the procedure for preparing, holding and wrapping-up of the meeting are subject to the Federal Law On Joint-Stock Companies, the Regulation of the Bank of Russia No. 660-P dated 16 November 2018 On General Meetings of Shareholders, the Articles of Associations and the Regulation on the General Meeting of Shareholders of IDGC of Centre.

During the preparation, convocation and holding of the General Meeting of Shareholders, the Company accommodated the requirements and recommendations envisioned by the Regulations on the General Meeting of Shareholders and the Code of Corporate Governance of Bank of Russia. This offers an equal opportunity for effective participation of all shareholders (including minority and foreign shareholders) in the General Meeting of Shareholders. In particular, the Company:

- provides accessible communication means (telephone line, e-mail) for shareholders to express their opinion and send questions on the agenda while preparing for the General Meeting of Shareholders;
- informs the shareholders about the General Meeting of Shareholders by posting a notice on IDGC of Centre website at least 30 days before the date thereof (unless the Russian laws provides for a longer period of time);
- grants access to materials on the Company's website (https://www. mrsk-1.ru/en/about/management/ controls/stockholders/) at least 30 days before the date of the General Meeting of Shareholders, provides additional information and materials as recommended by the Code. The Company also informs on how to reach the venue of the General Meeting of Shareholders, offers a model form of the power of attorney a shareholder can issue for its representative to participate in the meeting, provides data on the certification of such power of attorney;

- offers an option to fill in an e-form on the website of the Company's Registrar (https://www.vtbreg.ru/ shareholder/personal/) for persons entitled to participate in the General Meeting of Shareholders;
- to ensure equal treatment of all shareholders, including foreign shareholders, publishes all information in English as well.

The Company adheres to the practice that excludes artificial redistribution of corporate governance. IDGC of Centre has no preferred shares, and its subsidiaries and affiliates have no quasi treasury shares on their balance sheets.

The Company holds an annual General Meeting of Shareholders no later than six months after the end of the reporting year.

On 8 April 2020, the Board of Directors instructed the Company to hold the annual meeting of shareholders in the form of absentee voting<sup>2</sup>.

The annual General Meeting of Shareholders of IDGC of Centre held on 29 May 2020, in connection with the difficult epidemiological situation in Russia and elsewhere in the world, was held in the form of absentee voting (using electronic voting). This format made it possible to optimise the voting process and opened up prospects for increasing the number of attendants of the General Meeting of Shareholders. Another good side consisted in saving the operational time spent by the voting participants. The shareholders who embraced this

opportunity accounted for 98.9% of the voting shares. The above statistics demonstrate the growing interest of shareholders in using the electronic voting service starting from 2019.

#### Changes in electronic voting in the General Meeting of Shareholders (% of the number of votes)



Not electronically

The results of the annual meeting of shareholders were as follows:

- approval of the Annual Report, annual accounting (financial) statements for 2019;
- approval of the distribution of the Company's profit (loss) for 2019 without payment of 2019 dividends, taking into account the payment of 9M 2019 dividends;
- election of new members to the Board of Directors and Audit Commission of the Company;
- approval of the Company's Auditor for 2021;
- approval of the revised version of the Regulation on the Board of Directors.

#### Attendance of the General Meeting of Shareholders by IDGC of Centre's shareholders

Meeting	Indicator	Individuals		Legal e	Legal entities		Total	
date		In person	In absentia	In person	In absentia	In person	In absentia	Total
	Number of voters	75	2,293	13	13	88	2,306	2,394
31.05.2018	Number of voting shares	945,327,428	898,953,540	32,963,580,940	2,751,122,264	33,908,908,368	3,650,075,804	37,558,984,172
Also in	Number of voters	45	2,149	2	7	47	2,156	2,203
electronic form <sup>1</sup>	Number of voting shares	4,584,627	733,782,204	22,090,473,501	2,626,868,999	22,095,058,128	3,360,651,203	25,455,709,331
	Number of voters	89	1,157	12	17	101	1,174	1,275
30.05.2019	Number of voting shares	1,057,423,908	736,777,578	32,909,580,942	1,823,098,386	33,967,004,850	2,559,875,964	36,526,880,814
Also in	Number of voters	47	879	2	8	49	887	936
electronic form	Number of voting shares	56,239,594	529,430,382	22,056,473,501	1,635,141,230	22,112,713,095	2,164,571,612	24,277,284,707
	Number of voters	0	500	0	11	0	511	511
30.12.2019	Number of voting shares	0	372,332,255	0	31,033,754,985	0	31,406,087,240	31,406,087,240
Also in	Number of voters	0	337	0	10	0	347	347
electronic form	Number of voting shares	0	324,949,473	0	31,018,176,260	0	31,343,125,733	31,343,125,733
	Number of voters	0	1,315	0	41	0	1,356	1,356
29.05.2020	Number of voting shares	0	3,033,407,020	0	33,499,921,189	0	36,533,328,209	36,533,328,209
Also	Number of voters	0	1,152	0	41	0	1,193	1,193
in electronic form	Number of voting shares	0	2,648,270,591	0	33,499,921,189	0	36,148,191,780	36,148,191,780

In accordance with Article 2 of Federal Law No. 50-FZ dated 18 March 2020 "On the Acquisition of Ordinary Shares of Public Joint Stock Company Sberbank of Russia by the Government of the Russian Federation from Bank of Russia and the Invalidation of Certain Provisions of Legislative Acts of the Russian Federation".

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Resolutions adopted on 29 May 2020 are available on the Company's website at https://www.mrsk-1.ru/en/about/ management/controls/stockholders/ solution/agm-29-05-2020/

No extraordinary General Meetings of the Company's Shareholders were held in 2020.

Item 1, Art. 47 of the Federal Law No. 208-FZ dated 26 December 1995 On Joint-Stock Companies.

## **BOARD OF DIRECTORS**

#### GRI 102-22, 102-23, 102-24

IDGC of Centre's Board of Directors has general oversight of the Company's activities and stays within the boundaries of their competence and inside Federal Law No. 208-FZ dated 26 December 1995 On Joint-Stock Companies, the Articles of Associations and in-house documents of the Company, including Regulations on the Board of Directors<sup>1</sup>.

Key functions of IDGC of Centre's Board of Directors:

- addressing issues of general strategic governance over the Company's operations;
- determining the priority areas of the Company's development;
- exercising control over the actions of the executive bodies in the interests of the Company and its shareholders;
- pre-approving the decisions on the Company's transactions (including several related-party transactions), including those related to the disposal of the Company's property;

• conducting an unbiased assessment of the Company's financial condition.

Members (11 in total) to the Board of Directors are elected annually by the General Meeting of Shareholders for the period up to the next Annual General Meeting of Shareholders. This number of directors optimally matches the current goals and objectives of IDGC of Centre, as well as industry-related practice, and allows the Board of Directors to strike the balance of competencies (expertise, knowledge, experience). Most of the electees of the Board of Directors are

renowned experts in electrical power engineering, economics, law, strategic management, finance and credit. They have an extensive background in the boards of directors or in senior positions of other publicly listed companies, in international companies as well.

All members of the Company's Board of Directors, other than Igor Makovsky (General Director of IDGC of Centre), are non-executive directors.



The Company has a Guidance on the onboarding of newly elected members of the Board of Directors and committees thereunder. Below are the actions of Corporate Secretary of the Company aimed to facilitate the onboarding of newly elected members of the Board

of Directors and the committees of the Board of Directors: • making the main in-house, strategic

- to review and familiarise with;

#### INDEPENDENT DIRECTORS

The Personnel and Remunerations Committee conducted pre-assessments of the compliance with independence criteria established by the Bank of Russia's Corporate Governance Code, the Moscow Exchange Listing Rules, and the decisions of the Board of Directors to recognise members of the Board of Directors as independent directors; following the results for these

pre-assessments, four independent directors (A. Golovtsov, V. Zarkhin, A. Kazakov, and A. Shevchuk) joined the Board of Directors in 2020. Their status was confirmed on a quarterly basis by Moscow Exchange (to keep the Company's shares at the second tier of the Stock Exchange List), and, if necessary, by the Company's Board of Directors (7 December 2020)

#### MEMBERSHIP OF THE BOARD OF DIRECTORS

In 2020, the Board of Directors had two compositions of members. Current members of the Board of Directors of IDGC of Centre were elected at the annual General Meeting of Shareholders on 29 May 20201.

#### Changes in the composition of the Board of Directors of IDGC of Centre in 2020

Before 29 May 2020 <sup>2</sup>	Since 29 May 2020 <sup>3</sup>
Alexander Kazakov (Chairman)	Andrey Mayorov (Chairman)
Alexander Varvarin	Alexander Golovtsov
Alexander Golovtsov	Vitaly Zarkhin
Vitaly Zarkhin	Alexander Kazakov
Andrey Logatkin	Daniil Krainskiy
lgor Makovskiy	Igor Makovskiy
Alexey Pavlov	Konstantin Mikhailik
Larisa Romanovskaya	Alexey Pavlov
Maxim Saukh	Vasiliy Rozhkov
Dmitry Chevkin	Larisa Romanovskaya
Alexander Shevchuk	Alexander Shevchuk

## GRI 405-1

STRUCTURE OF THE BOARD OF DIRECTORS



Details on the members of the Board of Directors: https://www.mrsk-1.ru/en/about/management/controls/directors/members/2020/

The Regulations on the Board of Directors of IDGC of Centre were approved by the Company's annual General Meeting of Shareholders on 29 May 2020 (Minutes No. 01/20 dated 29 May 2020)

of Directors)

Position of the Board of Directors' members are given as at 31 December 2020.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

documents of the Company available • upon request, setting up a meeting with the executive management and

key employees to address the major issues of the Company's activities; keeping constant contact each of the assistants and experts authorised by the members of the Board of Directors and its committees as per the order of interaction with the Company.

When recognising the members of the Board of Directors as independent, the Board of Directors assumed that A. Golovtsov, V. Zarkhin, A. Kazakov and A. Shevchuk had an excellent business reputation and would contribute to finding solutions that accommodate the interests of various groups of stakeholders, as well as to improving the quality of management decisions.

#### Current Board of Directors of IDGC of Centre<sup>1</sup>



#### Andrey Mayorov

Chairman of the Board of Directors

Non-Executive Director

An employee of the majority shareholder

#### First Deputy General Director -Chief Engineer at Rosseti

Year of birth: 1967. A Russian citizen.

In 1994, he graduated from Moscow Power Engineering Institute with a degree in Electric Power Systems and Grids.

In 2004, he completed professional retraining under the programme "Management of Energy Companies in a market-driven economy" at State University of Management.

In 2017, he completed a postgraduate course at JSC Scientific and Technical Centre of the Federal Grid Company of the Unified Energy System.

Holds a candidate degree in Technical Science.

Over the past five years, he has held the positions of Deputy General Director - Chief Engineer of Rosseti, General Director of JSC United Energy Company.

Currently, he is a member of the Management Board of Rosseti, Chairman of the Board of Directors of IDGC of Center and Volga Region, Rosseti Volga, a member of the Board of Directors of Rosseti Moscow Region.

Recipient of a number of industry, state. corporate and other awards.

First elected to the Company's Board of Directors: on 29 May 2020.

Number of the Company's shares / the Company's equity stake: none



Igor Makovskiy **Executive Director** 

#### General Director, Chairman of the Management Board, IDGC of Centre

Year of birth: 1972. A Russian citizen.

In 1993, he graduated from Alma-Ata Boarder Command School named after F. Dzerzhinsky with a degree in Command and Tactical Life Support:

In 2000, - Kaliningrad State University with a degree in Law;

In 2004, - State Educational Institution of Higher Vocational Education "North-Western Academy of State Service", retraining under the Municipal and Public Administration programme.

Over the past five years, has held positions of the acting General Director, General Director, Chairman of the Management Board at JSC Yantarenergo.

Currently, chairs the Management Board and sits on the Board of Directors of IDGC of Center and Volga Region, chairs the Board of Directors of JSC YarESK, JSC Yantarenergo, JSC Kaliningrad Generating Company, JSC Yantarenergosbyt.

Recipient of a number of industrial, state, corporate and other awards.

First elected to the Company's Board of Directors: on 30 May 2019.

Number of the Company's shares / the Company's equity stake: none



Alexander Golovtsov Independent Director

#### Year of birth: 1973. A Russian citizen.

In 1996, graduated from Baltic State Technical University n.a. D. Ustinov (St. Petersburg) with a degree in Electrical Engineering.

From 2005 to 2019, served as the Head of the Analytical Investigation Office of JSC URALSIB Management Company.

Currently, he is a member of the Board of Directors of IDGC of Center and Volga Region, IDGC of the North-West, and also the deputy chairman of the Personnel and Remuneration Committee, a member of the Strategy Committee, Grid Connection Committee under the Board of Directors of IDGC of Centre.

First elected to the Company's Board of Directors: on 30 May 2019.

Number of the Company's shares / the Company's equity stake: none



Vitaly Zarkhin Independent Director



**Alexander Kazakov** Independent Director

Year of birth: 1976. A Russian citizen.

In 1998, graduated from State University -Higher School of Economics (Moscow) with a bachelor degree in Economics; in 2000, took a master degree in Management.

From 2011 to 2018, served as the Managing Director of Gazprombank (JSC).

Currently, he is an independent member of the Board of Directors of IDGC of Center and Volga Region, Rosseti South, PJSC Enel Russia.

Member of the Reliability Committee, Strategy Committee, Grid Connection Committee under the Board of Directors of IDGC of Centre.

First elected to the Company's Board of Directors: on 30 May 2019.

Number of the Company's shares / the Company's equity stake: none



Holds a doctorate decree in Economics.

Currently, he is an independent member of the Board of Directors of IDGC of Center and Volga Region, Rosseti Volga.

> Recipient of a number of state and industry awards.

Chair of the Audit Committee under the Board of Directors of IDGC of Centre.

First elected to the Company's Board of Directors: on 31 May 2018.

Number of the Company's shares / the Company's equity stake: none

#### 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW

#### 5 CORPORATE GOVERNANCE

- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Year of birth: 1948. A Russian citizen.

In 1971, graduated from Moscow Engineering



#### Daniil Krainskiy

Non-Executive Director

An employee of the majority shareholder

#### Deputy General Director for Legal Support of Rosseti, Deputy General Director for Legal Support of PJSC FGC UES (part-time), Deputy General Director for Legal and Corporate Governance of PJSC Rosseti Lenenergo (part-time)

Year of birth: 1979. A Russian citizen.

In 2002, graduated from Moscow State Economic Academy with a degree in Law.

Currently, he is a member of the Management Board of Rosseti Lenenergo, a member of the Boards of Directors of IDGC of Urals, Rosseti Siberia, Rosseti Moscow Region, Rosseti North Caucasus, Rosseti Lenenergo, Chairman of the Board of Directors of JSC Lenenergo Energy Service Company.

Members of the Strategy Committee under IDGC of Centre's Board of Directors.

First elected to the Company's Board of Directors: on 29 May 2020.

Number of the Company's shares / the Company's equity stake: none



#### Konstantin Mikhailik

Non-Executive Director

An employee of the majority shareholder

#### Deputy General Director for Digital Transformation of PJSC Rosseti

Year of birth: 1983. A Russian citizen.

In 2004, he graduated from St. Petersburg University of the Ministry of Internal Affairs Russian Federation with a degree in law:

In 2005 – Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of the Russian Federation with a degree in Finance and Credit;

In 2016, - Moscow Power Engineering Institute with a degree in Electric Power Engineering and Electrical Engineering.

He holds a candidate degree in Law (2005).

Over the past five years, he has held the positions of Deputy General Director for Operations of Rosseti, first Deputy General Director of IDGC of Centre.

Currently, he is a member of the Boards of Directors of IDGC of North-West, Rosseti South, PJSC TRK, JSC FITZ, JSC VOLS-VL Administration, JSC SIC UES.

Recipient of a number of industrial, state. corporate and other awards.

First elected to the Company's Board of Directors: on 29 May 2020.

Number of the Company's shares / the Company's equity stake: none



### **Alexey Pavlov**

Non-Executive Director An employee of the majority shareholder

#### Head of the Strategy Department of PJSC Rosseti

Born in 1982. A Russian citizen.

In 2004, graduated from St. Petersburg State University with a degree in Management Science.

Over the last five year, he has held senior position in the Department of Finance, Treasury Department of Rosseti.

Currently, he is a member of the Board of Directors of JSC OPERATOR ASTU (PAS OPERATOR), JSC Severkavkazenergo and JSC Yantarenergo.

Recipient of industry awards.

First elected to the Company's Board of Directors: on 8 June 2017.

Number of the Company's shares / the Company's equity stake: none

Recipient of a number of industry and corporate awards.

of Directors: on 29 May 2020.



**Vasiliy Rozhkov** 

Non-Executive Director An employee of the majority shareholder

#### Deputy Chief Engineer, PJSC Rosseti

Year of birth: 1963. A Russian citizen.

In 1985, he graduated from Tomsk Institute of Automated Control Systems and Radio Electronics with a degree in Radio Engineering;

In 2005, - Krasnoyarsk State Technical University with a degree in Electric Power Plants.

Over the past five years, he has held the positions of Director of the Production Activities Department, Head of the Production Planning Department of the Operational and Technological Management Department of Rosseti, Deputy Head of the Production Assets Management Department of PJSC FGC UES.

Currently, he is a member of the Boards of Directors of JSC Technical Customer Centre and JSC Chechenenergo.

He chairs the Reliability Committee of the Board of Directors of IDGC of Centre.

First elected to the Company's Board

Number of the Company's shares / the Company's equity stake: none



Larisa Romanovskaya

Non-Executive Director An employee of the majority shareholder

#### First Deputy General Director of PJSC Rosseti

Year of birth: 1972. A Russian citizen.

In 1995, graduated from Samara State Economic Academy with a degree in Economics.

Over the past five years, she has held the positions of Acting Deputy General Director for Personnel Management, Public Authorities and the Media Relations (part-time), Deputy General Director for Public Authorities Relations, Adviser, Chief Adviser of Rosseti, General Director of LLC Ensol.

Currently, she sits on the Management Board of Rosseti and the Association of Digital Development Organisations of the Digital Energy Industry, the Boards of Directors of Rosseti Moscow Region, Rosseti Lenenergo and PJSC FGC UES.

Chairs the Personnel and Remunerations Committee, holds membership in the Audit Committee of the Board of Directors of IDGC of Centre.

Recipient of a number of industry, corporate and other awards.

First elected to the Company's Board of Directors: on 31 May 2018.

Number of the Company's shares / the Company's equity stake: none

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES



#### **Alexander Shevchuk**

Independent Director

#### Executive Director, Association of Institutional Investors Non-Profit Organisation

Year of birth: 1983. A Russian citizen.

In 2005, graduated from Financial Academy under the Government of the Russian Federation with a degree in Banking and Finance.

Over the past five years, he has held positions at the Investor Rights Protection Association, the Association of Institutional Investors.

Currently, sits on the Board of Directors of IDGC of Center and Volga Region, IDGC of Urals, and PJSC Detskiy Mir.

Holds membership in the Audit Committee, Strategy Committee of the Board of Directors of IDGC of Centre.

Recipient of industry awards.

First elected to the Company's Board of Directors: on 17 June 2011.

Number of the Company's shares / the Company's equity stake: none

#### Membership of the Board of Directors of IDGC of Centre as of 29 May 20201

Alexander Kazakov Chairman of the Board of Directors Non-Executive Director	See above
<b>Alexander Varvarin</b> Independent Director	<ul> <li>Vice-President - Managing Director of Legal Regulation and Law Enforcement Office at Russian Union of Industrialists and Entrepreneurs, General Director of NP "Centre for Development of Corporate Relations and Resolution of Economic Disputes"</li> <li>Year of birth: 1975. A Russian citizen.</li> <li>In 1998, graduated from Institute of International Law and Economics n.a. A. Griboedov (Moscow) with a degree in Legal Studies.</li> <li>During the past five years, he served as Vice President - Managing Director of Corporate Relations and Legal Support at the Russian Union of Industrialists and Entrepreneurs.</li> <li>He was a member and General Director of the Board of NP Centre for Development of Corporate Relations and Resolution of Economic Disputes, Chairman of the Board of the Association Interregional Self-Regulating Organisation of Professional Arbitration Managers, member of the Board of Directors of PJSC Kubanenergo, member of the Board of NP Institute of Internal Auditors.</li> <li>Chairs the Audit Committee and sits on the Personnel and Remuneration Committee of IDGC of Centre.</li> <li>First elected to the Company's Board of Directors: on 31 May 2018.</li> <li>Number of the Company's shares / the Company's equity stake: none</li> </ul>
Alexander Golovtsov Independent Director	See above
Vitaly Zarkhin Independent Director	See above
<b>Andrey Logatkin</b> Non-Executive Director An employee of the majority shareholder	<ul> <li>Director of the International Cooperation Department of PJSC Rosseti</li> <li>Year of birth: 1979. A Russian citizen.</li> <li>In 2004, graduated from Università commerciale Luigi Bocconi (Milano, Italy) with a degree in Economics and Enterprise Management (by sector).</li> <li>Over the past five years, served as an Advisor of the Chairman of Rosseti's Board of Directors, Deputy General Director for International Cooperation of JSC IDGC Research, Development and Engineering Centre, General Director of LLC Artpol Anapa Hills, Advisor of the President of LLC Artpol Holding.</li> <li>Held membership in the Board of Directors of JSC ENIN, served as an executive director of the Russian National Committee of the World Energy Council.</li> <li>Sits on the Personnel and Remuneration Committee of the Board of Directors of IDGC of Centre.</li> <li>First elected to the Company's Board of Directors: on 30 May 2019.</li> <li>Number of the Company's shares / the Company's equity stake: none</li> </ul>
<b>Igor Makovskiy</b> Executive Director	See above
Alexey Pavlov Non-Executive Director An employee of the majority shareholder	See above
<b>Larisa Romanovskaya</b> Non-Executive Director An employee of the majority shareholder	See above
<b>Maxim Saukh</b> Non-Executive Director An employee of the majority shareholder	<ul> <li>Head of the Corporate Governance Office of the Department for Corporate Governance at Rosseti.</li> <li>Year of birth: 1979. A Russian citizen.</li> <li>In 2001, he graduated from St. Petersburg Humanitarian University of Trade Unions with a degree in Law.</li> <li>During the past five years, he held various positions at the Department of Corporate Governance and Shareholder Relations of Rosseti / JSC IDGC Holding.</li> <li>Held membership in the Board of Directors of JSC Ekaterinburg Power Grid Company, LLC IT Energy Service.</li> <li>Held membership in the Audit Committee of the Board of Directors of IDGC of Centre.</li> <li>Recipient of industry awards.</li> <li>First elected to the Company's Board of Directors: on 15 June 2012</li> <li>Number of the Company's shares / the Company's equity stake: none</li> </ul>

<b>Dmitry Chevkin</b> Non-Executive Director An employee of the majority shareholder	Deputy Director of th Management Departm Year of birth: 1976. A F In 1998, graduated fro Federation (Moscow) w Over the past five yea Organisational Develo Held membership in th Currently, sits on the of IDGC of Centre. First elected to the Co Number of the Compa
Alexander Shevchuk Independent Director	See above

#### Additional information on the members of the Board of Directors

Shareholding in the Company (directly or indirectly)	No shareholding
Transactions with the Company's shares in 2020	None
Shareholding in the Company's subsidiaries and affiliates	No shareholding
Transactions among the members of the Company's Board of Directors in 2020	None
Loans from the Company or S&As to the Board's members	None
Other civil law contracts of the Company or S&As with the Board's members	None
Criminal records and administrative violations in the field of business, finances, taxes and fees and the securities market.	None
Training of the Board's members at the Company's expense	None
Serving on, or membership in, the management bodies of competitor companies	None
For more details on the Company's activities to prevent the conflict of interests, refer to Conflict of Interest R	esolution Section of the Annual Report

## PERFORMANCE REPORT OF THE BOARD OF DIRECTORS' CHAIRMAN

As prescribed, meetings of the Company's Board of Directors are held on a regular basis in line with an approved work schedule, at least three or four times a month. Every year, the Company's Corporate Secretary works out the work schedule of the Board of Directors, subject to the laws of the Russian Federation, the Company's Articles of Associations and in-house documents, decisions of the Board of Directors, as well as with reference to proposals from members of the Board of Directors, the management, the external auditor and the Audit Commission of the Company.

The main focus of the meetings of the Board of Directors in the reporting year was on the issues of regulating the financial and economic activities of IDGC of Centre (reliability, business planning, risks, HR issues).

The information is given as of 31 March 2020 (the last reporting date for submitting the questionnaire for a member of the Company's Board of Directors) under the existing laws of the Russian Federation on personal data.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

#### ne HR Management Department of Rosseti (acting director of the HR ment of Rosseti)

Russian citizen.

om Financial Academy under the Government of the Russian

- with a degree in Finance and Credit
- ars, held senior positions at the Department for HR Policy and opment at Rosseti.
- ne Board of Directors of JSC VOLS-VL Administration.
- Personnel and Remuneration Committee of the Board of Directors

ompany's Board of Directors: on 30 May 2019. any's shares / the Company's equity stake: none

## Number of meetings of the Board of Directors



#### Structure of issues considered at meetings of the Board of Directors



- Focus areas
- Strategy
- Risk management / internal audit and control Finance
- Transaction approval
- Corporate Governance
- Management of subsidiaries and affiliates
- HR and structure
- Social policy, others

In 2020, due to changes in the materials submission deadline, the number of meetings of the Board of Directors increased to 65. Two of these were held in person, and another five meetings scheduled for joint attendance were held by a unanimous decision of all members of the Board of Directors in the form of absentee voting (by poll). The meetings considered 201 issues.

For further details on key decisions adopted by the Board of Directors in 2020 click here: https://www.mrsk-1.ru/en/about/management/ controls/directors/decisions/2020/

The chairman of the Board of Directors convoked unscheduled meetings to make decisions on urgent matters. The format of the meetings was determined by the Chairman of the Board of Directors from the perspective of the importance and significance of their agenda items for the Company. However, certain matters set out in the Company's Articles of Association may be resolved only during in-person meetings.

In addition to in-person review by the Board of Directors, such issues as approval of the business plan (adjusted business plan), approval of the investment programme, with amendments thereto, review of quarterly progress reports on the business plan, investment programme, operational and financial performance improvement plans, management of key operational risks (critical and significant functional risks), review of semi-annual progress reports on the energy saving and energy efficiency programme, are also subject to introductory discussion and approval at the meetings of the relevant committees. Thus, the Company is committed to making the most informed and sound decisions.

When holding meetings in person, the Company offers the members of the Board of Directors the opportunity to participate in the meeting remotely via video conferencing. Moreover, the written opinion of the absent members of the Board of Directors on the agenda items is taken into consideration.

#### SIGNIFICANT ISSUES AND KEY PROBLEMS DISCUSSED AT THE BOARD OF DIRECTORS MEETINGS IN 2020

The most important issues considered by the Board of Directors in 2020 include the approval of IDGC of Centre's investment programme for 2021-2025, the Company's business plan for 2021 and the period of 2022–2025, the procurement plan for 2021, as well as various development programmes and plans within the Company's core

business areas. The Board of Directors reviewed the reports of the General Director on core business activities, on the progress of approved programmes, plans and in-house documents. There was also significant emphasis on making decisions related to the convening and holding of the Company's annual General Meeting of Shareholders, managing the

Company's subsidiaries and affiliates, and reviewing progress reports on assignments given by the Board of Directors. It is also worth noting the consideration of issues addressing the consolidation of assets and decisionmaking on the authorisation of relatedparty transactions.

#### Information on assignments given to the Company's management and their execution

2018	2019	2020
36	69	63
26/1	45/9	31
7	6	8
2	9	24
	2018 36 26/1 7 2	2018         2019           36         69           26/1         45/9           7         6           2         9

#### Attendance of meetings of the Board of Directors and its Committees by members of the Board of Directors in 20201

Full name of the Board	Attendance	ce Attendance at the meetings of Committees under the Board of Directors					
member	at the Board of Directors' meetings	for Strategy	for Audit	for Reliability	Grid Connection	for Personnel and Remuneration	
Board's members who was si	itting on throughout	2020					
Alexander Golovtsov	65(2)/65(2)	24(5)/24(5)	-	-	11(2)/11(2)	17(0)/17(0)	
Vitaly Zarkhin	65(2)/65(2)	24(5)/24(5)	-	9(1)/9(1)	5(1)/5(1)	-	
Alexander Kazakov	65(2)/65(2)	-	4(1)/4(1)	-	-	-	
Igor Makovskiy	63(2)/65(2)	-	-	-	-	-	
Alexey Pavlov	65(2)/65(2)	12(2)/12(2)	-	-	-	-	
Larisa Romanovskaya	65(1)/65(2)	-	4(0)/4(1)	-	-	22(0)/22(0)	
Alexander Shevchuk	65(2)/65(2)	24(4)/24(5)	12(2)/12(2)	-	-	5(0)/5(0)	
Members who stepped down	from the Board of Di	rectors on 29 May 202	0				
Alexander Varvarin	26(1)/26(1)	-	8(1)/8(1)	-	-	5(0)/5(0)	
Maxim Saukh	26(1)/26(1)	-	8(1)/8(1)	-	-	-	
Andrey Logatkin	26(1)/26(1)	-	-	-	-	5(0)/5(0)	
Dmitry Chevkin	26(1)/26(1)	-	-	-	-	5(0)/5(0)	
Members who were elected t	Members who were elected to the Board of Directors on 29 May 2020						
Daniil Krainskiy	39(1)/39(1)	12(3)/12(3)	-	-	-	-	
Andrey Mayorov	39(1)/39(1)	-	-	-	-	-	
Konstantin Mikhailik	39(1)/39(1)	-	-	-	-	-	
Vasiliy Rozhkov	39(1)/39(1)	_	-	18(2)/18(2)	-	-	

#### COVID-19

Due to strict restrictive measures against the spread of COVID-19 from spring to autumn 2020, several meetings of the Company's Board of Directors originally planned to be held in a mixed format (with face-to-face participation and absentee voting) were held, by a unanimous decision of all members of the Board of Directors, in the form of absentee voting (by poll). Earlier, the Company offered members of the Board of Directors the opportunity to participate in meetings via videoconference. During the pandemic, meetings of the Board of Directors in the mixed format (with face-to-face participation and absentee voting) were held exclusively in the videoconference format. The members of the Board of Directors of the Company were receptive to the changed format of meetings, as it not only allowed to comply with restrictive measures to contain the epidemiological situation, but also saved money and time required for meetings.

Data are presented as X(n) / Y(m), where X - the number of meetings attended by a Board member; Y - the total number of meetings held; n and m - the number of meetings held in person

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

#### LIABILITY INSURANCE

On 29 December 2020, the Company's Board of Directors approved the candidate of an insurer for the liability insurance of directors and office holders for the period from 1 January to 31 December 2021. The contract with the insurance company (JSC SOGAZ) was signed on 1 January 2021.

## ASSESSMENT OF THE PERFORMANCE OF THE COMPANY'S BOARD OF DIRECTORS AND **COMMITTEES THEREUNDER**

#### GRI 102-28

#### Self-assessment for the 2019/2020 corporate year

The efficiency of corporate governance is improved through the regular annual performance assessment of IDGC of Centre's Board of Directors and committees thereunder. In 2019–2020, the Board of Directors conducted an anonymous performance self-assessment and performance assessment of its committees in line with the Methodology for Evaluating the performance of the Board of Directors and Committees approved by the Board of Directors of the Company in November 2018, as well as subject to the Corporate Governance Code of the Bank of Russia.

The assessment included an evaluation of the effectiveness of the Board of Directors as a whole, each committee along, and the Chairman of the Board of Directors. The questionnaires allowed members of the Board of Directors and Committees to express their opinions and formulate proposals on improving the performance of the Board of Directors and Committees, respectively. The overall assessment for the 2019/2020 corporate year conducted in March 2020 scored 4.35 points (out of 5 possible), which corresponds to the effective with comments rating.

#### Independent assessment for the 2020/2021 corporate year

The assessment for the 2020/2021 corporate year involved an independent consultant - JSC VTB Registrar, which was selected following the competitive procedures established in the Company. VTB Registrar has the core competencies and experience in evaluating the Board of Directors and the committees of the Board of Directors, including among the power grid companies.

The assessment was carried out by the independent consultant through questionnaires distributed to the members of the Board of Directors and its committees, which included questions to assess the experience, expertise, business reputation and conflicts of interest, and also to assess the performance of each member of the Board of Directors and its committees. Seven members of the Board of Directors (including all four independent directors), representatives of committees and management were interviewed individually to detail and clarify controversial issues in the activities of the Board of Directors and committees, on which the views of the Board of Directors members and its committees considerably diverge.

Independent assessment areas:

- composition and structure of the Board of Directors;
- discharge of key functions by the Board of Directors;
- organisation of the work of the Board of Directors;
- personal assessment of the members of the Board of Directors;
- personal assessment of the Chairman of the Board of Directors;
- committees of the Board of Directors (committee composition and structure, discharge of key functions by the committee, organisation of the committee's work).

The assessment results showed high performance of IDGC of Centre's Board of Directors:

- the activities of IDGC of Centre's Board of Directors and its Committees is generally well organised and complies with the strategic principles of the Company and key recommendations of the Corporate Governance Code;
- the structure of the Board of Directors and its committees fully meets the needs of the Company, its scale and the complexity of the business;
- the number of independent directors on the Board of Directors complies with the best Russian and international corporate governance practices, the Board of Directors is balanced in terms of composition and competencies and has an optimal structure:
- the high rate of participation of members of the Board of Directors in in-person meetings and absentee voting was noted;
- the Chairman of the Board of Directors works effectively;
- it is advisable for the Corporate Secretary to adhere to the achieved level in the future;
- the Company complies with Russian corporate governance regulations, as well as the key recommendations of the Corporate Governance Code;
- the recommendations given during the previous assessment (self-assessment) were partially implemented. Relevant amendments were made to in-house documents of the Company to update the key functions necessary for the effective performance of the Board of Directors and the committees thereunder.

The scores of the items being assessed on a scale from 1 to 5:

- Board of Directors 4.18;
- Chairman of the Board of Directors - 4.33;
- members of the Board of Directors (the average score for 11 members,

- - the work of committees;
- including the Chairman) 4.38;
- committees (the average score for five committees) - 4.461.

- Directors and committees; committees

Discussing the results of independent assessment for the 2020/2021 corporate year is included into the action plan of the Board of Directors for April 2021.

#### **CORPORATE SECRETARY**

The activities of the Corporate Secretary is regulated by the Articles of Association and the Regulations on the Corporate Secretary. The main objective of the Corporate Secretary is to provide effective interaction of the Company's shareholders with the Board of Directors and executive management of the Company.

The Corporate Secretary of IDGC of Centre ensures the proper functioning of the Board of Directors, its Committees and acts as a secretary of the Management Board and General Meeting of Shareholders, thereby improving the efficiency and optimising the Company's corporate governance processes.

The Corporate Secretary of IDGC of Centre is an office holder of the Company appointed by General Director based on the Board of Directors' resolution, accountable to the Board of Directors and subordinated to the Chairman of the Company's Board of Directors, which ensures relative independence from the Company's executive bodies.

#### Svetlana Lapinskaya<sup>3</sup>

IDGC of Centre.

Born in 1980.

Since 2005, has been employed at IDGC of Centre. Currently, - Head of Corporate Events Office at IDGC of Centre. A member of the National Association of Corporate Secretaries.

No shareholding in the Company and its S&As. There is no affiliation with members of the Company's management bodies and shareholders, criminal record, record of administrative offences committed in business operations, finance, taxes and fees or the securities market.

### PERFORMANCE APPRAISAL OF THE CORPORATE SECRETARY

Each year, the Company's Board of Directors does the performance appraisal for the Corporate Secretary and approves the relevant report. This issue is pre-reviewed by the Personnel and Remunerations Committee. With the outcomes of the appraisal, the Company can latch on to the ever-expanding range of tasks to support the Company's management bodies, and also facilitate the improvement of skills, upgrade of qualifications, and identification of areas for development.

The performance appraisal of the Corporate Secretary represent qualitative measures that reflects the level of satisfaction of the members of the Board of Directors, committees and the Management Board with the job performance of the Corporate Secretary. In 2020, there were no complaints and concerns from the management bodies and improvement notices from regulatory authorities related to the work of the Corporate Secretary.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES
- The recommendations given by the consultant include:
- delegate the issues that are not key to achieving strategic goals to the relevant committees of the Company;
- make more use of the qualifications of independent Directors and external experts in
- continue to use video conferencing for face-to-face meetings of the Board of
- pay attention to the consideration of ESG<sup>2</sup> issues in the Board of Directors and

From March 2009 on, Svetlana Lapinskaya wad acting as the Corporate Secretary of

In 2002, she graduated from Maimonides State Classical Academy.

The weighted average between the estimates given by the members of the Board of Directors and members of the Committees. Environment, Social and Corporate Governance

Personal details are provided with the consent from Svetlana Lapinskaya.

#### COMMITTEES OF THE BOARD OF DIRECTORS

The structure of the Board of Directors includes five special-purpose committees for preliminary consideration, study and preparation of recommendations on the most critical issues within the competence of the Board of Directors. These committees allow to study the respective issue in details and increase the efficiency of the decisions taken:

- Audit Committee;
- Personnel and Remunerations Committee;
- Strategy Committee;
- Reliability Committee;
- Grid Connection Committee.

The committees are formed by and accountable to the Board of Directors. The chairmen of the committees submit reports to the Board of Directors on the works performed, content of issues discussed and decisions made.

Committee performance reports for 2019/2020 corporate year were reviewed and taken by the Board of

#### **Overview of Committees**

Directors into consideration in May 2020. Committee performance reports for 2020/2021 corporate year will be submitted to the Board of Directors in May 2021.

The procedure for the formation and activities of the committees is governed by the regulations on each of the committees approved by the Board of Directors of the Company. The work of the committees is aligned with the decisions of the Board of Directors and their action plans approved at the first meeting of the relevant committee after the election and based on the action plan of the Board of Directors.

The committees are composed of representatives of various groups of shareholders of the Company, which provides a multifaceted and unbiased approach to the recommendationsand decision-making. Besides, members of the Audit Committee and Personnel and Remuneration Committee are

elected as required by Listing Rules of Moscow Exchange, according to which these committees shall include independent directors. Like the newly elected members of the Board of Directors, newly elected members of the committees made acquainted with main internal strategic documents of the Company in order to ensure the effective performance of the committees (the quickest and most effective integration into the committee).

Employees of the Company and third parties may be invited by the chairman of a committee to attend the meetings of the committee without the right to vote on agenda items. The regulations on the committees of the Board of Directors provide for the right to receive professional services from thirdparty organisations or to engage as experts (consultants) third parties with special knowledge on issues within the competence of the committee.

Committee	Establishment date	Regulations	Data on the members	Resolutions
Reliability Committee	January 2006	Regulation on the Reliability Committee <sup>1</sup> https://www.mrsk-1.ru/about/projects/ Reliability_Committee_Regulation_2017_ english.pdf	https://www.mrsk-1.ru/en/ about/management/controls/ committee/technological/ members/2020/	https://www.mrsk-1.ru/en/ about/management/controls/ committee/technological/ decisions/2020/
Grid Connection Committee	February 2009	Regulations on the Grid Connection Committee <sup>2</sup> https://www.mrsk-1.ru/upload/documents/ Regulation_on_the_Grid_Connection_ Committee_2020_eng.pdf	https://www.mrsk-1.ru/ en/about/management/ controls/committee/realty/ members/2020/	https://www.mrsk-1.ru/ en/about/management/ controls/committee/realty/ decisions/2020/
Strategy Committee	April 2008	Regulation on the Strategy Committee <sup>3</sup> https://www.mrsk-1.ru/upload/files/ Regulation_Strategy_Committee_20191008.pdf	https://www.mrsk-1.ru/en/ about/management/controls/ committee/strategics/ members/2020/	https://www.mrsk-1.ru/en/ about/management/controls/ committee/strategics/ decisions/2020/
Audit Committee	April 2008	Regulation on the Audit Committee <sup>4</sup> https://www.mrsk-1.ru/upload/documents/ polowenie_audit_21.10.2016%20english.pdf	https://www.mrsk-1.ru/ en/about/management/ controls/committee/audit/ members/2020/	https://www.mrsk-1.ru/ en/about/management/ controls/committee/audit/ decisions/2020/
Personnel and Remunerations Committee	April 2008	Regulation on the Personnel and Remuneration Committee <sup>5</sup> https://www.mrsk-1.ru/common/upload/ docs/Prilozhenie_9_Polozhenie_KKiV_2014_ english.pdf	https://www.mrsk-1.ru/ en/about/management/ controls/committee/cadre/ members/2020/	https://www.mrsk-1.ru/ en/about/management/ controls/committee/cadre/ decisions/2020/

Approved by the Board of Directors on 17 July 2017 (Minutes No. 17/17 dated 18 July 2017).

Approved by the Board of Directors on 10 February 2020 (Minutes No. 06/20 dated 10 February 2020).

Approved by the Board of Directors on 7 October 2019 (Minutes No. 33/19 dated 7 October 2019). Approved by the Board of Directors (Minutes No. 04/16 dated 29 February 2016), as amended on 20 October 2016 (Minutes No. 29/16 dated 21 October 2016).

Approved by the Board of Directors on 31 July 2014 (Minutes No. 17/14 dated 1 August 2014).





#### REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE

The main objectives of the Committee are to formulate and submit recommendations to the Board of Directors in the following areas:

• review of the Company's accounting (financial) statements and control over their preparation;

The Audit Committee currently consists of three directors, two of whom are independent.

#### Composition of the Audit Committee and details of its members

Before 30 June 2020		After 30 June 2020		
Full name / Position / Track record	Core position	Full name / Position / Track record	Core position <sup>6</sup>	
Alexander Varvarin Chairman of the Committee Independent Director Year of birth: 1975 A Russian citizen In 1998, graduated from Institute of International Law and Economics n.a. A. Griboedov (Moscow) with a degree in Legal Studies	Vice-President – Managing Director of Legal Regulation and Law Enforcement Office at Russian Union of Industrialists and Entrepreneurs, General Director of NP "Centre for Development of Corporate Relations and Resolution of Economic Disputes"	Alexander Kazakov Chairman of the Committee Independent Director Year of birth: 1948 A Russian citizen In 1971, graduated from Moscow Engineering and Economic Institute with a degree in Engineering and Economics Holds doctorate decree in Economics	Independent member of the Board of Directors of IDGC of Centre	
Maxim Saukh Non-Executive Director Year of birth: 1979 A Russian citizen In 2001, graduated from St. Petersburg Humanitarian University of Trade Unions with a degree in Law	Head of the Corporate Governance Office of the Department for Corporate Governance at PJSC Rosseti	Larisa Romanovskaya Non-Executive Director Year of birth: 1972 A Russian citizen In 1995, graduated from Samara State Economic Academy with a degree in Economics	First Deputy General Director of Rosseti	
Alexander Shevchuk Independent Director Year of birth: 1983 A Russian citizen In 2005, graduated from Financial Academy under the Government of the Russian Federation with a	Executive Director, Association of Institutional Investors Non-Profit Organisation	Alexander Shevchuk Independent Director	Executive Director, Association of Institutional Investors Non-Profit Organisation	

degree in Finance and Credit

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Audit Committee

• control over the reliability and effectiveness of the internal control system, risk management system, and corporate governance practices;

• control over external audits and selection of the auditor;

• ensuring independence and objectivity of the internal audit function;

• control over the efficiency of the system for countering unfair practices of the Company's employees or third parties.

In 2020, the committee held 12 meetings, including two meetings in person, covering a total of 42 issues considered<sup>1</sup>.

More details on the issues considered can be found on the Company's website at the link: https://www.mrsk-1.ru/en/about/management/controls/committee/audit/decisions/2020/

#### Attendance of meetings of the Audit Committee in 2020<sup>1</sup>

Full name of a Committee member	Number of attended meetings of the Committee
Members who was sitting on the Committee throughout 2020	
Alexander Shevchuk	12(2)/12(2)
Members who stepped down from the Committee on 30 June 2020	
Alexander Varvarin	8(1)/8(1)
Maxim Saukh	8(1)/8(1)
Members who were elected to the Committee on 30 June 2020	
Alexander Kazakov	4(1)/4(1)
Larisa Romanovskava	4(0)/4(1)

REPORT OF THE CHAIRMAN OF THE PERSONNEL AND REMUNERATIONS COMMITTEE The main objectives of the Committee are to formulate and submit recommendations to the Board of Directors in the following areas: • developing recommendations on the amount of remuneration payable to	<ul> <li>collective executive body and the person acting as the sole executive body of the Company, including a managing company or a manager;</li> <li>formulating the proposals on determining the key terms of contracts with the members of the Board of Directors, members of the collective executive body and the person acting as the sole executive</li> </ul>	<ul> <li>of the Company, and pre-assessing these candidates;</li> <li>assessing the performance of a person serving as the sole executive body (managing company, manager), and members of the Company's collective executive body on a regular basis, and preparing proposals to the Board of Directors on their re-appointment.</li> </ul>
the Company's Board of Directors;	body of the Company; determining the criteria for selecting	The Personnel and Remuneration
criteria to determine the amount of remuneration for members of the Board of Directors, members of the	candidates to the Board of Directors and the collective executive body, to the position of the sole executive body	Committee currently consists of three members, including one independent director and one non-executive director.

#### Composition of the Personnel and Remuneration Committee and details of its members

Before 30 June 2	020	After 30 June 20	020
Full name / Position / Track record	Core position	Full name / Position / Track record	Core position <sup>2</sup>
Larisa Romanovskaya Chairman of the Committee Non-Executive Director Year of birth: 1972 A Russian citizen In 1995, graduated from Samara State Economic Academy with a degree in Economics	First Deputy General Director of Rosseti	<b>Larisa Romanovskaya</b> Chairman of the Committee Non-Executive Director	First Deputy General Director of Rosseti
Alexander Varvarin Independent Director Year of birth: 1975. A Russian citizen. In 1998, graduated from Institute of International Law and Economics n.a. A. Griboedov (Moscow) with a degree: Legal Studies	Vice-President – Managing Director of Legal Regulation and Law Enforcement Office at Russian Union of Industrialists and Entrepreneurs, General Director of NP "Centre for Development of Corporate Relations and Resolution of Economic Disputes"	<b>Alexander Golovtsov</b> Independent Director Year of birth: 1973. A Russian citizen. In 1996, graduated from Baltic State Technical University n.a. D. Ustinov with a degree in Electrical Engineering	Independent member of the Board of Directors of IDGC of Centre

Data are presented as X(n)/Y(m), where X - the number of meetings attended by a Committee member, V - the total number of meetings held, n and m - the number of meetings held in person. Position of the Personnel and Remuneration Committee members are given as at 31 December 2020.

Before 30 June 2	020
Full name / Position / Track record	Core position
Dmitry Chevkin Non-Executive Director Year of birth: 1976 A Russian citizen n 1998, graduated from Financial Academy under the Government of the Russian Federation with a degree in Finance and Credit	Deputy Director of the HR Management Department of Rosseti (acting director of the HR Management Department of Rosseti)
Andrey Logatkin Member of the Committee non-executive director) Year of birth: 1979 A Russian citizen n 2004, graduated from Università commerciale Luigi Bocconi (Milano, taly) with a degree in Economics and Enterprise Management (by sector)	Director of the International Cooperation Department of PJSC Rosseti
Alexander Shevchuk ndependent Director /ear of birth: 1983 A Russian citizen n 2005, graduated from Financial	Executive Director, Association of Institutional Investors

More details on the issues considered can be found on the Company's website at the link: https://www.mrsk-1.ru/en/about/management/controls/committee/cadre/decisions/2020/

Academy under the Government of the Non-Profit Organisation

In 2020, the committee held 22 meetings, covering a total of 41 issues considered. Even though all meetings of the Personnel and Remuneration Committee were held in absentia, the Company's management arranged a videoconference / conference call with the members of the Committee and the nominees thereto whenever the approval of the later was required. There was no early termination of the powers of the committee members during the corporate year.

Russian Federation with a degree in

Finance and Credit

In the reporting year, the Committee reviewed the organisational structure of the Company's executive office and approved the union of the power grid regions of IDGC of Centre branches. The report on the results of the measures taken to unite the power grid regions of IDGC of Centre - Tverenergo branch was reviewed, and the typical organisational structure of the executive office of IDGC of Centre branch was pre-reviewed.

Committee worked towards making the

#### Attendance by members of the Personnel and Remunerations Committee in 2020<sup>3</sup>

Full name of a Committee member	Number of attended meetings of the Committee
Members who was sitting on the Committee throughout 2020	
Larisa Romanovskaya	22(0)/22(0)
Members who stepped down from the Committee on 30 June 2020	
Dmitry Chevkin	5(0)/5(0)
Alexander Varvarin	5(0)/5(0)
Andrey Logatkin	5(0)/5(0)
Alexander Shevchuk	5(0)/5(0)
Members who were elected to the Committee on 30 June 2020	
Alexander Golovtsov	17(0)/17(0)
Astkhik Bashindzhagyan	17(0)/17(0)

Data are presented as X(n)/V(m), where X - the number of meetings attended by a Committee member, Y - the total number of meetings held, n and m - the number of meetings held in person.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Core position<sup>2</sup>

#### After 30 June 2020

#### Full name / Position / Track record

#### Astkhik Bashindzhagyan

Member of the Committee Year of birth: 1990 A Russian citizen In 2011, graduated from State University of Management with a degree in Management

Deputy Head of the Department for . Corporate Governance at Rosseti

In 2020, the Personnel and Remunerations

composition of the Company's management bodies to be more professional, supervised issues regarding the organisational structure of the Company and its subsidiaries, selection and assessment of persons appointed to certain positions of the Company's executive office, continued its efforts on determining the compliance with the independence criteria of members of the Board of Directors. As a result, the Board of Directors was given recommendations to recognise A. Golovtsov, V. Zarkhin, A. Kazakov and A. Shevchuk as independent directors.

#### REPORT OF THE CHAIRMAN OF THE RELIABILITY COMMITTEE

The main objectives of the Committee are to formulate and submit recommendations to the Board of Directors in the following areas:

- expertise of production programmes, plans for technical retrofitting, reconstruction, new construction and repair of power grid facilities, analysis of their development and execution in terms of ensuring the requirements for reliability of operation and technical condition of the power grids;
- evaluation of the completeness and adequacy of measures taken based on accident investigation results, as well as control over their implementation;
- evaluation of the quality of investigations into the causes of faults (accidents), Company's accidentprevention activities;
- examination of the programmes to prevent and reduce the risk of personal injury to the Company's employees or third parties, as well as control over their implementation;

• control and assessment of the

Company's technical services

performance in terms of ensuring operational reliability and safety of power grids;

examination of the Company's internal technical controls, occupational health and safety management system, environmental policy implementation programme, fire and industrial safety system.

The Board's Reliability Committee currently consists of five members, including one independent director.

#### Composition of the Reliability Committee and details of its members

Before 30 Ju	ne 2020	After 30 June 2020	
Full name / Position / Track record	Core position	Full name / Position / Track record	Core position <sup>1</sup>
Vasiliy Rozhkov Chairman of the Committee Year of birth: 1963 A Russian citizen In 1985, he graduated from Tomsk Institute of Automated Control Systems and Radio Electronics	Director of the Production Performance Department – Deputy Chief Engineer at PJSC Rosseti	<b>Vasiliy Rozhkov</b> Chairman of the Committee	Deputy Chief Engineer, Rosseti
Artem Aleshin Year of birth: 1977 A Russian citizen In 2000, graduated from Nizhny Novgorod State Technical University; In 2004, – Volga-Vyatka Academy of Public Service	Deputy General Director for Economics and Finance at IDGC of Centre	Artem Aleshin	Acting Deputy General Director for Economics and Finance at IDGC of Centre
Alexander Pilyugin Year of birth: 1968 A Russian citizen In 1992, graduated from Kursk Polytechnic Institute with a degree in electric Power Supply; in 2006, – Kursk State Technical University with a degree in Corporate Governance	First Deputy General Director – Chief Engineer at IDGC of Centre	Alexander Pilyugin	First Deputy General Director – Chief Engineer at IDGC of Centre
<b>Igor Polovnev</b> Year of birth: 1969. A Russian citizen In 1992, he graduated from Moscow Technical University of Communications and Informatics	Financial Director, Association of Institutional Investors Non- Profit Organisation	Vitaly Zarkhin Year of birth: 1976 A Russian citizen In 1998, he graduated from State University – Higher School of Economics	Independent member of the Board of Directors of IDGC of Centre
<b>Mikhail Smaga</b> Year of birth: 1966 A Russian citizen In 1991, he graduated Tula Order of the Red Banner of Labour Polytechnic Institute.	Deputy Director of the Centre for Technical Supervision – a branch of PJSC Rosseti	Mikhail Smaga	Deputy Director of the Centre for Technical Supervision – a branch of PJSC Rosseti

In the reporting year, the Committee held 18 meetings, including two meetings in person. In 2020, the Reliability Committee focused on issues related to the

expertise of production programmes, plans for technical retrofitting, reconstruction, new construction and repair of power grid facilities, analysis

More details on the issues considered can be found on the Company's website at the link: https://www.mrsk-1.ru/en/about/management/controls/committee/technological/decisions/2020/

### Attendance by the Reliability Committee members in 2020<sup>2</sup>

Full name of a Committee member		Number of attended meetings of the Committee
Members who was sitting on the Committee through	ghout 2020	
Vasiliy Rozhkov		18(2)/18(2)
Alexander Pilyugin		18(2)/18(2)
Mikhail Smaga		18(2)/18(2)
Artem Aleshin		18(2)/18(2)
Members who stepped down from the Committee of	on 30 June 2020	
Igor Polovnev		9(1)/9(1)
Members who were elected to the Committee on 3	0 June 2020	
Vitaly Zarkhin		9(1)/9(1)
REPORT OF THE CHAIRMAN OF THE STRATEGY COMMITTEE	<ul> <li>innovative development;</li> <li>optimisation of the business-processes</li> <li>business planning;</li> </ul>	<ul> <li>other tasks and areas defined by the Corporate Governance Code of the Bank of Russia.</li> </ul>
<ul> <li>The main objectives of the Committee are to formulate and submit</li> <li>recommendations to the Board of</li> <li>Directors in the following areas:</li> <li>strategic development and business priorities;</li> </ul>	<ul> <li>dividend policy;</li> <li>risk management;</li> <li>organisational structure of the Company;</li> <li>assessment of the performance of the Company's and its subsidiaries;</li> </ul>	The Strategy Committee currently consists of 11 members, including three independent directors.

- priorities;

## Composition of the Strategy Committee and details of its members

Before 7 Aug	ust 2020	After 7 Augu	ist 2020
Full name / Position / Track record	Core position	Full name / Position / Track record	Core position <sup>3</sup>
<b>Egor Prokhorov</b> Chairman of the Committee Year of birth: 1982 A Russian citizen In 2004, graduated from St. Petersburg State University with a degree in Mathematical Economics. Holds a candidate decree in Economics	Deputy General Director for Strategy at Rosseti	Pavel Grebtsov Chairman of the Committee Year of birth: 1976 A Russian citizen In 1994, he graduated from Chelyabinsk Law School of the Department of Social Protection of the Population of the Russian Federation with a degree in Legal Studies and Accounting in the Welfare Protection System; in 1998, – from Lomonosov Moscow State University with a degree in management; in 2000, – Plekhanov Russian University of Economics with a degree in management	Deputy General Director for Economics and Finance at Rosseti

- Data are presented as X(n)/Y(m), where X the number of meetings attended by a Committee member, Y the total number of meetings held, n and m the number of meetings held
- in person Position of the Strategy Committee members are given as at 31 December 2020.

Position of the Reliability Committee members are given as at 31 December 2020.

eral Engineer at Alexander Pilyugin First Deputy General Director - Chief Engineer at IDGC of Centre Vitaly Zarkhin Year of birth: 1976 A Russian citizen In 1998, he graduated from State University - Higher School of Economics	Director for inance at	Artem Aleshin	Acting Deputy General Director for Economics and Finance at IDGC of Centre
r, Association vestors Non- on Vitaly Zarkhin Year of birth: 1976 A Russian citizen In 1998, he graduated from State University – Higher School of Economics	eral Engineer at	Alexander Pilyugin	First Deputy General Director - Chief Engineer at IDGC of Centre
	r, Association westors Non- on	Vitaly Zarkhin Year of birth: 1976 A Russian citizen In 1998, he graduated from State University – Higher School of Economics	Independent member of the Board of Directors of IDGC of Centre

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

of their development and execution in terms of ensuring the requirements for reliability of operation and technical condition of the power grids<sup>2</sup>.

Before 7 Aug	ust 2020	After 7 Augu	ist 2020
Full name / Position / Track record	Core position	Full name / Position / Track record	Core position <sup>3</sup>
Alexey Pavlov Non-Executive Director Year of birth: 1982 A Russian citizen In 2004, graduated from St. Petersburg State University with a degree in Management Science	Head of the Strategy Department of Rosseti, Head of the Strategy Department of PJSC FGC UES (part-time)	Egor Prokhorov	
Alexander Golovtsov Independent Director Year of birth: 1973 A Russian citizen In 1996, graduated from Baltic State Technical University n.a. D. Ustinov with a degree in Electrical Engineering	Independent member of the Board of Directors of IDGC of Centre	Alexander Golovtsov Independent Director	Independent member of the Board of Directors of IDGC of Centre
Vitaly Zarkhin Independent Director Year of birth: 1976 A Russian citizen In 1998, he graduated from State University – Higher School of Economics, with a bachelor degree in Economics; In 2000, he took a master degree in Management	Independent member of the Board of Directors of IDGC of Centre	<b>Vitaly Zarkhin</b> Independent Director	Independent member of the Board of Directors of IDGC of Centre
Olga Tikhomirova Year of birth: 1964 A Russian citizen In 1987, she graduated from Order of Lenin and the Order of the October Revolution Moscow Power Engineering Institute with a degree in Industrial Electronics; in 1995, – from All-Russian Distance Institute of Finance and Economics with a degree in Finance and Credit	Director of the Treasury Department at Rosseti	Vladislav Kapitonov Year of birth: 1978 A Russian citizen In 2001, he graduated from Mari State Technical University with a degree in Finance and Credit; in 2004, – Ivanovo State University of Chemical Technology. Holds a candidate decree in Economics	Director of Corporate Finance at Rosseti
Andrey Romankov Year of birth: 1971 A Russian citizen In 1994, he graduated from Moscow Aviation Institute with a degree in Mechanical Engineering; In 2004, – Academy of Management of the Ministry of Internal Affairs of Russia, with a degree in Municipal and Public Administration	Director of the Technical Policy Department – Deputy Chief Engineer of Rosseti	<b>Daniil Krainskiy</b> Non-Executive Director Year of birth: 1979 A Russian citizen In 2002, graduated from Moscow State Economic Academy with a degree in Law.	Deputy General Director for Legal Support of Rosseti, Deputy General Director for Legal Support of PJSC FGC UES (part-time), Deputy General Director for Legal and Corporate Governance of PJSC Rosseti Lenenergo (part-time)
Alexey Zharikov Independent representative Year of birth: 1970 A Russian citizen In 1993, he graduated from Ordzhonikidze State Academy of Management with a degree in Economics and Management in the fuel and energy sector	Director for the Corporate Policy and Shareholder Relations at JSC Electrocentronaladka	Anastasia Krupenina Independent representative Year of birth: 1985 A Russian citizen In 2007, he graduated from Tver State University with a degree in Finance and Credit	Director for Strategy and Investments at LLC Pyat Plus
Dmitry Mikheev Year of birth: 1983 A Russian citizen In 2005, he graduated from Polzunov Altai State Technical University (Altstu), with a degree in Industrial Power Supply; In 2008, – Altai Academy of Economics and Law (AAEP), with a master degree in management	Director of the Service Sale Department at PJSC Rosseti	Dmitry Mikheev	Director of the Service Sale Department at PJSC Rosseti

Before 7 August 2020 Full name / Position / Track record Core position Alexander Pilyugin Year of birth: 1968 A Russian citizen In 1992, graduated from Kursk First Deputy General Director – Chief Engineer at Polytechnic Institute with a degree in electric Power Supply; IDGC of Centre in 2006, - Kursk State Technical University with a degree in Corporate Governance Irina Shagina Year of birth: 1979 A Russian citizen

In 2001, she graduated from All-Russian Correspondence Financial Director of the Tariff Policy and Economic Institute with a Department at Rosseti degree in Accounting And Audit, Economist; In 2013, - Vladimir Law Institute of the Federal Penitentiary Service of Russia, with a degree in Law

#### Alexander Shevchuk

Independent Director Year of birth: 1983 A Russian citizen In 2005, graduated from Financial Academy under the Government of the Russian Federation with a degree in Finance and Credit

#### Executive Director, Association of Institutional Investors Non-Profit Organisation

More details on the issues considered can be found on the Company's website at the link: https://www.mrsk-1.ru/en/about/management/controls/committee/strategics/decisions/2020/

In 2020, the Committee held 24 meetings, including five meetings in person, covering a total of 64 issues considered<sup>1</sup>.

Just like previous years, the activities of the Strategy Committee in 2020 were

focused on comprehensive analysis and study of key issues regarding financial and investment planning of the Company's operations. Adhering to the Corporate Governance Code approved by the Bank of Russia, the Committee

More details on the issues considered can be found on the Company's website at the link given above.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

#### After 7 August 2020 Full name / Position / Track record Core position<sup>3</sup>

Alexander Pilyugin

First Deputy General Director – Chief Engineer at IDGC of Centre

#### Maria Tikhonova

Year of birth: 1980 A Russian citizen In 2002, she graduated from Volga-Vyatka Academy of Public Service with a degree in Management; In 2005, - Academy of National Economy at the Government of the Russian Federation, professional retraining under the State Management of Economic Development programme; In 2008, - Higher School of Economics under the Master of Business Administration (MBA) programme, with a degree in Finance

Deputy General Director for Corporate Governance at Rosseti

#### Alexander Shevchuk Independent Director

Executive Director, Association of Institutional Investors Non-Profit Organisation

continued the practice to consider the most significant issues related to the approval of financial statements and planned performance indicators of the Company at the meetings held in person.

#### Attendance by members of the Strategy Committee in 2020<sup>1</sup>

Full name of a Committee member	Number of attended meetings of the Committee
Members who was sitting on the Committee throughout 2020	
Alexander Golovtsov	24(5)/24(5)
Vitaly Zarkhin	24(5)/24(5)
Dmitry Mikheev	24(5)/24(5)
Alexander Pilyugin	24(4)/24(5)
Egor Prokhorov	24(3)/24(5)
Alexander Shevchuk	24(4)/24(5)
Members who stepped down from the Committee on 7 August 2020	
Alexey Zharikov	12(2)/12(2)
Alexey Pavlov	12(2)/12(2)
Olga Tikhomirova	12(2)/12(2)
Andrey Romankov	9 (1)/12 (2)
Irina Shagina	12(2)/12(2)
Members who were elected to the Committee on 7 August 2020	
Pavel Grebtsov	12(3)/12(3)
Vladislav Kapitonov	12(3)/12(3)
Daniil Krainskiy	12(3)/12(3)
Anastasia Krupenina	12(3)/12(3)
Maria Tikhonova	12(3)/12(3)

#### REPORT OF THE CHAIRMAN OF THE COMMITTEE FOR POWER GRID CONNECTION

The main objectives of the Committee are to formulate and submit recommendations to the Board of Directors in the following areas:

- development of proposals to improve the legal framework for antimonopoly regulation and ensure non-discriminatory access to grid connection services for consumers;
- development of proposals to improve the Company's internal regulations and standards covering non-discriminatory access to grid connection services for consumers;
- elaboration of the principles and criteria for assessment of the Company's performance related to grid connection of consumers;

- assessment of the Company's performance related to grid connection of consumers, better planning of the power grid development;
- analysis of the Company's current situation and preparation of proposals to the Board of Directors concerning the grid connection of consumers and the long-term development of the power grid;
- development of proposals to improve the Company's internal regulations and standards covering additional (non-tariff) services sales;
- development of proposals on optimising and upgrading the services, expanding the list of non-tariff services and additional services for the consumers in the area of other types of activities through a lens of the Digital Transformation 2030 Concept;
- elaboration of the principles and criteria for assessment of the Company's performance related to developing and implementing additional services; assessment of the Company's performance related to developing and implementing additional services;
- analysis of the Company's current situation and formulation of proposals to the Board of Directors concerning development and implementation of additional (nontariff) services, additional digital services for consumers.

The Grid Connection Committee currently consists of five members, including one independent director.

More details on the issues considered can be found on the Company's website at the link: https://www.mrsk-1.ru/about/management/controls/committee/realty/decisions/2020/

Data are presented as X(n)/Y(m), where X - the number of meetings attended by a Committee member, Y - the total number of meetings held, n and m - the number of meetings held in person

#### Composition of the Grid Connection Committee and details of its members

Before 20 July 2020		From 20 July 2020	
Full name / Position / Track record Core position F		Full name / Position / Track record	Core position <sup>2</sup>
Alexander Pyatigor Chairman of the Committee Year of birth: 1980 A Russian citizen In 2002, he graduated from Akmola State Pedagogical Institute named after S. Seifullin	Deputy General Director for Service Sales at Rosseti	Alexey Molsky Chairman of the Committee Year of birth: 1980. A Russian citizen In 2004 he graduated from Moscow Power Engineering Institute	Deputy General Director for Investments, Capital Construction and Service Sales at Rosseti
Alexander Golovtsov Independent Director Year of birth: 1973. A Russian citizen. In 1996, he graduated from State Technical University n.a. D. Ustinov	Independent member of the Board of Directors at IDGC of Centre	Alexander Golovtsov Independent Director	Independent member of the Board of Directors at IDGC of Centre
<b>Vasiliy Kukharenko</b> Year of birth: 1979 A Russian citizen In 2002, he graduated from Moscow Power Engineering Institute	Chief Expert of the Office for Grid Connections and Additional Services of the Department for Grid connection and Infrastructure Development, PJSC Rosseti	Philipp Zorin Year of birth: 1982 A Russian citizen In 2004, he graduated from Ivanovo State Power Engineering University with a degree in Electric Power Systems and Grids	General Director of JSC APBE – Director for Network Growth of the branch of PJSC FGC UES – main power transmission lines of the Centre
Igor Polovnev Independent representative Year of birth: 1969. A Russian citizen In 1992, he graduated from Moscow Technical University of Communications and Informatics	Financial Director, Association of Institutional Investors Non- Profit Organisation	Vitaly Zarkhin Independent Director Year of birth: 1976 A Russian citizen In 1998, he graduated from State University – Higher School of Economics	Independent member of the Board of Directors at IDGC of Centre
Vladislava Rezakova Year of birth: 1973 A Russian citizen In 1995, graduated from Orenburg State Technical University	Deputy General Director for Sales and Development of Services, IDGC of Centre	Vladislava Rezakova	Deputy General Director for Service Sales at IDGC of Centre
Over the year, the Committee contir with the analysis of the current situ in terms of power grid connection o Attendance by Committee for	nued consumers and the a ation Company's performa f power grid connection Power Grid Connection r	assessment of the ance related to on of the consumers.	nittee held 11 meetings, wo meetings held in person³.
Full name of a Committee member		Number of atten	ded meetings of the Committee
Members who was sitting on the Committ	ee throughout 2020		
Alexander Golovtsov			11(2)/11(2)
Vladislava Rezakova			11(2)/11(2)
Members who stepped down from the Co	mmittee on 20 June 2020		
Vasiliy Kukharenko			6(0)/6(1)
Igor Polovnev			6(1)/6 (1)
Alexander Pyatigor			6(1)/6(1)
Members who were elected to the Commi	ttee on 20 June 2020		
Alexey Molsky			5(1)/5(1)
Philipp Zorin			5(1)/5(1)
Vitaly Zarkhin			5(1)/5(1)

Positions of members of the Grid Connection Committee are given as at 31 December 2020. More details on the issues considered can be found on the Company's website at the link given above. Data are presented as X(n)/Y(m), where X - the number of meetings attended by a Committee member, Y - the total number of meetings held, n and m - the number of meetings held in person.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

## **GENERAL DIRECTOR**

The General Director is responsible for the executive management of the Company, except for matters that are within the competence of the General Meeting of Shareholders, the Board of Directors, and the Management Board of the Company.



Igor Makovskiy

Date of birth: 24 May 1972, Semipalatinsk.

In 1993, he graduated from Alma-Ata Boarder Command School named after F. Dzerzhinsky; In 2000, - Kaliningrad State University, with a degree in Law; in 2004, - North-Western Academy of State Service, with a degree in State and Municipal Management. From 1993 to 1999, served in the military forces of the Russian Federation. In 2009, he was elected a member of the Kaliningrad district Council of Deputies from election district No.1 (a part of the Moskovsky district and Pribrezhny settlement).

From 2012 to 2018, served as General Director of JSC Yantarenergo. In July 2012, he was elected a member of the Board of Directors of JSC Yantarenergo. From September 2018, has been chairing the Board of Directors of JSC Vantarenergo.

Since February 2013, he has held the positions of member and chairman of the Board of Directors of JSC Yantarenergosbyt, JSC Kaliningrad Generating Company. From February 2013 to September 2020, - Member and Chairman of the Board of Directors at JSC Yantarenergoservis.

In September 2018, he was appointed General Director, Chairman of the Management Board at IDGC of Centre, Chairman of the Management Board at IDGC of Centrer and Volga Region.

In 2019, he was elected a member of the Board of Directors of IDGC of Centre, IDGC of Center and Volga Region and Chairman of the Board of Directors of JSC YarEGC.

Holds the following awards: the Russian Orthodox Church Order of the Faithful Saint Prince Daniel of Moscow, 3rd class, Order and Medal of Merit for the Kaliningrad Region, Certificate of Merit for the Republic of Dagestan, the Letter of Gratitude from the President of the Russian Federation, the Letter of Gratitude and Certificate of Merit from PJSC Rosseti, Medal "85 Years of Civil Defence" of EMERCOM of Russia, the Letter of Gratitude from the Russian Ministry of Energy, Badge of Honor "For Contribution to the Development of the Power Grid Complex", 2nd class, Commemorative Medal "XXII Olympic Winter Games and XI Paralympic Winter Games of 2014 in Sochi", Commemorative Badge "For Provision of the Reliable Operation of the Olympic Power Facilities", Badge of Honor "For reliable operation of the Olympic Power Facilities", Badge of Honor "For Contribution into Construction of Olympic Facilities of Sochi Power District Grid Complex".

## MANAGEMENT BOARD

Chairman of the Management Board (General Director).

Activities of the Management Board are covered by the Federal Law On Joint-Stock Companies No. 208-FZ dated 26 December 1995, Articles of Associations of IDGC of Centre, and Regulations on the Management Board. The Management Board reports to the General Meeting of Shareholders and Board of Directors of the Company.

The Management Board is responsible for the practical implementation of the Company's goals, development strategy and policy and manages the day-to-day operations within its competence, covering:

- preliminary consideration, development and submission of recommendations to the Board of Directors on issues that fall within the competence of the Company's Board of Directors;
- preparation of the development strategy of the Company and submission it to the Board of Directors:
- approval (adjustment) of KPIs of the Company's top managers and approval of their achievement reports;
- preparation of the Company's business plan, their progress reports, as well as approval of the main parameters of budget revenues and expenditures;
- efficient risk management within current activities of the Company;
- making decisions on issues that fall within the competence of the supreme management bodies of controlled companies, where the Company exercises the rights of the sole shareholder (participant), etc.

The number of the Management Board's members is determined by individual decisions of the Board of Directors. In 2020, the Management Board consisted of seven people, including the Chairman of the Management Board - General Director of the Company.

During 2020, the following changes took place in the Company's Management Board in connection with the HRI-related decisions: On 23 December 2020, the Board of Directors decided to terminate the powers of the members of the Management Board - Vitaly Akulichev and Dmitry Sklyarov and to elect Artem Aleshin and Alexander Egorychev in stead.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

## The Company's Management Board is a collective executive body headed by the

#### Current membership of the Management Board of IDGC of Centre



#### Igor Makovskiy

Chairman of the Management Board, General Director

See General Director subsection

#### Current membership of the Management Board of IDGC of Centre<sup>1</sup>



**Alexander Pilyugin** 

Deputy Chairman of the Management Board

First Deputy General Director -Chief Engineer

#### Year of birth: 1968

A Russian citizen

In 1992, he graduated from Kursk Polytechnic Institute with a degree in Power Supply.

in 2006, – Kursk State Technical University with a degree in Corporate Governance.

#### Positions held over the past five years

From June 2019, - a member of the Board of Directors of JSC Automobile Transport Unit.

From November 2016, he is a member of the Management Board of IDGC of Center and Volga Region. From November 2016 to October 2017, - Adviser to General Director at IDGC of Center and Volga Region.

From November 2014, - First Deputy General Director – Chief Engineer of IDGC of Centre.

From February 2014, – a member of the Management Board at IDGC of Centre.



Artem Aleshin

Acting Deputy General Director for Economics and Finance

#### Year of birth: 1977

at IDGC of Centre.

A Russian citizen

In 2000, he graduated from Nizhny Novgorod State Technical University with a degree in Management;

In 2004, – Volga-Vyatka Academy of Public Service with a degree in Law.

#### Positions held over the past five years

From July 2020, he is a member of the Management Board of IDGC of Centre and IDGC of Center and Volga Region. From November 2020, – acting Deputy General Director for Economics and Finance

From October 2020, - a member and Chairman of the Board of Directors of JSC VGES.

From May 2020, - a member and Chairman of the Board of Directors of JSC Sanatorium Energetik.

From June 2018, – a member of the Board of Directors of JSC Svet.

From June 2017, - a member of the Board of Directors of JSC Automobile Transport Unit.

From May 2019 to November 2020, held positions of Deputy General Director for Economics and Finance, Acting Deputy General Director for Economics and Finance, Advisor to General Director of the Office of General Director of IDGC of Centre.

From June 2007 to January 2020, - Director for Economics and Head of the Department of Economics of IDGC of Center and Volga Region.



#### Aleksander Egorychev

Deputy General Director for Organisational Issues

#### Year of birth: 1969.

A Russian citizen

In 1992, he graduated from Kaliningrad Higher Engineering Order of Lenin Red Banner School of Engineering Troops n.a. A. Zhdanov, with a degree in Engineering Weapons;

In 2013, - St. Petersburg State Forestry Engineering University n.a. S. Kirov with a degree in Forestry.

#### Positions held over the past five years

From July 2020, he is a member of the Management Board of IDGC of Centre and IDGC of Center and Volga Region.

From September 2020, - Deputy General Director for Organisational Issues at IDGC of Centre.

From August to September 2020, - Acting Deputy General Director for Organisational Issues, Assistant General Director of IDGC of Centre.

From November 2015 to March 2017, he held the positions of Acting Deputy Chairman, Deputy Chairman of the Government of the Kaliningrad Region - Chief of the Government Staff of the Kaliningrad Region.



Yury Marakin Deputy General Director for Security

Year of birth: 1973

A Russian citizen

Year of birth: 1960

In 1983, he graduated from Kaliningrad Higher Naval School with a degree in Naval Armament;

In 2011, - Academy of Security and Special Programmes.

#### Positions held over the past five years

From July 2019, - a member of the Management Board at IDGC of Centre.

From February 2019, - Deputy General Director for Security at IDGC of Centre.

From March 2017 to February 2019, - Adviser to General Director of PJSC TGC-1.

From February 2014 to February 2017, -Deputy General Director for Corporate Security at PJSC TGC-1.



Vladislava Rezakova

Deputy General Director for Service Sales

A Russian citizen

In 1995, she graduated from Orenburg State Electronics.

Positions held over the past five years

From March 2020, - a member of the Board of Directors at JSC TGES, JSC IEC Energoefficiency Technologies.

From November 2019, - a member and Chairman of the Board of Directors of JSC VGES.

From July 2019, – a member of the Management Board of IDGC of Centre and IDGC of Center and Volga Region.

From April 2019, - Deputy General Director for Service Sales, Acting Deputy General Director for Service Sales, Deputy General Director for Service Development and Sales, Adviser to General Director of IDGC of Centre.

From April 2016 to April 2019, held the position of General Director, Acting General Director of JSC Yantarenergosbyt.

From October 2014 to April 2016, - Head of the Department for Service Sales and Power Metering Systems at JSC Yantarenergo.

#### 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW

#### 5 CORPORATE GOVERNANCE

- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Technical University with a degree in Industrial



#### Lyudmila Sklyarova

Chief Accountant - Head of the Department for Financial and Tax Accounting and Reporting

Year of birth: 1958

A Russian citizen

In 1982, she graduated from Correspondence Institute of Soviet Trade with a degree in Merchandising and Trading of Food Products.

in 1989, - Karaganda Cooperative Institute with a degree in Accounting and Business Analysis in the National Economy Sectors.

#### Positions held over the past five years

From October 2014. – a member of the Management Board at IDGC of Centre.

From April 2013, held the position of Chief Accountant - Head of the Department for Financial and Tax Accounting and Reporting at IDGC of Centre.

From April to September 2017, – Adviser to General Director of IDGC of Center and Volga Region (part-time).

#### Information on people who were members of the Management Board in 2020 and left office in 2020<sup>1</sup>

	Year of birth: 1987
	A Russian citizen
	in 2010, graduated from Kaliningrad State Technical University with a degree in Power
	Subsidions.
Vitaly Akulichev	From November 2020, – Acting Deputy General Director for Digital Transformation at IDGC of Centre.
Sitting on the Management Board: from 5 March 2019 to 23 December 2020 Acting Deputy General Director for Digital Transformation	Director – Director for Development of IDGC of Centre, Acting First Deputy General Director – Development Director, Acting First Deputy General Director (part-time),
	Adviser to the First Deputy General Director of IDGC of Centre. From June 2019, – a member of the Board of Directors at JSC IEC Energoefficiency Technologies and JSC Svet.
	From March 2019 to December 2020, he is a member of the Management Board of IDGC of Centre and IDGC of Center and Volga Region.
	From April 2015 to October 2018, – Director of the Directorate for Strategic Development, Chief Specialist of the Directorate for Strategic Development at JSC Vantarenergo.
	Vear of birth: 1979 A Russian citizen
	In 2000 and 2002, he graduated from Moscow Power Engineering Institute (Technical University) with a degree in Thermal Power Plants; in 2007, – Academy of National Economy under the Government of the Russian Federation with a degree in Finance and
Dmitry Sklyarov	Credit.
Sitting on the Management Board:	Positions held over the past five years
from 31 July 2019 to 23 December 2020. Acting Deputy General Director for	From November 2020, – Acting Deputy General Director for Investment Activities at IDGC of Centre.
Investment Activities	From July 2019 to December 2020, – a member of the Management Board at IDGC of Centre.
	From November 2014 to November 2020, he held the positions of Deputy General
	Director for Investment Activities and Capital Construction, Deputy General Director
	for Investment Activities, Deputy General Director for Logistics and Logistics at IDGC of Centre.

#### Information about the members of the Management Board

Full name of the Management Board member	Terms of office in the Management Board	Shareholding in IDGC of Centre (directly or indirectly)
Igor Makovskiy	From 19 September 2018	No shareholding
Artem Aleshin	From 23 December 2020	No shareholding
Aleksander Egorychev	From 23 December 2020	No shareholding
Yury Marakin	From 31 July 2019	No shareholding
Vladislava Rezakova	From 31 July 2019	No shareholding
Alexander Pilyugin	From 17 February 2014 (over 5 years)	0.00035%
Lyudmila Sklyarova	From 15 October 2014 (over 5 years)	No shareholding
Vitaly Akulichev	From 5 March 2019 to 23 December 2020	No shareholding
Dmitry Sklyarov	From 31 July 2019 to 23 December 2020	No shareholding

Additional information on members of the Management Board of IDGC of Centre:

- 29% of the members are women;
- in 2020, members of IDGC of Centre's Management Board did not acquire/ dispose the Company's shares;
  - In 2020, no lawsuits against members of the Management Board were filed;
- members of the Company's Management Board hold no positions in rival companies; there were no conflicts of interest during 2020.

## THE CHAIRMAN'S REPORT ON THE MANAGEMENT BOARD PERFORMANCE

The work of the Management Board was aligned with the preliminarily approved quarterly plans of meetings.

Apart from day-to-day management of the Company, the significant number of issues considered in 2020 was related to recommendations for the Board of Directors on focus areas of the Company's activities and making decisions on matters falling within the competence of supreme governing bodies of the subsidiaries, where the Company exercises powers of the sole shareholder.

Being a key actor in the risk management process, the Management Board devoted much of its time to setting up and improving a robust risk management and internal control framework in the Company. The Management Board also reviewed Deputy General Directors' quarterly reports on performance in their areas of responsibility.



#### Attendance by Management Board members in 2020<sup>2</sup>

Full name of the Management Board member	Full name of the Management Board member
Igor Makovskiy	41(1)/43(1)
Artem Aleshin (from 24 December 2020)	3(0)/3(0)
Aleksander Egorychev (24 December 2020)	3(0)/3(0)
Yury Marakin	41(1)/43(1)
Alexander Pilyugin	42(1)/43(1)
Vladislava Rezakova	40(1)/43(1)
Lyudmila Sklyarova	41(1)/43(1)
Vitaly Akulichev (until 23 December 2020)	40(1)/40(1)
Dmitry Sklyarov (until 23 December 2020)	39(1)/40(1)

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

## **REPORT ON REMUNERATIONS**

Internal documents on the remuneration and compensation of IDGC of Centre

Regulation	Approving authority, date of approval	Details of Minutes	Link to the website page
The Regulation on Payment of Remuneration and Compensation to the Members of the Reliability Committee of the Board of Directors	30 May 2019, Annual General Shareholders Meeting	No. 01/19 dated 31 May 2019	https://www.mrsk-1.ru/ upload/Regulation_payment_ remuneration_compensation_to_ members_BDirectors_2019.pdf
The Regulation on Payment of Remuneration and Compensation to the Members of the Committee for Power Grid Connection of the Board of Directors			
The Regulation on Payment of Remuneration and Compensation to the Members of the Strategy and Development Committee of the Board of Directors	- 2 September 2009, as		https://www.mrsk-1.ru/upload/ documents/Polozhenie_0_vyplate_ voznagrazhdenij_KpTP_english.pdf
The Regulation on Payment of Remuneration and Compensation to the Members of the Audit Committee of the Board of Directors	amended on 31 December No. 2015, No. Board of Directors	No. 13/09 dated 2 September 2009 No. 28/12 dated 31 December 2015	https://www.mrsk-1.ru/upload/ documents/Polozhenie_o_vyplate_ voznagrazhdenij_KS_english.pdf
The Regulation on Payment of Remuneration and Compensation to the Members of the Personnel and Remunerations Committee of the Board of Directors	-		https://www.mrsk-1.ru/upload/ documents/Polozhenie_o_vyplate_ voznagrazhdenij_KA_english.pdf
The Regulations on Financial Incentives and Social Benefits for Senior Managers	-		https://www.mrsk-1.ru/upload/ documents/Polozhenie_o_vyplate_ voznagrazhdenij_KKiV_english.pdf
The Regulations on Financial Incentives for the General Director	15.07.2011, as amended on 07.09.2017, Board of Directors	No. 16/11 dated 18 July 2011, No. 22/17 dated 8 September 2017	-
The Regulations on Financial Incentives for the General Director	15 July 2011, as amended on 18 December 2014, 26 February 2015, 29 May 2017, 7 September 2017, 30 September 2019, 30 November 2020, Board of Directors	No. 16/11 dated 18 July 2011, No. 29/14 dated 19 December 2014, No. 03/15 dated 27 February 2015, No. 14/17 dated 31 May 2017, No. 22/17 dated 8 September 2017, No. 31/19 dated 30 September 2019, No. 58/20 dated 30 November 2020	-

## CONTROL OF THE IMPLEMENTATION OF THE REMUNERATION POLICY GRI 102-35, 102-36

The Company has a Personnel and Remuneration Committee that ensures the effective work of the Company's Board of Directors in addressing issues related to remuneration and financial incentives.

When the remuneration system is formed and a specific amount of remuneration to members of IDGC of Centre's management bodies is determined, it is assumed that the level of benefits must be sufficient to attract, motivate and retain persons with the competence and qualifications necessary for the Company. In this regard, the Board of Directors, with the involvement of the Personnel and Remunerations Committee, controls (supervises) the implementation of the Remuneration Policy in the Company.

Competencies of the Personnel and Remuneration Committee

The competences required by the Regulations on the Personnel and Remunerations Committee

Formulation of principles, criteria and recommendations for remuneration and financial incentives:

- for members of the Company's Board of Directors, Chairman of the Company's Board of Directors;
- fro members of the Company's Management Board, the General Director of the Company, the managing company or the manager:
- for members of the Company's Audit Commission, Chairman of the Company's Audit Commission

Preparation of recommendations on the approval (amendment) of internal documents regulating the remuneration and financial incentive issues

Development of proposals for defining the material terms of contracts (including the term of office and the amount of remuneration and compensation paid) concluded with members of the Company's Board of Directors, members of the Management Board, the Company's General Director, the managing company or the manager, as well as the introduction of changes into these contracts

Regular assessment of the performance of the Company's General By the end of the employment contract term, the Committee pre-Director, the managing company (the manager), members of reviews the performance results and provides recommendations the Company's Management Board and preparation of relevant regarding General Director to the Board of Directors recommendations to the Company's Board of Directors

Review of the performance of the employees holding positions, At the end of the employment contracts term, the Committee precandidates for which are agreed upon by the Company's Board of reviews the area-specific performance results of the Company's Directors, and preparation of relevant recommendations to the Deputy General Directors and gives recommendations to the Company's General Director General Director whether to renew the employment contract or not

An independent assessment of the Company's remuneration system (its individual components) was not performed.

### **REMUNERATION OF MANAGEMENT AND CONTROL BODIES**

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS

Remuneration to the members of IDGC of Centre's Board of Directors shall be subject to the Regulations on Remuneration and Compensation to the Members of IDGC of Centre's Board of Directors approved in 2019 by the General Meeting of Shareholders of the Company.

and accommodates: • number of meetings attended by the Director;

126

127

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

#### Application practice in IDGC of Centre

The Committee preliminarily reviews and gives recommendations to the Board of Directors on the approval/introduction of changes to the Methodology for Calculation and Assessment of Key Performance Indicators of the General Director, on awarding of bonuses to the General Director (additional, special, for KPIs achieved under the SEB powers transfer contract, for performance of a especially critical task)

The Committee preliminarily reviews and gives recommendations to the Board of Directors on the approval/introduction of changes to the Regulations on Payment of Remuneration and Compensation to the Members of the Company's Board of Directors, the Regulations on Payment of Remuneration and Compensation to the Members of the Company's Audit Commission, the Regulations on Financial Incentives for the General Director of the Company, the Regulations on Financial Incentives and Social Benefits for Senior Managers of the Company

The Company's Board of Directors, with regard to Art. 21 of the Company's Articles of Associations, decided to approve the person authorised to define the terms of the employment contract, including the term of office for the General Director and members of the Company's Management Board

The Personnel and Remuneration Committee report, containing, among other things, the number of meetings held and issues considered, can be found in Committees of the Board of Directors section of the Annual Report.

Remuneration to the members of the Board of Directors is paid on a quarterly basis

• positions overlapping in the committees of the Board of Directors.

## Procedure for determining the amount of remuneration to members of the Board of Directors

### **Criteria and calculation**

#### t is calculated using the formula: S (1) = Rbase / 4 × 100 / 130 (n / m),

where:

- Rbase the amount of the base annual remuneration by reference to the Company's revenue under RAS calculated for the last completed reporting year before the election of the Board of Directors;
- **n** the number of meetings of the Board of Directors attended by a Board member in the reporting quarter;
- **m** the total number of meetings of the Board of Directors in the reporting quarter. Rbase depending on the revenue under RAS calculated for the last completed reporting
- over RUB 200 bn = RUB 3.000.000: - over RUB 70 bn = RUB 2,700,000;
- over RUB 30 bn = RUB 2,200,000;
- over RUB 10 bn = RUB 1,600,000;
- over RUB 1 bn = RUB 1.000.000:
- under RUB 600 mn = RUB 600,000.

Bonuses: +30% - to the Chairman of the Board of Directors; +20% - to a committee chairman under +10% - to membership in a committee under the Board of Directors.

#### Restriction:

the total amount of the quarterly exceed ¼ of Rbase

## Amount paid in 2020



There are no additional payments or compensation in case of early termination of the powers of the Board's members. Non-monetary incentives were not provided to members of the Board of Directors<sup>1</sup>.

Members of the Board of Directors are reimbursed for expenses associated with attending the meetings of the Board of Directors, committees thereunder, General Meetings of Shareholders of the Company according to the rules for reimbursement of travel expenses valid at the time of the meeting at the Company.

#### Total remuneration paid out to the members of the Board of Directors, RUB '000 incl. PIT

Type of remuneration	Amount of remuneration		
	2018	2019	2020
Remuneration for service on a management body	7,153	15,583	23,695
Salaries of members of the Board of Directors employed by the Company	-	-	-
Bonuses	-	-	-
Commission	-	-	-
Other types of remuneration	-	-	-
Reimbursement of expenses related to service on the Board of Directors	-	-	-
Total	7,153	15,583	23,695

The remuneration for the Board of Directors' member, who is the Chairman of the Management Board and holds the position of the Company's General Director, is included in the table "Remuneration paid to members of the Management Board".

#### Personal remuneration paid out to members of the Board of Directors of IDGC of Centre in 2020<sup>2</sup>, RUB with PIT

Full Name	Personal remuneration
Alexander Varvarin	1,776,563
Alexander Golovtsov	2,544,231
Vitaly Zarkhin	2,388,462
Alexander Kazakov	2,599,399
Daniil Krainskiy	571,154
Andrey Logatkin	1,534,976
Andrey Mayorov	675,000
Konstantin Mikhailik	519,231
Alexey Pavlov	2,232,692
Vasiliy Rozhkov	623,077
Larisa Romanovskaya	2,544,231
Dmitry Chevkin	1,534,976
Alexander Shevchuk	2,648,077

Remuneration for the member of the Board of Directors, I. Makovskiy, was not be accrued and paid out since he is General Director of the Company. A member of the Board of Directors, M. Saukh, did not provide written consent to the disclosure of the amount of his personal remuneration.

In 2018–2020, the Company did not lend

not enter into other civil law contracts

Board of Directors of IDGC of Centre are paid out in accordance with the relevant regulations approved by the Company's Board of Directors.

In line with the approved Policy in place at IDGC of Centre, remuneration was paid in 2020 to members of the Committees for attendance of committee meetings. The amount of remuneration depends on the form of the meeting:

to members of the Board of Directors, did • two minimum monthly wages of a skill with members of the Board of Directors. category 1 worker (hereinafter the minimum monthly wage) for attending

#### Remuneration to members of Committees of the Board of Directors

Remuneration and compensation to members of the committees under the

### the meetings held in person; • one minimum monthly wage for attending the meetings held by absentee voting.

Committee	2018	2019	2020	
Reliability Committee	706	848	392	
Committee for Power Grid Connection	317	517	337	
Strategy Committee	954	1,368	1,532	
Audit Committee	No remuneration was paid t	No remuneration was paid because the Committee included only members of the Board of Directors		
Personnel and Remunerations Committee	No remuneration was paid because the Committee included only members of the Board of Directors		152	

The information is disclosed with the written consent of members of the Board of Directors.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Remuneration payable to the Chairman of the is 50% higher.

Remuneration to members of the Board Committees who are also members of the Company's Board of Directors is paid in the form and amount stipulated by the Regulation on Payment of Remuneration and Compensation to the Members of the Board of Directors. These persons receive an additional allowance set at:

- 10% for a committee member;
- 20% for a committee Chairman.

Remuneration is not paid out to members who are also members of the Company's Management Board.

#### Remuneration paid out to members of the Board's Committees, RUB 'OOO incl. PIT

Including the remuneration in the form of shares (or based on shares), options (option contracts) for the purchase of shares, employment benefits or non-monetary benefits (provision of housing or reimbursement of housing expenses, insurance reimbursement, pension deductions, provision of a company car or compensation of expenses of the car use for work-related purposes, the provision of goods or services for free or at a reduced price, etc.).

#### **REMUNERATION TO THE GENERAL** DIRECTOR

Remuneration for the General Director of IDGC of Centre is determined by the employment contract and the Regulations on Financial Incentives for the General Director of IDGC of Centre. General Director is paid an official salary and bonuses for the achievement of KPIs.

Bonuses are paid out to the General Director based on the KPI achievement report approved by the Board of Directors in the following cases:

- based on the results of quarterly and yearly KPIs of the Company;
- based on achieving the strategic priorities determined by the Company's Board of Directors for the year.

In the reporting year, General Director received the remuneration for the achievement of KPIs. These payments were included in the remuneration amount paid out to members of the Company's Management Board.

#### REMUNERATION TO THE MEMBERS OF THE MANAGEMENT BOARD

Members of IDGC of Centre's Management Board are the Company's employees, so the remuneration is paid out under the terms of their employment contracts. The Management Board's members receive a monthly remuneration of RUB 15,800 for their service on the Management Board.

By resolution of the Company's Board of Directors, members of the Management Board are classified as senior managers. In line with the Regulations on Financial Incentives and Social Benefits for Senior Managers of IDGC of Centre approved by the Company's Board of Directors, senior managers receive bonuses based on KPIs achieved in the reporting period (on a quarterly and yearly basis).

The list of key performance indicators of IDGC of Centre for 2020 and their target values are given in the Key Performance Indicators section of the Annual Report.

In 2020, General Director and senior managers that are members of the Management Board received remuneration based on the their performance in 2019.

#### Total remuneration paid to members of the Management Board, RUB 'OOO incl. PIT

Type of remuneration	2018	2019	2020
Remuneration for service on a management body	919	591	918
Salary	79,725	54,101	66,163
Bonuses	105,668	33,793	95,491
Commission	-	-	-
Other types of remuneration	-	-	-
Reimbursement of expenses related to service on the Management Board	-	-	-
Total	186,312	88,485	162,572

The total remuneration of the Management Board's members includes the remuneration of the General Director, who chairs the Management Board.

In 2018–2020, the Company did not make loans (credits) to members of the Management Board, to the General Director, and did not enter into other civil law contracts.

#### REMUNERATION OF THE CORPORATE SECRETARY

The Board of Directors determines the amount and procedure for payment of remuneration of, and bonus scheme for, the Corporate Secretary taking into account recommendations of the Personnel and Remuneration Committee. The Company's General Director signs an employment contract with the Corporate Secretary on the terms and conditions approved by the Company's Board of Directors.

Under the terms and conditions of the employment contract, monthly remuneration payable to the Corporate Secretary of IDGC of Centre amounts to RUB 40,000.

Pursuant to the Regulations on Payment of Remuneration and Compensation to Members of the Board's Committees, remuneration is also payable for the provision of secretary services to the Board's Committees at each meeting of the relevant Committee in the amount equivalent to 0.5 of the minimum monthly wage as at the meeting date.

#### Remuneration paid to the Corporate Secretary<sup>1</sup>, RUB '000 incl. PIT

Type of remuneration	2018	
Remuneration of the Corporate Secretary	482	
Remuneration of the Secretary of the committees under the Board of Directors	314	
Total	796	

#### REMUNERATION OF MEMBERS OF THE AUDIT COMMISSION

Remuneration paid to members of the Audit Commission is based on the Regulations on Payment of Remuneration and Compensation to Members of the Audit Commission of IDGC of Centre. Remuneration is determined from the revenue received by the Company in the reporting period, and accommodates the attendance of the Audit Commission meetings.

## **CONTROL AUTHORITIES**

#### AUDIT COMMISSION

The Audit Commission of the Company is a control authority which main tasks are to control the financial and economic activities of the Company and to independently assess the reliability of the data contained in the Company's annual report and annual accounting

(financial) statements, the report on related-party transactions. The powers of the Audit Commission is established by the legislation, as well as the Company's Articles of Associations and the Regulations on the Audit Commission of IDGC of Centre.

#### The composition of the Audit Commission of IDGC of Centre elected by the Annual General Meeting of Shareholders on 29 May 2020<sup>2</sup>

<b>Sergey Kiryukhin</b> Chairman of the Audit Commission	General Director of J Year of birth: 1979 A Russian citizen First elected on: 30 M
Elena Kabizskina	Chief Expert of the Du Internal Audit Depart of Corporate Audit ar PJSC FGC UES Year of birth: 1964 A Russian citizen First elected on: 31 Ma
Svetlana Kim	Head of the Supervisi PJSC Rosseti Year of birth: 1981 A Russian citizen First elected on: 25 Ju

The information is provided with the consent of the Corporate Secretary, Syetlana Lapinskava Information about the members of the Audit Commission is provided as at 31 December 2020.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Remuneration paid to members

of the Audit Commission,

RUB '000 incl. PIT

2019	2020
475	481
436	427
911	908



Remuneration for audits of financial and business operations



The Audit Commission is annually elected by the General Meeting of Shareholders. The quantitative composition of the Audit Commission (five members) is defined by the Articles of Associations of IDGC of Centre.

#### JSC Oboronenergo

lay 2019

epartment of Corporate Audit and Control of Subsidiaries of the tment of Rosseti, part-time – Chief Expert of the Department nd Control of Subsidiaries of the Internal Audit Department of

ay 2018

ion Office, Internal Control and Risk Management Department,

une 2015

Artem Kirillov	Chief Expert of the Department of Internal Control and Risk Management of the Department of Internal Control and Risk Management of Rosseti, part-time – Chief Expert of the Department of Internal Control and Risk Management of the Department of Internal Control and Risk Management of PJSC FGC UES Year of birth: 1984 A Russian citizen First elected on: 30 May 2019
<b>Marina Lelekova</b> Voluntary resignation of a member of the Audit Commission from 17 July 2020	<b>Deputy General Director for Economics and Finance at JSC Oboronenergo</b> Year of birth: 1961 A Russian citizen First elected on: 24 June 2006

Members of the Audit Commission do not own shares of IDGC of Centre and its subsidiaries.

There were no transactions on acquisition/disposal of shares in 2020.

In 2020, the Company's Audit Commission held four meetings, considering the issues related to the planning of the work of the Audit Commission, the election of the chairman and secretary of the Commission, as well as issues directly related to the conduct of audit.

Decisions of the Company's Audit Commission: https://www.mrsk-1.ru/en/about/ management/supervisors/decisions/decisions-inspection/2020/

In the reporting year, the Audit Commission held one scheduled audit of financial and business operations of IDGC of Centre for 2019.

#### INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

#### GRI 102-11, 102-15

ORGANISATION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company has in place a risk management system (RMS) and an internal control system (ICS) integrated into the Company's overall management system.

The objectives of the RMS are to provide reasonable confidence in the achievement of the goals set for the Company, as defined by the Strategy for the Development of the Power Grid Complex of the Russian Federation, the programme documents for the development and the Company's Articles of Associations, as well as to ensure the growth of the Company's value while maintaining a balance of interests of all stakeholders.

Risk management is a continuous and ongoing process.

The Company's RMS is based on the following principles:

- Risk management is an integral part of all organisational processes;
- Risk management is a part of the decision-making process;
- Risk management is a systematic, structured and well-timed process; • Risk management is based on the best
- available information;
- Risk management is a transparent process and accommodates the interests of stakeholders;
- Risk management is a dynamic, iterative (repeated) process sensitive to changes;
- Risk management contributes to permanent improvement of an entity.

All participants in the RMS are responsible for identifying, assessing, analysing and continuously monitoring risks within their activities, developing and implementing the necessary risk management measures,

and continuously monitoring the effectiveness of risk management measures.

Internal control is an integral part of the Company's RMS.

The Internal Control System (ICS) aims to provide reasonable assurance that the goals in the following areas are achieved:

- operational efficiency and strong performances of the Company, including the achievement of financial and operating results, safeguard of the Company's assets;
- compliance with applicable Russian laws and local regulations in the Company's commercial activities and financial accounting;
- reliability and timeliness of accounting (financial) statements and other types of statements.

#### RMS and ICS by-laws

In order to implement and maintain the effective ICS and RMS that comply with the recognised practices and performance standards in the field of internal control and management, as well as the requirements of regulators, and contributing to the achievement of the Company's goals, the Board of Directors of IDGC of Centre approved a new versions of the Internal Control Policy of IDGC of Centre<sup>1</sup> and Risk Management Policy of the Company<sup>2</sup> which define the objectives, principles and components of the Company's ICS and RMS, main functions and responsibilities of ICS and RMS participants, and ICS and RMS performance assessment procedure.

The Company has in place the Procedure to comply with requirements of the Internal Control Policy, defining the aspects of applying the rules thereunder<sup>3</sup>. The manual on the description of the internal control procedure within the Company's Internal Control System defines the model (scheme), goals, results, responsibilities of participants, control procedures, and contains a description of the internal control procedure<sup>4</sup>.

Control procedures for processes and sub-processes of the core and supporting activities, as well as governance processes of the Company are recorded in control and risk matrices. As for the risk management, the Company has the following methodological framework in place<sup>5</sup>:

- the Company's risk tree model and its description;
- Risk Management of the Company manual;
- the maturity model of the Company's risk management system.

**KEY PARTICIPANTS IN THE RISK** MANAGEMENT AND INTERNAL CONTROL PROCESS

The internal control system is riskoriented. Its control procedures are designed to accommodate the risks and are established in such a way to provide reasonable assurance of effective and timely response to the emerging risk. The Internal Control System covers all areas of the Company's activities; control procedures are adhered to at all times across all the processes (all business activities) of the Company and at all management levels according to three lines of defence model. • the level of governing bodies (sole and collective executive bodies), the Company's units and departments performing control procedures as part of their functions and

- professional duties the first line of defence;
- the level of the Company's control departments - the second line of defence:
- the level of internal audit departments - the third line of defence.

The main participants of the Company's ICS and RMS are as follows:

- Board of Directors: • Audit Committee of the Board of
- Directors; • other committees of the Board of Directors;
- Audit Commission; • executive bodies (Management Board, General Director);
- collective work bodies created by the Company's executive bodies for performing certain functions

- Minutes No. 04/16 dated 1 March 2016 Minutes No. 06/16 dated 17 March 2016.
- Order of IDGC of Centre No. 79-TsA dated 13 February 2020. Order of IDGC of Centre No. 108-TsA dated 22 March 2019.
- Order of IDGC of Centre No. 173-TsA dated 7 April 2020.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

(commissions, work groups etc.);

- risk owners, heads of the Company's units and structural units;
- employees of the Company's structural units performing control procedures as part of their professional duties;
- persons in charge of risk management activities:
- Internal Control and Risk Management Function:
- Internal Audit and Control Department.

The functions of ICS and RMS participants are set out by the Internal Control Policy, Risk Management Policy of the Company, Regulations on business units, job instructions.

As can be seen from the organisational structure of the Executive Office of IDGC of Centre, the division that coordinates the activities of the Company's Internal Control and Risk Management Systems is the Internal Control and Risk Management Function of IDGC of Centre.

#### Interaction between the participants of the ICS and the RMS at different hierarchy levels



#### ASSESSMENT OF ICS AND RMS EFFICIENCY

#### GRI 102-30

In order to make sure that the ICS is effective and in line with changing requirements and conditions, the Company's internal auditor assesses the ICS and RMS efficiency for its compliance with the target status and the maturity level.

The year-end report of the internal auditor on the assessment of the effectiveness of the Company's ICS and RMS was reviewed at the meeting of the Board of Directors (Minutes No. 15/21 dated 28 April 2021) with a preliminary

discussion of this issue by the Audit Committee of the Board of Directors (Minutes No. 05/21 dated 15 April 2021). The level of maturity of the ICS was assessed as optimal (at the end of 2019, the maturity level of the ICS was also assessed as optimal). The level of maturity of the RMS was assessed as optimal (at the end of 2019, the maturity level of the RMS was also assessed as optimal).

In 2020, an Action Plan was implemented to maintain the effectiveness and develop the Company's Internal Control System<sup>1</sup> and an Action plan to improve the Company's Risk Management System<sup>2</sup>. The following key measures aimed at improving the ICS and the RMS were implemented:

- the heads of business units conducted self-assessment of the efficiency of control procedures and the internal control system for the overseen business processes of the Company;
- the Company's business process control matrices were updated<sup>3</sup>;

In accordance with the decision of the Company's Board of Directors on 29 May 2019 (Minutes No. 20/19 dated 29 May 2019).

- In accordance with the decision of the Company's Board of Directors (Minutes No. 30/19 dated 16 September 2019)
- Orders of IDGC of Centre No. 300-TsA dated 30 June 2020, No. 390-TsA dated 28 August 2020, and No. 536-TsA dated 2 December 2020.

- a start was given to the process of implementing a mechanism for linking the functions and tasks of structural units with the Company's goals, as well
- as with the goals of the processes; • a Programme was put in place to transfer IDGC of Centre and IDGC of Center and Volga Region to the basic (reference) business process model of
- the top-level subsidiaries of Rosseti<sup>1</sup>; • a new methodological framework for risk management was approved: the
- Company's risk tree model, the Risk Management guidelines of IDGC of Centre and IDGC of Center and Volga Region, the maturity model of the Company's risk management system<sup>2</sup>;

#### 2021 ICS and RMS improvement plans

- control and risk management;
- RMS;
- and functioning of the ICS and RMS;

#### Key internal control and risk management indicators

Indicator	Unit of measurement	2018	2019	2020
Critical materiality risks <sup>4</sup>	units	-	-	8
Significant materiality risks <sup>4</sup>	units	-	-	6
Internal evaluation of the ICS efficiency	points	5.0	5.0	4.9
Internal evaluation of the RMS efficiency	points	4.9	4.9	4.9

#### KEY RISKS OF THE COMPANY

The Company regularly identifies, evaluates and monitors risks, implements measures to reduce the likelihood and potential consequences of risks, and informs shareholders and other stakeholders about this.

The risk impact on the Company's operations requires the determination of the risk materiality. Risks are ranked according to three levels of materiality: moderate, significant, and critical. Measures to minimise risks that have a significant or critical level of materiality were included in the Company's Risk Management Action Plan for 2020.



Order No. 503-TsA dated 10 November 2020.

- Order of IDGC of Centre No. 173-TsA dated 7 April 2020.
- Minutes of the Management Board meeting No. 10/20 dated 30 April 2020.

Due to the change in the risk management methodology in 2020 and update of the Company's risk register, the indicators are given only for the reporting period.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

• the Register of Functional Risks and Business Process Risks for 2020 and the Risk Management Action Plan for 2020 were approved<sup>3</sup>.

• Updating the regulatory and methodological framework in the field of internal

• Integrating the existing anti-corruption compliance system into the common ICS and

• Conducting control measures to assess the adequacy, efficiency and effectiveness of risk management measures;

• Conducting training events for the management and employees on the organisation

• Introducing a mechanism for monitoring financial stability, supporting the

procedures for liquidation and bankruptcy of counterparties.

5		FR01-01; FR01-02; FR06-01; FR09-01; FR09-02
	FR01-14; FR03-02; FR13-05	FR03-01; FR03-03; FR03-04
		FR12-06; FR13-03
	Average	High

Risk probability level

## Management of significant and critical materiality risks

Management of significant and critical materiality risks					ID of	ofrisk	Risk	Impact on performance indicators	Risk mater level
ID of risk	Risk	Impact on performance indicators	Risk materiality level	Risk management activities					
FR01-01	Reduction in the volume of electricity transmission services to consumers connected to regional distribution grids	Achievement of consolidated operating profit indicators (EBITDA)	Critical	<ol> <li>Monitoring and forecasting of electricity consumption by voltage levels, by which the price (tariff) for electric power transmission services is differentiated, and by categories of consumers, as well as monitoring of the physical parameters of the power and capacity balance, working to improve the accuracy and reliability of planning the demand for power and capacity.</li> <li>Working with consumers of electricity transmission services to agree on the planned volumes of services, including the declared capacity, to be included in the relevant contracts for the provision of electricity transmission services and submission to the state tariff regulators</li> </ol>	FR0:	03-02	Non-compliance with judicial acts on collection of receivables	Achievement of the planned accounts receivable for electricity transmission services rendered	Signific
FR01-02	Changes in the structure of electricity transmission services provided by voltage levels, tariff options, and	Achievement of consolidated operating profit indicators (EBITDA)	Critical	<ol> <li>Monitoring and forecasting of electricity consumption by voltage levels, by which the price (tariff) for electric power transmission services is differentiated, and by categories of consumers, as well as monitoring of the physical parameters of the power and capacity balance, working to improve the accuracy and reliability of planning the demand for power and capacity.</li> <li>Working with consumers of electricity transmission services to agree on the planned volumes of services, including the declared capacity, to be included in the relevant contracts for the provision of electricity transmission services and submission to the state tariff regulators</li> </ol>	FR0:	03-03	Disagreements on the volume and cost of services rendered, including acts of off- the-meter electricity consumption	Achievement of the planned accounts receivable for electricity transmission services rendered	Critic
cor							of obligations by counterparties to	Achievement of the planned accounts	
FR01-14	Performance of judicial acts (dispute resolution) on debt collection for electricity	Achievement of consolidated operating profit	Significant	gnificant 1. Appeal against judicial acts that do not meet the interests of the Company	FR03	03-04	electricity within the terms established by the agreement/ contract and (or) not in full	receivable for electricity transmission services rendered	Critica
	services not in disfavour of the Company	(EBITDA)							
FR01-15	Changes in the structure of revenue from the sale of electricity by voltage levels, tariff options, and consumer groups (decrease in revenue)	Achievement of consolidated operating profit indicators (EBITDA)	Significant	<ol> <li>Monitoring and forecasting of electricity consumption by voltage levels, by which the price for electric power sales services is differentiated, and by categories of consumers, as well as monitoring of the physical parameters of the power and capacity balance, working to improve the accuracy and reliability of planning the demand for power and capacity</li> </ol>			Linna dia na fiking	Geneliaewith	
FR03-01	Non-fulfilment of obligations by counterparties to pay for electricity transmission services within the terms established by the agreement/ contract and (or) not in full	Achievement of the planned accounts receivable for electricity transmission services rendered	Critical	<ol> <li>Claim-related work, enforcement of schedules.</li> <li>The introduction of full and (or) partial restrictions on the energy supply to consumers who are debtors at the request of energy sales companies, checkups of the imposed restrictions on the mode of electricity consumption in relation to consumers who violate their obligations.</li> <li>Follow-up of debt restructuring agreements.</li> <li>Interaction with the Federal Bailiff Service of Russia at the stage of enforcement proceedings, signing of cooperation agreements with the Federal Bailiff Service of Russia, follow-up of the repayment of debts under enforcement proceedings on the received court decisions on the recovery of overdue debts.</li> <li>Interaction with bankruptcy managers under debtor bankruptcy procedures</li> </ol>	FR06	D6-01	onreadiness of the applicant's facilities for grid connection	compying with grid connection time-frames	Critic

#### 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Risk materiality level	Risk management activities
Significant	<ol> <li>Interaction with the Federal Bailiff Service of Russia at the stage of enforcement proceedings, signing of cooperation agreements with the Federal Bailiff Service of Russia, follow-up of the repayment of debts under enforcement proceedings on the received court decisions on the recovery of overdue debts.</li> <li>Submission of enforcement documents for executive action to credit institutions where debtors' settlement accounts are opened.</li> <li>Assistance in the work of the divisions of the Bailiff Service (execution of orders of bailiffs).</li> <li>Sending the applications in relation to debtors to law enforcement agencies for initiating criminal cases, supporting the application materials and criminal cases by ensuring interaction with law enforcement agencies.</li> <li>Interaction with bankruptcy managers under debtor bankruptcy procedures</li> </ol>
Critical	<ol> <li>Claim-related work, enforcement of schedules.</li> <li>Analysis of the causes of disagreements and formation of a unified position of the Company on controversial issues, subject to the results of judicial practice.</li> <li>Development and promotion of initiatives to change legislation in order to eliminate ambiguity in the interpretation of legal rales</li> </ol>
Critical	<ol> <li>Claim-related work, enforcement of schedules.</li> <li>Introduction of full and (or) partial restrictions on the energy supply to debtors.</li> <li>Follow-up of debt restructuring agreements</li> </ol>
Critical	<ol> <li>Organisation of control over the timely consideration of applications for grid connection, including automation of grid connection activities.</li> <li>Performance of liabilities accrued by subsidiaries and affiliates under previously signed grid connection contracts, the terms of which were infringed by the subsidiaries and affiliates.</li> <li>Updating the demand for grid connection under previously signed grid connection agreements.</li> <li>Organisation of sending notifications to applicants about the performance of obligations on the part of S&amp;As in a way that allows confirming the fact of receipt, in case of performance of contractual obligations on the part of S&amp;As and non-receipt of notification about the performance of grid connection measures from the applicant.</li> <li>Compliance with the time limits for warnings of the FAS Russia and its territorial authorities in terms of grid connection.</li> <li>Organisation of control over the timely execution of grid connection cost estimate, trade and procurement procedures, conclusion and execution of contractor contracts, execution of grid connection contracts using own resources), including automation of grid connection activities</li> </ol>

ID of risk	Risk	Impact on performance indicators	Risk materiality level	Risk management activities	
FR09-01	Accidents caused by industrial factors	No increase in the number of S&A employees	No increase in <sup>C</sup> the number of S&A employees	Critical	<ol> <li>Implementation of the measures of the Comprehensive Programme to Reduce the Risks of Injuries approved by Order of IDGC of Center No. 1-TsA dated 9 January 2020 On the performance results of the power grid facilities of the branches of IDGC of Center and IDGC of Center and Volga Perion in 2019, the main measures to improve</li> </ol>
FR09-02	Accidents caused by third parties	injured in accidents	Critical	the operational reliability and repair of power grid facilities, the introduction of new equipment, automation and mechanisation of production processes, and the preservation of the health of branch employees for 2020	
FR12-06	Violation of the main prohibitions and restrictions of the antimonopoly legislation by the Company / employees of the Company	Compliance with legislation, including anti- corruption and antitrust legislation	Significant	<ol> <li>Representation of the Company's interests in the antimonopoly regulators.</li> <li>Judicial review of decisions taken by the antimonopoly regulatory authorities</li> </ol>	
FR13-03	Violation of and (or) termination of the operation of information infrastructure facilities and telecommunications systems of power grid facilities	Ensuring comprehensive security of the Company's activities	Significant	<ol> <li>Implementation of organisational and technical requirements of the legislation of the Russian Federation in the field of information security.</li> <li>Periodic follow-up of the measures used at the informatisation facilities</li> </ol>	
FR13-05	Illegal influence on the power grid facilities and their information and telecommunications systems (of a terrorist, sabotage, criminal and other nature), including with the use of information technologies	Ensuring comprehensive security of the Company's activities	Significant	<ol> <li>Monitoring and responding to information security incidents.</li> <li>Conducting periodic instrumental control of vulnerabilities of automation tools, as well as audit control of the implementation of organisational and technical measures and information security policies</li> </ol>	

#### Sustainability risks

The Company's activities are associated with sustainable development risks: environmental risks, climate change risks, and industry-related skill shortage risks.

#### Environmental risks

Environmental risks include possible harmful emissions from stationary and mobile sources. In order to prevent possible negative impacts on the environment, the Company controls emissions from stationary sources and the toxicity of vehicle exhaust gases. These risks are minimal, with minor consequences for the Company's operations in the event of realisation.

Environmental risks are also expressed in the possibility of transformer oil leaks at substations (if there are no oil drip pans) and their ingress with surface wastewater into water bodies, which can lead to contamination with petroleum products. The probability of these risks is also estimated as minimal, with insignificant consequences for the Company's activities.

Environmental policy is a tool for reducing environmental risks<sup>1</sup>. Its goal is to preserve a favourable environment for present and future generations. The Environmental Policy draws much attention to the reduction of pollutant emissions and reduction of the production and consumption waste of various hazard classes, which significantly reduces the risk of negative effects of toxic substances on the soil, atmospheric air and human health.

In 2020, the Company has in place a successful environmental management system according to the ISO 14001:2015 standard.

For more information, see the Environmental Policy section on page 184 of the Annual Report.

#### Climate change risks

The geographical features of the region where the Company operates suggest a high risk of exposure to abnormal natural phenomena on the power grid facilities. The increased number of tornadoes, heavy rains, as well as abnormally high and low temperatures due to climate change significantly increase these risks. In order to minimise the consequences of these risks, the Company implements a set of measures to prepare the grid complex for the autumn-winter, flood, fire and thunderstorm periods in line with the developed and approved programmes. Every year, each branch of the Company receives a certificate of readiness for the autumn-winter period as assessed by the Ministry of Energy of Russia. Continuous efforts are taken to reduce the time of elimination of process-related faults resulting from the force of nature: mobile teams were set up, reserve power supply sources are purchased, exercises with regional authorities are held, etc.

In addition, as a result of the processes caused by global warming, there is a gradual redistribution of demand for electricity and capacity between seasons. In order to mitigate this risk, the Company implements measures to improve the energy efficiency of

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

its operations and ensure readiness for changes in consumer demand for electricity and capacity, regardless of the season and climatic conditions.

#### Human factor risks

Maintenance of power grid equipment is a potentially traumatic activity. In this regard, there is a risk of personnel errors, violations of rules and instructions, including safety regulations, which can lead to various consequences. Given this specificity, the Company makes special requirements for ensuring the safety of activities and working conditions of employees. Priority training is given to employees in the occupational safety & health and industrial safety rules, in safe practices at power facilities; professional skill competitions are held among operational personnel, operation and maintenance personnel and repair personnel with the development of safe practical skills. The Company provides production personnel with the necessary protective clothing, compliance with sanitary and hygienic standards. Medical examinations are carried out on a regular basis for 100% of the production staff.

For more information, see the Occupational Safety and Health section on page 175 of the Annual Report.

#### **REALISATION OF RISKS IN 2020**

Risk realised in 2020	Level of consequences	Measures taken	
Non-fulfilment of obligations by counterparties to pay for electricity transmission services within the terms established by the agreement/contract and (or) not in full		Schedule of measures to reduce overdue accounts receivable for delivered electricity in accordance with the Regulations for Working with Accounts Receivable for Delivered Electricity in IDGC of Centre	
Disagreements on the volume and cost of services rendered, including acts of off-the-meter electricity consumption	High		
Non-fulfilment of obligations by counterparties to pay for consumed electricity within the terms established by the agreement/contract and (or) not in full			
Accidents caused by industrial factors	Lligh	Injury risk reduction programme <sup>1</sup>	
Violation of traffic regulations by third parties	півн		
Non-compliance with judicial acts on collection of receivables	Average	Interaction with the Federal Bailiff Service of $\ensuremath{Russia}^2$	
Reduction in the volume of electricity transmission services to consumers connected to regional distribution grids	Low	Daily estimate of the change in delivery to the grid, weekly estimate of delivery from the grid, monthly estimate of common pot net delivery and revenue for electricity transmission services <sup>3</sup>	
Changes in the structure of electricity transmission services provided by voltage levels, tariff options, and consumer groups	LOW		
Changes in the structure of revenue from the sale of electricity by voltage levels, tariff options, and consumer groups (decrease in revenue)	Low	Monitoring changes in revenue from electricity sales <sup>4</sup>	

#### **INTERNAL AUDIT**

The unit responsible for implementing the internal audit function in the Company is the Internal Audit Department. The goals and objectives, basic organisational principles, functions and powers of the Internal Audit Department are set out in the Internal Audit Policy of IDGC of Centre<sup>5</sup>.

The internal audit function is functionally accountable to the Company's Board of Directors, which means that the Board of Directors monitors and organises the activities of the Internal Audit Function, including approval of the Internal Audit Action Plan, the Report on the performance of that plan and the budget of the Internal Audit Function; preliminary approval of the Sole Executive Body's decision on the appointment, dismissal (not at his/her initiative) of the Head of the Internal Audit Function, the imposition of disciplinary sanctions against him/her; approval of the terms of the employment contract and remuneration of the Head of the Internal Audit Function, review of the results of the internal audit function quality assessment.

The purpose of internal audit is to assist the Company's Board of Directors and executive bodies in improving the Company's management and its financial and business activities, including through systemic and consistent analysis and assessment of risk management, internal controls and corporate governance as tools for providing reasonable assurance that the goals set for the Company will be achieved. As at 31 December 2020, the internal audit function comprised eight employees.

The Company has the following approved documents to regulate the internal audit function:

- Code of Ethics for Internal Auditors and Internal Audit Policy of the Company (new version)<sup>6</sup>;
- The Regulation on the Internal Audit<sup>7</sup>;
  IDGC of Centre's Internal Audit
- Quality Assurance and Improvement Programme<sup>8</sup>;
- in-house internal auditing standards and practical application standards developed in compliance with International Professional Standards for Internal Audit.
- On the performance results of the power grid facilities of the branches of IDGC of Center and IDGC of Center and Volga Region in 2019, the main measures to improve the operational reliability and repair of power grid facilities, the introduction of new equipment, automation and mechanisation of production processes, and the preservation of the health of branch employees for 2020 (approved by Order of IDGC of Centre No. 1-TsA dated 9 January 2020).

2 Interaction in aid of execution, signing of cooperation agreements, control of debt repayment in the framework of enforcement proceedings on the received court decisions on the collection of overdue debts, presentation of enforcement documents for execution action to credit institutions where debtors' current accounts are opened, assistance in the work of Federal Bailiff Service of Russia (execution of orders of bailiffs), sending the application materials in relation to debtors to law enforcement agencies for the initiation of criminal cases, support of application materials and criminal cases by ensuring interaction with law enforcement agencies, interaction with bankruptcy managers in the framework of debtor bankruptcy procedures.

The findings were sent to Rosseti. The analysis of these data allows for more accurate planning of the electricity transmission volumes (risk reduction). The results of the actual data with the cumulative total and the projections, together with the monitoring data, are used to derive budget indicators.
 Analysis of monitoring data allows for higher accuracy of sales volume planning (risk reduction). The results of the actual data with the cumulative total and the projections, together solutions, together with the monitoring data, are used to derive budget indicators.

Analysis of monitoring data allows for higher accuracy of sales volume planning (risk reduction). The results of the actual data with the cumulative total and the projections, together with the monitoring data, are used to derive budget indicators.

The new version was approved by the Board of Directors of ID6C of Centre (Minutes No. 40/19 dated 29 November 2019). Approved by the decision of the Board of Directors (Minutes No. 40/19 dated 29 November 2019).

Approved by the decision of the Board of Directors (Minutes No. 40/19 dated 29 November 2019). <sup>7</sup> Approved by the Board of Directors of IDGC of Center (Minutes No. 10/19 dated 22 March 2019), approved by Order of IDGC of Center No. 123-TsA dated 5 April 2019.

Approved by the Board of Directors (Minutes No. 33/16 dated 13 December 2016).

Feedback from the Audit Committee is received by the Head of the Internal Audit Unit in various forms in the course of interaction with the Audit Committee, including the analysis of decisions/recommendations of the Audit Committee on issues related to the internal audit competence, as well as

#### **EXTERNAL AUDIT**

To conduct an audit of the annual accounting (financial) statements of IDGC of Centre for 2020 under Russian Accounting Standards (RAS), as well as an audit of the consolidated financial statements for 2020 under International Financial Reporting Standards (IFRS), the Company's Annual General Meeting of Shareholders approved an independent auditor – LLC Ernst & Young<sup>2</sup>.

The external auditor is selected on a competitive basis, thus ensuring the independence and objectivity of the selection.

through a questionnaire survey of the members of the Audit Committee.

Satisfaction quotient of the Audit Committee of the Board of Directors of the Company with the results of the work of the Internal Audit Unit (average weighted score on the questionnaires

Based on the results of the competitive selection, the Audit Committee of the Company's Board of Directors considered the candidacy of Ernst & Young. Based on the recommendation of the Audit Committee, the Board of Directors decided on 28 April 2020 to recommend to the Annual General Meeting of Shareholders to approve the candidacy of Ernst & Young LLC as the Company's auditor in 2020.

The Board of Directors of IDGC of Centre determined the auditor's remuneration for the audit of financial statements in 2020 in the amount of RUB 5.6 mn, incl. VAT.



<sup>1</sup> Approved by the Board of Directors (Minutes No. 33/16 dated 13 December 2016).
<sup>2</sup> Minutes No. 01/20 dated 29 May 2020.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

of the members of the Audit Committee to the number of members of the Committee voted) according to the results of 2020 is estimated as consistent (1.03 points) according to the Internal Audit Quality Assurance and Improvement Programme of the Company<sup>1</sup>.

#### DETAILS OF THE AUDITOR

Full company name: Limited Liability Company Ernst & Young (LLC Ernst & Young).

Location: 77 Sadovnicheskaya nab., bldg. 1, Moscow, 115035, Russia.

OGRN: 1027739707203. TIN: 7709383532

Tel: +7 (495) 755-9700/755-9701.

LLC Ernst & Young does not have any business relations (is not involved in the promotion of products (services), or business activities, etc.) or contracts for services other than audit services, or family connections with officials at IDGC of Centre.
### **DISCLOSURE POLICY**

#### **DISCLOSURE FRAMEWORK**

Disclosure is the most important tool for the Company's interaction with shareholders, investors, regulatory authorities and other stakeholders. Disclosures contribute to building longterm relationships with these individuals and their trust, as well as increase the investment attractiveness of the Company.

Being committed to the principles of information openness and availability, IDGC of Centre aims to ensure a high level of transparency of its activities and maintains active communication with all stakeholders, timely providing them with necessary information on all aspects of the Company's activities. Public relations enhance the Company's investment appeal and business reputation.

The Communication Policy of IDGC of Centre is closely aligned with the Uniform Communication Policy of Rosseti's group of companies. IDGC of Centre's listing on the Moscow Exchange imposes additional disclosure obligations in accordance with Moscow Exchange listing rules and instructions of the Bank of Russia.

In addition to the legal requirements, the Bank of Russia Corporate Governance Code and Moscow Exchange listing rules, the Company sticks to the Regulation on the Information Policy of IDGC of Centre approved in 2018 by the Company's Board of Directors. The Company's Information Policy is designed to ensure effective information interaction between the Company, shareholders, investors and other stakeholders. It establishes the key principles of information disclosure: completeness, reliability, availability and timeliness. The Regulation defines the communication procedure between members of management bodies, officials and employees of the Company with shareholders and investors, as well as media representatives, and also contains a list of additional disclosures and the disclosure procedure. The implementation of the Information Policy is monitored by the Board of Directors of the Company.

To secure free access for stakeholders, information is disclosed through several channels. The main one is the official website: https://www.mrsk-1.ru/en/. To facilitate access to information by foreign shareholders and investors, as well as to expand the number of recipients of information, there is the English version of the Company's corporate website.

In the Information Disclosure section and on the page of the Corporate Information Disclosure Centre, the Company publishes information subject to disclosure under the requirements of the Russian legislation (on material facts, annual and quarterly reports, financial statements, etc.). Disclosures are also posted on such international news websites as Bloomberg, Euroland, Thomson Reuters, other media and the corporate press.

In Shareholders and Investors section, there is a regularly updated investor calendar, monthly and daily reviews of the securities market, dividend history, key performance indicators of the Company, answers to the most frequently asked questions by shareholders and investors, presentations and other IR materials, as well as other information useful to shareholders and investors.

The Company also gives publicity to other additional information about its activities. In particular, the accounting (financial) statements prepared under RAS and the consolidated financial statements of the Company prepared under IFRS are posted on the corporate website on a quarterly basis. Being a socially responsible company, IDGC of Centre focuses on public disclosure of its sustainability results.

In addition to the above, the Company widely uses such ways of communication as:

- publications in the media, thematic booklets, brochures, and leaflets;
- granting, upon request of shareholders, an access to information (documents), as well as making copies of documents available as provided by applicable Russian law;
- participating in investment conferences and specialised seminars;
- conducting targeted IR-events (meetings, webcasts, teleconferences, open days, etc.);
- accepting requests on the corporate website in the Feedback section, by e-mail, by phone of the Contact Centre 8 (800) 50-50-115, in writing at: 15 Malaya Ordynka Str., Moscow, 119017, Russia, as well as to contact details of the Company's branches within the footprint;
- advisory services of IR department specialists.

Information about the Company's activities spreads in the Mass media by publishing releases, processing media requests, PR events involving journalists, press conferences, on-thespot comments of the Company's top officials on current production activities. IDGC of Centre actively conducts information work, covering

#### **PROTECTION OF INSIDER INFORMATION**

IDGC of Centre handles large amounts of insider information. Its classification and disclosure methods take into account responsibility for maintaining trade secrets and confidentiality. Insider information protection activities in the reporting year comprised the following measures:

 the new insiders were consulted (with the respective explanation given) how to use insider information at the Company; the following activities were undertaken:
 ongoing control over the compliance with the law on insider information and its monitoring;

monitoring of amendments made to the law on insider information control;

20 legal entities;

the annual report was prepared and submitted to the Board of Directors of IDGC of Centre, following the measures taken to comply with the insider information control laws.

The Company adopted the Regulations on Insider Information<sup>1</sup>, providing for internal procedures that promote compliance with the law and internal regulations.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

the activities of the Company in social networks on official accounts (https://vk.com/rosseti\_centr, https:// twitter.com/rosseti\_centr, https:// www.instagram.com/rosseti\_centr/, https://energopozitiv.ru/, https://t. me/informationbureau, https://www. facebook.com/rosseticentr/). Each social network provides feedback to the consumer. Official responses are given to requests from state authorities.

Communication with stakeholders in 2020 was partially switched to online mode due to the epidemiological situation. Many events were postponed until 2021.

As at 31 December 2020, the Company's insiders list comprised 176 individuals and

# **ANTI-CORRUPTION INITIATIVES**

#### GRI 205-3

The Company's activities aimed to prevent and counter corruption offences are aligned with the Anti-Corruption Policy approved by the Company's Board of Directors in 2020.

The Company declares its transparency in anticorruption efforts, including through reviewing and resolving the applications from the Company's employees, counterparties, other individuals and legal entities on possible corruption offences via the interaction channels (website, hotline), as well as by mail and at individual appointments. In the reporting year, IDGC of Centre's hotline received 85 messages (down 24% year-on-yea), but there were no reports of possible corruption.

In 2020, the Company continuously monitors signed contracts and addenda to them for full and reliable information on counterparties' ownership chain, including beneficiaries (comprising ultimate ones), as well as for available data on membership of their executive bodies; the relevant information is uploaded to the Automated System of Collection and Analysis of Information on Beneficiaries of Rosseti (AS CAIB). Data on 2,659 contracts with 453 counterparties were checked and uploaded to AS CAIB.

Also, to prevent corruption in the interaction with partners and counterparties, the Company carries out anti-corruption control of procurement activities. It includes verification of procurement documentation and procurement participants in order to assess the level of their trustworthiness and integrity, resolve conflicts of interest, exclude affiliations and other abuses related to their positions in the Company.

The Company ensures the transparency of financial and business operations and compliance with anti-corruption laws, particularly:

- informing the partners and counterparties about programmes, standards of conduct, procedures and rules focused on corruption prevention and counteraction, joining of the Company to the Russian business Anti-corruption Charter and inclusion of the Company in the Register of Reliable Partners;
- meeting the requirements of the Uniform Anti-corruption Standard when providing the anti-corruption procurement control.

The anti-corruption control includes the following checks:

- signing of anti-corruption obligations by a procurement participant as to compliance with, and implementation of, the principles and requirements of the Company's Anti-Corruption Policy, including the obligation not to commit any corruption and other offences;
- submission of a declaration on conflict of interest and(or) affiliation relations with the Company's employees;
- delivery of information about the entire chain of ownership, including beneficiaries (comprising ultimate ones), data on the structure of executive bodies, as well as consent to personal data processing;
- inclusion of an anti-corruption clause into the contract.

Participating in collective initiatives to prevent and counteract corruption offences is one of the anti-corruption measures. Thus, in 2015, the Company joined the Anti-Corruption Charter of Russian Business and in 2019 confirmed its compliance therewith, which is valid for two years.

IDGC of Centre cooperates with representatives of public and administrative authorities, law enforcement agencies to improve the laws related to safety and security in the Fuel and Energy Sector, settle problems with making the Company's financial and business activities transparent and prevent cases of abuse by the power grid companies' officials and persons affiliated therewith, as well as violations of the principles of competition and abuse of dominant position; elimination of administrative barriers, restrictions on the economic freedom, illegal interference in the activities of the Company.

# **RESOLUTION OF CONFLICT OF** INTEREST

#### GRI 102-25

The Company's conflict of interest resolution policy is based on compliance with the following principles:

- a personal example of the management in the formation of a culture of intolerance towards corruption and the creation of an intra-organizational corruption prevention and counteraction system;
- employee job commitment, awareness of anti-corruption laws and active participation in the development and implementation of anti-corruption standards and procedures;
- adequacy of anti-corruption procedures to potential damage and probable occurrence of the Company's corruption risk;
- efficiency of anti-corruption procedures - measures, which are simple to implement and yield significant results;
- · responsibility and inevitability of punishment for the Company's

employees, irrespective of the position held, work experience and other conditions in case they committed corruption offences in connection with their labour duties;

 transparency of business operations – communication of information to the partners, counterparties, and community about the business anticorruption standards adopted in the Company.

interest:

In 2020, the Company has in place the following local organisational and regulatory documents:

- Regulations on Commission for

# MEASURES TO RESOLVE THE CONFLICT OF INTEREST

To prevent the conflict of interest, candidates to vacant positions and the Company's employees shall declare the conflict of interest according to a relevant procedure:

1. Disclosure of a conflict of interest.

- as part of the declaration campaign for 2019 in the Company collected and verified 4,725 declarations of conflict of interests of the Company's employees; the results of the declaration were reviewed by the Commission of IDGC of Centre for compliance with corporate ethics and conflict of interest management;
- the data declared by candidates to fill the vacancy were checked and

resolutions on candidate approval/ disapproval were made, the Company keeps a register of candidates (in 2020, 1,323 persons were checked, negative resolutions were made for three candidates).

- 2. Disclosures made by the Company's about their income and property liability is checked annually.
- In 2020, 469 declarations of the Company's management and their close relatives about their income and property liability for 2019 were checked (89 - the Company's officials and 380 -

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

regulatory compliance with corporate ethics and settlement of conflicts of

• Guidelines (regulations) on settling conflicts of interest in IDGC of Centre and IDGC of Center and Volga Region<sup>1</sup>; • Procedure for Acceptance and Processing of Claims Concerning

management and their close relatives

their close relatives). The checks showed

Possible Instances of Corruption Submitted by Applicants (employees and counterparties of the company, other individuals and legal entities)<sup>2</sup>;

These documents are posted on the Company's website: https://www.mrsk-1. ru/en/information/documents/internal/. The Company informs its employees and members of the management bodies about approval of said documents and mandatory compliance with their requirements.

Management of conflicts of interest is carried out with the participation of the Committee on Corporate Ethics Compliance and Conflict of Interest Resolution. In 2020, four meetings were held, 10 pre-conflict situations were identified and resolved on five issues.

no signs of the conflict of interest and pre-conflict situation related to the job duties of the above-mentioned parties.

3. Acceptance of the obligation by employees to inform the Company about the occurrence of a conflict of interest

Members of the management bodies shall notify the Company upon the occurrence of circumstances due to which such persons can be recognised as stakeholders relative to the Company's transactions, as well as about changing of such information.

5. Rejection of any interactions with the Company's business partners by managers/

6. Prevention of cases of influencing the decisions of the Company's business unit

7. Refusal to carry out activities competitive with the interests of the Company.

8. Timely resolution of each emerging pre-conflict situation and others.

employees, except for handling matters in the name and on behalf of the Company.

leaders with the aim of facilitating the employment or promotion of an employee.

In line with the order of Rosseti No. 244r dated 20 June 2016 on setting-up a working

team for perfection of anti-corruption methodological support, employees of the Anti-

Corruption Compliance Procedure Department regularly take part in working teams,

offsite seminars/meetings regarding current issues of corruption prevention and

In line with the Regulation on the Board of Directors, Corporate Governance Code, members of the Board of Directors or Management Board, the General Director agree to refrain from actions that can lead to a conflict of interest between them and the Company. If such conflict of interest occurred, the member of the Board of Directors or Management Board, the General Director shall inform the Board of Directors and hold back from voting on respective issues.

4. Exercising of powers, functions and official duties by employees for the benefit of the Company only.

### SECURITIES

#### SHARES

As at 31 December 2020, the authorised capital of IDGC of Centre amounted to RUB 4,221,794,146.8 and was split into 42,217,941,468 ordinary shares with a par value of 10 kopecks each. The Company did not place any preferred shares.

The Articles of Associations of IDGC of Centre makes provisions for the declared shares – 258,532 ordinary shares with a par value of 10 kopecks each. No additional shares were issued

### Major shareholders as at 5 May 2020



50.2% Rosseti
16.0% NEW RUSSIAN GENERATION LIMITED
0.5% State-owned shares
33.3% Others or placed in 2020. IDGC of Centre has no cross-held shares.

counteraction in the power grid complex.

As of 5 May 2020, the date of determining (fixing) the members entitled to attend and vote in the Annual General Meeting of Shareholders based on the results of the 2019 reporting year, the register of shareholders of IDGC of Centre included 25,964 people. The major shareholders are Rosseti (50.2%) and New Russian Generation Limited (16.0%).

### Major shareholders as at 31 December 2020



50.2% LLC Depository and Corporate Technologies44.3% National Settlement Depository

0.5% State-owned shares5.0% Others

The state shareholding is 0.45521588% of the Company's authorised capital (192,182,773 ordinary shares), including 0.45521578% (192,182,731 ordinary shares) in federal ownership, and 0.00000010% (42 ordinary shares) in the ownership of the subjects of the Russian Federation. There is no special right for the Russian Federation to participate in the management of the Company (golden share).

Prosperity Capital Management Limited has a direct or indirect right to dispose of 21.13% of shares constituting the authorised capital of the Company.

IDGC of Centre is not aware of any shareholdings exceeding 5%, except for those already disclosed by the Company. The Company is not aware of any shareholders that may acquire or acquired a degree of control disproportionate to their shareholdings in the Company's authorised capital, including under shareholder agreements

#### Shareholding structure

As at 31 December 2020		As at 5 May 2020 (last record date)	
Type of shareholder	% of outstanding shares	Type of shareholder	% of outstanding shares
Owners – individuals	4.3	Owners – individuals	16.8
Owners – legal entities	1.0	Owners – legal entities	81.6
Nominee holders	94.7	Nominee holders	0.6
Trustees	0.0	Trustees	1.0
Total	100	Total	100
Residents of the Russian Federation	99.9	Residents of the Russian Federation	74.1
Non-residents of the Russian Federation	0.1	Non-residents of the Russian Federation	25.9
Total	100	Total	100

#### Shareholding structure by geography of shareholders as at 5 May 2020

Country	Number of shareholders	% of total number of shareholders	Number of shares	% of equity capital
Russia	25,846	99.55	31,264,838,390	74.0558
Cayman Islands	5	0.02	8,388,038,696	19.8684
Norway	1	0.00	914,654,120	2.1665
Luxembourg	2	0.01	550,809,277	1.3047
Switzerland	6	0.02	462,711,183	1.0960
Cyprus	20	0.08	217,427,208	0.5150
The British Virgin Islands	2	0.01	150,185,561	0.3557
United Arab Emirates	1	0.00	96,419,000	0.2284
Germany	8	0.03	50,147,194	0.1188
Netherlands	1	0.00	47,816,000	0.1133
The United States of America	8	0.03	37,880,949	0.0897
The United Kingdom	8	0.03	2,635,712	0.0062
Other	56	0.22	34,378,178	0.0814
Total	25,964	100	42,217,941,468	100

#### REGISTRAR

JSC VTB Registrar acts as a specialised registrar of IDGC of Centre and maintains its shareholder register. JSC VTB Registrar has over 25-year experience in licensed activities, provides high reliability of register keeping and storage and a professional approach to dealing with issuers and shareholders. JSC VTB Registrar includes 58 regional units and provides services to more than 7 thousand issuers.

Shareholders and their representatives concerning the introduction of changes to the shareholder register and acquisition of information from the shareholder register can also contact the Registrar's branches

#### 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- PERFORMANCE REPORT
   FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

and transfer-agents, branches of IDGC of Centre. The authorised specialists of relevant branches execute some functions of the Registrar. Coordinates of the registrar's branches and IDGC of Centre's branches: https:// www.mrsk-1.ru/en/investors/registar/

#### EXCHANGE LISTINGS

Since 2008, ordinary shares of IDGC of Centre have been traded on the Moscow Exchange. Since August 2017, they have been listed in the Second Tier of the Moscow Exchange Quotation list. The free-float ratio, according to the Index Committee of Moscow Exchange, is 34% (for more information on the freefloat indicator calculation methodology, please visit the website }of Moscow Exchange).

In 2020, despite the high turbulence in the Russian and global stock markets,

the Company's shares managed to get ahead of the Electric Utilities Index and the MOEX Index in terms of stock performance. Total Shareholder Return (TSR) on the Company's shares stood at 32.9%

#### Basic identification codes and tickers of shares

Name within the Exchange or information systems	Code/ticker
State registration number	1-01-10214-A
ISIN (International Security Identification Code)	RU000A0JPPL8
Moscow Exchange	MRKC
Bloomberg	MRKC RX
Reuters	MRKC.MM
Interfax EFIR	MRKC.MICEX

#### Indices, which include shares of IDGC of Centre for calculation, as at 31 December 2020

Index	Code	Share of IDGC of Centre in the index, %
Electric Utilities Index	MOEXEU/RTSEU	2.02
Index for Mid- and Small-cap Stocks	MCXSM/RTSSM	0.55
Broad Market Index	MOEXBMI/RUBMI	0.03
Regulated Company Index	MOEXRCI	1.15

#### IDGC of Centre's share trading results by the end of 2020

As at 30 December 2020	RUB	USD
Share price (closing)	0.402	0.0054
Share price (market price)	0.4012	0.0054
Capitalisation (at market price), mn	16,937.8	229.3

The 2020 results showed a positive trend

#### Capitalisation, RUB mn



in the share price. In the first quarter, there were strong price fluctuations, which could be related both to financial results for the previous year, and to the volatility in the Russian and global

markets. Since April, there was a gradual rebound in stocks, which turned into a steady rise in 4Q. As a result, the market price of shares in 2020 increased by 26.6%, which outstripped the Electric Power Index and MOEX Index.

#### IDGC of Centre's share performance against indices

Indicator	IDGC	of Centre	Μ	IICEX Index (IMOEX)	Elect	tric Utilities (MOEXEU)	Regulated (	Company Index MOEXRCI)
Market price (30.12.2020)		0.4012		3,289.02		2,292.46		1,642.40
Market price (30.12.2019)		0.3170		3,045.87		2,010.99		1,501.42
Change, %		26.6		8.0		14.0		9.4
MAX (at the market price)	30.12.2020	0,4012	30.12.2020	3,289.02	17.02.2020	2,430.40	N/A	N/A
MIN (at the market price)	18.03.2020	0,2030	18.03.2020	2,112.64	18.03.2020	1,512.83	N/A	N/A

#### Capitalisation of IDGC of Centre's shares and the trading volume vs key market indicators and key events



#### Chart-highlighted events and news that impacted trading volumes

No. on the chart	News / Details	Date	Source	Influence
1	The last date of trading of shares of IDGC of Center before the closing of the register for the dividend payment	09.01.2020	Internal	Negative
2	The Board of Directors of IDGC of Centre approved the Company's Business Plan for 2020	09.01.2020	Internal	Positive
3	The Ministry of Finance of Russia expects that in 2020 Rosseti pays dividends 10 times larger than planned	14.02.2020	External	Positive
4	Rosseti may launch the full merging of Russian power grids	25.02.2020	External	Negative
5	IDGC of Centre published its accounting (financial) statements under RAS for 2019. Net profit decreased by 85.7%	26.02.2020	Internal	Negative
6	Financial markets went into quarantine. Investors get rid of stocks, gold and virtual currency	17.03.2020	External	Negative
7	IDGC of Centre published its accounting (financial) statements under RAS for 1Q 2020. Net profit increased by 45.5%	27.04.2020	Internal	Positive
8	M. Mishustin announced the careful dropping of restrictions in Russia	29.05.2020	External	Positive

#### 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

No. on the chart	News / Details	Date	Source	Influence
9	IDGC of Centre published its accounting (financial) statements under RAS for 1H 2020. Net profit increased by 12.5%	28.07.2020	Internal	Positive
10	The government of the Russian Federation postponed the introduction of a tariff differentiation mechanism for the Federal Grid Company (FGC), which will double the price of electricity transmission for large industries	04.09.2020	External	Negative
11	IDGC of Centre published its accounting (financial) statements under RAS for 9M 2020. Net profit increased by 81.3%	27.10.2020	Internal	Positive
12	V. Putin instructed the Government to approve the concept of introducing long-term tariffs by March 2021	27.11.2020	External	Positive
13	The Board of Directors of IDGC of Centre approved the Company's Business Plan for 2021	29.12.2020	Internal	Positive
14	Rosseti invests RUB 1.4 trillion in the development of the power grid complex until 2024	29.12.2020	External	Positive

#### Basic data on the Company's securities market

Indicator	Unit of measurement	2018	2019	2020	Change 2020/2019, %
Number of transactions	units	78,361	115,501	265,162	129.6
Trading turnover	mn shares	3,403.1	4,239.4	9,771.2	130.5
Trading turnover	RUB,mn	1,173.7	1,215.3	2,869.0	136.1
Trading turnover, % of free float	%	23.7	29.5	68.1	38.6 p.p.
Average daily number of transactions	units	309	458	1,061	131.7
TSR <sup>2</sup>	%	-14.2	18.3	32.9	14.6 p.p.

Trading volumes in 1H 2020 were marked by increased fluctuations. Spikes in trading occurred in January, February and May. The rebound in January could be due to the closure of the register of shareholders for the payment of dividends for the first nine months of 2019. The introduction of strict quarantine measures in the global scale led to a strong fall in stock markets at the end of February, which also

ratcheted up pressure on the Company's shares. The observed jump in trading volumes in May could be the result of the good IFRS financial statements for 1Q 2020, as well as news about the imminent easing of quarantine measures.

In the last two months of 2020, trading volumes also went up, which could be due to the good financial results for the first nine months of 2020, as well as expectations of one more payment of interim dividends. In total, the trading turnover for 2020 hit a record 9.8 billion shares.

The improvement of market liquidity parameters of the Company's shares are also significantly contributed to by a market maker. In 2020, the services of the market maker were provided by LLC IC VELES Capital.

#### DIVIDEND POLICY

The IDGC of Centre's Dividend Policy is based on a balance between the interests of shareholders and the Company's needs and is aimed at improving investment attractiveness and increasing the market capitalisation of the Company.

IDGC of Centre aligns its activities with the Regulation on the Dividend Policy<sup>3</sup>. The Regulation specifies key principles and criteria of the dividend payout. This Regulation is aligned with the resolution of the Government of the Russian Federation<sup>4</sup> and recommendations of the

#### Profit distribution<sup>5</sup>, RUB '000

Indicator	2017	2018	9M 2019	2019
Retained profits	2,031,389	1,405,372	882,947	214,681
Including:				
Reserve fund	0	0	0	0
Profit for development	1,152,361	529,210	0	0
Dividends	879,028	876,162	847,099	0 <sup>6</sup>
Recovery of losses of prior periods	0	0	0	0

In accordance with the Company's Articles of Association, the Annual General Meeting of Shareholders will decide on the distribution of profits based on the results of 2020.

#### **Dividend History**

Indicator based on RAS data	2017	2018	9M 2019	2019
Dividend per share, RUB	0.0208212	0.0207533	0.0200649	-
Dividend yield <sup>7</sup> , %	4.72	6.13	-	6.94 <sup>8</sup>
Amount of declared dividends, RUB '000	879,028	876,162	847,099	-
Share of RAS net profit allocated to dividends, %	43.27	62.34	95.94	-
Dividends paid out, RUB '000	867,152	869,152	840,324	-
Share of dividends paid out, %	98.65	99.20	99.20	-
The date for listing the persons entitled to receive dividends	13.06.2018	10.06.2019	13.01.2020	-
Date of resolution on dividend payout	31.05.2018	30.05.2019	30.12.2019	29.05.2020
Terms of payment of dividends (under the Law):				
<ul> <li>to a nominee holder and a professional securities market participant trustee</li> </ul>	Not later than 27.06.2018	Not later than 25.06.2019	Not later than 27.01.2020	-
• to other stockholders of record	Not later than 18.07.2018	Not later than 16.07.2019	Not later than 17.02.2020	-
Dividend payment terms (actual)	18.07.2018	16.07.2019	17.02.2020	-

Approved in 2018 by the decision of the Company's Board of Directors (Minutes No. 27/18 dated 10 August 2018). No. 1094-r dated 29 May 2017, and No. 393-r dated 7 March 2018.

No. 1094-1 dated 29 May 2017, and No. 395-1 dated 7 March 2018. Information on profit distribution in accordance with the decisions of the annual (for 2017, 2018, 2019) and extraordinary (for nine months of 2019) general meetings of shareholders: for 2017 – Minutes No. 01/18 dated 1 June 2018, for 2018 – Minutes No. 01/19 dated 31 May 2019, for nine months of 2019 – Minutes No. 02/19 dated 31 December 2019, and for 2019 – Minutes No. 01/20 dated 29 May 2020.

The extraordinary General Meeting of Shareholders of the Company (Minutes No. 02/19 dated 31 December 2019) decided to pay dividends on the Company's ordinary shares from the Company's net profit for the first nine months of 2019 in the amount of RUB 0.0200649 per ordinary share in cash (RUB 847,099,000). On 29 May 2020, the Annual General Meeting of Shareholders decided not to pay dividends on the Company's ordinary shares based on the results of 2019, taking into account the payment of dividends based on the results of the first nine months of 2019.

According to the Moscow Exchange (Calculation Method). As a result of the decision of the General Meeting of Shareholders of the Company on non-payment of dividends for the reporting period, the dividend yield is not calculated.

According to the Index Committee of the Moscow Exchange, the free float ratio as at 31 December 2020 stood at 34%.

Calculated by the formula: (Weighted average share price as of the end of period – Weighted average share price as of the beginning of the period + Dividend accrued per share in the reporting period and approved by the decision of the General Meeting of Shareholders) / Weighted average share price at the beginning of the period) × 100%.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW

Corporate Governance Code regarding determination of the dividend amount as equal to 50% minimum of the net profit under the IFRS financial statements, including consolidated ones, calculated according to the procedure established by the Regulation.

5 CORPORATE GOVERNANCE

- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES





Dividend Payout Plans for 2020 The resolution on dividend payout for 2020 will be adopted by the Annual General Meeting of Shareholders of IDGC of Centre in 2021. The Company sees it as a priority to pay out dividends in the amount of at least 50% of the net profit determined based on the financial statements, including consolidated statements prepared in accordance with International Financial Reporting Standards (IFRS), with regard to the needs for investments financing and correction of financial performance related to grid connection.

#### Criteria for payment of dividends in accordance with the Company's Articles of Associations and in-house documents

Criterion		Notes
Net profit determined based on the account Accounting Standards (RAS) for the reportir	Net of gains and losses from the revaluation of publicly traded shares	
Net profit determined based on RAS account period, net of gains and losses from the reva companies and related income tax	of the joint-stock companies and related income tax, and mandatory contributions to reserve and other funds, as established the Company's Articles of Associations	
Dividend Calculation Formula	<b>DIV1</b> is the amount of dividends	losses from the revaluation of publicly
The amount of dividends paid in the	calculated under the Company's	traded shares of the subsidiaries and
reporting year is determined in line with	Dividends calculation procedure based	related income tax, and mandatory
the dividends calculation procedure by	on its net profit according to RAS	contributions to reserve and other
the general formula:	accounting (financial) statements.	funds, as established the Company's Articles of Association.
DIV= MAX {DIV1; DIV2} – DIVint,	DIV2 is the amount of dividends	
	calculated under the Company's	Information about the Company's
where:	Dividends calculation procedure based	dividend policy, dividend history, and tax issues can be found on the Company's
<b>DIV</b> is the amount of net profit allocated	consolidated (financial) statements.	website at: https://www.mrsk-1.ru/en/
to dividends on ordinary shares;		investors/dividend/.
	The amount of dividends (DIV2) shall not	
DIVint is the amount of interim dividends		
paid out for 1Q, 1H and 9M of the	on RAS accounting (financial) statements	
reporting year;	for the reporting year, net of gains and	

#### BONDS

On 5 June 2020, IDGC of Center placed an issue of exchange-traded bonds of the 001R-02 series with a par value of RUB 5 billion with a coupon rate of 5.60% per annum, with three year maturity.

#### Key data of bond issues being traded as at 31 December 2020

Basic parameters of securities	Bonds of BO-04 series <sup>1</sup>	Bonds of BO-06 series	Series 001R-01 bonds under the Programme of 001R Series Exchange- Traded Bonds	Series 001R-02 bonds under the Programme of 001R Series Exchange- Traded Bonds
Quantity, bonds	5,000,000	5,000,000	5,000,000	5,000,000
Par value of one share, RUB	1,000	1,000	1,000	1,000
Amount, RUB	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
ID/register number	4B02-04-10214-A	4B02-06-10214-A	4B02-01-10214-A-001P	4B02-02-10214-A-001P
Date of ID/register number assignment	25.06.2013	25.06.2013	15.11.2019	01.06.2020
Start date of placement	24.11.2015	10.04.2018	19.11.2019	05.06.2020
Maturity	10 years	10 years	5 years	3 years
Availability of a put option	Put option in 7 years following the start date of placement, additional option 19.11.2019	Put option in 3 years following the date of placement	Put option in 3 years following the date of placement	-
Coupon rate, % per annum	11.58	6.95	6.85	5.60
Exchange	Moscow Exchange	Moscow Exchange	Moscow Exchange	Moscow Exchange
List	Third Tier	Second Tier	Second Tier	Second Tier
Coupon yield per bond, RUB	57.74	34.65	34.16	27.92
Securities rating, rating agency	-	-	ruAA (Expert RA)	ruAA (Expert RA)

#### KEY PARAMETERS OF IDGC OF CENTRE'S BOND PROGRAMME

On October 2016, JSC MICEX Stock Exchange assigned an identification number to the OO1R series Bonds Programme of IDGC of Center and Volga Region.

• The ID number of the 001P Series Exchange-Traded Bond Programme: 4-10214-A-001P-02E dated 21 December 2016.

- the total par value of all exchangetraded bond issues placed under the 001R Series Bond Programme is up to RUB 40 billion inclusive;
- the maturity date is within 10,920 days from the bond issue placement date;

As of 31 December 2020, 001R-01 series bonds with an issue volume of RUB 5 bn

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

and 001R-02 series bonds of RUB 5 bn circulate under the Programme of 001R Series Exchange-Traded Bonds of IDGC of Centre.

Throughout the entire maturity of bonds and in 2020 in particular, the Company fully complied with its obligations to pay coupon profit on bonds - on time and in full.

#### **INVESTOR RELATIONS**

IDGC of Centre is aware of the strategic importance of building trust with its shareholders and maintaining a dialogue with representatives of the investment community in order to increase shareholder value and improve investment attractiveness. The Company's policy on improving information transparency provide a basis for the sustainable development of long-term communications with all categories of stakeholders and contributes to improving the Company's reputation.

- The Company paid interim dividends for 9M 2019 contributing to the growth of the total shareholder value, which stood at 32.9% at the year-end.
- The positive perception<sup>1</sup> of the Company by representatives of the investment community increased from 92.5% in 2019 to 94.9% in 2020, which is significantly higher than the target value of 75%.
- At the end of 2020, the Company managed not only to maintain the frequency of events for shareholders and investors, but also to increase their attendance by organising online meetings.

Information about IR events with the participation of IDGC of Centre is available on the Company's website in the Investor Calendar section for 2020. The events planned for 2021 are also available in IR-Calendar section or on the portal Closir.com, where you may also apply to participate in the planned events with the Company's management.

#### TOOLS FOR INTERACTION WITH SHAREHOLDERS AND INVESTORS

In 2020, audio webcasts were given after the publication of guarterly and annual IFRS consolidated statements of the Company's activities. New positive experiences of telephone conferences with live stream, in cooperation with Sova Capital, with the Company's shareholders and clients of the investment bank are also noteworthy. This format facilitates the communication with representatives

of the investment community and the attraction of new investors who were unfamiliar with the Company previously.

Indeed, moving all the types of activities with stakeholder online can daringly be named the trend of 2020. During the COVID-19 pandemic, it was possible to transfer work with shareholders to remote interaction quickly, while continuing to provide comprehensive consulting and assistance in exercising shareholder rights. Statistics for the year showed that the Company maintained the interaction with analysts and investors at the 2019 level. In the future, the Company will continue to search for the most convenient formats of communication to satisfy the needs of investors.

Throughout the year, IDGC of Centre responds to requests on the current Company's activities submitted by analysts, investors, and shareholder.

The main source of information for the majority of shareholders and investors, especially during the period of restrictive measures, was the Company's website, which is a prompt and reliable source of information for making investment decisions and tracking key performance results.

#### ANALYTICAL COVERAGE OF THE COMPANY

In 2020, four analysts provided the coverage of the Company's operation with the publication of updated recommendations on shares. The consensus forecast of the share price as at 31 December 2020 implied a potential reduction of 19%, due to the fact that at the end of 2020 the share price spiked significantly, exceeding the target values of analysts. The history of recommendations regarding the Company's shares is available at the following link. For more details on IDGC of Centre's interaction with the analysts, please refer to the Analytical Support Section on the Company's website.

#### Outcomes of IR-activities in 2020

Initiatives on interaction with investors with the participation of Top Managers, events



#### IR-events with investors at the initiative of the Company (calls, meetings)



#### Updated data in the register of shareholders, persons



Results of the annual Perception Study of the investment community representatives

#### Positive image index, %



The majority of respondents consider the Company's strengths to be the consistency of dividend payments, a stable financial position for several years, information openness in communication with representatives of the investment community and high-quality disclosure of information.

#### MEASURES TO ATTRACT ESG INVESTORS

75

- reliable, stable and affordable electricity supply to consumers;



The positive perception coefficient, which evaluates the performance quality of the IR division of Rosseti Center according to the criteria of competence, accessibility, honesty, and response time based on the annual perception study of representatives of the investment community conducted by the Company

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5 CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

- Successful development of the Company is possible only if the needs of all stakeholders are accommodated. The Company's main priorities remain unchanged:
- enhanced efficiency of resource utilisation in core activities;
- enhancement of investment appeal;
- striking a balance between all stakeholders.

Following the principles of sustainable development, the Company is open to attracting new investors, including those specialising in the ESG agenda.

# CORPORATE RESPONSIBILITY

**3rd place** in the AK&M Social Performance Rating

# Rating "A"

the Best Corporate ESG Practice of the Russian Federation

Our collective goals are to ensure reliable and uninterrupted operation of the power grid complex throughout the territory of our presence, while unconditionally observing the occupational safety rules, preventing injuries to third parties at the Company's facilities.

To reduce the negative impact on the environment, we have been pursuing the environmental policy of the power grid complex for many years, as well as making systematic efforts on the introduction of modern technical solutions, energy conservation and energy efficiency improvement.

**Evgeny Turapin,** First Deputy General Director – Chief Engineer at IDGC of Centre

# **PRINCIPLES OF CORPORATE** RESPONSIBILITY

#### GRI 102-14, 102-31

IDGC of Centre is the largest company in Central Russia; its key consumers include enterprises of great local importance. The Company contributes significantly to life and development of the local communities within its footprint, providing reliable and uninterrupted power supply of consumers, executing grid connection of enterprises and social facilities.

Our efforts are aimed towards entertaining the opinions of all stakeholders and complying with sustainable development principles.

With an aim to receive unbiased results of its performance, the Company discloses a wide range of nonfinancial indicators on an annual basis and

hold regular consultations with key stakeholders to consider their interests.

### **SUSTAINABILITY** MANAGEMENT

Key focus areas

Ê	60	88
Economic	Environmental	Social
• Payment of taxes and fees	• Reduction of waste, emissions	• Promoting the development

of social responsibility

on the environment

resource potential

• Preservation of natural

ecological systems and natural

habitats within the Company's

footprint, rational use of natural

- at the regional and federal levels
- Financial sustainability
- Alignment of business with legal requirements and principles of commercial integrity
- and discharges of pollutants of regions by creating a modern • Compliance with the principles and reliable infrastructure
- within the Company's footprint and keeping a constructive • Providing stable employment and creating safe working dialogue with stakeholders on the Company's impact conditions
  - Developing and implementing children and youth projects
  - Supporting socially unprotected groups

#### IDGC of Centre's planned corporate social responsibility targets

	_		
Indicator	2020-plan	Achievement of targets in 2020	2021-plan
HR and Social Policy			
Staff training costs, RUB mn	93.8	77.6	Growth by 18.6%, to RUB 92.0 mn
Social payments per employee, RUB '000	5.2	6.3	Growth by 1.3%, to RUB 6,400
Staff turnover, %	Below 6.5	4.3	Below 6.5
Security			
Job-related accident frequency rate	Zero accident	3 <sup>1</sup>	Zero accident
Spending on Comprehensive Injury Risk Reduction Programme of IDGC of Centre, RUB mn	712.9	697.2	Growth by 24.1%, up to RUB 865.5 mn
Environmental policy			
Share of waste disposed of and neutralised, % of the total volume	Not set	30.6	increase of 2%
Number of overhead transmission lines safe for animals and birds (self-supporting insulated wire (SIW) and bird diverters), km	increase by 1,100	increase by 2,079	increase by 1,379
Number of bird diverters at power grid facilities, thousand diverters	increase by 3.4	increase by 8.5	increase by 4.4
Total amount of oil used in the equipment (replacing oil circuit breakers with SF6 and vacuum circuit breakers, oil-filled bushings – with solid RIP insulation bushings), t	decrease by 2.5	decrease by 1.5	decrease by 1.3
Number of equipment with polychlorinated biphenyls (PCB) transferred for recycling, t	4	4	63,3
Procurement Policy			
Share of procurements from SMEs, %	At least 20	81.6	At least 20

#### For further details on the accomplishment of environmental targets in 2020 see p. 185

Along with ensuring the reliable and uninterrupted operation of the Power Grid Complex in the territory of its presence,

IDGC of Centre strives to comply with the principles of sustainable development in its daily work: developing social responsibility

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

and maintaining relationships with stakeholders, minimising the negative impact on the environment.

#### **IDGC OF CENTRE'S IN-HOUSE DOCUMENTS REGULATING ACTIVITIES RELATED** WITH SUSTAINABLE DEVELOPMENT

IDGC of Centre has in place an extensive list of policies and standards that regulate the Company's approaches to sustainable development.

Occupational safety, industrial safety, environmental protection	<ul> <li>Occupational safety policy adopted by Rosseti's group of companies</li> <li>Guidelines on Corporate Technical Control System of IDGC of Centre</li> <li>Regulations on the Corporate Occupational Safety Management System</li> <li>Comprehensive Staff Injury Risk Reduction Programme</li> <li>Comprehensive Programme to Reduce the Risks of Injuries to Third Parties at the facilities of IDGC of Centre</li> <li>Environmental policy of power grid complex</li> <li>Environmental safety programme of IDGC of Centre</li> <li>Quality management system certificate ISO 9001</li> <li>Environmental management system certificate ISO 14001</li> <li>Energy management system certificate ISO 50001</li> </ul>
Personnel	<ul> <li>Code of corporate ethics and conduct of employees</li> <li>Anti-corruption policy</li> <li>HR and social policy</li> </ul>
Stakeholder relations	<ul> <li>Company, consumers and authorities engagement policy</li> <li>Customer services quality standards</li> <li>Procurement policy</li> <li>Regulations on the formation and use of the sponsorship and charity fund</li> </ul>



# **STAKEHOLDER** ENGAGEMENT

The core business of the Company involves continuous interaction with various groups of stakeholders. Effective interaction with stakeholders not only directly affects the financial performance of the Company, but also lays the groundwork for the sustainable development system of IDGC of Centre.

Maintaining an open and constructive dialogue allows us to create a positive corporate image in the business

#### Stakeholders' chart

Groups of stakeholder	s and their interests
	Personnel (the Company's employees, trade union,
m	For further details see HR o

- Decent standard of living
- High level of social protection
- Opportunities for personal and professional growth
- Occupational safety
- Raising the status of a power engineer job

ព៌ាំ

- Dynamic growth and business development
- Operating efficiency
- Boosting the capitalisation
- Transparency of activities and management

ពំរាំ	Partners (supplie For further details see f
- M. J. All. Is a Children of the	a to constitute of the

- Mutually beneficial and long-term collaboration
- Stable financial condition
- Procurement
- Negotiations Commercial offers
- Gaining profit from collaboration
- Timely and exact fulfilment of obligations under agreements
- Fair competition

For further details see Customer Relations section, p. 64

- Reliable, uninterrupted and high-quality power supply
- High quality of service

Å

- Transparency and accessibility of information on the Company's activities
- Fast and easy grid connection procedure

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

environment, and responsibility and proper recognition of stakeholders interests in making strategic decisions are prerequisites for effective business development.

#### Forms of engagement with stakeholders

### Council of Young Specialists, Council of Veterans)

- Collective Bargaining Agreement
- Council of Young Specialists and Council of Veterans
- Trade unions
- Corporate means of communication
- Work with the talent pools
- Personnel training
- Cultural and sports activities

#### Shareholders and investors

- General Meeting of Shareholders
- Annual and social reports, informational brochures and leaflets
- Meetings with the management team
- Press conferences, presentations and forums
- Federal and regional media
- Corporate website
- Polling surveys of shareholders and investors
- Responds to requests, submission of documents

rs and contractors)

- Corporate website
- Federal and regional media
- Workshops and conferences

#### Customers

- Customer Service Centres
- Joint Information Centre
- Single federal hotline
- Polls and surveys
- Corporate website (Internet reception)
- Federal and regional media
- Press conferences, workshops and forums

Groups of stakeholders and their interests	Forms of engagement with stakeholders
State (federal, regional and local go	<b>vernments, sector-specific regulators)</b>
For further details see Tari	iff Policy section, refer to p. 72
Investment	s section, p. 85
Tax Policy and Budget (	Contribution section, p. 193
<ul> <li>Reliable and sustainable functioning of the energy system</li> <li>Implementation of programmes aimed at comprehensive</li></ul>	<ul> <li>Setting tariffs for regulated types of activity</li> <li>Alignment of investment programmes and their progress reports</li> <li>Task forces to elaborate long-term electric power development</li></ul>
development of the infrastructure systems <li>Implementation of long-term projects aimed at development</li>	schemes and programmes <li>Agreements on collaboration on the development of the power</li>
of the power industry <li>Meeting of the medium- and long-term demand for electricity</li>	industry in the regions <li>Reporting to the authorities and disclosing under applicable laws</li>
and capacity <li>Attraction of additional investments to regions and creation</li>	of the Russian Federation <li>Work meetings and joint activities with representatives</li>
of new jobs <li>Tax liabilities</li>	of the regional authorities <li>Tax remittance</li>
Company (local population within the Co	ompany's footprint, which is not among the consumers,
environmental an	d public organisations, the media)
For further details see	e Information Disclosure section, p. 142
Cha	arity section, p. 193
<ul> <li>Reliable, uninterrupted and high-quality power supply</li> <li>Supporting the employment</li> <li>Transparency of the Company's activities</li> <li>Social and economic development within the regional footprint</li> <li>Environmental protection and safety</li> <li>Energy security</li> <li>Implementation of social programmes</li> <li>Charity</li> <li>Availability and consistency of information</li> </ul>	<ul> <li>Social programmes within the regional footprint</li> <li>Federal and regional media (print, television and radio)</li> <li>Press conferences, press-releases, PR campaigns, workshops, forums, contests</li> <li>Meetings of top managers with veterans, students and other social groups</li> <li>Corporate website</li> <li>Measures to prevent electrical injuries</li> </ul>
Scientific organisations	and specialised universities
For further details see Innovative D	Development Programme section, p. 66
<ul> <li>Advancement of science and education</li> <li>Integration of the latest scientific achievements into the power grid industry</li> <li>Assimilation of effective innovative technologies</li> <li>Demand for young and promising personnel from the Company</li> <li>Improving and developing joint educational programmes</li> </ul>	<ul> <li>Innovative development programmes</li> <li>Joint R&amp;Ds</li> <li>Scientific conferences, exhibitions</li> <li>Cooperation agreements with universities</li> <li>Applied science conferences</li> <li>Joint competitions between the thesis projects related to the power grid industry</li> </ul>

The Company took steps in the reporting year to identify material topics involving external and internal experts. Key topics were:

- Countermeasures against COVID-19;
- Projects of the Digital Transformation

Consolidation of territorial grid

organisations (TGOs);

Programme;

- ESG factors;
- Incentives schemes for management team;

• Energy and resource savings;

• Contractors management;

• Respect for human rights;

• Transparency of the dividend policy.

• Safety net programmes for employees;

tariff revenue), as well as a buoyant business model;

Disclosure of identified material topics is within the scope of the Report.

Student construction brigades

Corporate sustainability (plans to develop additional services and increase of non-

# HR DEVELOPMENT

#### GRI 103-2

The personnel of IDGC of Centre is the main value and one of the key factors in the sustainable development of the Company. Personnel management in the Company is regulated by the HR and Social Policy of IDGC of Centre, which is aimed at achieving the targets of the Strategy for the Development of the Power Grid Complex of the Russian Federation.

We put in place all the necessary arrangements to ensure safe work, professional advancement and personal self-fulfilment of employees. The key principles of the Company in the field of HR management are:

- unified approaches to management considering the regional specifics of enterprises;
- achieving a single talent pool;
- creating conditions for the employees' potential development;

### UPHOLDING EMPLOYEES' RIGHTS GRI 102–16, 102–17, 406

IDGC of Centre follows the Labour Code of the Russian Federation and the internal regulations relating to interactions with personnel. The Company adheres to principles of entire transparency in the HR management procedures, wage calculation and payment, employees' remuneration for efficiency, social packages providing comfortable working conditions. As set forth by the Collective Bargaining Agreement, the business relationships of the Company's employees are based on the principles of equal rights, justness, respect, voluntariness, and legality, justification of responsibilities, as well as their duty and feasibility.

According to the Code of Ethics, the Company provides equal opportunities to the employees and prevents any form of discrimination by nationalities, race, gender, age, or current position. All the employees have equal opportunities for successful and effective work, professional development and career progress. While composing the staff (including management), the Company is driven by the principles of fairness and objectivity. The decisions on appointment or transfer to a higher position are only based on business qualities of the employees.

A principle of social partnership adopted by the Company provides for a direct dialogue of the management with the work collective (regular meetings), monitoring of personnel satisfaction with the labour conditions and content, income level, compensations, and benefits. The Company's employees can submit a claim or a proposal via a hotline, by e-mail doverie@mrsk-1.ru, using feedback on the corporate website or by other channels.

```
162 163
```

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

# motivation to effective work guaranteeing an increase in labour productivity; inadmissibility of discrimination of any form;

- compliance with the principles of social partnership and responsibility specified by the Sectoral Tariff Agreement in the power industry of the Russian Federation.
- The strategic and programme documents of IDGC of Centre define the following HR
- satisfying prospective recruitment needs of digital energetics;
- developing industry-specific professional skills;

management goals:

management;

- practical application of professional standards and independent assessment in HR
- interacting with educational institutions to create relevant and advanced (subject to industry-specific digitalisation) professional skills;
- improving the coaching system, expanding coaching practices both in staff training (through the mechanisms of dual training, organisation of student internship and the student brigade movement management), and in on-boarding of young specialists;
  developing the corporate educational system;
- strengthening cooperation with the WorldSkills, including the organisation and conduct of open corporate championships of professional skills;
- implementing Youth Policy projects;
- developing personnel incentives and social programmes.

#### EMPLOYEE INVOLVEMENT IN MANAGEMENT DECISION-MAKING

In line with the Collective Bargaining Agreement, social partners are working together on evolving the following general principles to regulate social and employment relations to:

- increase and improve performance and productivity;
- ensure the compliance with employment rules and work discipline, occupational health and safety and workplace hygiene requirements;
- ensure social stability across the Company.



- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW

7. APPENDICES

5. CORPORATE GOVERNANCE

6. CORPORATE RESPONSIBILITY

High-level advanced technologies in the power industry require gualification improvement and development. The personnel of IDGC of Centre is endowed with a sufficiently high educational level. More than 40% of employees have higher professional education, and this share is constantly growing.

In the reporting period, 3,678 people were entitled to take parental leave, among them - 890 women and 2,788 men. However, it is still an extremely rare occasion in real life when the right for the paternal leave is fulfilled by men. At the end of 2020, 96.9% of 713 people who were on child-care leave (for children under the age of three) were women.

It is important for the Company that employees who raise young children return to their jobs. In the reporting year, 90% of specialists (among those who were supposed to return) returned to work.

The gender composition of the Company's employees fits the typical profile of power grid companies. As of 31 December 2020, the share of men employed by the Company was 79%, women - 21%.

Due to the specifics of the industry, administrative personnel predominate among women, while the majority of men in the Company are blue collars. At the same time, there is still a significant gender gap in management in the Company. Ninety per cent of managers are men, while women account for only 10%, which does not correspond to their share in the Company as a whole. Women employed in the governing bodies account for only 8% of the total headcount, while men account for 19%.

#### Headcount by gender in 2020, %



#### COVID-19

### Efforts during COVID-19 pandemic

In response to the spread of COVID-19 in 2020, IDGC of Centre undertook the following measures to protect the health and wellbeing of personnel and to render social support for employees, their families and retirees:

- all 11 branches and the executive office of the Company established headquarters for the prevention and prompt response to the spread of the coronavirus infection;
- most of the personnel were transferred to work from home, including the introduction of a mandatory remote mode for employees aged 65 and over;
- employees who have children under the age of 16 and are not in a position to care for them in the setting of closed schools and pre-schools were transferred to a mandatory work from home or were given a paid leave;
- day-to-day temperature control in all branches and the executive office of the Company, provision of staff with medical masks and antiseptic products;
- the Company's Contact Centre set up a hotline for receiving calls and giving consultations from/to IDGC of Centre staff on issues related to the business processes amid unfavourable epidemiological environment;
- $\cdot$  the deadlines of employees training requiring travel to other regions were postponed;
- Social Affairs Commissions were organised to review applications of employees and retirees who experienced hardship because of COVID-19 to provide one-time material assistance. material assistance worth of RUB 2.1 mn were rendered to 172 employees and retirees;
- employees suffered from COVID-19 were granted up to three additional paid days of leave;
- in 2020, the Company conducted 42.2 thousand COVID-19 tests for 26.6 thousand employees to prevent the spread of the coronavirus infection.

All measures were obligatorily aligned with changes in the local epidemiological situation and contributed to the continuous functioning of the Power Grid Complex within the corporate footprint.

#### PERSONNEL TRAINING AND DEVELOPMENT GRI 404-2, EU14 (ex)

Training of the employees is regulated by the HR and Social Policy of IDGC of Centre, the Personnel Management Rules for the Russian Power Sector, and our corporate standard, Personnel Management at PJSC IDGC of Centre.

The assimilation of sophisticated technologies and innovative development of the Company raise requirements to the personnel qualification. The system's purpose is to develop advanced training required for working at newly commissioned facilities, master new technology, and integrate scientific workflows into the training process.

The corporate training centres located in Voronezh, Orel and Tver are the main educational institutions satisfying the employees' demand in training. These training centres mostly focus on dispatchers, foremen and multidisciplinary electricians. The training centres have all required licenses for educational activities and are equipped with teaching aids, trainers, computers, video and multimedia aids. The training centres have also training sites with power grid equipment for skill practice.

Key suppliers of educational services, in addition to Company's in-house training centres, are National Research University "Moscow Power Engineering Institute" (Smolensk branch), Petersburg Power Engineering Institute of Professional Development, Ivanovo State Power University, etc. Such co-operation allows the senior managers and the specialists of the Company to improve their functional skills on a regular basis and receive further vocational education

#### Average duration of training per one employee, hours GRI 404-1

Staff category	2018	2019	2020
Management	28	20	31
White collars	36	32	45
Blue collars	83	89	92

The bulk of trainees (91.5%, or 12,4 thousand employees) are blue-collar personnel. This indicator stood at 93.6% in 2019.

In 2020, 5.4 thousand people (40.3% of the total number of trainees, 16% yearon-year increase) received vocational training, retraining and advanced training at corporate training centres. The most part of the employees (95.9%, 5.2 thousand people) involved in training activities at corporate training centres also belongs to blue collar personnel. In 2020, special attention was given to one of the priorities – Digital Transformation of Power Grids. In this connection, the senior managers and the specialists of the Company's technical unit improved their skills via programme "The Basic Principles of IEC 61850 Standard. Digital Substations: Current State and Development Outlook" in the Ivanovo State Power University. Under the scope of the Digital Transformation Competency Development Project experts of the Company, together with corporate training centres, endorsed

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

programmes on electrotechnical specialities.

The number of employees of IDGC of Centre who took part in off-thejob educational programmes in 2020 against the average headcount is 47.4% (13.6 thousand people), which corresponds to key target set out in the HR and Social Policy of the Company (30%). In 2019, training covered 14.3 thousand people, which was 48.8% of the average headcount. The decrease in the number of employees trained in 2020 compared to 2019 is caused by the COVID-19-related limitations imposed on the participation in faceto-face educational events. In 2020, 9,226 employees (67.9% of the total number of trainees) received training in a remote format for the first time.

a programme of Digital Transformation in the Power Grid Complex. Heads of the executive office and corporate training centres were involved as instructors and lecturers. More than 500 RPG managers and specialists of the Company completed the curriculum of this programme.

#### Breakdown of off-the-job trainees by categories, %



In 2020, costs for personnel training amounted to RUB mn 77,6 (–10.2% year-on-year), RUB mn 29,3 of which (41.8% year-on-year increase) – for staff training in the corporate training centres. Training in the corporate centres accounted for 37.8% of total costs in 2020. Such a low share is due to the differentiated prices for training employees of the Company and third-party organisations. Besides, the prices of the corporate training centres are significantly lower then the prices of regional continuing education organisations.

#### The ratio of personnel training costs to payroll fund was 0.49% (0.58% in 2019). The figure was driven down by the optimisation of operating costs, as well

as the prevalence of a less expensive distance training format in 2020. Expenditures on personnel training ensure mandatory training and training in accordance with the requirements of professional standards.

In the context of reducing staff training costs, the Company is looking for opportunities to train employees through co-financing. Thus, the Southwest State University won the competition for the provision of grants in the form of subsidies from the federal budget for the project "Training Citizens under Continuing Education Programmes in Educational Organisations Implementing Additional Educational Programmes and Vocational Training Programmes" of the federal project New Opportunities for Everyone of the Education national project. As a result, 740 employees of Kurskenergo branch were able to complete free of

47.4% employees took off-the-job training

#### Staff training costs of the Company, RUB mn

Indicator	2018	2019	2020 (plan)	2020	2021 (plan)	Chan	nge 2020/2019	
				(actual)		abs.	%	
Training cost (total)	91.9	86.3	93.8	77.6	92.0	-8.8	-10.2	
Costs of training in corporate training centres	20.8	20.7	25.3	29.3	49.5	8.6	41.8	

charge training under the 108-hour advanced training programme Operation and Management of the Energy Assets of Enterprises and Organisations in the context of Digital Transformation.





41.8% Increase in training costs in corporate centres

91.5% of the trained employees are production personnel

#### Key indicators of employee training in 2020, %



Average share of trained employees, %

Including trained at corporate training centres, %



- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

#### TALENT POOL, PERSONNEL ASSESSMENT

Talent development includes development of professional and managerial skills and motivation of succession candidates to retain them in the organisation. The Company established management and youth talent pools (at the level of the Company and its branches) and a talent pool for the key positions.

In 2020, the managerial talent pool of the Company included 3,695 most promising employees. As of the end of the reporting period, 73% of existing managerial jobs were filled from members of the available talent pools. The youth talent pool of the Company as of the end of the reporting period included 1.1 thousand employees.

In 2020, members of the talent pools took part in trainings aimed at developing management competencies. In order to gain practical management skills, succession candidates covered for their superiors while the latter were in temporary absence. The members of the youth talent pool also represented

the Company at the International Forum of Young Power Engineers and Industrialists "Forsage 2020".

In 2020, 996 positions (86%) out of 1,160 appointments to management positions in the Company were filled from the internal pool, 292 (29%) of which are employees from the managerial and youth talent pools.



#### Promotions to leadership positions in 2020, %



#### Data on assessment methods used in the Company

Assessment type	Staff		Period		Additional data on 2020				
	category	2018	2019	2020	recruitment	transfer	talent pool assessment	operational personnel assessment	assessment of personnel violating safety precautions
	Total	28	41	55	4	19	32	0	0
Competence	Management	22	30	28	4	10	14	0	0
assessment	White collars	6	11	19	0	5	14	0	0
	Blue collars	0	0	8	0	4	4	0	0
	Total	5,120	4,848	2,578	1,038	474	154	902	10
Psychophysiological	Management	562	592	386	119	109	69	88	1
testing	White collars	1,163	1,230	732	198	196	47	290	1
	Blue collars	3,395	3,026	1,460	721	169	38	524	8
	Total	2,778	2,324	2,297	359	1,881	57	0	0
Skills assessment	Management staff	251	298	214	12	178	24	0	0
	White collars	1,376	785	637	61	563	13	0	0
	Blue collars	1,151	1,241	1,336	286	1,030	20	0	0
Total		7,926	7,213	4,930	1,401	2,374	243	902	10

### 1.1 thousand people Headcount of youth talent pool

86% of executive positions are filled by internal candidates



A Youth Council is created at each of the branches for efficient interaction with young employees. Its key objectives:

- assistance to young employees in accommodating with the conditions and requirements applicable to the Company's employees;
- assistance in building a team of professionals based on the unified corporate culture principles, in fostering the commitment of the youth, in enhancing the expertise among staff, in upgrading the talent pool management efforts, in adopting an individual approach to working with young people.

With the involvement of the Youth Councils, the Company regularly holds various social events: the celebration of the Great Victory Day, events aimed at promoting healthy lifestyle, events for children of the employees. In 2020, during the COVID-19 pandemic, members of the Youth Council became active participants in the Company's volunteer movement League of Good assisting in the delivery of medicines and food to veterans of the power grid complex, veterans of the Great Patriotic War and home front workers.

In each region, career guidance collaboration with schools is organised for creation and development of long-term forms of professional orientation of students to work in the Company, identification of the best-qualified students for their targeted training in the specialised educational institutions.

Since 2018, in order to promote the talented students, increase their motivation to study under energy-oriented programmes and then find employment with IDGC of Centre, the Company has been orchestrating the regional stages of the All-Russian Olympiad for students of Rosseti's group of companies. Thus, 337 local students from within IDGC of Centre's footprint participated in the 2020 Olympiad, which was held in a remote format for the first time.

In order to develop human resources and partnership in the field of education, the Company actively cooperated with educational institutions of higher and secondary vocational education, resulting in a total of 72 cooperation agreements signed. The key focus areas of cooperation are: • target training for students in popular trades in the power grid area to cover future demands;

- talents into the industry;
- training;
- employment of graduates.

The Company is keen to attract the students to adjust to work in the Company. Thus, 868 students, including 70 ones on a fee basis, undertook an internship in the business units of IDGC of Centre in 2020. To prevent the spread of COVID-19, students were provided with the opportunity to undertake the internship and receive advice on term papers and graduation papers in a remote format.

### **REMUNERATION AND INCENTIVE SCHEME**

Financial incentives offered by the Company include fixed components (base salary) and additional payments set out in the corporate documents and in the Company's Collective Bargaining Agreement.

IDGC of Centre has in place a Unified Remuneration and Reward Policy, which seeks to engage and retain the best talent. Salaries and wages of employees vary depending on the personnel category, qualification, labour complexity and intensity, nature of work and workplace conditions.





- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

• training, retraining, and upskilling of Company's employees under the continuing professional education programmes;

• career guidance to promote the power engineering profession and to recruit young

• attraction of Company's employees of an appropriate qualification to take part in the

• joint organisation and implementation of dual training;

management of student brigades working at the power grid facilities;

• organisation of production and pre-graduation practice of trainees and students,

The existing remuneration scheme implies the following:

- fixed salaries regarding qualifications, business skills, experience, and worth to the Company;
- ongoing performance bonuses;
- supplementary payments and premiums for job scope and working conditions;
- ad hoc bonuses;
- seniority payments.

The Company:

- established the equal base pay for men and women, which is indexed in accordance with the Collective Bargaining Agreement;
- formed a unified scheme of blue collar basic salaries;
- set a grading system for managers and white collar employees – the hierarchy of positions based on the evaluation of all positions of managers, white collars according to a system of factor groups considering the value of labour for each typical job position;
- linked the financial incentives of the employees to the grading system.

Our framework of key performance indicators (KPIs) enables efficiency assessment of every business unit and encourages the employees to achieve specific performance targets set as KPIs. Every business unit has its individual KPIs reflecting its involvement in business processes and business services of the Company.

The Company has in place a standard organisational structure of a branch, established the KPIs common for all, with individual target values. The procedure of monthly reporting on the KPI achievements is a transparent and effective instrument for the branch government in assessing the performance of the business units.

The average pay of employees of the Company's branches remains competitive on the local level. In 2020, the average pay gained a 9.1% year-onyear increase. The actual increase in average pay was driven by the indexation of salaries, the introduction of additional incentives for the development and accomplishment of priority areas, compensation payments for work in the coronavirus infection environments. Additional financial incentives (for developing and implementing additional services, for identifying and suppressing the facts of unaccounted and noncontractual electricity consumption, for achieving the target level of electricity losses) are also applied.

#### Average pay of the Company's employees, RUB

Indicator	2018	2019	2020	Change 2020/20	
				RUB	%
Average pay of employees	43,614	42,530	46,391	3,861	9.1
Average pay of administrative staff	83,056	77,382	84,797	7,415	9.6
Average pay of production staff	37,432	37,042	40,331	3,289	8.9

Despite the same level of indexation of basic salaries, the ratio of wages of employees of the Company's branches to wages in the regions of presence differs, which is due to the financial and economic condition of the branches and,

accordingly, the differentiated size of the current bonus.

Ratio of the average pay at a Company's branch to the average pay at local communities within the Company's footprint in 2020<sup>1</sup>, %



The Company efficiently uses the following kinds of non-financial incentives:

- employee service awards and recognition programmes;
- creation and maintenance of a favourable psychological climate in the team, holding sports, cultural and educational events together with the trade union;
- senior management communication with employees;
- arrangements for training, upskilling, career progress and personal development, skills contests for the employees, etc.

#### SOCIAL RESPONSIBILITY GRI 102-41

IDGC of Centre is a member of a unified industry-wide system of social partnership based on the Sectoral Tariff Agreement in the electric power industry of the Russian Federation. The key social partner of the Company is the primary trade union of IDGC of Centre that brings together 12 trade unions (one in the executive office and 11 in branches). At the end of 2020, 19,914 employees were members of the trade union.

The principal document governing social and labour relation in the Company is the Collective Bargaining Agreement, which applies to all employees. The Collective Bargaining Agreement provides for the rights and obligations of parties regarding the establishment of working time and rest time, remuneration of labour, observance of occupational safety regulations, as well as the provision of benefits, guarantees and compensations. The Collective Bargaining Agreement envisages supplementary payments to the Company's employees in certain cases (birth or adoption of children, marriage, annual leaves, etc.). Thus, The Company strives to provide decent employment benefits, to attract and retain the most valuable personnel.

In line with the Collective Bargaining Agreement, social partners are working together on evolving general principles to regulate social and employment relations to:

- increase and improve performance and productivity;
- ensure the compliance with employment rules and work discipline, occupational health and safety and workplace hygiene requirements;
- ensure social stability across the Company.

In 2020, the Company completely met the requirements specified in the Sectoral Tariff Agreement and Collective Bargaining Agreement. In addition, since the beginning of 2020, the amount of one-time financial assistance to employees in the event of the birth (adoption) of a child was increased to RUB 30,000. In honour of the celebration of the 75th Anniversary of the Victory in the Great Patriotic War of 1941-1945, the amount of financial assistance to veterans of the Great Patriotic War and home front workers was increased to RUB 50,000 and RUB 30,000,

#### MEDICAL INSURANCE

respectively.

The Company has in place Voluntary Medical Insurance (VMI) programmes covering 100% of the Company's employees and offering a wide range of free healthcare services: dental treatment, outpatient examination, rehabilitation treatment services. Vaccination of employees against influenza and tick-borne encephalitis is carried out annually. If required, the employees can also receive qualified medical assistance in hospital environment.

#### VMI costs, RUB mn



- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

The year-on-year decrease in actual costs is caused by a decrease in the insurance premium based on the results of the procurement procedures performed. The year-on-year increase in planned expenses in 2021 is associated with an increased insurance rate, which pushed up the insurance premium for this type of insurance.

#### PENSION PLANS

#### GRI 201-3

To ensure high living standards of retired employees, additional staff motivation, as well as to recognise the special contribution of veterans and honoured workers to the Company's development, IDGC of Centre implements the Private (Non-state) Pension Programme. This Programme is administered by JSC NPF Otkrytie and offers corporate and parity pension plans.

#### Non-state pension provision costs, RUB mn



#### Number of participants in the Corporate and Parity Plans of the Pension Programme

Indicator		2019		2020
	Number of participants, people	Pension contribution, RUB mn	Number of participants, people	Pension contribution, RUB mn
Corporate Plan	365	89.8	363	88.3
Parity Plan	4,744	23.8	4,422	20.9
Total	5,109	113.6	4,785	109.2

The number of participants in the Corporate and Parity Plans changes annually under the influence of the following factors:

- the Corporate Plan depending on the number of employees who will become eligible for pension benefits and on the amount of pensions calculated for such employees;
- the Parity Plan depending on employees who terminate parity contracts upon retirement.

#### SOCIAL SUPPORT FOR NON-WORKING RETIREES

Every branch of the Company has in place Veterans' Councils that assist

in identifying the special hardship retirees and in organising joint events dedicated to holidays and anniversaries.

Various types of financial support are provided by the Company: annual payments timed to the Power Engineers' Day and the Victory Day, to the every 10th anniversary date, in the event of a difficult financial situation of a non-working retiree, to the family of a deceased non-working retiree.

One-off allowance is paid to retired

is established depending on the total

work experience in the organisations

employees. The amount of this payment

of the electric power industry and can range from 1 to 7 basic salaries.

#### HOUSING PROGRAMME

To help the employees to improve their housing conditions, the Company reimburses the rent paid by the employees and covers the interest payments on a mortgage loan. In 2020, these costs increased due to the need to attract and retain qualified specialists and promising young people, to ensure staff mobility, including in connection with the formation of the Unified Grid Management Centre.

#### Company's costs for the Housing Programme, RUB mn

Indicator	2018	2019	2020 (plan)	2020 (actual)	2021 (plan)	Change 2020 (a RUB mn	ctual) / 2019 %
Total spending on key housing improvements, including:	34.0	25.4	55.7	52.0	55.2	26.6	104.8
housing allowance	12.9	16.2	30.2	28.3	31.1	12.0	74.0
reimbursement for mortgage interest paid	21.1	9.1	25.5	23.7	24.1	14.6	160.0

The number of workers who received housing allowance and reimbursement under the Housing Programme, people



Housing allowance

#### SPORTS POLICY

The Policy's purpose is to popularise sports and healthy lifestyle across IDGC of Centre.

Due to the spread of COVID-19 in 2020, mass gathering events were restricted. Given the lockdown requirements imposed on the regional and national level, the corporate events involved as many employees as possible in permitted faceto-face and remote sports and cultural events, provided that all proactive and preventive measures were met.

In the reporting period, IDGC of Centre took part in the competition of the Ministry of Energy of Russia for the best socially oriented company in the energy sector in 2020 and presented the project Development of a Healthy Lifestyle Culture, Promotion of Healthy Lifestyle Standards among the Company's Employees. As a result of the competition, the Company's project was awarded a diploma for active social policy.

For remote entertainment of employees who worked from home, the Ministry of Energy of Russia initiated online chess

and e-sports tournaments: The Energy of Great Victory. The participants included combined teams of employees who showed good individual and team results.

More than 150 employees of the Company participated in the Vmarafone project, which was backed by the Ministry of Energy of Russia (online training and competitions in running, walking, cycling and competitive skiing) among the Russian fuel and energy companies, and achieved worthy results.

In December 2020, the team of IDGC of Centre took part in the traditional

# **OCCUPATIONAL AND** INDUSTRIAL SAFETY

#### **OCCUPATIONAL SAFETY** GRI 103-2

The life and health of employees are the priority for the Company. The specifics of the work performed at IDGC of Centre is associated with high voltage and implies a high risk of job-related injuries. The Company adopts the Vision Zero concept aimed at the absolute absence of jobrelated accidents. Health and safety issues are governed by the following regulatory standards:

- Comprehensive injury risk reduction programme of IDGC of Centre and IDGC of Center and Volga Region;
- guidelines on Corporate Technical Control System of IDGC of Centre;
- Occupational safety policy adopted by Rosseti's group of companies;
- Regulations on the Corporate Occupational Safety Management System of IDGC of Centre and IDGC of Center and Volga Region.

In accordance with the Occupational Safety Policy adopted by Rosseti's group of companies, the main goal of the Company in the area of occupational

health and safety is to reduce the level of injuries, including the prevention of fatal injuries at work. To preserve life and health of the employees, IDGC of Centre took currently statutorily required measures and measured set forth by the Collective Bargaining Agreement of the Company, including:

• conducting pre-employment and periodic medical examinations;

• training and testing knowledge of rules:

• giving briefings on occupational safety; • providing the employees with special clothing, safety shoes and other personal protective equipment; • providing with necessary electrical protective equipment;

- sanitation and housekeeping support;
- providing benefits and compensations for work in hazardous conditions;
- conducting special assessment of work conditions;

174 175

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

rules, occupational safety standards, operating and maintenance rules, fire safety and other state standards and

X Botvinnik Open Chess Tournament of Power Engineers, showed strong achievements and entered the top ten teams.

- monitoring technical condition of equipment, tools, buildings and structures;
- monitoring compliance with the requirements of occupational safety regulations.

IDGC of Centre has in place the comprehensive injury risk reduction programme for 2019–2020 to prevent occupational injuries and protect the health and safety of IDGC of Centre's employees. The programme embraces a set of regular measures on safe practices in conditions that represent a higher level of risk to staff both due to design features and location of equipment and due to possible erroneous and wrong actions of employees, which may have grave consequences, as well as measures on training and control of the Company's employees. The Comprehensive Injury Risk Reduction Programme of IDGC of Centre for 2021–2022 is approved and scheduled for 2021.

#### Job-related accident frequency

Indicator	2018	2019	2020
Number of job-related injuries per 1 thousand employees			
Non-disabling	0	0	0
Moderate	0.0336	0 102	0
Fatal	0	0.0341	0.0697
Injury rate (IR) <sup>1</sup>	0.0336	0.136	0.139
Number of occupational diseases per 1 thousand employees	0	0	0
Injury severity rate (ISR) <sup>2</sup>	164	234	170
Lost day rate	5.5	31.8	23.6
Absentee rate	0.62	0.91	0.69
Number of job-related fatalities among contractors working at the organisation's facilities	0	0	0
Number of people injured in accidents	1	4	4
Number of fatalities	0	1	2

#### GRI 403-9, 403-7

Spending on Comprehensive Injury Risk Reduction Programme, **RUB** '000



In 2020, the Company recorded four occupational accidents (two - vehicle accidents and two - electric shock accidents), involving seven employees injured. Among them, two sustained fatal injuries, four suffered severe injuries. Each case was thoroughly investigated and measures were taken to prevent such cases in the future.

Occupational safety and health costs moved down slightly in 2020. The yearon-year cost reduction occurred due to the current schedule of special clothing and footwear provision. At the same time, there was an increase in the costs for sanitary and hygienic measures to prevent occupational diseases.

Occupational safety costs, RUB mn



Occupational disease prevention

- Overall workplace improvements
- Accident prevention

As required by the Law of the Russian Federation, a special assessment of working conditions was carried out at all the workplaces of IDGC of Centre, with the identification of the health and safety hazards of the working environment and outlining of measures to reduce their impact on workers in the process of work. An occupational safety management system was put in place; its procedures are used to assess workplace hazards. Any incidents occurred are investigated as required by Russian legislation framework.

#### PROTECTIVE EQUIPMENT

All personnel authorised to work at electric facilities without supervision are provided with special clothing, safety shoes, and other personal protective equipment, tools, and accessories as specified by rules and regulations. The following protective equipment was purchased with the use of the majority of financing in 2020:

- sets of rods for the installation of temporary grounds without fitting them on the 0.4-10 kV overhead transmission lines (which significantly reduces the risk of electric injuries and injuries from fall from a height);
- sets of clothing proof against the electric arc;
- sets of overalls proof against punctures and cuts (for cutting operations);
- fall protection means and devices.

### GRI 403-5

All employees employed to work in harmful or hazardous conditions are trained on safe work methods and techniques. All our employees undergo regular occupational safety training, while employees of certain categories are tested for occupational safety knowledge.

We use training grounds, where our employees practice correct maintenance and repair of electrical installations. IDGC of Centre has a total of 243 RPG training grounds and 17 common training grounds. In 2020, over 5.1 thousand classes were held, the total number of Company's employees trained amounted to 48 thousand.

Training is also conducted at corporate training centres (in Orel, Tver, and Voronezh) and regional continuing education institutions. Off-thejob training covered 13.6 thousand employees in the reporting year. The bulk of trainees (91.4%, or 12.4 thousand employees) were blue-collar personnel. Besides, 8.4 thousand employees received on-the-job training.

#### PUBLIC AND CONSUMER SAFETY

Power grid facilities of IDGC of Centre (power lines, transformer substations, distribution points, etc.) do not generate severe environmental pollution. The results of instrumental measurements confirm that the levels of electromagnetic fields and noise produced by power grids and transformer substations are usually significantly below the permissible values. However, the power grid facilities of IDGC of Centre are ultra-hazardous as related to electricity.

To prevent injuries of third parties at the facilities of the Company, the Company successfully implemented the Comprehensive Third-Party Injury Risk Reduction Programme of IDGC of Centre for 2019–2020. The Programme included the following measures:

- assessment of the technical condition of electrical installations and their compliance with the safe operation requirements (engineering design; Electrical Installation Regulations, operating instructions, other laws and regulations, and standards and technical documentation);
- electrical injuries;
- cooperation with authorities, control and supervisory bodies, law enforcement, and security agencies, and public relations (also with vacationists, gardeners, and fishermen);
- children and teenagers; prevention of electric injuries among the third-party and contractor

IR = N × 1000 / H (N - number of recorded occupational accidents during the reporting period, disabling a person for one or more days; H - average headcount). ISR = D/N (D - number of disability days for all cases; N - total number of accidents)

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

#### OCCUPATIONAL SAFETY TRAINING

• information support to prevent

prevention of electric injuries among

employees, including owners and

#### MEDICAL EXAMINATIONS

#### GRI 403-6

The Company organises medical examinations for its personnel and keeps a record of employees engaged in harmful and hazardous working conditions by the results of a special assessment of working conditions. In line with Russian labour laws and the Collective Bargaining Agreement, these categories of employees are granted additional compensation and benefits.

The Company makes continuous efforts to prevent occupational diseases. No employees with occupational diseases first diagnosed during their employment with the Company have been identified so far

The Occupational Safety Days are arranged monthly for the prevention of occupational injuries among the employees, checking the hygiene and sanitary conditions of utility facilities, fire protection conditions of buildings and structures, availability of special clothing, safety shoes, and other personal protective equipment.

- drivers of heavy and special lifting vehicles:
- prevention of equipment and material stealing from power grid facilities;
- prevention of electric injuries in case of unauthorised power grid connection.

In 2020, the Comprehensive Third-Party Injury Risk Reduction Programme absorbed RUB 121.2 mn. The Programme costs in 2020 decreased due to the savings resulted from the conducted trade and procurement procedures. The Company has elaborated and is planning to implement the Comprehensive Third-Party Injury Risk Reduction Programme for 2021–2022. The planned costs in 2021 amount to RUB 88.4 mn.

Spending on Comprehensive

Programme, RUB mn

151.5

2019

5914

2018

Third-Party Injury Risk Reduction

120.1

2020

nlan

121.2

2020

actual

88.4

2021

nlan

In 2020, IDGC of Centre updated the lists of sections of overhead lines that pose a high danger of electric shock. Such areas include places of possible fishing, intersections with roads and water bodies passing through farmland and populated areas (settlements), recreation areas, summer cottages, and garage cooperatives, near airports and aero clubs, paratroopers landing sites, social facilities, etc. Information boards, stands, and signs warning of electric shock hazards were arranged in the designated areas. The Company replaced non-insulated wires of taps to incoming lines in residential houses with self-supporting insulated wires (SIW), and non-insulated wires of 0.4–10 kV overhead lines in populated areas - with insulated wires or SIWs. For that purpose RUB 115,100 were spent in 2020.

The Company provided the information support for the prevention of electric injuries. In particular, preventive printed products were distributed in gardeners' partnerships. Print media materials on safety measures during loading and unloading work in the security zones of overhead transmission lines

were distributed in driving schools, professional educational institutions, units of the traffic police dealing with state registration of special equipment, as well as points of instrumental control and MOT testing. For that purpose RUB 88,600 were spent in 2020.

Information sheets (leaflets) were distributed among residents of private households (consumers) telling about the lethal risk of unauthorised connection to the power grids and the safe procedure of grid connection of consumers' terminals that excludes voltage supply to an overhead transmission line. When taking meter readings from consumers, these leaflets were handed over to homeowners or in posted in publicly available places (for example, general house information boards, mailboxes, etc.).

The Company pays special attention to the prevention of electric injuries among children. In 2020, the Company continued its work on the relocation of overhead lines and transformer substations away from the kindergartens and educational institutions.

### **EMERGENCY PREPAREDNESS**

#### EU21(ex)

Mitigation of natural disasters and elimination of power supply interruptions are the most important issues both for end consumers of power and the Company. Time for addressing the causes of interruption affects the perception of the Company by

consumers and has a direct economic impact on the performance results.

The time required for crews to move to the target area inside the RPG is two hours. All divisions are staffed with qualified personnel and equipped

with off-road vehicles, communication facilities, backup power supplies, the necessary tools and devices, overalls, financial means, and food rations. To ensure the power reserve for socially important consumers, the branches use the reserve power supply sources.

### Resources for response and recovery works

### In-house resources and manpower of IDGC of Centre 1,456 crews 5.5 thousand 2.4 thousand vehicles people Including: 92 mobile teams 215 vehicles 673 persons 725 reserve power supply sources with a total capacity of 31.1 thousand kW



### **Resources and manpower of contractors**



# **ANTI-TERRORISM** SECURITY OF POWER **GRID FACILITIES**

Target programme for Improving Anti-Terrorism and Anti-Sabotage Security of Facilities of IDGC of Centre for 2019-2020 ensures the stable and safe operation of power grid facilities, their protection from unlawful interference.

In the reporting year, seven security companies ensured physical security of the facilities of IDGC of Centre. No property thefts were reported at the secured facilities. The buildings of substations with indoor switchgears

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES



and substation control houses are equipped with alarm systems connected to GCC of branches, thus ensuring timely response to a possible burglary.

Further work was undertaken to instrument substations with engineered safeguards. As of the end of 2020:

- 38% of 110 kV substations were provided with modern perimeter fencing;
- 53% of 110 kV substations had surveillance systems installed.

In 2020, RUB 191 mn were allocated for these activities under the Investment Programme, which is almost twice as much as in 2019 (RUB 95.5 mn). Investments were also spent on:

- upgrading the external fencing of 56 substations by replacing it with a welded metal grating fences with a polymer coating;
- equipping 36 substations with technical protective means.

In the reporting period, the Company held 972 trainings in the interaction in cases of unlawful interference in the technological processes of power transmission, including 89 trainings jointly with the territorial divisions of the Federal National Guard Troops Service (Rosgvardia), the Ministry of Emergencies of Russia. The Company's branches established security management centres that are functionally ready to carry out tasks imposed on them.

### **CYBERSECURITY**

The Digital Transformation Programme of IDGC of Centre includes the Integrated Information Security System Project aimed at creating the conditions for the sustainable operation of information infrastructure of the Company and the safe management of facilities. In 2020, the Company successfully implemented the pilot project for connecting the

Information Protection subsystems to Rosseti Corporate Cyber Security Centre. In the reporting year, the Project activities included:

- ensuring stable functioning of the protected access to remote workstations of IDGC of Centre in the context of the COVID-19 pandemic;
- categorising the critical information infrastructure facilities of the Company;
- providing limited access to the data protection tools of IDGC of Centre;
- covering all the branches of both companies with the anti-virus protection control and monitoring subsystem. The uniform system for response to information security incidents.



### ENERGY SAVING AND ENERGY EFFICIENCY IMPROVEMENT

In 2020, IDGC of Centre undertook the energy saving and enhanced energy efficiency measures according to Federal Law of the Russian Federation No. 261-FZ On Energy Saving and Enhanced Energy

Efficiency, orders of the Ministry of Energy of Russia, Regulation on drafting Energy Saving and Enhanced Energy Efficiency Programmes of subsidiaries and affiliates of PJSC Rosseti,<sup>1</sup> as well as

#### **ENERGY MANAGEMENT SYSTEM**

The energy management system was put in place and aligned with the national standard GOST R ISO 50001-2012. In 2016, the system was certified not only according to the national standard GOST R ISO 50001-2012, but also to the international standard ISO 50001:2011. In December 2020, the existing energy management system was certified for compliance with the above standard EnMS ISO 50001:2018.

#### ENERGY SAVING AND ENERGY EFFICIENCY IMPROVEMENT PROGRAMME

The Programme consists of sections, target subprograms (activities), and related activities, which, in turn, are

### divided into measures to reduce electricity losses during transmission and distribution via power grids and reduce the energy consumption at production and business needs

Target measures embraces measures focused on the reduction of the energy consumption (including electricity) and (or) water by at least 15% of the annual consumption of the corresponding resource, with a payback of 80% of the invested funds in 5 years for the consumption of energy resources and (or) water for production and business needs and not more than 10 years for measures to reduce losses in the transmission and distribution of electrical energy.

#### Savings from the Programme

		2020 (plan)		2020 (actual)
	In unit terms	In value terms, RUB mn	In unit terms	In value terms, RUB mn
Total	3,556 TFOE	64	4,952 TFOE	118.4
Including by subprograms:				
organisational measures	19.5 mn kWh	44.6	26.7 mn kWh	75.3
technical measures	7.6 mn kWh	17.4	11.1 mn kWh	31
measures to reduce the consumption of fuel and energy resources for business needs	211 TF0E	4.2	311 TFOE	8.4

Approved by the Board of Directors of O ISC Rosseti, Minutes No. 156 dated 29 April 2014 Approved by the Company's Board of Directors in 2017, Minutes No. 29/17 dated 22 December 2007.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

with the Energy Saving and Enhanced Energy Efficiency Programme of IDGC of Centre for 2017-2022.<sup>2</sup>

(organisational and technical measures).

The accompanying measures to optimise consumption for production and administrative needs and reduce electric losses include measures that ensure positive energy efficiency and do not meet the target criteria. At the same time, measures to disconnect transformers at substations with seasonal load, disconnect a transformer in low-load modes at substations with two or more transformers are carried out annually, considered to be support measures and do not affect the electricity balance indicators of the Company.

The Company accepted the following targets under the Programme:

- electricity transmission and distribution losses;
- consumption of energy resources for business needs;
- use of energy-efficient LED-based lighting facilities.

#### Planned and actual values of target indicators of the Programme for 2020

#### GRI 302-4, 302-1

S. No.	Indicator	Unit of measurement		2020
			Plan	Actual
		mn kWh	5,905.6	5,102.8
1	Electric losses	RUB mn, excl. VAT	13,326.5	14,987.4
		% of total electricity delivery to the grid	10.2	9.8
2	Concumption for substation domands	mn kWh	109.2	88.2
2	consumption for substation demands	% of electric losses	1.9	1.7
	Total consumption of energy resources	RUB mn, excl. VAT	467.9	405.6
3	for housekeeping needs of administrative and industrial buildings, including:	thousand TFOE	23.1	20.0
		mn kWh	118.9	104.1
3.1	electric energy	thousand TFOE	14.3	12.5
		RUB mn, excl. VAT	374.0	330.8
		Gcal	47,808.5	40,715.2
3.2	heat energy (building heating systems)	thousand TFOE	6.8	5.8
		RUB mn, excl. VAT	83.7	74.0
		thousand m3	1,481.4	1,245.1
3.3	natural gas (including liquified)	thousand TFOE	1.7	1.4
		RUB mn, excl. VAT	10.3	0.8
		thousand m <sup>3</sup>	-	-
		thousand I	-	-
3.4	other energy and fuel resources (coal, fuel oil, diesel fuel, kerosene, etc.)	thousand t	-	-
		thousand TFOE	-	-
		RUB mn, excl. VAT	-	-
	Total consumption of natural resources	RUB mn, excl. VAT	6.6	8.7
4	for housekeeping needs of administrative and industrial buildings, including:	thousand m <sup>3</sup>	211.3	174.3
A 1	bot water supply	thousand m <sup>3</sup>	11.5	12.8
4.1	not water supply	RUB mn, excl. VAT	1.3	1.1
10	cold water supply	thousand m <sup>3</sup>	199.8	161.6
4.2	cold water supply	RUB mn, excl. VAT	5.4	7.6
		thousand m <sup>3</sup>	-	-
1 2	other patural recourses	thousand I	-	-
4,3 other natural resources		thousand t	-	-
		RUB mn, excl. VAT	-	-
		thousand I	25 475.0	21,570.2
5	Total motor fuel consumption by motor	thousand TFOE	29.2	24.8
VE		RUB mn, excl. VAT	947.9	819.3

S. No.	Indicator	Unit of measurement		2020	
			Plan	Actual	
5.1	petrol	thousand l	15,184.5	12,258.1	
		thousand TFOE	16.6	13.4	
		RUB mn, excl. VAT	545.5	438.6	
5.2	diesel fuel	thousand I	10,290.5	9,312.1	
		thousand TFOE	12.5	11.3	
		RUB mn, excl. VAT	402.4	380.6	
6	Use of energy-efficient LED-based lighting facilities	%	75	76.7	
	number of lighting facilities used, including:	units	123,242	123,242	
	with energy-saving lamps (without including LEDs)	units	30,051	30,094	
	with LEDs	units	92,432	94,527	
7	Availability of advanced electricity meters on the retail market	%	91.8	91.8	

### In-house energy consumption GRI 302-1

Resource	Unit of		2018		2019		2020
	measurement	Value	TJ	Value	TJ	Value	TJ
Electricity	mn kWh	120.8	434.8	110.8	399.0	104.1	374.9
Thermal energy	Gcal	48,133.0	201.7	42,662.7	178.8	40,717.0	170.6
Gas	thousand m³	1,487.0	50.3	1,348.1	45.6	1,245.0	42.1
Other (diesel fuel, kerosene, petrol, etc.)	thousand TFOE	30.6	896.5	27.6	807.8	24.8	725.8
Total	thousand TFOE	50.8	1,583.2	48.4	1,431.2	44.7	1,313.4

#### Reduction of energy consumption

GRI 302-4							
Indicator	Units of		2018		2019		2020
	measurement	Value	TJ	Value	TJ	Value	TJ
Electricity	mn kWh	3.4	12.2	9.9	35.7	6.7	24.1
Thermal energy	Gcal	-	-	5,470.3	22.9	1,945.0	8.2
Gas	thousand m <sup>3</sup>	-	-	138.9	4.7	103.0	3.5
Total	thousand TFOE	1.2	12.2	4.4	63.3	2.7	35.8

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

#### SUPPORT OF RENEWABLE ENERGY SOURCES

IDGC of Centre has been fully cooperating with the generating companies that have already switched over to renewable energy sources or are planning to do so.

#### Energy generation using renewable sources in the territory of IDGC of Centre branches

Branch	Organisation	Renewable energy source facility	Electricity delivered to the branch thousan		o the branch grid, thousand kWh
			2018	2019	2020
	LLC AltEnergo	Luchki Biogas Station	22,128.9	22,672.0	21,259.5
Belgorodenergo	LLC AltEnergo	Wind power generators Krapivinskie dvori village	2.4	2.8	2.8
	LLC AltEnergo	Sollar arrays Krapivinskie dvori village	77.7	64.6	60.1
Orelenergo	LLC Lykovskaya HPP	Lykovskaya HPP	6,928.6	5,789.1	4,652.9
Tverenergo	FSBI Moscow Canal	Novotveretskaya HPP <sup>1</sup>	5,067.6	5,876.7	8,750.6
Yarenergo	PJSC RusHydro	Rybinskaya HPP	296,717.6	276,070.5	372,594.9
Total			330,922.8	310,475.7	407,320.8

### **ENVIRONMENTAL POLICY**

#### GRI 103-2

In 2020, IDGC of Centre joined the Environmental Policy of Power Grid Complex<sup>2</sup> by the decision of the Board of Directors. The goal of the Environmental Policy is to preserve a favourable environment for present and future generations. The following environmental protection documents were developed and have been used for the successful promotion of the Company's environmental management system:

- Guidelines on the Environmental Safety Management of IDGC of Centre and IDGC of Center and Volga Region;
- System of Environmental Management of IDGC of Centre;
- Regulation on Management of Environmental Aspects of IDGC of Centre.

As part of the introduction and operation of the Environmental Management System (EMS) in June 2020, the Certification Association "Russian Register" conducted an external audit of the Environmental Management System of IDGC of Centre for compliance with the requirements of the International Standard ISO 14001:2015. Based on the results of the audit of management and production activities, the Company received a certificate of compliance of the environmental management system with the requirements of the international standard ISO 14001:2015.

Achieving the environmental targets in 2020			
GRI 307			
Environmental target	2020 (plan)	2020 (actual)	Remarks
Air protection			
No exceedence of the total number of pollutants emitted into the atmosphere by stationary sources (compared to the average for the last three years), t	124.5	114.9	Achieved
Water protection and sustainable use GRI 303-1			
No exceedence of the total amount of water consumed (compared to the average for the last three years), thousand m <sup>3</sup>	194.4	181.3	Achieved
Safe waste management and disposal			
Neutralisation and disposal of equipment with PCBs, t	4	4	Achieved
Reduction in the total amount of oil used (in switching devices and high voltage bushings, SF6 and vacuum circuit breakers), t	2.5	1.5	Partially achieved due to the adjustment of the Development Investment Programme of the branches and anti- crisis measures
Animal health			
The increase in the number of overhead transmission lines safe for animals and birds (bird diverters and SIWs), km	1,100	2,079	Achieved

Environmental targets of IDGC of Centre for 2021:

- the increase in the proportion of treated and neutralised waste in relation to the total amount of waste by 2%;
- the increase in the length of overhead lines providing electrical safety for animals and birds by 1,379 km;
- the reduction of the total volume of oil used in equipment by 1.3 t.

#### Current environmental costs, RUB mn



The current costs for environmental protection in 2020 increased by 8.8% year-on-year due to the installation of noise screens at the Pereslavl substation in the Yarenergo branch. The costs for activities amounted to RUB 7.9 mn, and the cost of installing bird diverters also went up.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

In 2020, the Company developed and approved the Environmental Safety Programme for 2020-2024 in furtherance of the Environmental Policy of the Power Grid Complex. At the end of the year, the Programme was accomplished both in terms of planned activities and costs.







in the residential area. In 2020, these

substations were subject to noise control

measures. The Company completed the

installation of the equipment, the noise

level was checked in the residential areas

near the substation with the involvement

of an accredited laboratory; no excess of

the maximum permissible noise level was

detected.

construction and installation of noise

barriers at the Pereslavl substation

of the Yarenergo branch. After the

#### Environmental impact fee, RUB '000

Indicator	2018	2019	2020	Change 2020/2019	
				abs.	%
for emissions of pollutants into the atmosphere	18.3	12.8	3.2	-9.6	75.0
for emissions of pollutants into the atmosphere	0.3	0.3	0.3	0.0	0.0
for waste disposal	1,478.7	791.9	805.1	13.2	1.7
Total	1,497.3	805.0	808.6	3.6	0.4

stationary sources with the involvement

of accredited laboratories. The obtained

specified standards. In 2020, there was

a 1.6% year-on-year decrease in gross

emissions of harmful substances into the

Instrumental measurements are carried

impact from substations. The noise and

35-110 kV substations with the noise level

exceeding the maximum permissible level

EMI measurements helped identify 16

out to assess the level of physical

results showed no excess of the

atmospheric air.

#### **AIR PROTECTION**

The main sources of air pollution from the Company's production activities are welding equipment, metalworking and woodworking machines, vehicles, painting and drying chambers, car repair equipment, oil facilities. The main sources of harmful physical effects on the atmospheric air are electrical equipment of substations, which produces noise and an electromagnetic field (EMF).

In 2020, instrumental control of emissions of pollutants into the atmospheric air was carried out at

#### Emissions of pollutants into the atmosphere, t

#### GRI 305-7

Indicator	2018	2019	2020
Total gross pollutant emissions into the air	132.2	116.8	114.9
Including:			
solid pollutants	9.9	9.0	7.9
among them:			
furnace bottom ash	0.0	0.0	0.0
gaseous and liquid pollutants	122.3	118.7	107.0
among them:			
sulphur dioxide	1.1	0.4	0.5
carbon oxide	64.2	60.6	62.2
nitrogen oxides (expressed as NO2)	5.3	5.1	5.9
hydrocarbons (without volatile organic compounds)	0.8	0.8	13.2
volatile organic compounds	47.7	25.2	21.1
benzapiren	0.0	0.0	0.0
trapped and detoxified harmful substances, total	19.5	22.5	23.0
Including:			
solid pollutants	19.5	22.5	23.0

#### Direct greenhouse gas emissions, t of CO<sub>2</sub>e

GRI 305-1			
Indicator	2018	2019	2020
Total direct (Scope 1) greenhouse gas emissions	7,037.6	6,878.1	6,943.3
Including:			
carbon oxide (CO2) <sup>1</sup>	2,729.5	2,473.5	2,284.6
methane (CH4)	-	_	-
nitrous oxide (N2O)	-	-	-
hydrofluorocarbons (HFC)	-	-	-
perfluorocarbons (PFC)	-	-	-
Sulphur hexafluoride (SF6) <sup>2</sup>	4,308.1	4,404.6	4,658.7

#### WATER PROTECTION AND SUSTAINABLE USE

In 2020, the following activities were carried out in the field of protection and rational use of water resources:

- plugging of a well for groundwater extraction at the Voronezhenergo branch;
- implementation of the licensing conditions for the use of subsoil sites for groundwater extraction: control of water reserves, accounting for water withdrawal volumes, compliance with the health protection zone regime;
- instrumental monitoring of the quality of measurements showed that the quality of water from wells meets
- sanitary standards; • instrumental monitoring of standards for maximum permissible concentrations (MPC) of pollutants when discharging treated storm wastewater into a surface water body, natural water in sections (Tverenergo branch);

#### Breakdown of the total volume of water by sources, thousand m<sup>3</sup> GRI 303-3

Indicator	2018	2019	2020
Total water withdrawal and production	201.5	187.2	181.3
Including:			
from surface sources	0.0	0.0	0.0
from underground sources	10.1	6.7	6.9
from other sources	191.4	180.5	174.4
Total water used	201.5	187.2	181.3
Including:			
for household and drinking needs	195.6	181.2	174.2
production needs	5.9	6.0	7.1
Total water disposal to surface water bodies	1.4	1.4	1.4
Including:			
contaminated water (without treatment)	0.0	0.0	0.0
contaminated water (insufficiently treated)	1.4	1.4	1.4
partially clean water:	0.0	0.0	0.0
at mechanical treatment facilities	0.0	0.0	0.0

The data are given in terms of the volume of gas consumed (boiler rooms). The data are based on the specified SF6 leak limits.

#### 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

of extracted groundwater; the results

• control of compliance with the MPC of harmful pollutants in discharges into household and storm sewers.

As of 31 December 2020, the branches of IDGC of Centre own six wells for the extraction of groundwater, licenses for the right to use subsoil were issued for all wells. At the end of 2020, the volume of water used from underground wells increased by 2.9% (in 2019 - 6.7 thousand m<sup>3</sup>, 2020 – 6.9 thousand m<sup>3</sup>).

#### Total discharges, indicating the quality of wastewater and the receiving facility, thousand m<sup>3</sup>

2018	2019	2020
1.4	1.4	1.4
-	-	-
-	-	-
1.4	1.4	1.4
165.4	147.7	146.8
165.4	147.7	146.8
_	_	-
-	-	-
-	-	-
166.8	149.1	148.2
	2018  1.4  -  .  .  .  .  .  .  .  .  .  .  .  .	2018       2019         1.4       1.4         -       -         -       -         1.4       1.4         1.4       1.4         1.4       1.4         1.4       1.4         1.5.4       147.7         165.4       147.7         165.4       147.7         165.4       147.7         165.4       147.7         165.4       147.7         165.4       147.7         165.4       147.7

#### WASTE MANAGEMENT

GRI 306-2

In 2020, the volume of waste increased by 11.6% due to an increased volume of IV and V hazard waste (a scrap of ferrous metals and boughs, branches,

tops from timber logging) and the mass (with constant volume) of solid municipal waste transferred to regional operators due to changes in the standard density

of municipal solid waste in a number of regions.

#### Breakdown of total wastes by classes, t

Indicator	2018	2019	2020
Total generated waste, t	20,468.1	7,046.8	7,969.8
Including:			
Class I wastes	42.5	73.6	10.1
Class II wastes	39.5	26.2	32.4
Class III wastes	106.2	126.4	86.4
Class IV wastes	3,825.4	4,111.4	4,729.3
Class V wastes	16,454.6	2,709.2	3,111.6
Total recycled waste	2,203.0	2,471.1	2,435.5
Including:			
• without subcontracting	0	0	0
• by third parties	2,203.0	2,471.1	2,435.5

#### Breakdown of waste into hazardous, unhazardous and by the disposal method, t

Indicator	2018	2019	2020
Total generated waste	20,468.1	7,046.8	7,969.8
Including:			
Hazardous (I–IV,hazard class)	4,013.5	4,337.6	4,558.2
Unhazardous (V,hazard class)	16,454.6	2,709.2	3,111.6
Total generated waste	20,468.1	7,046.8	7,969.8
Including by the method of disposal:			
re-use	-	-	-
recycling (neutralisation and disposal)	2,203.0	2,471.1	2,435.8
composting	-	-	-
recreation	-	-	-
incineration	-	-	-
fine cleaning	-	-	-
landfill	-	-	-
storage	-	-	-
Others (placement)	18,265.2	4,575.7	5,534.0

#### CONSERVATION OF BIODIVERSITY AND PROTECTION OF LAND RESOURCES GRI 304-1, G4-EN12

In 2020, the branches of the Company continued with fauna protection in their production activities. Installation of bird diverters is the most effective way to prevent the death of birds from exposure to electric current. Bird diverter elements are made of polymer dielectric materials; their design provides insulation of live parts, makes it difficult for birds to land on traverses, and prevents nesting on poles. Cable glands, intercellular cable ways and inspection windows in high-voltage compartments of switchgear cells, small rodent repelling devices are installed.

During reconstruction and upgrading of the power grid complex, the technical measures, for example, the use of SIWs, also reduce risks to the animal world at power facilities. In 2020, the length of 0.4-35 kV overhead transmission lines equipped with SIWs increased by 1.35 thousand km, making it possible to reduce the number of cut-down trees at the right-of-ways and prevent the death of birds on overhead transmission lines.

In the reporting period, IDGC of Centre installed 8,459 sets of bird diverters on 6–110 kV overhead lines, bird diverters were not installed on overhead lines passing through specially protected natural areas. The implementation of these measures led to a decrease in faults on 6 kV and higher overhead lines in the branches of the Company from 670 cases in 2019 to 456 cases in 2020 (from 6.9% of the total number of faults in 2019 to 5.1% in 2020).

The area of responsibility of IDGC of Centre and Volga Region covers power grid facilities located within the boundaries of 16 specially protected natural areas (PNA) of the federal level:

- State Nature Reserve "Belogorye", Belgorod Region;
- State Natural Biosphere Reserve "Bryansky les", Bryansk Region;
- State Nature Reserve "Kletnyansky", Belgorod Region;
- Voronezh State Natural Biosphere Reserve, Voronezh Region, Lipetsk Region;
- State Nature Reserve "Voronezhsky", Voronezh Region;
- State Nature Reserve "Kamennaya Step", Voronezh Region;
- - - Central Black Earth State Natural Biosphere Reserve n.a. V. V. Alekhin, Kursk Region;
    - National Park "Orlovskoye Polesnye", Orel Region;
    - National Park "Smolenskoye Poozerye";
    - State Nature Reserve "Voroninsky", Tambov Region;
    - Central Forest Nature Reserve, Tver Region;
    - National Park "Pleshcheevo Ozero", Yaroslavl Region;
    - State Nature Sanctuary "Yaroslavsky", Yaroslavl Region.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

- Hopersk State Nature Reserve, Voronezh Region;
- State Nature Sanctuary "Sumarokovsky", Kostroma Region;
- State Nature Reserve "Kologrivsky Les", Kostroma Region;

The service and maintenance of facilities located in the protected natural areas are carried out by IDGC of Centre in accordance with the established regime of special protection of the PNAs and the designed purpose of the lands. No works are allowed during the pairing season of animals and birds. All planned works are coordinated with the authorised authorities.

#### DECOMMISSIONING OF EQUIPMENT CONTAINING POLYCHLORINATED BIPHENYLS

In order to solve the tasks of the Environmental Policy of the Power Grid Complex and fulfil the obligations of the Stockholm Convention on Persistent Organic Pollutants in terms of 100% decommissioning of polychlorinated

biphenyls-containing equipment, with its subsequent transfer for destruction, IDGC of Centre carries out the planned decommissioning of equipment containing PCBs in line with the schedule approved in 2017 by the Board of Directors of the Company. In 2020, 141 PCB-containing capacitor containers with a total weight of 4.0 t were transferred for neutralisation to specialised organisations.

#### Activities and summary for 2018-2021 on decommissioning equipment containing polychlorinated biphenyls (PCBs)

Indicator	2018	2019	2020 (plan)	2020 (actual)	2021 (plan)
Number of equipment with PCBs	5,876	4,986	2,196	2,196	2,055
Number of PCB equipment transferred for recycling	890	2,790	141	141	1,073
Number of PCB equipment transferred for recycling, t	51.6	107.2	4.0	4.0	63.3

There were no accidents or incidents with environmental consequences.

#### Key focus areas of the Environmental Policy and its achievements

Environmental	Measures	2018	2019	2020	2020	2021				Costs, F	RUB mn
policy areas				(plan)	(actual)	(plan)	2018	2019	2020 (plan)	2020 (actual)	2021 (plan)
	<ul> <li>Monitoring of compliance with emission requirements;</li> </ul>	Gr	oss poll the	utant en atmospl	nissions in nere, t	ito					
Air protection	<ul> <li>Monitoring of cyclone gas cleaning unit efficiency;</li> <li>Monitoring of air in the affected area of facilities;</li> <li>Erecting of noise barriers at the Pereslavl substation (Varenergo branch);</li> <li>Inventory of emission sources and pollutant emissions to the atmosphere (in 2020 - 29 facilities, in 2019 - 30 facilities)</li> </ul>	132.2	116.8	116.8	114.9	114.9	7.7	9.1	8.8	14.1	6.4
	<ul> <li>plugging of a well for groundwater extraction at the Voronezhenergo branch;</li> </ul>	Amount of groundwater extracted from underground sources, thousands m <sup>3</sup>									
Water protection and sustainable use	<ul> <li>Implementation         <ul> <li>Implementation             <ul></ul></li></ul></li></ul>	10.1	6.7	6.7	6.9	6.9	16.41	8.0	10.2	7.9	7.0

uction of storm sewage	treatment facilities at	the Yarenergo bra	nch.

Environmental	Measures	2018	2019	2020	2020	2021				Costs, I	RUB mn
policy areas				(plan)	(actual)	(plan)	2018	2019	2020 (plan)	2020 (actual)	2021 (plan)
	<ul> <li>Arrangement of 12 waste accumulation sites;</li> <li>Acquisition of 21 waste storage containers;</li> </ul>	Ind	ustrial a t	and cons housan	umer was d t	ste,	-				
<ul> <li>Acquisition of 54 demercurisation sets;</li> <li>Transfer of 141 PCB-containing capacitor containers for neutralisation (2,790 containers in 2019);</li> <li>Transfer of waste to specialised organisations for disposal, decontamination and placement</li> </ul>	20.5	7.0	7.0	8.0	8.0	19.8	22.5	16.6	15.6	18.5	
	Technical measures meant	Use c	finsulat	ed wires	s, thousar	nd km	_				
to improve safety and reliability of power supply, reduce	1.8	2.6	1.1	1.4	1.2						
	emergency incidence in operations and at the same	Repl	acement with va	t of oil ci cuum or	rcuit brea SF6 ones	kers					
	time reduce negative impacts on the environment. Among them:	181	71	58	104	39					
Technical measures	<ul> <li>usage of insulated wires for 0.4 kV-10 kV overhead transmission lines;</li> </ul>	Replacement of old vehicles with vehicles compliant with European emission standards									
Environmental Policy Implementation Programme	<ul> <li>replacement of oil circuit breakers with vacuum or SF6 circuit breakers, fitting of substations with insulated busbars;</li> <li>replacement of oil-filled bushings with modern solid RIP-insulation bushings;</li> <li>replacement of old vehicles with vehicles compliant with European emission standards</li> </ul>	403	241	369	369	81	Accord	ing to tI	ne invesi rogrami	tment and	l repair
Wildlife	Overhead lines were fitted	Install	ation of g	bird dive rid facilit	erters at ı ties	power	3.1	18	13	61	12
protection	birds against electric shock	6,831	7,925	3,443	8,459	4,400	5.7	1.0	1.5	0.1	7.2
											1

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

### **PROCUREMENT ACTIVITIES**

Procurement activities of IDGC of Centre in 2020 were aligned with the Uniform Procurement Standard of Rosseti (Regulations on Procurement) (hereafter referred to as Standard)<sup>1</sup>. The standard was approved with all its future amendments to be adopted by the Board of Directors of Rosseti. Rosseti's Procurement Policy establishes principles, goals, objectives, and standards of the organisation and implementation of procurement activities<sup>2</sup>.

The procurement activities are based on the following principles:

- information transparency;
- equality, fairness, absence of discrimination and unreasonable competition restrictions against the procurement participants;
- appropriate and efficient expenditure of monetary assets for acquiring the goods, works, services, and reduction of costs;

- absence of non-measurable requirements to the procurement participants;
- transparency and controllability;
- professionalism and competence of employees involved in procurement activities;
- compliance with the applicable laws.
- Procurement procedures employ competitive and non-competitive methods:
- competitive tender, auction, invitation for proposal, invitation to tender, competitive shortlisting, and request for quotation following the results of competitive shortlisting;
- non-competitive shortlisting, shortlisting request for quotation, price comparison, single source purchase (supplier, executive, contractor) and procurement by participating in procedures organised by sellers of products.

The Company is implementing the Partnership Programme between Rosseti's group of companies and small and medium-sized businesses, which provides for:

- an increase in the share of purchases from SMEs in the total annual volume of purchases;
- an increase in the share of direct purchases from SMEs in the total volume of purchases;
- an increase in the share of purchases of innovative products and high-tech products, R&D and process-related inventions from SMEs in the total annual volume of purchases;
- creation of a transfer system for new technical and technological solutions of SMEs, including those aimed at innovative development of Rosseti's group of companies and integrated into its Development Business Strategy.

#### Share of procurements from SMEs

Indicator	2018	2019	2020		Change 2020/2019
				abs.	%, p.p.
Number of procurement procedures, RUB mn (incl. VAT)	51,899.5	45,928.7	37,510.4	-8,418.3	-18.3%
Including					
Procurement from SMEs, % of total procurement volume	65.2%	76.4%	81.6%		5.2 p.p.
Procurement involving only SMEs, % of total procurement volume	31.2%	36.6%	28.7%		-7.9 p.p.
Share of purchases with SMEs as subcontractors, % of total purchases	0.0	0.0	0.0		0 p.p.

#### Share of local purchases in the total procurement volume, % GRI 204-1

2020	2019	2018
27.5	18.8	24.2

### CHARITY

The charitable and sponsorship activities of the Company comply with the Regulations on the Formation and Use

of the Sponsorship and Charity Fund of IDGC of Centre<sup>1</sup>.

# TAX POLICY AND BUDGET CONTRIBUTION

#### GRI 207

IDGC of Centre abides by applicable tax laws and has an open and constructive relationship with the tax authorities. The Company pays taxes in a timely and full manner. The Company has in place the approved Regulations on the Tax Policy of IDGC of Centre.

Compliance with the principle of law in the field of taxes and fees is the guiding principle used by the Company. The Company ensures the legality of decisions involving tax issues.

The above principles are realised through the development of the following focus areas:

- preventing violations of applicable laws in the Company's activities by identifying tax risks and circumstances contributing to their occurrence, and undertaking
  - elaborating the unified methodological approaches related to the tax legislation;
- Approved by Decision of the Board of Directors of IDGC of Centre No. 15/16 dated 17 May 2016.

#### Procurement pattern

Indicator	2018	2019	2020		Change 2020/2019
				abs.	%, p.p.
Number of procurement procedures, RUB mn (incl. VAT)	51,899.5	45,928.7	37,510.4	-8,418.3	-18.3%
Including					
Competitive procurements, %	90.5	96.3	96.0		-0.3 p.p.
Procurement through e-commerce tools, RUB mn (incl. VAT)	46,378.5	43,898.0	35,538.6	-8,359.4	-19.0%
Procurement through e-commerce tools, %	100.0	100.0	100.0		0 p.p.
Economic benefit of the planned declared value of procurements, RUB mn	1,152.9	2,247.7	3,500.9	1,253.2	55.8%
Economic benefit of the planned declared value of procurements, %	2.2	4.7	8.5		3.8 p.p.

Approved by the decision of the Board of Directors of the Company (Minutes No. 44/18 dated 25 December 2018) as an internal regulatory document of the Company by accession to it. Approved by the decision of the Board of Directors of the Company (Minutes No. 16/14 dated 14 July 2014) as an internal regulatory document

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

In 2020, the Company allocated RUB 36 mn for sponsorship.

- measures to eliminate (prevent) them;

 ensuring the payment of taxes and fees in full within the time frame established by law, compliance with the deadlines and completeness of tax reporting, and compliance with legal requirements of tax authorities.

### The amount of tax payments of IDGC of Centre to the federal, regional and local budgets, $\ensuremath{\mathsf{RUB}}\xspace$ mn

Budget	2018	2019	2020	Change 2020/20	
				RUB mn	%
Federal budget	11,905.5	12,474.6	13,458.1	983.5	7.9
Regional budgets	2,632.6	2,765.7	3,163.7	398.0	14.4
Local budgets	41.6	40.7	41.1	0.4	1.0
Total	14,579.7	15,281.0	16,662.9	1,381.9	9.0

#### Total amount of fines, forfeitures and penalties paid, RUB mn

Amount	2018	2019	2020	Change 2020/2019	
				RUB mn	%
Paid acknowledged fines, forfeitures and other financial penalties	24.9	42.8	67.6	24.8	57.9

### **CUSTOMER RELATIONS**

#### GRI 102-40, 102-43, 102-53

IDGC of Centre aims to ensure a high level of transparency and maintains active communication with all stakeholders, timely providing them with necessary information on all aspects of the Company's activities. Public relations boost the investment appeal and business reputation. The Communication Policy of IDGC of Centre is closely aligned with the Uniform Communication Policy of Rosseti's group of companies. Any questions and feedback from stakeholders regarding the information disclosed in this report can be forwarded to naumova.yd@mrsk-1.ru.

Customers, counterparties, and other stakeholders may submit a complaint

or a proposal to the Company. Appeals can be submitted via a compliance hotline, e-mail doverie@mrsk-1.ru, using a feedback form on the corporate websit (http://www.mrsk-1.ru/), or via other channels. This service is available 24/7 and ensures the reception of complaints on all issues related to grid connections, as well as complaints related to wrongful actions or omissions of employees, including corrupt practices.

Customers in 11 regions within the Company's footprint also can contact the toll-free hotline. With the hotline, power engineers can promptly respond to customer complaints, thereby improving the quality of customer service.

Due to fulfilment of its obligations on timely grid connection of the large industrial, residential, and social facilities, small and medium-sized business facilities, IDGC of Centre makes a substantial contribution to ensuring social and economic stability in the constituent entities of the Russian Federation, facilitating the creation of new jobs in the Central Federal district and implementation of effective housing policy. In 2020, several enterprises and production sites which are important for the social and economic development of the regions of the Company's activity were connected to the power grids.

Belgorod Region	<ul> <li>Building of the Inf (RSFHF) Chernyar</li> <li>Therapeutic Depa</li> <li>Manufacturing bu</li> <li>Equipment of JSC</li> </ul>
Bryansk Region	<ul> <li>Wrestling arena c</li> <li>Military camp, FSG of Defence of the</li> <li>Potato Factory, L</li> </ul>
Voronezh Region	<ul> <li>Livestock Farm, J</li> <li>Framed-structur Voronezh Region</li> <li>Greenhouse Com</li> <li>Elevator, LLC GK S</li> </ul>
Kostroma Region	<ul> <li>RSFHF Kostromsk</li> <li>10/0.4 kV substat</li> <li>Residential buildir</li> </ul>
Kursk Region	<ul> <li>Gas reciprocating</li> <li>Meat processing</li> <li>Grain reception a CJSC Kastornoye</li> <li>Industrial building</li> <li>Oil Extraction Pla</li> <li>Beef farm, LLC AF</li> </ul>
Lipetsk Region	<ul> <li>High-rise residen</li> <li>Pump stations an</li> <li>Fruit store, LLC A</li> <li>High-rise apartm</li> </ul>
Orel Region	<ul> <li>Buildings and con</li> <li>Feed plant, LLC Zi</li> <li>Production buildii</li> <li>Fish factory, LLC</li> </ul>
Smolensk Region	<ul> <li>High-rise apartm</li> <li>Sand quarry, LLC</li> <li>Dairy factory, CJS</li> <li>Framed-structur Customer of the I</li> </ul>
Tambov Region	<ul> <li>Greenhouse units</li> <li>Feed-lot farms No</li> <li>Grain reception, o</li> <li>Kindergarden for</li> </ul>
Tver Region	<ul> <li>Pig-breeding com</li> <li>Production buildin</li> <li>Acceptance testinacademician A. A.</li> <li>Defence enterprise</li> </ul>
Yaroslavl Region	<ul> <li>LLC Teva Pharma</li> <li>Industrial Estate, (business incubat</li> <li>JSC Industrial Est</li> <li>Production comp</li> <li>Multi-apartment</li> </ul>

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

### ected in 2020

fectious Department of Regional State Funded Healthcare Facility nskaya Central District Hospital n. a. P. V. Gopotchenko artment RSFHF Belgorod City Hospital No. 2 uildings of LLC Ruterm C Belgorod Plant RITM

of Capital Construction Management, Bryansk OE Directorate of the Capital Construction Customer of the Ministry Russian Federation .LC Good Flake

JSC EkoNivaAgro re Medical Centre, Department of Property and land relations,

plex LLC Voronezhsky Champignon Stimul

koy Cancer Centre, LLC OblStroyZakazchik tion, LLC Galichsky Plywood Mill ngs, LLC Rechnoy

g units, JSC TEKS shops, LLC EuroTrade and cleaning complex, CJSC Dmitriev-Agro-Invest, e-Agro-Invest gs, JSC Environmental Safety Institute ant, LLC Kurskagroterminal PK-Kursk

ntial area, JSC Building-Construction Plant nd sprinkler installations, LLC Eletsky Agronom-sad nent building, LLC Incomspetsstroy

nstructions, LLC Miratorg-Kursk Ynamensky SGTs ing, LLC Tekhnodom Rybnoe Mesto

nent building, LLC Barguzin C Ugransky Karyer SC Troparevo re Medical Centre, FSOE Directorate of the Capital Construction Ministry of Defence of the Russian Federation

s, LLC TK Michurinsky os. 10,11,12, LLC Tambovskaya Indeyka cleaning and drying complex, LLC Sosnovka-Agro-Invest <sup>-</sup> 250 children, FSOE Kapitalstroy

nplex, LLC Korall ing, JSC NPO Rodina ng equipment, Scientific Production Association Almaz n. a. . Raspletin. se, Military Industrial Complex JSC Kometa Corporation

aceutical Industries , Small and Medium-Sized Enterprises Development Corporation tor), State-Financed Entity of the Yaroslavl Region tate Severnii olex, Chemicals Plant Luch residential buildings, LLC Rusbiznesinvest

#### STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020

	Codes	5
	Form under ARCMD	0710001
Company Interregional Distribution Grid Company of Centre, Public Joint-Stock Company	Date (day, month, year)	31.12.2020
	under ARCBO	75720657
Identification tax payer number	TIN	6901067107
Economic activity electricity transmission	under ADCEA 2	35.12
Business legal structure/Form of ownership Public Joint Stock Companies/Hybrid	under ARCFI\ARCFO	12247/41
Measurement unit: thousand RUB	under ARCM	384
Location (address) 119017, Moscow, Malaya Ordynka St., 15		
Accounting statements are subject to mandatory audit YES NO		
Name of the auditing firm/surname, name, patronymic (if any) of the individual auditor		
Limited liability company Ernst & Young		
Taxpayer identification number of the auditing firm/individual auditor		TIN 7709383932
Primary state registration number of the auditing firm/individual auditor	PSRN / O	GRNIP 1027739707203

Notes	Indicator	Line code	As of 31 December 2020 (1)	As of 31 December 2019 (2)	As of 31 December 2018 (3)
	ASSETS				
	I. NON-CURRENT ASSETS				
5.1.1 -5.2.2	Intangible assets	1110	115,172	102,496	109,847
5.2.2	including pending transactions to acquire intangible assets	1111	60	-	-
5.2.1 -5.2.2	R&D results	1120	45,815	94,020	60,963
5.2.2	including expenses for R&D in progress	1121	38,453	84,135	35,516
	Intangible exploratory assets	1130	-	-	-
	Tangible exploratory assets	1140	-	-	-
5.3.1-5.3.6	Fixed assets	1150	103,310,205	101,191,027	101,460,901
	land plots and environmental facilities	1151	299,811	291,671	291,590
	buildings, machinery and equipment, constructions	1152	94,652,980	93,955,352	93,970,166
	other types of fixed assets	1153	2,962,881	3,089,683	3,258,176
5.3.5	construction in progress	1154	4,559,756	2,988,777	3,152,535
5.3.6	advances made for capital construction and acquisition of fixed assets	1155	144,028	193,832	209,012
	raw materials for use in the creation of fixed assets*	1156	690,749	671,712	579,422
5.3.1	Profitable investments in tangible assets	1160	-	-	-
5.4.1 -5.4.3	Financial investments	1170	3,636,451	1,756,511	207,255
	investments in subsidiaries	1171	15,355	15,355	15,355
	investments in affiliates	1172	-	-	-
	investments in other companies	1173	208,201	207,257	191,900
	loans granted to companies for more than 12 months period	1174	3,412,895	1,533,899	-
	financial investments	1175	-	-	-
5.7.2	Deferred tax assets	1180	2,025,235	1,939,752	1,477,220
	Other non-current assets	1190	2,277,171	2,356,491	2,398,571
	TOTAL for section I	1100	111,410,049	107,440,297	105,714,757

Notes	Indicator	Line code	As of 31 December	As of 31 December	As of 31 December
	II. CURRENT ASSETS		2020(1)	2019 (2)	2010 (3)
5.5.1-5.5.2	Supplies	1210	2 621 773	2 312 868	2 717 892
	raw material. materials and other analogous values	1210	2,613,769	2,310.080	2,512.897
	construction in progress costs	1212	2 030	2 788	20/ 995
	finished products and goods for resale	1212	2,030	2,700	204,333
	chines d goods	1213	E 900		
	shipped goods	1214	5,890	-	-
	other supplies and expenses	1215	-	-	-
	Value added tax according to purchased valuables	1220	21,204	17,695	9,372
5.6.1 - 5.6.4	Accounts receivable	1230	14,617,810	13,060,961	12,873,143
	Payments on which are expected more than 12 months after accounting date	1231	302,967	187,859	666,755
	buyers and customers	123101	57,441	31,937	417,928
	bills receivable	123102	-	-	-
	advances made	123103	1,247	2,527	9,813
	other accounts receivable	123104	244,279	153,395	239,014
	Payments on which are expected within 12 months after accounting date	1232	14,314,843	12,873,102	12,206,388
	buyers and customers	123201	12,976,026	12,197,733	11,198,197
	bills receivable	123202	-	-	-
	debts of subsidiaries and affiliates on dividends	123203	-	-	-
	debts of participators (founders) according to contributions in the authorised capital	123204	-	-	-
	advances made	123205	356,581	178,305	121,916
	other accounts receivable	123206	982,236	497,064	886,275
5.4.1-5.4.3	Financial investments (excluding money equivalents)	1240	240,000	-	-
	loans granted to organisations for less than 12 months period	1241	240,000	-	-
	other short-term financial investments	1242	-	-	-
F.4	Monetary funds and money equivalents	1250	796,170	1,015,905	786,262
	cashier's desk	1251	-	-	-
	settlement accounts	1252	567,343	962,122	751,199
	foreign exchange accounts	1253		_	-
	other monetary funds	1254	228.827	53,783	35.063
	Other currents assets	1260	602 678	535.978	532 774
		1200	18 899 635	16 943 407	16 919 443
	RALANCE	1600	130 309 684	12// 383 70/	122 634 200
		1000	130,303,004	124,303,704	122,034,200
3.1	Share capital (joint-stock capital, authorised capital, limited	1310	4,221,794	4,221,794	4,221,794
3.1	Equity (prior to registered changes)	1311	-	-	-
3.1	Own shares repurchased from shareholders	1320	-	-	-
5.3.1.5.1.1	Revaluation of non-current assets	1340	-	-	-
3.1	Additional capital (without revaluation)	1350	33,269,936	33,269,936	33,269,936
3.1	Reserve capital	1360	211,090	211,090	211,090
3.1	Retained earnings (uncovered losses)	1370	20,868,270	18,023,665	19,413,457

- 1. COMPANY'S OVERVIEW
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 2. DEVELOPMENT STRATEGY 6. CORPORATE RESPONSIBILITY
  - 7. APPENDICES

Notes	Indicator	Line code	As of 31 December 2020 (1)	As of 31 December 2019 (2)	As of 31 December 2018 (3)
	of previous years	1371	18,038,620	18,542,503	18,008,085
	of the reporting period	1372	2,829,650	(518,838)	1,405,372
	TOTAL for section III	1300	58,571,090	55,726,485	57,116,277
	IV. LONG-TERM LIABILITIES				
5.6.7 -5.6.8	Loans and credits	1410	31,887,137	36,533,899	29,085,000
	bank credits subject to payment more than within 12 months after the reporting date	1411	17,044,014	26,533,899	24,085,000
	loans subject to payment more than within 12 months after the reporting date	1412	14,843,123	10,000,000	5,000,000
5.7.2	Deferred tax liabilities	1420	8,945,846	9,055,684	9,282,759
5.7.1	Estimated liabilities	1430	-	-	-
5.6.5 -5.6.6	Other liabilities	1450	688,281	844,633	730,906
	TOTAL for section IV	1400	41,521,264	46,434,216	39,098,665
	V. SHORT-TERM LIABILITIES				
5.6.7 -5.6.8	Loans and credits	1510	13,410,538	6,641,530	11,322,208
	bank credits subject to payment within 12 months after the reporting date	1511	8,266,638	6,522,180	1,013,458
	loans subject to payment within 12 months after the reporting date	1512	5,143,900	119,350	10,308,750
5.6.5 -5.6.6	Accounts payable	1520	13,797,335	12,354,712	13,422,187
	suppliers and contractors	1521	8,700,361	5,794,487	6,057,453
	bills payable	1522	-	-	-
	debt to personnel relating to labour payment	1523	18	666,380	617,113
	debt to governmental extra-budgetary funds	1524	445,808	470,244	430,808
	taxes and levies payable	1525	2,277,111	2,381,790	1,597,243
	advances received	1526	2,058,030	1,998,471	1,622,783
	debts to participators (founders) according to income payment	1527	44,298	895,892	43,154
	other accounts payable	1528	271,709	147,448	3,053,633
	Deferred income	1530	22,697	21,229	19,761
5.7.1	Estimated liabilities	1540	2,986,760	3,205,532	1,655,102
	Other liabilities	1550	-	-	-
	TOTAL for section V	1500	30,217,330	22,223,003	26,419,258
	BALANCE	1700	130,309,684	124,383,704	122,634,200

CEO I.V. Makovskiy

24 February 2021

**Chief Accountant** L.A. Sklyarova

### STATEMENT OF FINANCIAL RESULTS FOR YEAR 2020

			Codes		
Company Ir	ompany Interregional Distribution Grid Company of Centre		Form under ARCMD0710002		
Public Joint	-Stock Company	Date	(year, month, day)	31.12.2020	
Type of eco	nomic under activity	Under ARCEO TIN under ADCEA under ARCFI\ARCFO		6901067107	
Economic a	ictivity electricity transmission			35.12	
Business le	gal structure/Form of ownershipPublic Joint Stock Companies/Hybrid			12247/41	
Measureme	ent unit: thousand RUB		under ARCM	384	
Notes	Indicator	Code	for 12 months	for 12 months	
	Ρογοριμο	2110	2020 (1)	2019 (2)	
	including	2110	94,904,077	94,303,022	
	including				
	revenue from electricity transmission	2111	90,490,450	90,886,674	
	revenue from grid connection	2112	1,305,977	1,542,017	
	revenue from functioning organisation and development of UES of Russia in terms of electric distribution grid	2113	-	-	
	revenue from resale of electric energy and power	2114	531,219	520,662	
	income from participation in other organisations	2115	-	-	
	lease income	2116	25,390	27,794	
	revenue from sale of other goods, products, works, services of industrial nature	2117	2,631,841	1,528,675	
	revenue from sale of other goods, products, works, services of non-industrial nature	2118	-	-	
2.1.	Cost of sales	2120	(84,889,247)	(84,508,595)	
	including				
	electricity transmission	2121	(83,024,545)	(82,813,402)	
	grid connection	2122	(293,431)	(354,062)	
	functioning organisation and development of UES of Russia in terms of electric distribution grid	2123	-	-	
	resale of electric energy and power	2124	(473,714)	(451,165)	
	participation in other organisations	2125	-	-	
	lease	2126	(6,754)	(7,533)	
	other goods, products, works, services of industrial nature	2127	(1,090,803)	(882,433)	
	other goods, products, works, services of non-industrial nature	2128	-	-	
	Gross profit (loss)	2100	10,095,630	9,997,227	
2.1.	Commercial expenses	2210	(18,011)	(18,682)	
2.1.	Management expenses	2220	(2,388,432)	(2,335,753)	
	Profit (loss) from sales	2200	7,689,187	7,642,792	
	Profit from participation in other organisations	2310	14,184	14,780	
	Interest receivable	2320	283,966	106,466	
	Interest payable	2330	(2,626,864)	(3,217,961)	
5.11.	Other profit	2340	3,458,765	3,603,507	
5.11.	Other expenses	2350	(4,639,070)	(6,975,149)	

- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES
- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW

	Coue	2020 (1)	for 12 months 2019 (2)
Profit (loss) before taxation	2300	4,180,168	1,174,435
Income tax	2410	(1,138,238)	(767,659)
including current income tax	2411	(1,533,340)	(1,553,686)
deferred income tax	2412	395,102	786,027
Other	2460	(212,280)	(78,515)
Net profit (loss)	2400	2,829,650	328,261
FOR REFERENCE			
Result from the revaluation of fixed assets, not included in net income (loss) for the period	2510	-	-
Income tax on operations, the result of which is not included in the net profit (loss) of the period	2520	-	-
Income tax on operations, the result of which is not included in the net profit (loss) of the period	2530	-	0
Aggregate financial result of the period	2500	2,829,650	328,261
Basic earnings (loss) per share	2900	0.0000670	0.000078
Diluted earnings (loss) per share	2910	0.0000670	0.0000078
	Profit (loss) before taxation         Income tax         including current income tax         deferred income tax         Other         Net profit (loss)         FOR REFERENCE         Result from the revaluation of fixed assets, not included in net income (loss) for the period         Income tax on operations, the result of which is not included in the net profit (loss) of the period         Income tax on operations, the result of which is not included in the net profit (loss) of the period         Aggregate financial result of the period         Assic earnings (loss) per share         Diluted earnings (loss) per share	Profit (loss) before taxation2300Income tax2410including current income tax2411deferred income tax2412Other2460Net profit (loss)2400FOR REFERENCE2510Result from the revaluation of fixed assets, not included in net income (loss) for the period2510Income tax on operations, the result of which is not included in the net profit (loss) of the period2520Income tax on operations, the result of which is not included in the net profit (loss) of the period2530Income tax on operations, the result of which is not included in 	Profit (loss) before taxation23004,180,168Income tax2410(1,138,238)including current income tax2411(1,533,340)deferred income tax2412395,102Other2460(212,280)Net profit (loss)24002,829,650FOR REFERENCEResult from the revaluation of fixed assets, not included in net income (loss) for the period2510Income tax on operations, the result of which is not included in the net profit (loss) of the period2520Income tax on operations, the result of which is not included in the net profit (loss) of the period2530Aggregate financial result of the period25002,829,650Basic earnings (loss) per share29000.0000670Diluted earnings (loss) per share29100.0000670

CEO I.V. Makovskiy **Chief Accountant** L.A. Sklyarova

24 February 2021



To Shareholders and Board of Directors of Public Joint-Stock Company "Interregional Distribution Grid Company of Centre"

#### Opinion

We have audited the consolidated financial statements of Public Joint-Stock Company "Interregional Distribution Grid Company of Centre" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for 2020 in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

#### **INDEPENDENT AUDITOR'S REPORT**

#### Key audit matter

#### Recognition and measurement of revenue from electricity transmission services

Recognition and measurement of revenue from electricity transmission services was one of the most significant matters for our audit due to certain specifics of the electricity market mechanisms that gave rise to disagreements among electricity supply, utilities, and other companies in relation to the volume and cost of the transmitted electricity. The amount of revenue challenged by counterparties is material to the Group's financial statements. Management's assessment of the probability of settling disputes in the Group's favor is highly subjective. Revenue is recognized when disagreements are resolved in favor of the Group with regard to assumptions.

We considered the applied accounting policy with regard to the recognition of revenue from electricity transmission services; assessed internal controls over the recognition of this revenue; checked the calculation of the corresponding revenue amounts based on the existing electricity transmission contracts; received, on a selective basis, confirmations of balances of receivables from counterparties; analyzed the results of litigations concerning disputable amounts of services provided, if any; and assessed existing procedures to confirm the volume of electricity transmitted

We analyzed the Group's accounting policy on trade receivables

trade receivables, and considered the assessment procedures

performed by the Group's management, including the analysis

of repayment of trade receivables, the analysis of maturity and delayed performance of obligations, and the analysis of customers'

We performed audit procedures in respect of the information used

by the Group to determine the allowance for expected credit losses

age and maturity, tested the calculation of the charged allowance

on trade receivables, as well as the structure of receivables by

amounts based on management's estimates.

with respect to the allowance for expected credit losses on

solvency.

How our audit addressed the key audit matter

Information on revenue from electricity transmission services is disclosed in Note 7 to the consolidated financial statements.

#### Allowance for expected credit losses on trade receivables

The allowance for expected credit losses on trade receivables was one of the most significant matters for our audit due to the material balances of trade receivables as of 31 December 2020, as well as due to the fact that management's assessment of the possible recoverability of these receivables is based on assumptions, in particular, on the predicted solvency of the Group's customers.

Information on the allowance for expected credit losses on trade receivables is disclosed in Note 19, 31 to the consolidated financial statements

#### Recognition, measurement and disclosure of provisions and contingent liabilities

Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims from counterparties (including territorial electric grid and utilities companies) were among the most significant matters for our audit as they require significant judgments of management with respect to material amounts of balances of settlements with counterparties that are challenged in litigations or under the pretrial settlement.

Audit procedures also involved analyzing decisions made by courts of different instances; considering management's judgments with regard to its assessment of the possibility of the economic resources outflow due to dispute settlement; examining the compliance of prepared documentation with provisions of existing contracts and legislation; and analyzing disclosures on provisions and contingent liabilities in notes to the consolidated financial statements.

Information on provisions and contingent liabilities is disclosed in Note 30, 33 to the consolidated financial statements.

#### Impairment of non-current assets

Due to the existence of impairment indicators in respect of noncurrent assets as of 31 December 2020, the Group performed impairment testing. The value-in-use of fixed assets and right-ofuse assets forming a significant share of the Group's non-current assets, as of 31 December 2020, was determined by the projected cash flow method.

The impairment testing of fixed assets was one of the most significant matters for our audit because the fixed assets balance forms a significant part of the Group's assets at the reporting date, and because management's assessment of the value-in-use is complex and largely subjective and is based on assumptions, in particular, on projected electricity transmission volumes, transmission fees, as well as operating and capital expenditures that depend on the expected future market or economic conditions in the Russian Federation. Information on the results of the impairment analysis of non-current assets is disclosed by the Group in Note 13 to the consolidated financial statements.

As part of our audit procedures, we also assessed the assumptions and methodologies applied by the Group, in particular, those relating to projected total revenue from electricity transmission, fee solutions, operating and capital expenditures, long-term rates of fee growth and discount rates. We tested the incoming data imported in the model and the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test of fixed assets and right-of-use assets. We engaged valuation specialists to analyze the model used to determine the recoverable amount in the impairment test of fixed assets. We also analyzed the sensitivity of the model to changes in the main indicators of assessment and the Group's disclosures of assumptions on which the results of impairment testing largely depend.

#### Other information included in the annual report

Other information consists of the information included in annual report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

#### Responsibilities of management and Audit Committee of the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit Committee of the Board of Directors are responsible for overseeing the Group's financial reporting process.

#### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one control.
- circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- made by management.
- obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the • Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify

We communicate with Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is T.L. Okolotina.

T.L. Okolotina Partner Ernst & Young LLC

9 March 2021

#### DETAILS OF THE AUDITED ENTITY

Name: Public Joint-Stock Company "Interregional Distribution Grid Company of Centre"

Record made in the State Register of Legal Entities on 17 December 2004, State Registration Number 1046900099498.

Address: Russia 119017, Moscow, Malaya Ordynka st., 15.

#### **DETAILS OF THE AUDITOR**

Name: Ernst & Young LLC

Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.

Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.

Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

#### PJSC «IDGC OF CENTRE» CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (IN THOUSANDS OF RUSSIAN RUBLES, UNLESS OTHERWISE STATED)

	Year ended 31 December		
	Notes	2020	2019 (restated)
Revenue	7	97,638,836	94,641,562
Operating expenses	9	(89,400,742)	(88,510,090)
Accrual of allowance for expected credit losses	31	(846,454)	(831,785)
Net (accrual) / recovery of impairment losses on property, plant and equipment and assets in the form of rights of use	13, 15	(3,980,593)	881,180
Other income	8	1,662,373	2,215,884
Other expenses	8	(48,329)	(578,245)
Result from operating activities		5,025,091	7,818,506
Finance income	11	1,494,014	146,949
Finance costs	11	(3,205,271)	(3,603,127)
Total financial costs		(1,711,257)	(3,456,178)
Profit before income tax		3,313,834	4,362,328
Income tax expense	13	(1,157,512)	(1,302,794)
Profit for the period		2,156,322	3,059,534
Other comprehensive income/(expense)			
Items that will never be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments accounted for at fair value through other comprehensive income	16	944	15,357
Remeasurements of the defined benefit liability	26	(175,702)	(1,047,816)
Income tax	17	26,332	167,996
Total items that will not be reclassified subsequently to profit or loss		(148,426)	(864,463)
Other comprehensive expense for the period, net of income tax		(148,426)	(864,463)
Total comprehensive income for the period		2,007,896	2,195,071
Profit attributable to:			
Equity holders of the Company		2,051,061	2,988,065
Non-controlling interests		105,261	71,469
Total comprehensive income attributable to:			
Equity holders of the Company		1,902,635	2,123,602
Non-controlling interests		105,261	71,469
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	23	0.049	0.071

These consolidated financial statements were approved by management on 09 March 2021 and were signed on its behalf by:

General Director

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

Chief Accountant L.A. Sklyarova

#### PJSC «IDGC OF CENTRE» CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2020 (IN THOUSANDS OF RUSSIAN RUBLES, UNLESS OTHERWISE STATED)

Notes **31 December** 31 December 2019 2020 (restated) ASSETS Non-current assets 13 96,105,195 93,779,238 Property, plant and equipment 14 2,331,958 2,476,115 Intangible assets Right-of-use assets 15 2,897,358 2,808,335 19 Trade and other receivables 138,841 128,138 Assets related to employee benefits plans 26 517,405 514,585 16 208,201 207,257 Other non-current financial assets 20 1,500 2,801 Advances given and other non-current assets 102,200,458 99,916,469 Total non-current assets Current assets 18 2,682,124 3,069,976 Inventories 4,630 19,807 Income tax prepayments Trade and other receivables 19 14,341,554 12,971,865 Cash and cash equivalents 21 1,406,311 1,517,108 Advances given and other current assets 20 973,365 755,090 Total current assets 19,795,836 17,945,994 Total assets 121,996,294 117,862,463 EQUITY AND LIABILITIES Equity Share capital 22 4,221,794 4,221,794 (1,212,174) (1,063,748) Reserves Retained earnings 43,900,420 41,850,655 Total equity attributable to equity holders of the Company 46,910,040 45,008,701 955,903 856,642 Non-controlling interest 47,865,943 45,865,343 Total equity Non-current liabilities 24 33,443,946 39,323,975 Long-term borrowed funds 27 63,553 98,121 Long-term trade and other payables 29 731,546 616,964 Long-term advances from customers Employee benefits 26 3,308,876 2,996,844 17 Deferred tax liabilities 3,647,908 4,225,773 41,081,247 47,376,259 Total non-current liabilities **Current liabilities** Short-term borrowed funds and current part of long-term borrowed funds 13,944,769 7,168,941 24 27 10,086,163 Trade and other payables 11,856,820 Tax debts other than income tax 28 2,561,765 2,757,508 Advances from customers 29 2,306,436 2,136,468 Provisions 30 1,995,276 2,251,523 Current income tax liabilities 384,038 220,258 Total current liabilities 33,049,104 24,620,861 Total liabilities 74,130,351 71,997,120 Total equity and liabilities 121,996,294 117,862,463

#### **INDEX OF GRI**

#### GRI 102-55

GRI Indicator
GRI 102 GENERAL DISCLOSURES
Organisational profile
GRI 102–1 Name of the organisation
GRI 102-2 Activities, brands, products, and services
GRI 102-3 Location of headquarters
GRI 102-4 Location of operations
GRI 102–5 Ownership and legal form
GRI 102-6 Markets served
GRI 102-7 Scale of the organisation
GRI 102-8 Information on employees and other workers
GRI 102–9 Supply chain

GRI Indicator	Omission/Comment	Page number (or reference)
GRI 102 GENERAL DISCLOSURES		
Organisational profile		
GRI 102-1 Name of the organisation		2
GRI 102-2 Activities, brands, products, and services		16
GRI 102-3 Location of headquarters	15 Malaya Ordynka Str., Moscow, 119017, Russia	
GRI 102-4 Location of operations		4
GRI 102-5 Ownership and legal form	Public Joint Stock Company Interregional Distribution Grid Company of Centre	
GRI 102-6 Markets served		20
GRI 102-7 Scale of the organisation		164
GRI 102-8 Information on employees and other workers		164
GRI 102-9 Supply chain		58
GRI 102–13 Membership of associations	EnergoProfAudit, Moscow Chamber of Commerce and Industry, ENERGOSTROY Union, Energoproekt, SIRED National Committee, Nonprofit Partnership of Territorial Network Organisations (the complete list is available at https:// www.mrsk-1.ru/en/information/ quarterly-reports/2020/)	
Strategy		
GRI 102-11 Precautionary principle		132
GRI 102-14 Statement from senior decision-maker		12, 14, 92, 158
GRI 102-15 Key impacts, risks, and opportunities		14, 132
Ethics and fair practices		
GRI 102-16 Values, principles, standards, and norms of behaviour		163
GRI 102-17 Mechanisms for advice and concerns about ethics		163
Management		
GRI 102-18 Corporate Governance structure		95
GRI 102–19 Delegating authority		95

#### 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

GRI Indicator	Omission/Comment	Page number (or reference)
GRI 102-20 Executive-level responsibility for economic, environmental, and social topics		95
GRI 102-21 Consulting stakeholders on economic, environmental, and social topics		2
GRI 102-22 Composition of the highest governance body and its committees		98
GRI 102–23 Chair of the highest governance body		98
GRI 102–24 Nominating and selecting the highest governance body		98
GRI 102-25 Conflict of interest		145
GRI 102–26 Role of highest governance body in setting purpose, values, and strategy		12
GRI 102-28 Evaluating the highest governance body's performance		108
GRI 102–30 Effectiveness of risk management processes		134
GRI 102-31 Review of economic, environmental, and social topics		14, 75, 159
GRI 102-35 Policy of remuneration for members of the highest governance body and senior executive officers		126
GRI 102-36 Process for determining remuneration		126
Stakeholder relations		
GRI 102-40 List of stakeholder groups		194
GRI 102-41 Collective bargaining agreement		173
GRI 102-43 Approach to stakeholder engagement		194
GRI 102-44 Key topics and concerns raised by stakeholders		2
Reporting procedure		
GRI 102–45 Legal entities included in the consolidated financial statements		2
GRI 102-46 Defining the report content and topic boundaries		2
GRI 102–47 List of material topics		2
GRI 102-50 Reporting period	Reporting period – calendar year 2020.	
GRI 102–51 Date of the most recent report on sustainable development	The Company has published the Sustainable Development Report for 2016-2017	
GRI 102-52 Reporting cycle	The Company published the Sustainable Development Report for 2016-2017, information on sustainable development in 2019 and 2020 is included in this Integrated Report.	
GRI 102-53 Contact point for questions regarding the report		194
GRI 102–54 Claims of reporting in accordance with the GRI standards	The present report has been prepared in accordance with the GRI standards:	
	Core variant of disclosure	
GRI 102–55 GRI content index	The present Appendix	

GRI Indicator
GRI 200 ECONOMIC
GRI 201 Economic performance
GRI 201-1 Direct economic value generated and distributed
GRI 201-3 Defined benefit plan obligations and other retirement plans
GRI 203 Indirect economic impacts
GRI 203–1 Infrastructure investments and services supported
GRI 204 Procurement practive
GRI 204-1 Proportion of spending on local suppliers in significant region of operation
GRI 205 Anti-corruption
GRI 205-3 Confirmed incidents of corruption and actions taken
GRI 207 Taxes
GRI 207-1 Management approaches
GRI 207-2 Tax administration, control and risk management
GRI 207-3 Stakeholder engagement and management of concerns rela to taxes, including an approach to engaging with tax authorities and a approach to supporting public tax policy
GRI 300 ENVIRONMENTAL
GRI 302-1 Energy consumption within the organisation
GRI 103-2 The management approach and its components
GRI 302 Energy
GRI 302-4 Reduction of energy consumption
GRI 303 Water and effluents
GRI 303-1 Interactions with water as a shared resource
GRI 303-3 Water withdrawal
GRI 303-4 Water discharge
GRI 304 Biodiversity
GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
GRI 304-3 Habitats protected or restored

GRI 305 Emissions
GRI 305-1 Direct (Scope 1) greenhouse gas emissions
GRI 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significa air emissions
GRI 306 Effluents and waste
CDI 206, 2 Waste by type and dispessal method

GRI 306-2 Waste by type and disposal method

GRI 307 Environmental compliance

#### 1. COMPANY'S OVERVIEW

- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

	Omission/Comment	Page number (or reference)
		84
		173
		84
ns		193
		144
		193
ted		
n		
		182, 183
		163, 175, 184
		182, 183
		185
		187
		188
b		189
	IDGC of Centre does not perform works for	
	Company's activities do not result in habitat	
	destruction or negative environmental	
	Impact.	
		107
ant		107
		186
		188

GRI Indicator	Omission/Comment	Page number (or reference)
GRI 400 SOCIAL		
GRI 401 Employment		
GRI 401-1 Newly employee hires and employee turnover		165
GRI 401-2 Payments and benefits for full-time employees that are not provided for temporary or part-time employees	Benefits under the Collective Bargaining Agreement are applicable to all the Company's employees and depend on the status and terms of employment relations	
GRI 403 Occupational Health and Safety		
GRI 403-5 Worker training on occupational health and safety		177
GRI 403-6 Promotion of worker health		177
GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		176
GRI 403-9 Work-related injuries		176
GRI 404 Training and Education		
GRI 404–1 Average hours of training per year per employee		167
GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes		167
GRI 405 Diversity and equal opportunity		
GRI 405-1 Diversity of governing bodies and employees by gender and age		98
GRI 406 Non-discrimination		163
ELEMENTS OF THE INDUSTRY APPLICATION FOR ELECTRIC POWER INDUSTRY		
Standard		
EU1 Organisation installed capacity by power sources and regulation mode		16
EU3 Number of consumers by categories		
EU4 - Length of power grids by type		16
Economic		
EU8 (ex) R&Ds to improve power supply reliability and ensure sustainable development of the Company		66
EU12 Transmission and distribution losses as a percentage of the total energy transmitted		60
Social		
G4-EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		189
EU14 (ex) Programmes and measures providing for the skilled personnel		167
EU18 Safety training and/or briefing of contractor employees		
EU21 (ex) Planning of measures in case of emergencies, programme of personnel training in emergency response, planning of capacity restoration measures in case of damage during emergencies		178
EU23 (ex) Programmes to improve and maintain access to electricity and consumer services, including those implemented in partnership with the state	Programmes to improve and maintain access to electricity and consumer services implemented by the Company are available at the link: https://www.mrsk-1.ru/en/about/company/	
EU24 (ex) Accounting for linguistic and cultural barriers, those related to illiteracy and disability against reception and safe use of electricity and consumer services		64
EU25 Number of injuries to the public involving company assets in the reporting period		
EU28 System average interruption frequency index		53
EU29 System average interruption duration index		53

### CONTACT DETAILS

15 Malaya Ordynka Str., Moscow, 119017, Russia +7 (495) 747-9292/ +7 (495) 747-9295 https://www.mrsk-1.ru/en/ posta@mrsk-1.ru IDGC of Centre is not included	IR Service contact det Sergey Ternikov +7 (495) 747-9292, ext. ir@mrsk-1.ru Contacts of the perso Yuliya Naumova +7 (495) 747-9292, ext. Naumova.YD@mrsk-1.r
+7 (495) 747-9292/ +7 (495) 747-9295 https://www.mrsk-1.ru/en/ posta@mrsk-1.ru IDGC of Centre is not included	+7 (495) 747-9292, ext. ir@mrsk-1.ru Contacts of the perso Yuliya Naumova +7 (495) 747-9292, ext. Naumova.YD@mrsk-1.r
+7 (495) 747-9292/ +7 (495) 747-9295 https://www.mrsk-1.ru/en/ posta@mrsk-1.ru IDGC of Centre is not included	ir@mrsk-1.ru <b>Contacts of the perso</b> Yuliya Naumova +7 (495) 747-9292, ext. Naumova.YD@mrsk-1.r
https://www.mrsk-1.ru/en/ posta@mrsk-1.ru IDGC of Centre is not included	Contacts of the perso Yuliya Naumova +7 (495) 747-9292, ext. Naumova.YD@mrsk-1.r
posta@mrsk-1.ru IDGC of Centre is not included	+7 (495) 747-9292, ext. Naumova.YD@mrsk-1.r
posta@mrsk-1.ru IDGC of Centre is not included	Naumova.YD@mrsk-1.r
IDGC of Centre is not included	
enterprises and strategic joint-stock companies	Auditor LLC Ernst & Young 77/1 Sadovnicheskaya r +7 (495) 755-9700/755- moscow@ru.ey.com Self-Regulatory Organ LLC Ernst & Young in ir state registration num Registrar JSC VTB Registrar 23/10 Pravdy St., Mosc +7 (495) 787-4483 https://vtbreg.ru/ info@vtbreg.ru uot@vtbreg.ru
	Licence of the Bank of
	Number: 045-13970-00
	Date of issue: 21.02.200
	Validity period: unlimit
	Depository National Settlement De
	12 Spartakovskaya St.,
	+7 (495) 234-4827/ +7 (4
	https://www.nsd.ru/ru
	Licence of the Federal No. 177-12042-000100,

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

#### tails

. 3334

#### on charged with disclosure

. 3286 ru

naberezhnaya st., Moscow, 115035

-9701

nisation of Auditors Association "Sodruzhestvo"

ncluded into the check copy of the Auditors' Register under primary nber 12006020327.

ow, 127015, Russia

f Russia to maintain register of securities holders

00001

80

ed

#### epository (NSD)

, Moscow, 105066, Russia

(495) 956-0938

J/

al Financial Markets Service of Russia to maintain register D, issued on 19 February 2009 with no expiry date

#### GLOSSARY

DGC	Distribution grid company	
EBITDA	Earnings before interest, taxes, depreciation and amortisation	
EnMS	Energy management system	
ERP	Enterprise Resource Planning System	
FGC	Federal Grid Company	
FOCL	Fibre-optic communication line	
Free-float	Percentage of the Company's shares are not held by the controlling shareholder or strategic shareholders	
FZ	Federal Law	
GCC	Grid Control Centre	
HV	High voltage (110 kV)	
ICS and RMS	Internal Control and Risk Management System	
IFRS	International Financial Reporting Standards	
IR (Investor Relations)	The Company's activities to promote effective interaction between the Company and its shareholders and investors, as well as with other stakeholders that may have an effect on the market value of the Company, focused on providing most accurate and reliable information about the current state of the Company and its outlook	
ITT	Information Technologies and Telecommunications	
КРІ	Key performance indicators	
LAN	Local area network	
LLC	Limited Liability Company	
MUE	Municipal unitary enterprise	
NCGR	National Corporate Governance Rating	
OJSC	Open Joint Stock Company	
PAMS	Production Asset Management System	
PIT	Personal income tax	
PTL	Power Transmission Line	
R&D	Research and development	
RAB (Regulatory Asset Base)	Rate of return on invested capital The key principle of the methodology is to provide for payback of investments into the Company's assets within a fixed period, and for a fixed return on such investments	
RAS	Russian Accounting Standards	
REC	Regional Energy Commission	
RES	renewable energy sources	
RGR	Required Gross Revenue	
ROE	Return on Equity - Amount of the Company's net income returned as a percentage of shareholders' equity.	
RPA	Relay protection and automatics	
RPG	Region of Power Grids	
S&A	Subsidiaries and Affiliates	
SAIDI	The index of reliability of power supply – The index of the average duration of the disruption of work, serves to measure the average time during which consumers are not served	
SAIFI	The power supply reliability index – System average interruption frequency index, serves to estimate the number of service outages that consumers face	
SME	Small and medium-sized enterprises	
SS	Substation - An electric facility through which electric energy is passed for transformation, transmission and distribution	
TGO	Territorial Grid Organisation	
UNPG	Unified National Power Grid of Russia	

#### Units of measurement

bn	billion
km	kilometre
kWh	kilowatt-hour Unit of measurement of elec
I	litre
mn	million
MVA	megavolt-ampere Unit of measurement of
MWh	megawatt Unit of measurement of electric
p.p.	percentage point
pc.	piece
RUB	Russian rouble
t	tonne
TFOE	tonne of fuel oil equivalent
ths.	thousand

- 1. COMPANY'S OVERVIEW
- 2. DEVELOPMENT STRATEGY
- 3. PERFORMANCE REPORT
- 4. FINANCIAL REVIEW
- 5. CORPORATE GOVERNANCE
- 6. CORPORATE RESPONSIBILITY
- 7. APPENDICES

#### ectricity produced or consumed

### felectrical capacity cal capacity