



ROSSETI



IDGC OF CENTRE

MEGAWATTS OF SUSTAINABILITY



**SUSTAINABILITY REPORT
OF
INTERREGIONAL DISTRIBUTION
GRID COMPANY OF CENTRE, PUBLIC JOINT-STOCK COMPANY
FOR 2016-2017**

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ADDRESS OF GENERAL DIRECTOR

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Dear friends!

In practice confirming responsibility of the Company for influence of its decisions and activity on society and the environment, IDGC of Centre, PJSC submits the first sustainability report for 2016 - 2017.

It contains key information on the results achieved by the Company in the field of social policy, environmental protection, interaction with stakeholders and society.

IDGC of Centre, PJSC is nearly 30 thousand qualified specialists providing power supply in 11 topics of the Central Federal District of the Russian Federation today. In addition, IDGC of Centre, PJSC manages IDGC of Center and Volga Region, PJSC – the main supplier of services in electricity transmission and connection to electric grids in 9 regions of Russia with the population of 12.8 million people. IDGC of Centre, PJSC is a strategic infrastructure company providing sustainable development of regions of its operations.

The Company has always made efforts to work not only for the benefit of shareholders, investors, employees and partners, but also, first of all, for customers of electric energy, and also for all society in general as we are convinced that successful development of the Company is possible only on condition of accounting of requirements of all stakeholders.

Therefore, our priorities remain invariable: ensuring high-quality, reliable and available power supply of customers, increase in efficiency of use of resources within the core business, improvement of investment case and respect for balance of interests among all stakeholders.

The subject of improvement of quality of customer service always took the key place in activity of IDGC of Centre, PJSC. Improving availability of power grid infrastructure, we succeeded to reduce an average term of performance of agreements of grid connection from 78 to 65 days that has huge value both for legal entities, and for certain citizens.

Within the set strategic target reference points, the accomplishment of the Programme of increase in operating efficiency and expense reduction for 2017 - 2021 was started. Main objectives of the Programme are modernisation of production business activities, optimisation of volume and structure of production and administrative management costs, and also decrease in cost value of the company's services.

Among the major tasks solved by us one should note environmental protection. According to the Programme of implementation of environmental policy for 2017 - 2018, the Company takes effective measures on minimisation of negative impact on the environment and fulfillment of requirements of the nature protection legislation.

IDGC of Centre, PJSC pays traditionally much attention to implementation in the service area of different social projects aimed to support education, health care, culture and sports. In particular, the most various forms are used for carrying out professional training, retraining and personnel training of the Company. In total, 26,564 employees received new knowledge and skills during training in 2016-2017 in specialised educational institutions. The annual youth forum, the corporate environmental project of IDGC of Centre, PJSC within the Year of ecology in Russia – "Green Distribution Zone", joint competitions of professional skills of crews in repair and service of distribution grids of IDGC of Centre, PJSC and IDGC of Center and Volga Region, PJSC, the VIII Summer Sports Competition of IDGC of Centre, PJSC and many others became the brightest and significant events during this time. These actions open new opportunities for employees of IDGC of Centre, PJSC and IDGC of Center and Volga Region, PJSC to develop their potential.

This is only the briefest summary of our activity. The Report will allow to get acquainted in more detail with all from them and to estimate the efforts made by IDGC of Centre, PJSC while creating the modern and socially responsible and sustainable company focused on development and efficiency. I hope that this publication will become a basis for building by the Company of the reliable and transparent relations with all stakeholders.

General Director
of IDGC of Centre, PJSC
Igor Makovskiy



1. ABOUT THE REPORT

1.1. Development of a reporting system

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The sustainability report of IDGC of Centre, PJSC for 2016-2017 (hereinafter – the Report) covers the principles and the main actions realised by IDGC of Centre, PJSC (hereinafter – IDGC of Centre, the Company, the Employer) for the solution of the key economic, social and environmental issues which are of great importance for respect for the principles of sustainable development.

It is the first sustainability report of the Company for all its history. The Company's performance indicators in social, environmental and economic aspects of activity are disclosed in accordance with the requirements of the GRI Sustainability international standards with the Core reporting level. Indicators specific to the energy industry are disclosed in accordance with the requirements of the GRI G4 electric utility industry supplement. The compliance table is provided in section 9. Report. This document is addressed to all stakeholders, who would like to make an idea of the Company, both about the socially responsible and sustainable company, being one of leaders of the distribution grid complex. For more details about interaction with stakeholders, please, see section 4.2. of the Report. The Report is published in electronic form on the corporate website of the Company, in the Russian (<https://www.mrsk-1.ru/information/sustainability-reports/>) and English languages (<https://www.mrsk-1.ru/en/information/sustainability-reports/>).

The Report has information for 2016-2017 as this period became an important moment in the history of the Company. At the end of 2016, powers of the sole executive body of IDGC of Center and Volga Region, PJSC were transferred to General Director of IDGC of Centre, PJSC. To learn about the transfer of powers of the sole executive body of IDGC of Center and Volga Region to IDGC of Centre, please, see section 2.4.4. of the Report. While preparing the Report management and financial statements (according to RAS) of IDGC of Centre were used. Data in the Report are provided in RUB mn excluding VAT, unless otherwise specified. For the purpose of compliance to requirements of the Corporate Governance Code recommended for application by the Bank of Russia (hereinafter – the Corporate Governance Code), the Company also in the future is going to publish the sustainability report for a two-year cycle.

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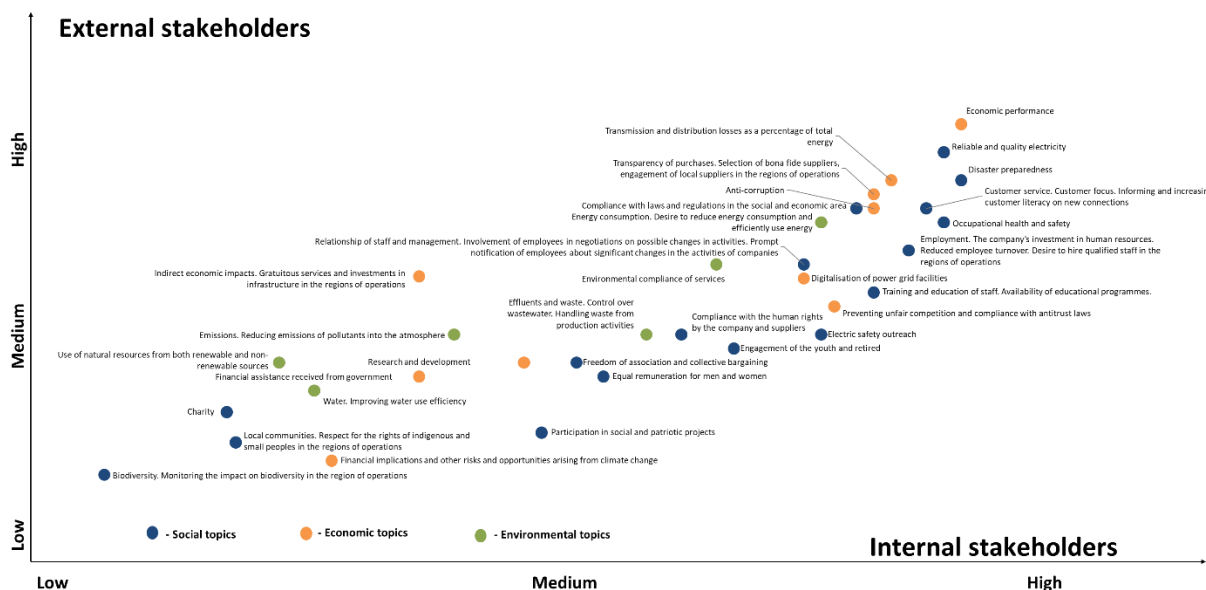
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1.2. Determination of material topics and technique of data collection

The Company carried out the analysis of the topics, mostly important for stakeholders in spheres of economy, ecology and society. Degree of their importance was defined on the basis of questioning of external and internal representatives of the stakeholders. The final version of the questionnaire included 10 economic, 7 environmental and 16 social topics which were chosen by an expert method.

Results of the topics ranging are provided in the materiality matrix.



The performed analysis allowed to reveal three most important topics for the Company and stakeholders in each category.

Topics	Comment of management	Location in the text of the Report
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Economic topics



Economic performance	"Economic performance is important on an equal basis with the topic of ensuring high-quality and uninterrupted power supply. In the conditions of tough tariff restrictions preserving of financial stability and increase in cost efficiency is the key to keep on forward development of the Company and an additional source for implementation of important infrastructure projects helping solve social and economic problems in regions of operations of our branches." (Deputy General Director for Economy and Finance – Alexander Inozemtsev)	Section 3.1., 3.7.
Transparency of purchases. Selection of bona fide suppliers, engagement of local suppliers in the regions of operations	"The importance of transparent and competitive procurement activities is very high both for the Company, and for its partners. IDGC of Centre considers that transparency of purchases is a sign of civilisation of business and improves reputation of the Company." (Deputy General Director for Investment Dmitry Sklyarov)	Section 3.8.
Transmission and distribution losses as	"Relevance of the question of decrease in electricity losses in grids increases every year. It is connected both with internal requirement of increase in cost	Section 3.4.

a percentage of total energy	efficiency of business, and implementation of new principles of regulation of electricity losses within tariff regulation of activity of grid companies. The accompanying tasks at decrease in electricity losses are also ensuring high-quality power supply and increase in transmission capacity of grids." (Deputy General Director for Sale and Development of Services – Konstantin Petukhov)
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Environmental topics



Energy consumption. Desire to reduce energy consumption and efficiently use energy	"Increase in energy efficiency is one of target reference points of the company. Production process of power transmission in electric grids causes considerable consumption of energy resources, including electricity losses. Therefore, the Company annually carries out a number of actions allowing to optimise energy costs, however the potential of optimisation is not exhausted yet, and in the next years this work will be continued. We also actively interact with customers concerning energy saving, we help our clients find effective solutions. As experience shows, the more effectively the customer works, the more actively he develops. So, this mutually beneficial cooperation from all directions." (First Deputy General Director - Chief Engineer – Alexander Pilyugin)	Section 8.3.
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Effluents and waste. Control over wastewater. Handling waste from production activities	"Importance of this topic is quite obvious as the main objective of the state energy policy in the field of ensuring environmental safety of energy is consecutive restriction of loading of fuel and energy complex for the environment by decrease in emissions of pollutants and reduction of generation of production and consumption waste." (First Deputy General Director - Chief Engineer – Alexander Pilyugin)	Section 8.2.
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Environmental compliance of services	"Activity of IDGC of Centre completely conforms to all environmental requirements and standards shown to power grid organisations. Implementation of nature protection actions and strict following to the Environmental Policy of Power Grid Complex provides preserving of the favourable environment for present and future generations." (First Deputy General Director - Chief Engineer – Alexander Pilyugin)	Section 8.1.
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Social topics



Customer service. Customer focus. Informing and increasing customer literacy on new connections	"Interaction with customers of services for the Company has paramount value, therefore, IDGC of Centre constantly improves the quality system of services. The Company uses modern technologies and communication channels to make process of customer interaction the most comfortable." (Deputy General Director for Sale and Development of Services – Konstantin Petukhov)	Section 5.1.
Reliable and quality electricity	"The main strategic task concerning the core activity – electricity transmission to customers – ensuring reliability and uninterrupted operation of power supply for the purpose of stable functioning of the power grid complex. All efforts of 30 thousand employees are aimed at its solution and the practice shows that we cope with it." (First Deputy General Director - Chief Engineer – Alexander Pilyugin)	Section 5.2.
Disaster preparedness	"The Company pays special attention to implementation of a set of technical and organisational measures for prevention of emergency situations. Staff of the Company is high professionals of the business, always ready to solve any problems of carrying out emergency recovery operations the elimination time of which is only reduced from year to year." (First Deputy General Director - Chief Engineer – Alexander Pilyugin)	Section 5.3.

Additional monitoring of publications in mass media about the Company's activity for the reporting period for identification of the most important news which gained the maximum distribution was carried out. In 2016, the closest attention was drawn by the topic about consolidation of IDGC of Centre, PJSC and IDGC of Center and Volga Region, PJSC. More details about this topic in section 2.4.4 of the Report. The similar analysis of news activity for 2017 showed that the topic of elimination of effects of bad weather in the Tver (<https://www.mrsk-1.ru/en/press-center/news/company/60990/>) and Smolensk (<https://www.mrsk-1.ru/en/press-center/news/company/60969/>) regions in August 2017 had the greatest importance. Detailed information on the policy pursued by the Company in the field of elimination of power supply interruptions is provided in section 5.3. of the Report.

2. ABOUT THE COMPANY

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2.1. General information, history of the Company

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Interregional Distribution Grid Company of Centre, Public Joint-Stock Company is a leading Russian electric grid company whose core activities are electricity transmission, connection of new customers to electric grids and other value-added services. IDGC of Centre operates in the territory of 11 regions of Central Russia with steady perspectives of economic growth that is one of competitive advantages. Clients of the Company are large industrial companies, enterprises of transport and agriculture, socially important facilities, and also the electricity suppliers of last resort.

The Company was founded in 2004 in the course of reforming of the Russian power industry and separation of power companies by types of activity with their subsequent regional integration. Today IDGC of Centre is one of 14 such interregional grid companies which is among leaders in the length of power lines and transformer capacity.

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2.2. Geography of operations

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The Company performs its activity in the territory of 457.7 thousand sq. km. with the population over 13 million people. Transmission and distribution of electricity, and also connection of customers to electric grids from 0.4 to 110 kV are provided by 11 branches of the Company which are located in Belgorod, Bryansk, Voronezh, Kursk, Kostroma, Lipetsk, Orel, Smolensk, Tambov, Tver, Yaroslavl. The executive office of the Company is located in Moscow. Total number of employees is about 30 thousand people.



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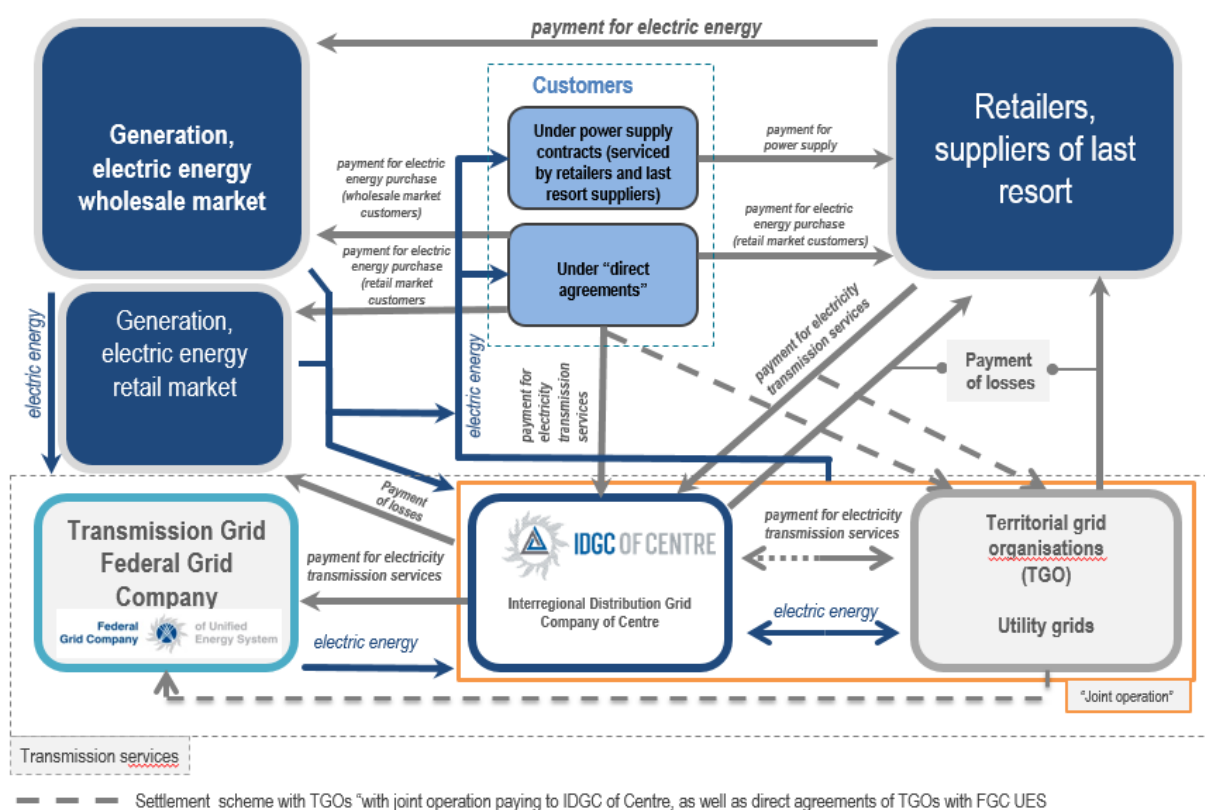
Also, the group of IDGC of Centre during 2016-2017 included OJSC Energy Service Company (Lipetsk), JSC Sanatorium Energetic (Tambov) and JSC Yaroslavl Electric Grid Company (Yaroslavl). By the decision of the Arbitration court of the Lipetsk region of 13 August 2014 the procedure of bankruptcy proceedings was started concerning the subsidiary company JSC Energy Service Company.

2.3. Core activities

IDGC of Centre is an enterprise of natural monopoly – whose rates are established by executive authorities of the Russian Federation. The main activities of the Company are transmission and distribution of electricity in own grids of 0.4-110 kV, connection of new customers to grids, including preferential categories, and also rendering value-added services such as setup of systems of street lighting, installation and replacement of metering devices, energy audit and energy service.

The Company controls in monetary terms more than 85% of the market of electricity transmission (by required gross revenue in regions of operations) and more than 88% of the market of grid connection in regions of operations.

The business model of IDGC of Centre on electricity transmission (supply chain) is given below.



To ensure high-quality and uninterrupted power supply, as well as maintain the required level of reliability of the production and material base, the Company performs maintenance and repair using an asset management system based on risk assessment and equipment health, which allows managing the repair and replacement of equipment at the lowest possible cost. At the same time, from year to year IDGC of Centre takes the leading positions on the length of power lines and capacity of substations among companies of the distribution sector, continuing to increase the production potential. In total under control of the Company there are 277 districts of electric grids (hereinafter – the Distribution Zone).

More details on features of the Company's production assets are provided on the website of the Company: <https://www.mrsk-1.ru/en/investors/indicators/operating-results/>.

2.4. Corporate governance

The key role in forming and following the principles of sustainability in the Company is played by a corporate governance system. The high level of corporate governance is one of factors of sustainable development of the Company.

2.4.1. Corporate governance system

The corporate governance system of IDGC of Centre is created according to requirements of the Russian legislation, taking into account current trends and best practices of corporate governance.

Efficiency of functioning of the Company's corporate governance system is confirmed by the National rating of corporate governance of Russian Institute of Directors at the level of NCGR 7+ "Developed practice of corporate governance". The rating shows that the Company fully conforms to high standards of corporate governance and follows considerable number of recommendations of the Corporate Governance Code.

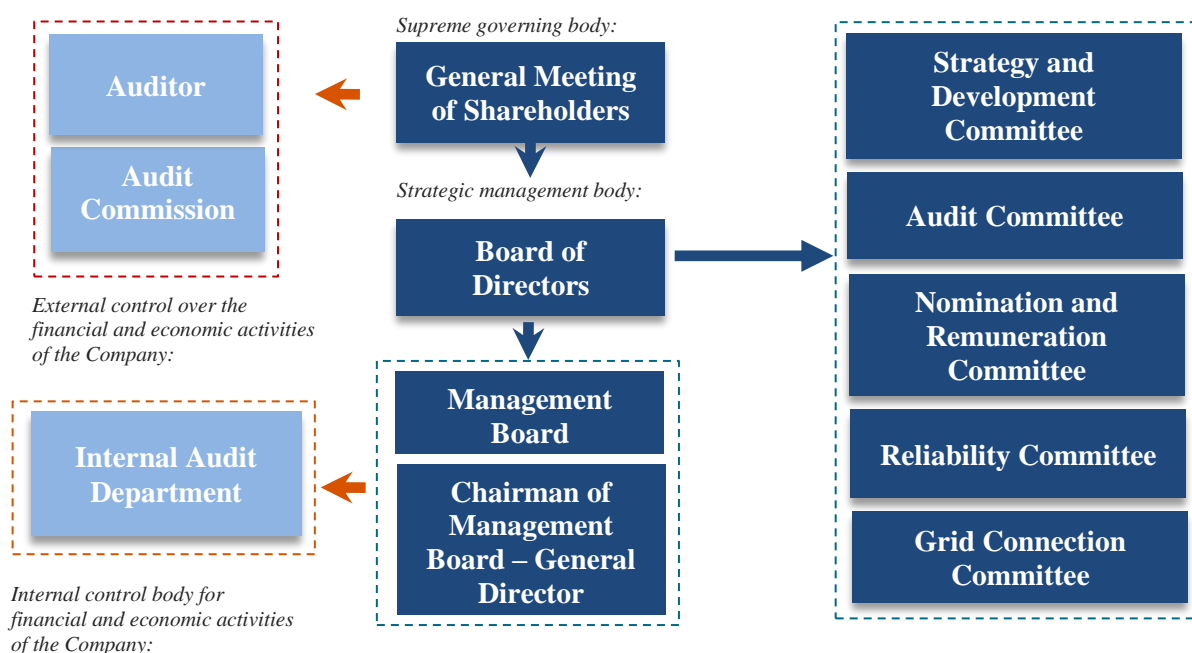
The corporate governance realised in the Company allows to provide reasonable balance of interests between shareholders and governing bodies, and also to conform to high standards of information transparency of the Company.

IDGC of Centre adheres to the policy of consecutive development of its corporate governance system and performs continuous work on improvement of the level of corporate governance, implements the principles and recommendations of the Corporate Governance Code and the best Russian and international practices.

The Company carries out a self-assessment of the level of corporate governance by the method recommended by Rosimushchestvo. Results of the self-assessment following the results of 2017 showed growth of the level of compliance from 75% in 2016 to 80.35% in 2017. A priority task for the medium term is achievement of 90% of the level of compliance with the recommendations.

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2.4.2. Structure of corporate governance



According to Federal law of 26.12.1995 No. 208-FZ "About joint-stock companies" and the Articles of Association of IDGC of Centre the supreme governing body is General Meeting of Shareholders whose decisions are obligatory for execution by General Director of the Company. The General Meeting of Shareholders makes decisions on questions within its competence according to Art. 48 of Federal law of 26.12.1995 No. 208-FZ "On joint-stock companies", and Article 53 of the Civil Code of the Russian Federation. More than 80% of voting shares participated in General Meetings of Shareholders for last five years. Total number of shareholders of IDGC of Centre is more than 17 thousand persons.

The Company creates for its shareholders the most favourable conditions for participation in the General Meeting of Shareholders, timely provides shareholders and investors with information for adoption of decisions concerning agenda items. The Company's Articles of Association provides for a possibility of participation in the General Meeting of Shareholders by filling in an electronic form of the ballot on the website which address is specified in the message on holding the General Meeting of Shareholders. Remote participation of shareholders in work of the supreme governing body considerably increases convenience to shareholders and reduces their costs.

The strategic management body whose powers are to solve the main economic, social and environmental issues is the Board of Directors, playing a key role on sustainable development. So, for example, by the decision of the Board of Directors (Minutes of 01.09.2017 No. 21/17) the Company joined implementation of the Environmental policy of the power grid complex. Other not less important documents approved by the Board of Directors are the Programme of

increase in operating efficiency and expense reduction of IDGC of Centre, PJSC for 2017-2021 (Minutes of 04.09.2017 No. 21/17) and the Programme of energy saving and increase in energy efficiency of IDGC of Centre, PJSC for 2017-2022 (Minutes of 25.12.2017 No. 29/17).

The Board of Directors of the Company in 2016-2017 also approved / considered the following documents / programmes having direct impact on corporate social responsibility and sustainability of the Company:

- Business plan;
- Target values of annual and quarterly key performance indicators;
- Programme of non-state pension provision of employees;
- Programme for decrease in risks of emergence of injury rate;
- Programme for decrease in risks of injury rate of third parties at facilities of IDGC of Centre, PJSC;
- Programme of decrease in electricity losses;
- Programme of perspective development of systems of electricity metering in retail market;
- Programme for consolidation of power grid assets;
- Regulation on dividend policy;
- Development plan for a production asset management system.

Besides, for the purpose of rapid and effective response to readiness and capability by the executive body to carry out the tasks set for it, the Board of Directors quarterly considered reports of General Director on execution of the specified documents / programmes.

The Board of Directors of IDGC of Centre applies measures to development and increase in joint knowledge of members of the Board of Directors in connection with economic, environmental and social issues - participates in process of efficiency analysis of the risk management methods used by the Company, connected with economic, environmental and social problems.

So, according to the Articles of Association the Board of Directors of the Company defines the principles and approaches to the organisation of a risk management system in the Company; carries out assessment of key operational risks (both financial, and non-financial), and also establishes the acceptable size of risks for the Company; organises carrying out at least 1 time a year of the analysis and assessment of functioning of risk management systems, including on the basis of reports which are regularly received from executive bodies of the Company, internal auditors and external auditors of the Company; annually considers questions of the organisation, functioning and efficiency of the risk management systems in the Company.

The procedure of nomination of members of the Board of Directors of the Company is regulated by the Articles of Association of the Company and the Regulation on General Meeting of Shareholders. Its procedure is also posted on the corporate website of the Company: <https://www.mrsk-1.ru/en/about/management/controls/directors/procedures/>.

According to the Regulation on the Board of Directors of IDGC of Centre, PJSC, approved by the General Meeting of Shareholders, remunerations are paid to members of the Board of Directors from the Company's net profit following the results of their work for a corporate year.

IDGC of Centre, PJSC does not perform procedures for assessment of activity of the supreme body of corporate governance.

The Company annually carries out work on forming of the balanced structure of the Board of Directors, including the regular analysis of compliance of members of the Board of Directors to the criteria of independence established by the Listing Rules of Moscow Exchange and also performs other actions. For more detailed study of questions which are within the competence of the Board of Directors, and adoption of more weighed decisions, additional advisory bodies in the form of committees were created. IDGC of Centre has the Guide on initiation of newly elected members of the Board of Directors and Committees – the Company's management acquaints newly elected directors with internal documents of the Company, strategic documents and plans of business activities, production facilities.

The current control of activity of the Company is exercised by a joint executive body – the Management Board, and also the sole executive body – General Director of the Company. Executive bodies are accountable to the Board of Directors and General Meeting of Shareholders of IDGC of Centre.

The model of corporate governance of IDGC of Centre is characterised by specific features which are explained by presence of the controlling shareholder – PJSC ROSSETI with its share of 50.2% in the Company's authorised capital, which has an opportunity to provide election of its representatives to the Board of Directors of the Company in the amount of more than half of its composition.

For more details about the structure and work of the governing bodies, and also the main actions of the Company for improvement of corporate governance, please see the Annual Report of IDGC of Centre, PJSC for 2016 and 2017. (<https://www.mrsk-1.ru/en/information/annual-reports/>).

The structure of corporate governance is also provided on the website: <https://www.mrsk-1.ru/en/about/management/>.

2.4.3. Conflict of interest

Assistance in resolving corporate conflicts is one of priority activity of the Board of Directors of the Company.

The Company's internal documents established that at emergence of a potential conflict of interest with a member of the Board of Directors, including with making a related party transaction by the Company, the member of the Board of Directors is obliged to report without delay about it to the Board of Directors of the Company and to put interests of the Company above own interests. Such message should be made prior to discussion of a question, on which the member of the Board of Directors has a conflict of interest, at a meeting of the Board of Directors.

In case of availability of a conflict of interest the member of the Board of Directors is recommended to abstain from voting on questions concerning which it has the conflict of interest.

During the reporting period, no notifications on availability of a conflict of interest were received from members of the Board of Directors.

Simultaneous holding by members of the Board of Directors of positions in governing bodies of other organisations, and also other paid positions in other organisations, is allowed only with the consent of the Board of Directors of the Company.

Members of the Management Board of the Company do not hold positions in other organisations, being competitors of the Company. The conflict of interest during the reporting period was not recorded.

The Company adheres to practice which excludes actions leading to artificial redistribution of corporate control as IDGC of Centre has no preferred shares and there are no "quasi-treasury" shares on balance of affiliated and dependent companies.

2.4.4. Transfer of powers of the sole executive body of IDGC of Center and Volga Region to IDGC of Centre

The decision on transfer of powers of the sole executive body of IDGC of Center and Volga Region to IDGC of Centre was accepted for the purpose of implementation of the tasks which are contained in the Strategy of development of the power grid complex of the Russian Federation. This decision was agreed upon by the Board of Directors of PJSC ROSSETI and approved at the Annual Meeting of Shareholders of IDGC of Center and Volga Region, PJSC.

On 11 September 2017, the agreement on delegation of powers, which conditions were approved by the Boards of Directors of both companies, was signed. The scheme of management of the companies, approved within the agreement of the Uniform Executive Body, assumes addition to the existing 11 branches of 9 more with the corresponding recruitment of a necessary number of employees. At the same time, their number due to consolidation of competences and

performance improvement will be much fewer than during the work of two separate executive offices. The scheme was worked out and supported by the Ministry of Energy of the Russian Federation and aimed at essential increase in overall performance of IDGC of Center and Volga Region that is provided with much more strict requirements on achievement of target indicators. Thereby, higher financial results will be achieved and decrease in production indicators will not be allowed.

Results of work in a new format convincingly showed that transfer of the functions to the uniform executive body is the effective tool for achievement of the tasks set for the grid complex of Russia promoting decrease in operating expenses and increase in financial production indicators of both companies.

Consolidation of the best practices of two companies in the field of management, financial and operating activities allowed to create in the conditions of tough tariff restrictions effective investment programmes using innovative solutions. For 20 regions of the country under the uniform high-quality standards, comprehensive long-term programmes of modernisation and development of grids were created considering interests and features of development of territories aimed at ensuring reliable power supply with decrease in operating costs.

Tasks of reduction of terms of carrying out emergency recovery operations are systemically solved. It is promoted, in particular, by the opportunity which appeared as a result of synergy of resources of two companies to attract in the shortest terms large-scale forces and means to mitigation of consequences of technological disturbances. The single enterprise information system is being created, which is based on the integrated resource of the general information complex that allows to optimise costs and to provide quick decision making on achievement of the required level of reliability at minimum costs. Centralisation of managerial functions of IDGC of Centre and IDGC of Center and Volga Region also allows to cut down operating expenses that helps improve the qualitative condition of both companies, increase their financial stability.

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2.5. Charters and membership in associations

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The Company is a permanent member of the Russian Industrial Association of Employers in the Power Industry (hereinafter – "RaEl Association"). Membership in it allows the Company to use possibilities of participation in the industry system of social partnership for the purpose of increase in stability of business, risk minimisation in the social and labour sphere and applications of practices of other employers while solving tasks in the field of work with personnel. The professional standards developed by RaEl Association are applied by the Company when forming the HR policy and in personnel management, at the organisation of employee training and assessment, development of job descriptions, setting work rates, assignment of wage grades to

workers and establishment of wage systems. Within accomplishment of the task of effective representation and protection of interests of employers of the electric power industry in the legislative sphere RaEl Association on a system basis develops the relations with legislative, executive and judicial authorities of the government at the federal, regional and local levels. RaEl Association considers the main priority in the field of labour protection assistance to power companies in decreasing fatalities and injury rate from occupational accidents and occupational diseases, and also their prevention. The system of awards of RaEl Association is the universal tool of assessment and encouragement of merits of physical persons and legal entities from the industry community of employers of the electric power industry. So, for example, in 2016 RaEl Association awarded 98 employees of the Company, three workers were inducted to the Honour Board. In 2017, RaEl Association awarded 101 employees of the Company.

Within implementation of the Anti-corruption policy of the ROSSETI's group of companies, the Company in 2015 joined the Anti-corruption charter of the Russian business, having publicly confirmed thereby the readiness for implementation of measures for anti-corruption, creation of conditions for public condemnation and unacceptance of corruption manifestations at government relations and in corporate relations. For more details about the corruption risks and anti-corruption, please, see section 4.3.2. of the Report.

The Company is also an active participant of NP RASO-public relations (Russian Association for Public Relations), which consolidates efforts of certain operators of the PR-market for solution of questions of all-industry value. Together with other members of NP RASO-public relations the Company participates in the solution of questions of development of infrastructure, protection of interests, development of ethical and professional standards of the industry for public relations.

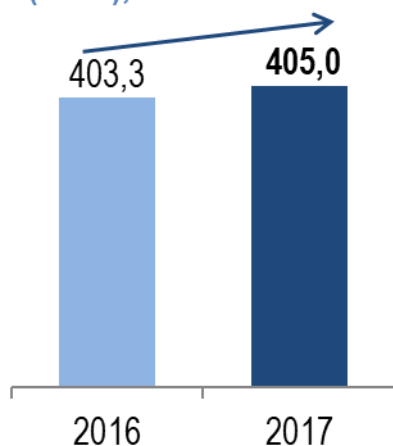
Participation of the Company in other associations and external initiatives is regularly disclosed in item 3.4. of the Quarterly Report of IDGC of Centre.

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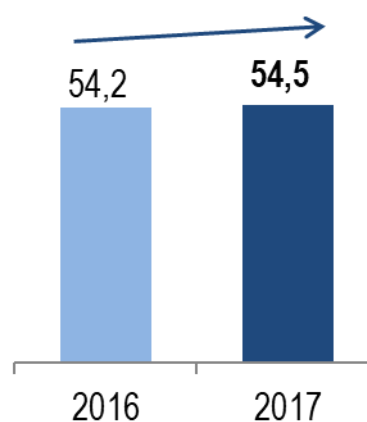
3. MAIN RESULTS OF 2016-2017

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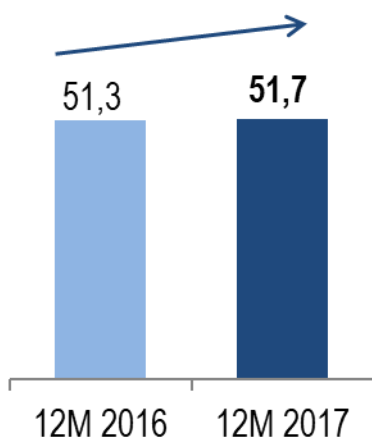
Length of power lines (ROW), thous. km



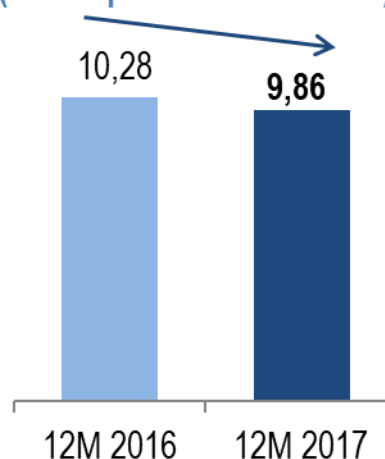
Capacity of substations, thous. MVA



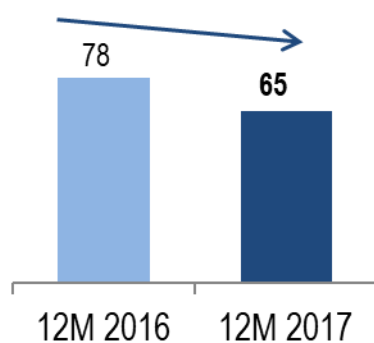
Amount of electric energy transmission services (in comparable conditions), bln kWh



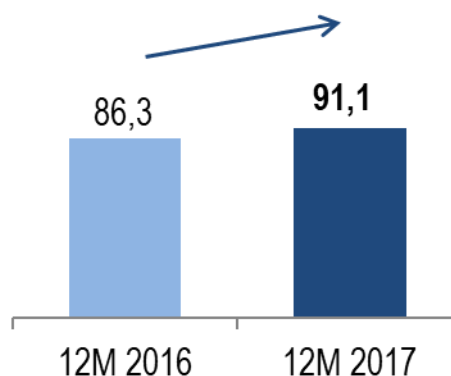
Electric energy losses (in comparable conditions), %



Average grid connection contract execution term, days



Revenue, RUB bn



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Making use of the advanced knowledge and experience in management of the power grid complex, the Company cares for improvement of quality of life of customers, workers and society in general. Only keeping a positive tendency of growth on a long-term outlook it is possible to achieve steady result on the main strategic directions of activity. Despite a difficult macroeconomic situation in recent years the Company manages to remain one of leaders in the power grid complex, showing positive changes on the main indicators of activity.



3.1. Economic value generated and distributed

In 2017 relative to 2016, there was a growth of created direct economic value caused by increase in the Company's income including for the account of:

- revenues from rendering services in electricity transmission by RUB 4,253.2 mn that is connected with growth of rates for services in electricity transmission;
- revenues from services in grid connection by RUB 179.9 mn, in connection with implementation of large grid connection agreements;
- revenues from sales of value-added services by RUB 241 mn, in connection with increase in amounts of completed work;
- interest income by RUB 116 mn due to active depositing of temporarily available cash in banks of the highest category of reliability.

Indicator	UoM	2016	2017	Change 2017/2016	
				Abs	%
Created direct economic value	RUB mn	86,512.4	91,609.5	5,097.1	5.9%
Distributed economic value:	RUB mn	83,816.3	89,336.9	5,520.6	6.6%
– operating costs	RUB mn	57,191.2	62,002.6	4,811.4	8.4%
– salary and other payments and privileges to employees	RUB mn	18,308.4	18,621.1	312.7	1.7%
– payments to suppliers of the capital	RUB mn	6,374.4	4,925.4	- 1,449.0	- 22.7%
– payments to the state	RUB mn	1,934.8	3,719.6	1,784.8	92.2%
– investments into local communities	RUB mn	7.5	68.2	60.7	809.3%
Undistributed economic value	RUB mn	2,696.1	2,272.6	- 423.5	- 15.7%

The distributed economic value following the results of 2017 was RUB 89,336.9 mn that is 5,520.6 higher than in 2016 (RUB 83,816.3 mn). The main growth was with operating costs, and also salary and other payments, and privileges to employees. The salary and other payments and privileges to employees changed due to carrying out indexation of wages of workers. The undistributed economic value following the results of 2017 fell 15.7% that is connected with external adverse factors, being beyond control of the Company's management.

IDGC of Centre is a large and responsible taxpayer. The Company honestly fulfills its tax liabilities. In 2016-2017, contributions to budgets of different levels were more than RUB 26.6

bn. Total amounts of contributions to budgets of different levels and extra-budgetary funds for 2015-2017 are provided in Appendix No. 2 to the Report.

3.2. Dividend payout

The dividend policy of IDGC of Centre is based on strict observance of balance of interests of shareholders and requirements of the Company for development taking into account the need of increase in investment case and ensuring reliability and quality of power supply. The Regulation on the Company's dividend policy was developed according to the best standards of corporate governance and aimed at providing stability, long term and predictability of the level of dividend payments for shareholders. Within implementation of the accepted Dividend Policy, the total amount of dividends accrued in 2016 (following the results of 2015) was RUB 456.0 mn that is 50.16% of the Company's net profit under Russian Accounting Standards. In 2017, the Company's General Meeting of Shareholders made the decision to pay dividends following the results of 2016 in the amount of RUB 1,866.7 mn or 100% of the Company's net under Russian Accounting Standards that became a record indicator for all history of IDGC of Centre. It is possible to get acquainted with the Company's complete dividend history on the website: https://www.mrsk-1.ru/en/investors/dividend/dividend_history/.

3.3. Services in electricity transmission

Indicator	UoM	2015	2016	2017	Change 2017/2016	
					Abs	%
Electricity supplied to the grid	million kWh	62,556.3	64,057.8	59,234.8	- 4,823.0	- 7.5%
Net electricity supply (with borders of balance participation of branches)	million kWh	56,706.0	58,063.3	53,392.9	- 4,670.4	- 8.0%
Electricity losses	million kWh	5,850.3	5,994.5	5,881.8	- 112.7	- 1.9%
Volume of rendered services in electricity transmission	million kWh	54,782.5	56,177.4	51,718.6	- 4,458.8	- 7.9%
Volume of rendered services in electricity transmission in the conditions of electricity balance in 2017	million kWh	49,577.5	50,972.4	51,718.6	746.2	1.5%

Following the results of 2017, the volume of services in electricity transmission decreased in comparison with 2016 by 4,458.7 million kWh, or 7.9%.

The main reasons of decrease in the volume of the rendered services are:

- exclusion from the electricity balance of the volume of net supply for "the last mile" facilities according to paragraph 7 of Article 8 of Federal law of 26 March 2003 No. 35-FZ

"About the electric power industry" (branches: Belgorodenergo, Kurskenergo, Lipetskenergo, Tambovenergo);

– decrease in the volume of energy consumption (Yaroslavl region, Transneft Baltica LLC and Gazpromtransgaz Ukhta LLC).

The revenue for services in electricity transmission (according to RAS) shows considerable changes of growth for the period from 2016 to 2017 that it is connected with growth of the single (joint operation) tariffs for services in electricity transmission approved in regions of operations of the Company and exclusion from 1 August 2017 from the calculation of determination of size of revenue for services in electricity transmission of cost of load electricity losses considered as a part of prices (rates) in the electricity wholesale market pursuant to Resolution of the Government of the Russian Federation of 7 July 2017 No. 810 "About introduction of amendments to some acts of the Government of the Russian Federation concerning payment of electricity losses in the wholesale market of electric energy and power and retail markets of electric energy, and also obtaining the status of a subject of the wholesale market of electric energy and power".

Indicator	UoM	2016	2017	Change, 2017/2016	
				RUB mn	%
Revenue from electricity transmission (RAS)	RUB mn	83,590.4	87,622.9	4,032.5	4.8%
Revenue from electricity transmission (including territories of execution of functions of the electricity supplier of last resort)	RUB mn	83,613.0	87,866.3	4,253.3	5.1%

In 2017, the growth of revenue (including territories of execution of functions of the electricity supplier of last resort) relative to 2016 was RUB 4,253.3 mn, or 5.1%, including due to the cost reduction of load losses by RUB 1,513.8 mn.



3.4. Electricity losses

Changes of value of electricity losses in 2015-2017:

Indicator	UoM	2015	2016	2017	Change, 2017/2016
Losses, fact	%	9.35	9.36	9.86	0.50 p.p.
Losses, plan	%	9.44	9.38	10.21	0.83 p.p.
For reference: electricity losses in the conditions of electricity balance in 2017	%	10.39	10.28	9.86	- 0.42 p.p.

The volume of electricity losses in 2017 was 5,841.8 million kWh or 9.86% of the supply to the grid. The actual losses for 2017 are lower than planned by 0.35% and the same period of last year in comparable conditions by 0.42%.

The actual electricity losses in 2016-2017 broken down by the branches are provided on the website of the Company: <https://www.mrsk-1.ru/en/investors/indicators/operating-results/>.

In relation to the volume of electricity supplied to IDGC of Centre's grid, the level of losses in 2017 was 9.86%, in 2016 – 9.36%. Increase in the reporting indicator of losses is due to decrease in supply of electricity to the grid, caused by exclusion of volumes of transmission of "the last mile" facilities from the balance in the amount of 5,205 million kWh, integration of power grid assets of the cities of Semiluki and Rzhev.

The electricity losses in 2016 (in comparable conditions with 2017) were 10.28%. Thus, the decrease in losses in 2017 relative to 2016 was 209.8 million kWh or 0.42%.

3.5. Services in grid connection

Following the results of 2016, the revenue of IDGC of Centre from services in connection of power installations to electric grids was RUB 1,411.3 mn, following the results of 2017 – RUB 1,591.2 mn. Thus, in 2017 relative to 2016, there is growth of revenue of the Company from services in grid connection by RUB 179.9 mn (or by 12.7%).

The largest total revenue from services in grid connection following the results of 2016 is observed in the branches: Voronezhenergo (RUB 292.8 mn), Yarenergo (RUB 248.2 mn), Belgorodenergo (RUB 225.3 mn). Following the results of 2017 – Belgorodenergo (RUB 414.9 mn), Kurskenergo (RUB 227.5 mn), Yarenergo (RUB 198.6 mn).

The revenue from services in grid connection for 2016-2017 broken down by the Company's branches is provided in Appendix No. 7 to the Report.

3.6. Value-added services

IDGC of Centre develops value-added services rendered to clients and which are not related to the core business on electricity transmission and grid connection. The value-added services have commercial value and are not subject to obligatory state regulation.

The main directions of the value-added services rendered by IDGC of Centre are:

- Setup of street lighting systems;
- Maintenance and repair of power grids and electric equipment;



- Change of power grid facilities for the benefit of clients;
- Providing technical resources;
- Tests and diagnostics of equipment;
- Installation and replacement of metering devices;
- Performance of work within the competence of clients, at implementation of the grid connection procedure (hereinafter – the Grid connection support);
- Energy audit and energy service;
- Design and construction of power facilities.

In 2015, the project on development of the service "Grid connection support" in the branches of IDGC of Centre – Voronezhenergo and Kurskenergo started. In 2016, the branches of IDGC of Centre – Belgorodenergo and Lipetskenergo joined the project implementation. On the basis of the received results expressed in growth of proceeds from sale of this service by 3.5 times relative to 2014, the decision was made to roll out the project deliverables to all branches of IDGC of Centre with carrying out comprehensive training in the branches of IDGC of Centre – Tverenergo and Yarenergo. For 3 years of the project implementation the revenue from the service "Grid connection support" grew by 3.2 times and following the results of 2017 was RUB 169 mn.

The growth of revenue following the results of 2017 by RUB 214 mn or 21% in comparison with the actual revenue of 2016 was provided mostly due to growth of revenue relative to the fact of 2016 by RUB 171 mn on the service "Change of topology of grids" that is

connected with making completion certificates of large one-time agreements on change of grids of the Company.

The structure of requests and received revenue for rendering the value-added services are provided in Appendix No. 1 to the Report.



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3.7. Implementation of the Programme of increase in operating efficiency of IDGC of Centre

Implementation of system and purposeful actions for increase in efficiency of operating activities is one of priority activities of IDGC of Centre. Within increase in operating efficiency the Company implements the Programme of increase in operating efficiency and expense reduction providing including decrease in specific operating expenses without prejudice to reliability of electricity transmission, quality and availability of power supply to customers. Following the results of 2017, decrease in the managed operating expenses in relation to 2012, for the purpose of execution of the Strategy of development of the power grid complex of the Russian Federation, approved by Resolution of the Government of the Russian Federation of 3 April 2013 No. 511-r, was RUB 4,841.7 mn or 29.2%, at the target value of 15%, established by the Strategy.

Within implementation of the Programme of increase in operating efficiency and expense reduction the Company performed actions in the following directions:

1. Optimisation of accounts receivable within increase in effective management of working capital;
2. Increase in effective management of property, plant and equipment, including:
 - performance improvement of equipment as a result of modernisation and reconstruction of operating and construction of new production capacities. Use of power transformers of 6 (10)/0.4 kV with reduced energy consumption (energy efficient);
 - decrease by 2017 by 30% of specific investment expenses relative to the level of 2012 within execution of the Strategy of development of the power grid complex of the Russian Federation;
 - cost reduction, connected with maintenance and management of non-core assets, including as a result of their alienation.
3. Minimisation of use of import equipment and materials in project solutions when forming specifications regarding development of automatic management systems and information technologies within increase in system effectiveness of procurement management and supply chains;
4. Implementation of modern technologies and use of innovations within the Programme of innovative development;
5. Optimisation of a system of motivation and compensation of personnel;

6. Optimisation of the number of administrative and management personnel within improvement of the organisational and functional structure;

7. Increase in energy efficiency within the Programme of energy saving and increase in energy efficiency, the Programme of decrease in losses.

Within the increase in operating efficiency the Company achieved the following results:

RUB mn

Direction of optimisation	2016	2017	Change, 2017/2016	
			Abs	%
Decrease in operating expenses regarding raw materials and materials	523.5	530.2	6.7	1.3%
Expense optimisation for works and services of production character	463.2	467.3	4.1	0.9%
Decrease in administrative and managerial expenses	589.8	666.7	76.9	13.0%
Expense optimisation on payroll	968.6	1,523.7	555.1	57.3%
Expense optimisation on services of third parties	505.6	555.3	49.7	9.8%
Expense optimisation on leasing, insurance, other expenses	992.1	1,098.4	106.3	10.7%
Total	4,042.9	4,841.7	798.8	19.8%

Also, according to directives of the Government of the Russian Federation to state owned companies, the Company plans annual decrease in specific operating expenses by 2-3%.

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3.8. Procurement activities

Procurement activities of IDGC of Centre are performed on the basis of the Uniform standard of purchases of PJSC ROSSETI (Regulation about purchases) (hereinafter – the Standard), approved by the decision of the Board of Directors of the Company (Minutes of 29.12.2015 No. 27/15).

The Standard is developed taking into account requirements of Federal law of 18 July 2011 No. 223-FZ "About purchase of goods, works, services by separate types of legal entities" (hereinafter – the Law on purchases).

3.8.1. Basic principles of the procurement activities:



Principle	Description of the principle
Information transparency	Ensuring transparency of procurement activities according to requirements of the current legislation, and also the degree necessary and sufficient for a possibility of adoption of decisions by potential partners on participation in procurement procedures of the Company
Equality, justice, lack of discrimination and unreasonable restrictions of the competition in relation to procurement participants	Choice of suppliers, contractors is performed by carrying out competitive selection, on the basis of equal competitive opportunities, in the absence of discrimination and unreasonable restrictions in relation to participants of purchases, according to reasonable requests to potential participants of procurement procedures and purchased goods, works, services

Target and cost-efficient expenditure of funds on purchase of goods, works, services and implementation of measures directed to cost reduction of the customer	Choice of technical commercial offers on the whole set of the price and not price predefined criteria defining cost and other required efficiency of purchase
Lack of not measured requirements to procurement participants	Lack of restriction of admission to participation in purchase by establishment of not measured requirements to procurement participants
Transparency and controllability of procurement activities	Planning, accounting, monitoring, control and audit of procurement activities at all its stages of implementation in the Company
Professionalism and competence of workers participating in procurement activities of the Company	Personal responsibility of officials for effective organisation of procurement procedures, and also for decisions made by them on conducted purchases. Faultless accomplishment of actions ordered by the documents regulating procurement
Compliance with regulations of the current legislation	Compliance with the current legislation regulating the organisation of procurement activities, and also the anti-corruption legislation

According to requirements of the Law on purchases, information on the trade procurement procedures, which are carried out by the Company, is published on the official site at www.zakupki.gov.ru. Besides, similar information is posted on the corporate website of the Company and on the electronic trading platform of PJSC ROSSETI at www.b2b-mrsk.ru, which functionality is used by the Company for holding procedures of purchases in electronic form that provides attraction of a large number of suppliers (contractors) and the competitive environment promoting increase in efficiency of procurement activities.

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3.8.2. Results of procurement activities

In 2016, procurement procedures for the total amount of RUB 26,607.9 mn were performed.

The share of competitive procurement procedures in the structure of purchases was 98.3% of the total amount of purchases in their value term. The share of purchases from the single supplier (contractor) – 1.7%.

Procurement procedures for the total amount of RUB 25,950.9 mn or 98% from the total amount of purchases in the value term (without purchases from the single supplier (contractor)) were performed with use of means of electronic commerce.

The economic effect following the results of holding procurement procedures for the period was RUB 1,394.5 mn or 5.0% of the planned declared value of purchases.

Annual purchasing amount from subjects of small and medium entrepreneurship was 92.9% of the total amount of purchases.

Annual purchasing amount from subjects of small and medium entrepreneurship by results of tendering, other ways of purchase, provided by the regulation about purchases, in which

participants of purchases are only subjects of small and medium entrepreneurship (hereinafter – the SMEs) was 15.3% of the total amount of purchases.

Purchases, in which the condition about attraction to agreement performance of subcontractors from among the SMEs was set to participants, were not carried out in 2016.

In 2017, procurement procedures for the total amount of RUB 25,355.5 mn were carried out.

The share of competitive procurement procedures in the structure of purchases was 96.5% of the total amount of purchases in the value term. The share of purchases from the single supplier (contractor) – 3.5%.

Procurement procedures for the total amount of RUB 24,057.4 mn or 98.4% from the total amount of purchases in the value term (without purchases from the single supplier (contractor)) were performed with use of means of electronic commerce.

The economic effect following the results of holding procurement procedures for the period was RUB 860.4 mn or 3.3% of the planned declared value of purchases.

Annual purchasing amount from the SMEs was 64.9% of the total amount of purchases.

Annual purchasing amount from the SMEs by results of tendering, other ways of purchase, provided by the regulation about purchases, in which participants of purchases are only the SMEs was 19.8% of the total amount of purchases.

Purchases, in which the condition about attraction to agreement performance of subcontractors from among the SMEs was set to participants, were not carried out in 2017.

3.8.3. Purchasing amounts from local suppliers (contractors)

The share of purchases from local suppliers in the total amount of purchases in 2016-2017 was 21%:

Region	Purchasing amount from local suppliers in 2016, RUB mn	Region	Purchasing amount from local suppliers in 2017, RUB mn
Tver region	1,605.2	Tver region	1,732.4
Lipetsk region	1,524.9	Belgorod region	1,182.6
Belgorod region	1,012.3	Voronezh region	528.9
Voronezh region	526.0	Tambov region	496.8
Orel region	307.8	Lipetsk region	415.7
Kursk region	205.7	Orel region	301.1
Bryansk region	175.9	Yaroslavl region	230.0
Tambov region	135.2	Kursk region	229.1
Yaroslavl region	130.5	Bryansk region	195.8
Smolensk region	91.1	Smolensk region	127.9
Kostroma region	27.3	Kostroma region	51.6
Total	5,741.9		5,491.9
Share of purchases from local suppliers	21.6%		21.7%

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3.9. Results of implementation of the Investment programme

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IDGC of Centre is a backbone infrastructure company in regions of operations. The Company's investments make an essential contribution to economic prosperity of each region, and modernisation and new construction promote increase in reliability of the power grid complex.

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Actual accomplishment of the Investment programme for 2016-2017

Indicator	2016	2017	Change, 2017/2016 %
Capital investments, RUB mn, excluding VAT	13,421	11,756	- 12.4%
Financing, RUB mn, including VAT	14,644	14,198	- 3.0%
Commissioning, MVA	917	560	- 38.9%
Commissioning, km	4,827	4,075	- 15.6%

EU8 (ex)

3.10. Innovative activity

Research and development of IDGC of Centre is aimed at providing reliable electricity supply and stable development of the Company. In the last two years several important innovative projects, the effect of which implementation already has positive impact on different aspects of the Company's activity, were completed:

3.10.1. Hardware and software for protection of 35-110 kV substations of a new generation against electromagnetic influences using multiple suspension strand lightning protection.

Transition to design of 35-110 kV substations using digital technologies (the SS of a new generation) requires the most careful approach to development of actions for protection of microprocessor devices against overvoltage and different electromagnetic interference which can bring systems of their control and protection out of operation. The question of research of electromagnetic impacts on systems of operational current, a system of control and protection gains extremely high relevance now. The projects of construction of the SS of a new generation implemented now not completely solve a problem of protection against electromagnetic interference, which is evidenced by damage to electronic and microprocessor equipment. It occurs in spite of the fact that they are designed taking into account their check of an electromagnetic situation and confirmation of capability of technical means to keep the set quality of functioning at influence of electromagnetic interference.

As a result, the structural element of the grounding device of poles of ground wires of multiple suspension strand lightning protection was developed, their design was defined. The method and software for calculation of multiple suspension strand lightning protection at the SS of 35 and 110 of kV of a new generation was created. Equipment prototypes for performance

monitoring of work of multiple suspension strand lightning protection in the online mode were developed, manufactured and tested.

This technology allows to avoid damage to equipment of the SS of 35-110 kV at influence of lightning impulses, to exclude unreasonable costs for reconstruction and to increase reliability of power supply to customers in large nodes of loading.

3.10.2. Development of technical solutions with combination of traditional facilities of distribution grids with charging infrastructure (the smart transformer of MV/LV grid).

The main objective of this project was to develop a one-transformer package transformer substation (hereinafter – the PTS) of a kiosk type in a cover from sandwich panels and the PTS in concrete execution with a possibility of installation of two charging stations (hereinafter – the CS) in an additional compartment of the PTS for each execution of the PTS. At the same time, a device should be developed for a possibility of restriction of size of loading of the CS depending on load of other customers connected to this transformer substation.

Following the results of the project implementation, two design solutions on combination of the PTS, charging stations and devices of restriction of their power were developed:

- in the concrete body for preferential city placement;
- the kiosk type in the body from sandwich panels for rural territories.

As result, during preparation of the All-Russian programme of development of charging infrastructure for electric vehicles, IDGC of Centre offered the idea of combination of widely applied facilities of distribution grids – PTS 6-10/0.4 kV with the CS. It is known that to this day the CSs are installed within the city because owners of electric vehicles are limited to the driving radius of a run of the electric vehicle, i.e. for the most popular models – from 100 to 200 km that is one of the limiting factors for increase in a share of electric vehicles and promoting of this type of eco-friendly transport. The offered idea fixes the problem of lack of an opportunity to charge the electric vehicle on the way from one settlement to another since a power line practically goes along any highway (hereinafter – the power line) of 6-10 kV to which it is possible to connect transformer substations with the built-in CS.

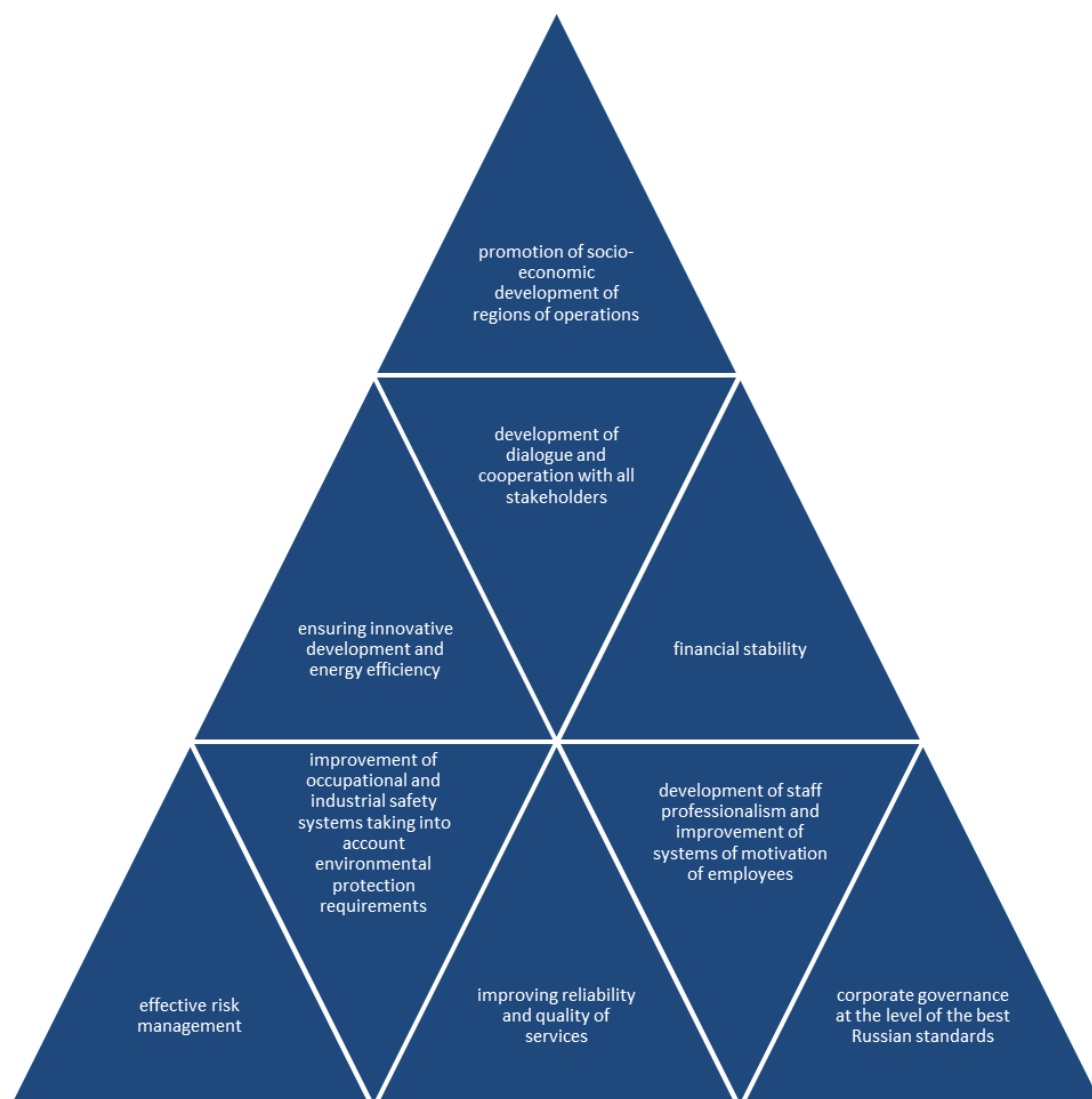
4. STRATEGIC PRIORITIES IN THE FIELD OF SUSTAINABILITY

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Compliance with the principles of sustainable development and ensuring smooth operation of the Company is achieved at the expense of successful solution of strategic tasks facing it. At the same time, the special role is taken by risk management as the most modern method of management in the conditions of the rapidly changing environment.

4.1. Priorities in the field of sustainability

The main strategic priorities of IDGC of Centre in the field of sustainability are provided on the flowchart:



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4.2. Interaction with stakeholders

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IDGC of Centre considers activities for interaction with all stakeholders as an integral part of the daily work, fully realising the corporate responsibility and commitment to the principles of information disclosure. The Company performs a continuous package of measures, directed to information exchange with shareholders, investors and other stakeholders, observing legitimate rights and interests of the last. The Company achieved considerable results on improvement of process of information disclosure and maintenance of permanent dialogue with representatives of an investment community. All efforts are aimed at improvement of investment case of the Company and increase in trust to it from all stakeholders.

The important place in the Company is taken by interaction with the media for the purpose of timely, objective and comprehensive informing target audiences, the public, other stakeholders about results of financial and economic activity of the Company, its social activity and

perspective plans of development. The corporate website and accounts in social networks are regularly updated. In accordance with the established procedure and with respect for corporate regulations and rules, representatives of the Company make comments and explanations for the media on interesting data and facts. Regular meetings and conference calls for analysts, investors and representatives of the investment community are held. Permanent monitoring of the media with recording of the volume of presence of the Company in the information space is conducted.



The Company actively interacts with representatives of the investment community. So, in 2017, 8 events with participation of top managers (8 events in 2016), whose purpose was, including, in more detail to tell about achievements of the Company, were held, and also to receive feedback about the most topical issues concerning shareholders, investors and analysts. Information exchange with public authorities, authorities of subjects of the Russian Federation and local governments is performed.

The Company pays special attention to internal stakeholders on behalf of employees and members of their families, representatives of trade-union organisations, and also the management of the Company and its subsidiaries and affiliates.

4.3. Risk management

4.3.1. Risk management system

The risk management system (hereinafter – the RMS) of the Company is regulated by the Risk management policy approved by the Board of Directors (Minutes of 17.03.2016 No. 06/16) and posted on the official website: <https://www.mrsk-1.ru/en/information/documents/internal/>.

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Following the principles of the RMS is directed to performance improvement, ensuring health and safety of the person, safety of all types of activity of the Company, observance of legal and normative requirements, environmental protection, improvement of quality of services, efficiency of transactions, governance and reputation.

The list of the main substantial risks with the description and actions for minimisation of their effects, and also the detailed analysis of financial and non-financial risks of IDGC of Centre is provided in the Company's Annual Reports for 2016 - 2017 (section "Risk management system").

For determination of efficiency of the RMS in the Company the division of internal audit annually carries out internal independent assessment which results are reflected in the report of internal audit of the Company.

So, for the reporting period the Company's RMS results of assessment were:

– for 2016 – maturity level: intermediate between "Moderate" and "Optimum". Average value by all criteria was 4.6 points on a 6-mark scale;

– for 2017 – maturity level: "Optimum". Average value by all criteria was 4.8 points on a 6-mark scale.

Positive changes of development of the RMS of the Company for 2016-2017 is observed.

According to a rating scale of the maturity levels, results of assessment for 2017 correspond to the 5th level of maturity – "optimum" with the following characteristics:

1. Problems (risks) of management of activity come to light. The risk management system is integrated into planning processes and decision makings. However, the RMS is not automated, not all possible control is automated.

2. Processes are regulated, unified in the company, the executive office and branches of subsidiaries and affiliates, and communicated to personnel by placement on a public resource. Monitoring of accomplishment and efficiency evaluation of the organisation of processes used in the company is provided. At identification of a low performance of implementable processes their optimisation is provided. Processes are in a stage of continual improvement and are based on good practice. Automation means of management of activity are used partially and in limited volume.

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4.3.2. Corruption risks and anti-corruption

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The Company attaches significance within anti-corruption to assessment of corruption risks, which is carried out for the purpose of determination of specific business processes and business transactions in activity of the Company at which implementation the probability of committing by workers of corruption offenses, both for the purpose of personal benefit, and for the purpose of obtaining benefit by the Company is the highest.

According to the Anti-corruption policy of PJSC ROSSETI and IDGC of Centre, PJSC accepted in the Company, for minimisation of corruption risks with all employees of the company the Agreement on observance of requirements of the Anti-corruption policy was signed.

Briefing on provisions of the Anti-corruption policy of PJSC ROSSETI and IDGC of Centre, PJSC and the related documents for all newly recruited workers is held, and also annual questioning of employees regarding understanding of provisions of the Anti-corruption policy, the Code of Corporate Ethics and Official Behaviour of Employees of IDGC of Centre, PJSC and also studying of an opinion of the labour collective on a condition of corruption in the Company is performed.

Individual consultation of workers concerning the prevention and anti-corruption including in a confidential order is carried out as required.

At conclusion of agreements with partners in which the Company acts as a party, practice of signing of the anti-corruption clause which is the explicit indicator of the Company's position concerning corruptogenic transactions is implemented. Besides, such clause allows to draw the attention of partners to anti-corruption questions, and its signature confirms the consent of partners with the Anti-corruption policy and their obligation to observe its provisions.

Special attention is paid to questions of interaction of workers with the state bodies performing control and supervising functions in view of arising high corruption risks. Duties of workers to abstain from any offers which adoption can put the public servant in a situation of a conflict of interest were established.

An important indicator of the real commitment of IDGC of Centre to the declared anti-corruption standards of behaviour is cooperation with law enforcement agencies according to which the Company assumes the public obligation to report about cases of commitment of corruption and other offenses, which came to the Company's notice, and to give support in identification and investigation of corruption facts by law enforcement agencies.

4.3.3. Package of measures for prevention of conflicts of interest

For the purpose of decrease in risks of a conflict of interest the Anti-corruption policy of PJSC ROSSETI and IDGC of Centre, PJSC provided the following requirements to workers:

– at execution of labour obligations under the employment contract according to the Anti-corruption policy they undertake not to make corruption offenses, i.e. not to bribe (not to render mediation in bribery), not to abuse powers, not to participate in commercial bribery or other illegal use of the official capacity contrary to legitimate interests of IDGC of Centre for the purpose of non-paid or with use of benefits of obtaining benefit in the form of money, securities, other property, including property rights, works or services of property character, either for their own favour or benefit of other persons or for rendering influence on actions or decisions of any

persons (including – official) and/or bodies for obtaining superficial benefits, achievement of other illegal purposes.

- they are obliged to notify the Employer in case of the address to him of any persons for the purpose of inducement him to making corruption offenses and also if the worker knows that on behalf of IDGC of Centre (including – on behalf of branches of IDGC of Centre) organisation (preparation) and/or commitment of corruption offenses is performed.

- they are obliged to take measures for prevention of any possibility of a conflict of interest in understanding of the Anti-corruption policy and the legislation of the Russian Federation and without delay to notify the Employer on the arisen conflict of interest or on a possibility of its emergence as soon as they know of it.

- the worker knows that the Employer does not put him to sanctions (including to bringing to disciplinary punishment), and also gives an award or does not downsize an award in relation to the greatest possible size if the worker reported to the Employer about the expected fact of a corruption offense.

- the worker knows that the Employer stimulates workers for submission of the confirmed information on corruption offenses.

- compliance by the "Worker" with the principles and requirements of the Anti-corruption policy is considered when forming a talent pool for promotion of the worker for higher positions.

- the worker is warned about a possibility of bringing in the order established by the legislation of the Russian Federation to disciplinary, administrative, civil and/or criminal liability for violation of anti-corruption requirements, stipulated by the legislation the Russian Federation, and also the Anti-corruption policy.

In addition, the Company performs the actions directed to continuous information exchange with shareholders, investors and other stakeholders for the purpose of full compliance with their legitimate rights. The key actions are:

- holding regular meetings of the Company's management with shareholders and investors for the purpose of explanation of topical issues of the current activity;

- comprehensive disclosure of information, stipulated by the legislation, and also additional information which is voluntarily disclosed by the Company;

- comprehensive regulation of a conflict of interest of members of the Board of Directors and executive bodies;

- monitoring of the level of corporate governance by independent experts (within assignment/confirmation of the rating of corporate governance);

– analysis of transactions made by the Company, detection of need of their approval/coordination by governing bodies, creation of methodology.

205-1

4.3.4. Divisions concerning which risks assessments were carried out, connected with corruption

During 2016-2017, IDGC of Centre in a planned order held control events for check of observance of the Company's divisions initiating procurement procedures, requirements of organisational and administrative documents of PJSC ROSSETI and the Company including in the field of anti-corruption, organisation of work on disclosure of information on a chain of owners of partners and availability of the Anti-corruption clause in agreements.

103-3

4.3.5. Confirmed cases of corruption and actions taken

205-3

For the purpose of anti-corruption during 2016, the Company's security divisions carried out in total 3,070 inspections of financial and economic activity in the executive office and structural subdivisions of the Company, including 2,209 inspections which were carried out together with divisions of internal audit and specialised units of the Company, at the same time, 7 of them on reports of signs of corpus delicti, provided by Art. 159 of the Criminal Code of the Russian Federation (hereinafter – the Criminal Code of the Russian Federation) (fraud) and Art. 201 of the Criminal Code of the Russian Federation (abuse of authority). Cases of confirmation of corruption manifestations in IDGC of Centre for 2016 were not found.

In 2017, a total of 5,896 inspections of financial and economic activity in the executive office and structural subdivisions of the Company were carried out. By results of checks, 1,597 facts of wrongful acts in the field of economy and finance from personnel of the Company and third-party legal entities and physical persons were identified, at the same time, 10 of them on signs of corpus delicti of corruption, provided by Art. 159 of the Criminal Code of the Russian Federation, 4 - according to Art. 201 of the Criminal Code of the Russian Federation, 5 - according to Art. 204 of the Criminal Code of the Russian Federation (commercial bribery). Criminal cases were initiated on materials of the Security Department: 2 cases under Art. 159 of the Criminal Code of the Russian Federation, 1 case under Art. 201 of the Criminal Code of the Russian Federation and 5 cases under Art. 204 of the Criminal Code of the Russian Federation. Under 4 criminal cases the conviction was pronounced.

5. RESPONSIBILITY TO CUSTOMERS AND BUSINESS PARTNERS

5.1. System of customer service



EU24 (ex)

The main goal of work with customers is high-quality service and satisfaction of their needs for a short and long term on the basis of the following principles:

1. determination and accomplishment of reasonable requests of clients (customers);

2. permanent monitoring of their expectations and satisfaction;
3. ensuring reliable and regular power supply to bona fide clients (customers).

In addition to reliability and uninterrupted power supply, availability of services is important for customers, which the Company understands as:

– territorial availability, universality of the company's service. Even in the most remote areas steady power supply, a possibility of receiving high-quality service and quick review of requests should be guaranteed to clients;

– organisational availability. Instructions for use of the company's services should be transparent, publicly available and feasible. Complete and reliable information about all procedures of interaction with the company is provided to clients in a clear way;

– information availability. The company should inform properly clients on the cost of services, the procedure of setting tariff rates and their size, payments for connection to distribution electric grids, and also, if necessary, on setting of prices in the electricity retail market.

The Company's customer-centric approach is based on systematic customer interaction, tracking and analysis of their requirements, and also studying of opinion of customers on the service quality. It includes risk analysis, search of mutually advantageous decisions, constructive settlement and conflict prevention. The principle of "feedback" assumes corresponding changes in activity of the Company in response to needs and expectations of the client.

Objective and impartial consideration of requests and complaints within the established deadlines, and also a possibility of the appeal of decisions is guaranteed to clients of the company.

IDGC of Centre performs face to face and correspondence customer service.

In the territory of each branch of the Company the Customer service centres (hereinafter – the CSC) and points for work with customers operate (hereinafter – PWC).

The CSC is the organisation unit intended for internal acceptance of requests of clients concerning energy consumption, grid connection, electricity transmission and distribution, value-added services, creation of the comfortable, ergonomic environment of interaction, increase in efficiency of servicing.

Total characteristic of infrastructure of face to face service in IDGC of Centre

Branch	Total offices	CSC	PWC
Belgorodenergo	23	4	19
Bryanskenergo	27	1	26
Voronezhenergo	33	1	32
Kostromaenergo	26	1	25
Kurskenergo	30	3	27
Lipetskenergo	18	1	17
Orelenergo	25	2	23
Smolenskenergo	26	1	25
Tambovenergo	18	2	16
Tverenergo	37	2	35
Yarenergo	20	1	19
Total for IDGC of Centre	283	19	264

The infrastructure of face to face customer service of IDGC of Centre consists of 283 structural subdivisions, of them 19 CSCs and 264 PWCs.

5.1.1. Correspondence service by means of telephone communication

The corporate Contact Centre at the level of the executive office of IDGC of Centre represents the uniform centralised service, having referred to which the client can obtain information on services by means of telephone communication, and also transfer necessary information for a service contractor.

The Contact Centre performs processing of single-type incoming calls with informing and information request from the client, if necessary, makes connection with dedicated specialists, including with setup of conference communication.

The Contact Centre also carries out outgoing call-down (telephone surveys, questioning) for the purpose of identification of degree of customer satisfaction with the service quality, including informing clients. It receives requests for "call back" sent on the website of the company.

The phone number of the "direct line of power engineers" being uniform in all territory of activity of 11 branches of IDGC of Centre is 8-800-5050-115 (toll-free in the territory of Russia). Incoming calls are received by telecom operators around the clock. In the territory of regions of the service area of the Company there is the short number of the "direct line of power engineer" in operation – 13-50.

The Contact Centre's hardware and software allow to perform: intellectual routing of calls, at the same time, they consider an order in the group, qualification of the operator; create an automatic greeting and information reels; in real time to monitor functioning of the call-centre – a condition of loading of a flow of incoming calls, monitoring of work of operators; perform an audio recording of a talk; create reporting in a history view with different parameters of work of the call-centre.

Registration of telephone calls and transfer of requests/applications for execution to specialists of the company's branches is made in the CRM module of the SAP system and on the Portal of the Contact Centre according to the approved scenarios of processing of requests. The CRM use allows to keep history of customer interaction, to monitor execution of requests and to receive statistic reports on all channels of customer interaction, to ensure coordinated work on these channels within the uniform method and the standard of customer service.

Information exchange between the dispatcher of the operating-technical group and the call-centre's operator on outages is performed by means of the Portal of the Contact Centre.

5.1.2. Correspondence interactive service through the Internet network

Interactive customer service is performed without personal contact with staff of branches by means of the Internet (e-mail, the Internet reception, a personal account of the customer, the Internet portal "портал-ТП.рф"). The number of requests, which arrived by means of the interactive service for 2017, is 15,777. This channel becomes the most demanded. In comparison with 2016 the number of the requests, which arrived by means of the interactive service, increased by 58%. On the website of IDGC of Centre there is an opportunity to send a request by means of feedback. Many customers also send messages by means of e-mail. For the purpose of promotion of interactive channels of communications and more effective use of this resource in 2017, the functionality allowing the applicant to obtain independently information on causes of outages and terms of restoration of electricity supply at its interruption is implemented – to get information by e-mail.

The customer can obtain all necessary information on the rendered services: connection to electric grids, commercial metering and electricity transmission service, value-added services, rendered by the Company.

Convenient interactive services are provided for customers: The "Internet reception", "Personal account" providing to customers an opportunity to get remote access to the company's services.

In 2017, for customers of services an opportunity to sign the offer of the grid connection agreement with use of the electronic and digital signature in the "Personal account" was provided.

An additional channel of interaction with customers through the Viber messenger in case of emergency situations in the power grid complex was implemented.

5.1.3. Feedback with customers of services for the reporting period

In 2017, 963,803 requests came to the Company. The number of accepted requests decreased relative to 2016 by 3%. At the same time, the number of requests for rendering services increased that speaks about interest of customers in the services provided by the Company.



Considering requests and complaints, the Company proceeds from the principle of conscientiousness of the client. By consideration of requests of natural persons representing socially vulnerable categories of the population and also entrepreneurs without formation of a legal entity and small businesses, it is supposed that this customer group has no legal and technical knowledge of questions of power supply.

The features of work with requests of IDGC of Centre in 2016-2017 are provided in Appendix No. 3 to the Report.

Assessment of the rendered services of IDGC of Centre, PJSC, and also studying of perspectives of development of the customer service are carried out on the basis of the approved Methodical instruction "Assessment of customer satisfaction, their requirements and expectations" by means of:

- receiving a customer's feedback after completion of events held according to his request to the company;
- permanent internal questioning at offices of customer service;
- correspondence questioning (Internet reception);
- periodic programmes of questioning (mailings and telephone call-down of clients).

By results of questioning and analysis of accepted requests, customer service quality evaluation is made for the purpose of forming of actions for improvement of the provided services.

In case of obtaining negative opinion, or recommendations of the client for the services provided by the company, a task for remedial action is initiated.

In 2017, within maintenance of the customer-centric policy the Company implemented the following events:

- offices of customer service were supplied with information materials and equipment provided by the Uniform quality standards of service by grid organisations of customers of services of grid companies;
- interactive data sheets of services (processes) rendered by IDGC of Centre to customers were updated on the corporate website of the Company, data sheets of services (processes) were placed at information stands at offices of customer service;
- on the corporate website of the Company the heading "Question-answer" is filled with the main questions, which were of interest for customers of services in 2017;
- training of workers interacting with customers on the topic "Work with Clients" was provided;
- round tables and meetings with customers concerning the procedure of provision of services were held.

The actual values of the indicator of reliability and quality of the rendered services for 2017 in all branches of the Company did not exceed the planned values approved by executive authorities of subjects of the Russian Federation in the field of state regulation of tariff rates.

In 2018, IDGC of Centre is going to provide training of employees of offices of customer service, departments of marketing and value-added services, chiefs of Distribution Zones of the branches of IDGC of Centre - Tverenergo and Yarenergo, and also to carry out a large-scale training programme in all branches on the most significant topics for customers.

The Company interacts not only with direct customers of electricity, but also with other participants of the market of electricity services. So, IDGC of Centre renders services in electricity transmission within agreements signed with customers of services in the territory of 11 regions. Information on the number of signed agreements on electricity transmission by categories of customers is given below.

Customers	2016	2017	Change
Suppliers of last resort	28	18	- 10
Retailers	111	113	+2
"Direct" customers	212	173	- 39
Territorial grid organisations	1	1	0
Total for IDGC of Centre	352	305	- 47

In 2017, the number of signed agreements with suppliers of last resort decreased by 10 agreements in connection with deprivation from 1 January 2017 of the status of the supplier of last resort of JSC Oboronenergosbyt in the service area of IDGC of Centre's branches.

According to Orders of the Ministry of Energy of the Russian Federation of 17.11.2016 No. 1214 (for the period from 01.12.2016 till 30.11.2017) and of 30.11.2017 No. 1138 (for the period from 01.12.2017 till 30.11.2018) IDGC of Centre performs functions of the supplier of last resort within borders of balance participation of electric grids with the territorial grid organisations LLC EnergoProm and LLC OPORA in the cities of Nelidovo, Toropets, Andreapol and Zapadnaya Dvina of the Tver region. Information on the number of the signed agreements on power sales activities by categories of customers is given below.

Customers	2016	2017	Change
Legal entities	855	901	+46
Natural persons	26,576	26,614	+38
Utilities	43	45	+2
Total for IDGC of Centre	27,474	27,560	+86

5.1.4. Increase in payment discipline

In the course of the core business the Company faces a problem of non-payments for services in electricity transmission. Within the solution of this problem the Company implements a set of actions, which includes:

- negotiation with customers of services for timely obligation fulfillment of payment and settlement of arising disagreements;
- carrying out offsets of counter claims of the same kind, conclusion of agreements on concession of rights of claiming a debt, debt restructuring, compensation;
- carrying out work on claims and lawsuits on collecting overdue debt and liquidated damages established by the current legislation of the Russian Federation;
- information materials on actions for debt collection implemented by the Company and consequences for debtors for untimely obligation fulfillment of payment for electricity transmission are published in media;
- on partners in whose actions the corpus delicti (intentional violation of payment discipline) is seen, appeals are sent to divisions of the Ministry of Internal Affairs, FSB and prosecutor's office, and also to the Interregional Office of the Federal Service for Financial Monitoring about conducting checks concerning the organisations - debtors and bringing persons, guilty of causing property damage to the Company, to criminal liability.

The Company also created the Commission on work with debt for services in electricity transmission which main objectives is analysis of origin of accounts receivable, development of

actions directed to decrease in accounts receivable, and increase in efficiency of adoption of management decisions in questions of decrease in accounts receivable.

Regional commissions were additionally created to monitor the situation with settlements for electricity and services in its transmission, which include representatives of administrations, services of financial monitoring, tax and law enforcement agencies, and also the Company's branches.

Besides, for the purpose of increase in payment discipline of customers, the Company, in accordance with the legislation of the Russian Federation, performs restrictions of the mode of electricity consumption on requests of suppliers of last resort and retailers. So, in 2016 the Company performed 17,800 restrictions of electricity supply to power installations of customers - debtors. In 2017, it performed 26,421 restrictions of customers - debtors.

The growth of the number of restrictions of the mode of consumption of electricity by customers in 2017 is caused by simplification of the procedure of introduction of restriction of the mode of consumption, and also introduction of the administrative responsibility concerning officials for violation of the procedure of complete and (or) partial restriction of the mode of consumption of electricity as a result of the changes which became effective from 29.09.2017 in the "Rules of complete and (or) partial restriction of the mode of consumption of electricity", approved by Resolution of the Government of the Russian Federation of 04.05.2012 No. 442.

5.1.5. Interaction concerning grid connection

Grid connection, which is also connected with considerable legislative restrictions and directly influences cost efficiency of all the Company, is not less important for the Company at customer interaction.

Following the results of 2017, the number of signed agreements on implementation of grid connection (without temporary grid connection) was 44,619 pieces that is by 3,790 pieces (or 7.8%) fewer than in 2016. Similar decrease in the number of performed agreements on implementation of grid connection following the results of 2017 was 3,859 pieces (or 8.4%).

The changes of the signed and performed agreements on implementation of grid connection in 2016-2017 broken down by the branches are provided on the website of the Company: <https://www.mrsk-1.ru/en/investors/indicators/operating-results/>.

In general, in 2014-2017 the Company observed trends in decrease of the number of the signed agreements on implementation of grid connection caused by decrease in demand for this type of service.



EU28

EU29

5.2. Ensuring reliable and uninterruptable power supply

The task of ensuring reliable and uninterruptable power supply is strategic for the Company, therefore, the main efforts of management and all its workers are aimed at its accomplishment. For effective solution of this task, the Company created the structure of operational and technological office (hereinafter – the OTO) consisting of 11 grid control centres (hereinafter – the GCC) functioning in each of the branches and 277 operational and technology groups of Distribution Zones (hereinafter – the OTG) working based on the Distribution Zones. This structure allows to provide accomplishment in full of functions of operational and technological management and organisation of effective interaction with external partners.

Equipment of control centres with modern hardware and software and means of collective display of information allows operating personnel to monitor around the clock, in real time, operating modes of equipment of power facilities of the branches, to manage equipment at facilities of the power grid complex provided with means of remote control and telemetry, to control voltage levels, equipment loading, power overflows in distribution grids of 35 kV and above that in turn provides reduction of time of elimination of technological disturbances and restoration of power supply to customers.

For the purpose of ensuring reliability of the power grid complex and decrease in its level of wear, the Company implements such production programmes, such as the programme of maintenance and repairs (hereinafter – the MRO), the programme of reconstruction, target programmes. Within the programmes actions influencing a part of the power grid complex are carried out.

The Company implemented its production asset management system performing planning of production programmes on a technical condition. This method determines facilities, a type and volume of impact with help of the corporate information management system by resources of the Company, which contains data on all elements of the operated grid. The MRO programme of electric equipment is created on the basis of the long-term schedule of repairs taking into account technical condition by a prioritisation method. The equipment in the worst technical condition, when accomplishment of its repair is inefficient, is included in the programme of reconstruction, target programmes. Reconstruction of facilities allows to achieve results in several activities of the Company at once.



So, for example, replacement of uninsulated wire for self-supporting insulated wire (hereinafter – the SIW) allows not only to reduce the number of outages of the high-voltage line (hereinafter – the HVL), but also to reduce electricity losses and to decrease risks of injury rate of third-party and own personnel. These actions also reduce quantity of cases of death of birds. Repair of oil-filled equipment allows to improve its technical condition, to reduce risk of its shutdowns and impact of oil products on the environment.

Annual accomplishment of activities of production programmes allows to provide the required level of reliability of the power grid complex, to reduce the number of technological losses and the level of electricity not supplied.

Confirmation of effectiveness of the Company’s efforts on improvement of quality and reliability of power supply are the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI), which show a positive tendency for the last 2 years.

Indicator	UoM	2016	2017	Change
System Average Interruption Duration Index (SAIDI)	hour	4,04	3,65	- 0,39
System Average Interruption Frequency Index (SAIFI)	pcs	1,79	1,49	- 0,30

Use of these indicators allows to estimate attractiveness of the Company regarding quality of the provided services (reliability of transmission and distribution of electricity), as part of benchmarking.

Within perspective development of the Company for ensuring reliable and uninterrupted power supply and improvement of quality of development planning of territories in subjects of the Russian Federation of the service area of IDGC of Centre, the Company conducts planned highly effective events.

Annually, the Company no later than 31 December of the year prior to the reporting one sends to executive authorities of subjects of the Russian Federation, in the territory of which the Company operates, basic data for the Schemes and programmes of development of the electric power industry (hereinafter – the Schemes and Programmes) of subjects of the Russian Federation with indication of the existing extent of loading of capacities and offers on its increase. In addition, IDGC of Centre develops the Comprehensive programme of development of electric grids of 35 kV and above for the five-year period (hereinafter – the Comprehensive Programme).

The Schemes and Programmes of the electric power industry of regions are a basis for development of investment programmes (hereinafter – the Investment Programme) of distribution grid companies. A necessary, but insufficient condition of inclusion in the Investment Programme of projects of reconstruction with increase in transmission capacity is availability of these projects in the approved Schemes and Programmes.

For efficiency evaluation of the Company's activity regarding loading of newly constructed and reconstructed feeding centres, the annual KPI "Increase in loading of capacity of power grid equipment" was entered.

5.3. Elimination of failures and technological disturbances

The topic of mitigation of consequences of natural cataclysms and elimination of power supply disturbances is one of the most essential both for electricity customers, and for the Company. Speed of elimination of causes of interruption of power supply influences perception of the Company by its customers and has direct economic effect on results of activity.

In the reporting period in connection with passing of the dangerous meteophenomena (thunder storms, heavy rain, hail, heavy snow, sleet, squally wind at more than 20 m/s) there were mass outages in all branches of IDGC of Centre. Emergency recovery operations (hereinafter – the ERO) were carried out in the shortest possible time, breaks of power supply of customers did not exceed contractual conditions.

The main causes of emergency outages are falling on wires of HVL of branches and trees from the main forest area and aging of insulation and material of the equipment.

For the ERO organisation in branches of the Company 92 mobile subdivisions were created (546 people and 174 vehicles). Availability of crews for moving to an area of the ERO in Distribution Zones is 2 hours. Time of the beginning of movement of mobile subdivisions to



the appointed area from the moment of obtaining the decision of the regional crisis management centre – the commission on power supply safety and security (hereinafter – the Crisis Management Centre) does not exceed 4 hours during working hours and 8 hours outside of working hours, 2 and 4 hours, respectively, when the branches functioning on high alert or under a specific mode of operation. All subdivisions have qualified personnel, off-road vehicles, means of communication, reserve sources of power supply, necessary tools and devices, overalls, a stock of financial resources and food dry rations.

To ensure back-up of socially important customers the branches use reserve sources of electricity supply (hereinafter – the back-up power supply sources), all in all the Company has 602 back-up power supply sources, with a total power of 25,14 MW. The back-up power supply sources are completed with fuels and lubricants and means of connection. Delivery systems and an order of mobilisation of the back-up power supply sources at mass outages are defined. Personnel training was provided. Lists of all back-up power supply sources are placed at control offices of all levels. Mobile back-up power supply sources are as close as possible to places of possible use (they are stationed at Distribution Zone bases). Stationary back-up power supply sources are installed at the most important socially important facilities. The back-up power supply sources are in permanent readiness for use.



The Company and branches are created the Crisis Management Centres, which are provided with special crisis management cars with cross-country capacity for work in the autonomous mode on site of production of the main ERO. The crisis management cars are equipped with necessary equipment, means of communication, information materials sufficient

for effective work of the Crisis Management Centres, synchronous work of the Crisis Management Centres of all levels is organised

For the purpose of organisation of interaction for prevention and elimination of failures and emergency situations (hereinafter – the emergency), minimisation of time of emergency recovery operations, the Company developed and concluded (prolonged) 353 agreements (contracts), of them: 2 with FGC UES (MES of Centre and North-West); 6 with IDGCs (IDGC of Volga, IDGC of North-West, IDGC of Center and Volga Region, IDGC of South, MOESK and Kubanenergo); 11 with General Directorates of the EMERCOM of Russia; 1 with the regional centre of the EMERCOM of Russia; 11 with Public institutions on hydrometeorology and monitoring of the environment in territories of operations of the Company's branches; 279 with administrations of cities (districts) and subdivisions of the EMERCOM of Russia; 43 with contract organisations.

Special trainings are regularly held by IDGC of Centre.

Indicator	2016	2017
Fire-prevention trainings	9,984	8,470
Trainings on introduction of schedules of the emergency restriction mode of electricity consumption	147	145
Anti-emergency trainings	20,342	16,109

In 2017, 22 joint exercises (11 according to the approved schedule of preparation of the power grid complex for reliable work during the autumn and winter period (hereinafter – the AWP) were held and 11 extraordinary exercises within the AWP). During the trainings and joint exercises they practiced the following: interaction of the Crisis Management Centres with territorial executive authorities, the EMERCOM, other subjects of the power industry; minimisation of time of dispatching necessary forces and means, connection of back-up power supply sources; installation and mounting of a pre-fabricated pole; holding meetings in a format of audio and video conferencing; gathering, notification and work of the Crisis Management Centres; deployment of a crisis management car of branches in field conditions with check of operability of means of communication and telecommunications; check of operability of satellite means of communication; movement of mobile crews for carrying out the ERO, etc.

For assistance at mitigation of consequences of technological disturbances in the power grid complex of other subsidiaries and affiliates of PJSC ROSSETI, resources of IDGC of Centre were involved:

- in 2016 - a total of 99 crews, 613 people, 220 vehicles, 80 back-up power supply sources, according to the signed agreements, helped mitigate consequences of technological disturbances in the power grid complex of MOESK (November) and IDGC of Center and Volga Region (November, December);

– in 2017 - a total of 135 crews, 684 people, 195 vehicles, 44 back-up power supply sources, according to the signed agreements, helped mitigate consequences of technological disturbances in the power grid complex of MOESK (May), IDGC of Center and Volga Region (May, June, July, November).

In case of approach of an emergency and interruption of power supply the Company has the practical and regulated procedure of operations. Special attention is paid to the quality of investigation and execution of acts of technological disturbances, the Company pays special attention to assessment of sufficiency of developed actions following the results of investigation. Process of investigation is controlled at all stages: from registration of a fact of failure (interruption) to control of accomplishment of actions.

The main actions directed to decrease in the failure rate are:

1. Carrying out unplanned checks of equipment, including checks of tops of the HVL for the purpose of identification of defective insulation and a condition of wires.

2. Expansion and clearing of ROWs along the HVL.

3. Replacement of porcelain and polymeric insulation by glass.

4. Sending letters to owners of the departmental equipment with the requirement of timely and high-quality equipment maintenance. At repeated outage of the departmental equipment letters to Rostekhnadzor for initiation of efficient measures to owners of the equipment are sent.

5. At repeated outages of the HVL and the SS equipment (after accomplishment of the developed actions), checks are carried out by engineering personnel of Distribution Zones, services of substations and power lines.

6. Diagnostics of equipment with use of thermal imagers for detection of defects at an early stage.

Analysis results of the failure rate are considered when forming production programmes and adoption of system decisions by types of the equipment, by batches of the equipment of certain producers concerning which system shortcomings of their products are revealed. In this case work with suppliers and producers of the equipment is carried out.

5.4. Safety and security of grid facilities

For the purpose of ensuring security of power grid facilities (from the point of view of production safety), installation of mechanical locks on doors of TS 6-10/0.4 kV, drives of disconnectors of the HVL of 6-10 kV, on gates and hatches of the SS of 35 kV and above, mesh barriers, protection covers and other structures interfering or limiting access to current carrying parts is performed. On barriers of power installations, poles of the HVL located in settlements near public places and child care facilities, on coast of reservoirs in places of fishing, additional warning posters and signs of safety are installed.

For the purpose of prevention of non-contracted and non-metered electricity consumption the Security Department performs a number of actions.

In particular, activity of information resources (websites) distributing information on methods of non-metered and non-contracted electricity consumption is stopped. For this purpose, the Security Department sends appeals to law enforcement, supervisory and monitoring bodies about blocking of the revealed websites.

For the purpose of more active work on decrease in the rate of electricity losses in grids of subsidiaries and affiliates of PJSC ROSSETI and counteraction to theft of electricity in branches of the Company, mobile groups of inspection control (hereinafter – the mobile groups) subordinated to deputy directors on security of the Company’s branches are created.

The main activities of the mobile groups are:

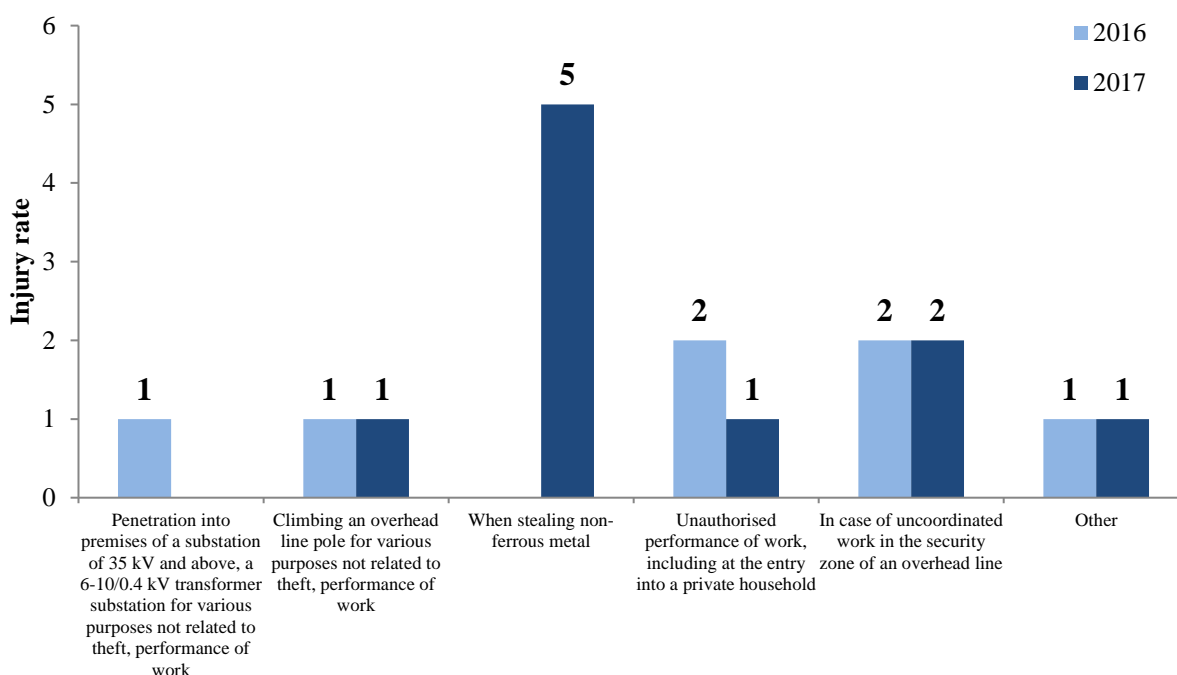
- verification of information on availability of signs of abuses of personnel in the field of identification, calculation of volume and sale (inclusion in the volume of services/collection of costs) of non-metered electricity consumption;
- verification of information on the non-metered electricity consumption performed with participation (connivance) of employees of Distribution Zones of a branch;
- conducting unplanned raids on identification of non-metered and non-contracted electricity consumption.

103-1 5.5. Safety of the population and customers

103-2 Power grid facilities of the Company (power lines, transformer substations, switchgear,
416-1 etc.) are not sources of strong environmental pollution. Levels of electromagnetic fields and noise
416-2 levels which sources are electric grids, transformer substations, as a rule, much lower than
admissible levels that is confirmed by results of instrumental measurements which are carried
out at implementation of production supervision and performance of special assessment of
working conditions. However, power grid facilities are sources of increased danger connected
with electric energy.

From 2016 to 2017, at the Company facilities 17 third parties suffered, from them 15 resulted in death. All cases are connected with impact of electric current. The reasons of accidents are given below.

Causes of accidents with third parties for 2016-2017



There was no violation of operation of power installations by the Company, which were the reasons or conditions of emergence of an accident for 2016-2017.

For the purpose of organisation of effective work on decrease in risk of injury of third parties, including the population, children, personnel of contract organisations at power grid facilities of IDGC of Centre, "The programme for decrease in risks of injury of third parties at facilities of IDGC of Centre, PJSC for 2016-2017" was developed and approved by the decision of the Board of Directors of the Company 28.01.2016 (Minutes of 29.01.2016 No. 01/16).

The programme for decrease in injury rate of third parties at facilities of the Company provided actions under three main directions:

- organisation of work on providing a safe condition of facilities of power grids;
- organisation of information outreach and explanatory work;
- organisation of safe performance of works by contract organisations.

In 2016-2017, actions for providing a safe condition of facilities of power grids were performed, in particular:

- work on identification and taking measures to elimination of violations on unauthorised constructed facilities in security zones was carried out;
- work on removal of overhead lines and transformer substations from premises of schools, playgrounds, areas of mass building was performed. Costs in 2016 were RUB 22.5 mn, in 2017 - RUB 21.5 mn;

- work on replacement of wire of overhead lines of 6-10 kV for the SIW was performed. Costs in 2016 were RUB 160.3 mn, in 2017 – RUB 137.6 mn;

- installation of additional (besides those required by regulating documents) information signs and posters about danger of impact of electric current in the inhabited area near public places and child care facilities, on coast of reservoirs in places of fishing was performed. In 2016, 21,984 signs, in 2017 – 22,642 signs were installed;

- within the repair programme of 2016-2017, work on bringing power installations, which are in an unsatisfactory and unsuitable state, to normative requirements was performed. Costs in 2016 were RUB 270.3 mn, in 2017 – RUB 298.1 mn.

The main actions for the organisation of information outreach and explanatory work in 2016-2017:

- through mass media information outreach and explanatory work about danger of approach to power grid facilities was organised;

- on the reverse side of receipts on payment of utilities information messages (instructions) on electric safety were placed;

- notifications were sent to land users, local governments, entrepreneurs about need of observance of rules of establishment of security zones of power grid facilities and special conditions of use of land plots located within borders of such zones, danger and inadmissibility of work in security zones not authorised by an owner of power grids. In 2016 – 4,787 notifications were sent, in 2017 – 4,367 notifications;

- lessons with pupils of schools, students within the existing training programmes ("Fundamentals of Health and Safety", etc.) were conducted. In 2016, 1,874 classes were held, in 2017 – 2,282 lessons were conducted. Videos aimed at prevention of injury were distributed during the classes;



– information and design layouts of propaganda materials in media (television, radio and printing media) were placed, performed actions for prevention of electric injury among children and teenagers were covered in the media.

IDGC of Centre fully realises its social responsibility, therefore, promotion of safe use of electricity and education of culture of energy consumption takes an important place in relationship of the Company and society.

So, in 2016, the following events for the purpose of increase in electric safety were organised:

1. Holding preventive visiting events in educational institutions, children's recreation and school camps in regions of operations of IDGC of Centre.

2. Tours for schoolchildren to power facilities within lessons of electric safety and the Fundamentals of Health and Safety in regions of operations of IDGC of Centre.

3. Contest of children's creativity "Electricity – my friend!" for schoolchildren of the Bryansk region.

4. Lessons of electric safety together with the EMERCOM of Russia for pupils of schools of the Belgorod region.

5. Broadcasting warning videos in cinemas of central cities of regions of operations of IDGC of Centre (videos are shown before movies).

6. Route games on electric safety for children and schoolchildren in camps of rest of the Bryansk region.

7. Interactive platform of the branch "Tverenergo" "Safe Electricity" was provided at the festivals "Square of Good", "Cardboard — the City of Professions", "Together Brighter", at the holidays: the City Day of Vyshny Volochyok and the Day of Vyshnevolotsky District.



8. Preventive events in children's recreation camps of the Yaroslavl region code-named "Territory of Safety" – the joint project of IDGC of Centre - Yarenergo, the Government of the region, regional offices of the EMERCOM of Russia, the General Directorate for Drug Control of the Ministry of Internal Affairs of Russia, the State Traffic Safety Inspectorate of the Ministry of Internal Affairs of Russia, JSC Gazprom Gas Distribution Yaroslavl and the Yaroslavl chamber theatre.

In 2017:

1. Seminars on electric safety for students of DOSAAF of the city of Belgorod were held.
2. Publication of the book by the branch "Belgorodenergo" "Alphabet of electric safety".

In it in a poetic form, convenient for young readers, dangerous situations, which can arise in human life, are described, and correct solutions to exit from them are proposed.

3. Social advertising about prevention of electric injury. Broadcasting videos on displays of 55 minibuses of the city of Bryansk and on the external screen of the shopping centre "Bryansk Central Department Store".

4. Broadcasting videos before movies in the cinemas Kinomax-Aura and Kinomax-Altair in the city of Bryansk.

5. Contest for children and schoolchildren on production of the best drawn animated film on topic of prevention of children's injury among pupils of schools of the Bryansk region.

6. Videos preventing electric injury for children and adults on Russia 1 and Russia-24 TV channels, and also on regional channels. Reports from a city-wide lesson on safety on channels of "State TV and Radio Broadcasting Company Kostroma", "Seym", "Logos", "Rus", "New Century", "Star". Reports from a city-wide lesson on safety on channels of "State TV and Radio Broadcasting Company Kostroma".

7. Broadcasting audio files about observance of rules of electric safety on radio in 11 regions of operations (Russian Radio, Humour FM, Hit FM, Silver Rain, Road Radio).

8. The project "Kids about Electric Safety" - shooting a video of recitation by children of Smolensk schools for placement on social networks.

9. Broadcasting videos about danger of unauthorised connection of independent power supply sources to power mains.

10. The campaign "Territory of Safety" in the Children resting camp of the Yaroslavl region. Regional offices of the EMERCOM of Russia, the State Traffic Safety Inspectorate of the Ministry of Internal Affairs of Russia, the General Directorate for Drug Control of the Ministry of Internal Affairs of Russia, the Office on social and population policy of the Government of the Yaroslavl region, JSC Gazprom Gas Distribution Yaroslavl and LLC Gazprom Interregiongaz Yaroslavl became co-organisers of the event. The campaign was included in target programmes of the Government of the Yaroslavl region.

6. RESPONSIBILITY TO EMPLOYEES

IDGC of Centre's personnel are the main value and one of key factors of sustainability of the Company. All conditions for safe work, professional growth and implementation of potential of employees are created at the enterprise.

The Company's approach in the field of personnel management is based on the following principles:

- unity of approaches to personnel management taking into account regional specifics of functioning of the enterprises;
- forming of uniform personnel space;
- creation of conditions for implementation of potential of workers;
- motivation for the effective activity, which provides for, including, an increase in labour productivity;
- inadmissibility of discrimination on any sign;

– respect for the principles of social partnership and responsibility fixed by the Industry tariff agreement in the electric power industry.

For 2017-2020, the following targets in the field of personnel management are defined in strategic and programme documents of the Company:

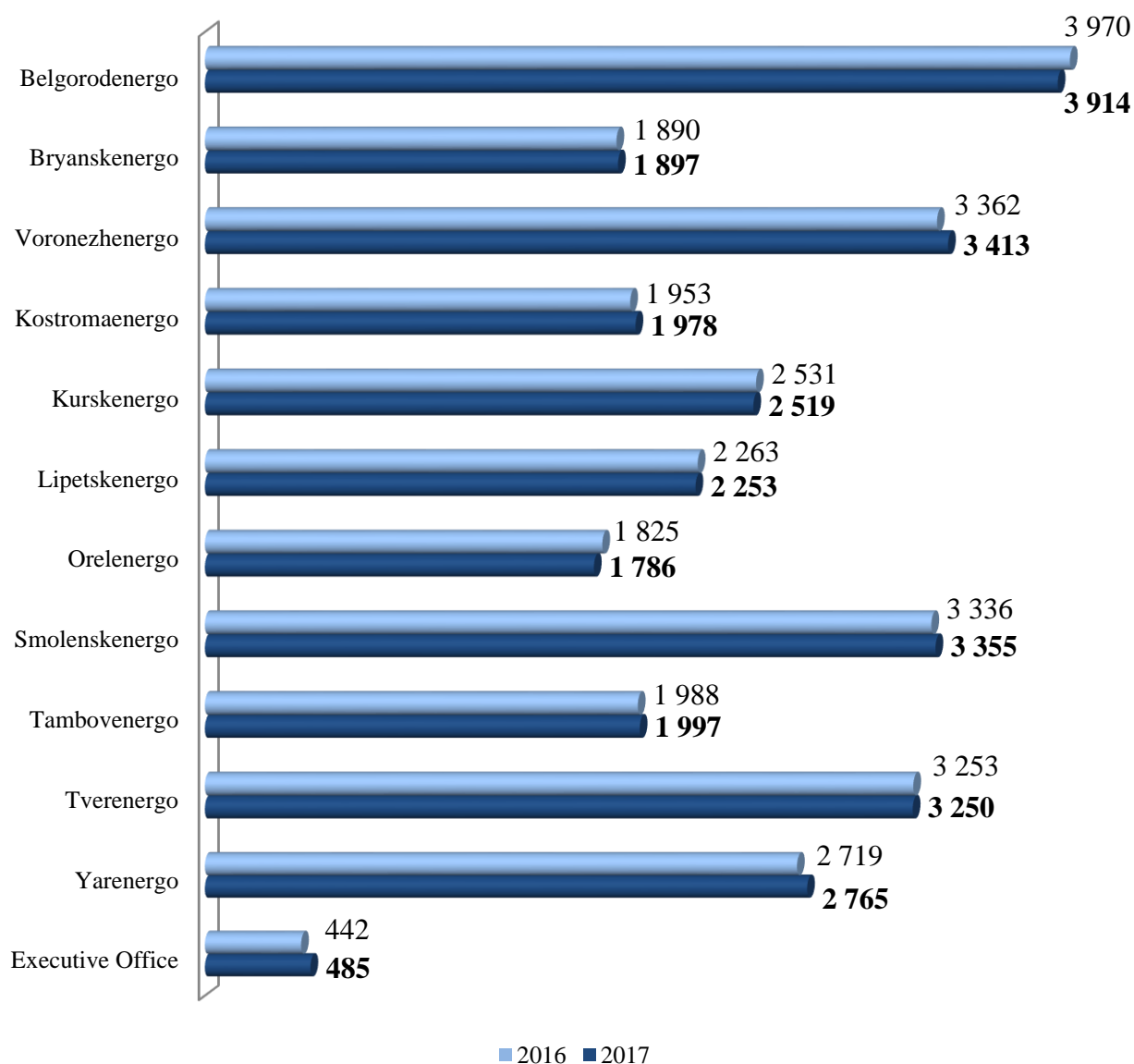
- ensuring perspective personnel requirements of digital electric power industry;
- development of a system of industry professional qualifications;
- implementation of professional standards and independent assessment in practice of work with personnel;
- interaction with educational organisations for forming up-to-date and perspective (taking into account digitalisation of the industry) professional competences;
- improvement of a system of mentoring: expansion of tutorial practices both in the field of training (via mechanisms of dual training, organisation of practices of students and work of the movement of students' construction crews), and in the field of adaptation of young specialists;
- development of a system of corporate training;
- strengthening of cooperation with the movement Worldskills, including on organisation and holding open corporate championship of professional skills;
- implementation of youth policy projects;
- development of a system of motivation of personnel and social programmes.

The Company treats with zero tolerance any discrimination at interaction with potential and acting employees, in any form does not accept forced and obligatory labour and completely observes legislative prohibition on use of child labour.

102-8 6.1. Features of personnel

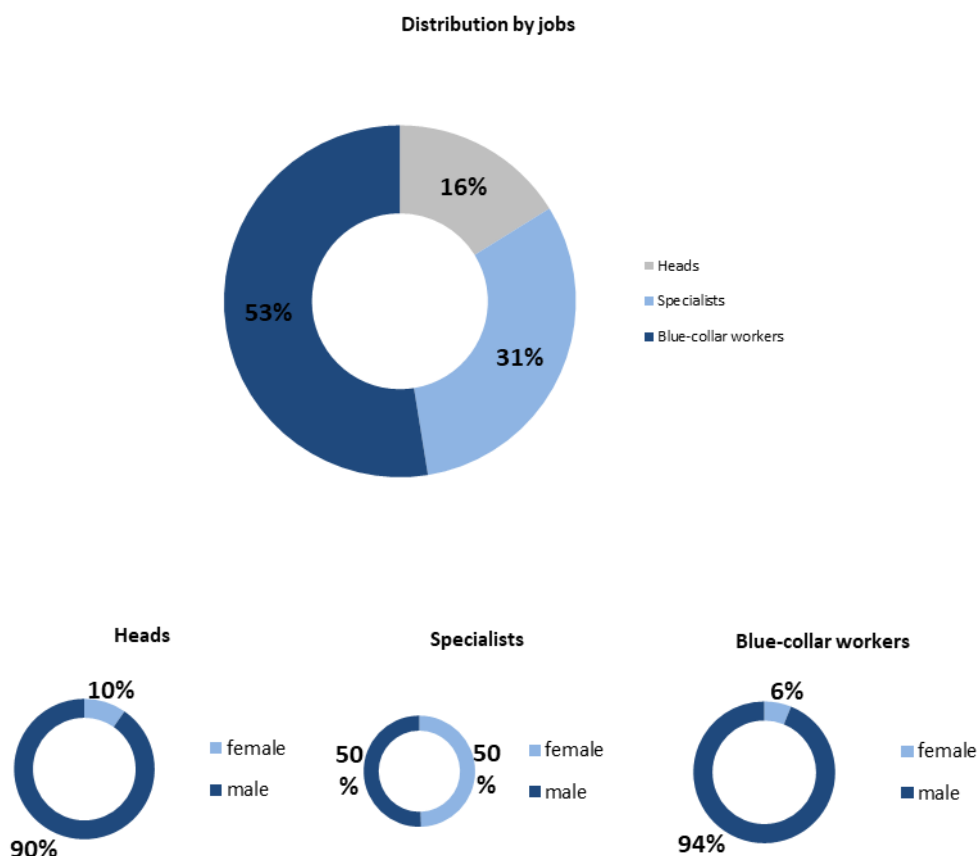
103-3 The average staffing number of IDGC of Centre in 2017 was 29,612 people that is 0.3%
401-1 more than in 2016. On the chart given below the breakdown of the number of employees by
405-1 branches of the Company for 2016-2017 is shown, at the same time, it is important to note that
the need for employees for each region depends on the territory of service, the number of
Distribution Zones and volume of serviced power grid assets.

Average staffing number of IDGC of Centre in 2016-2017 broken down by the branches

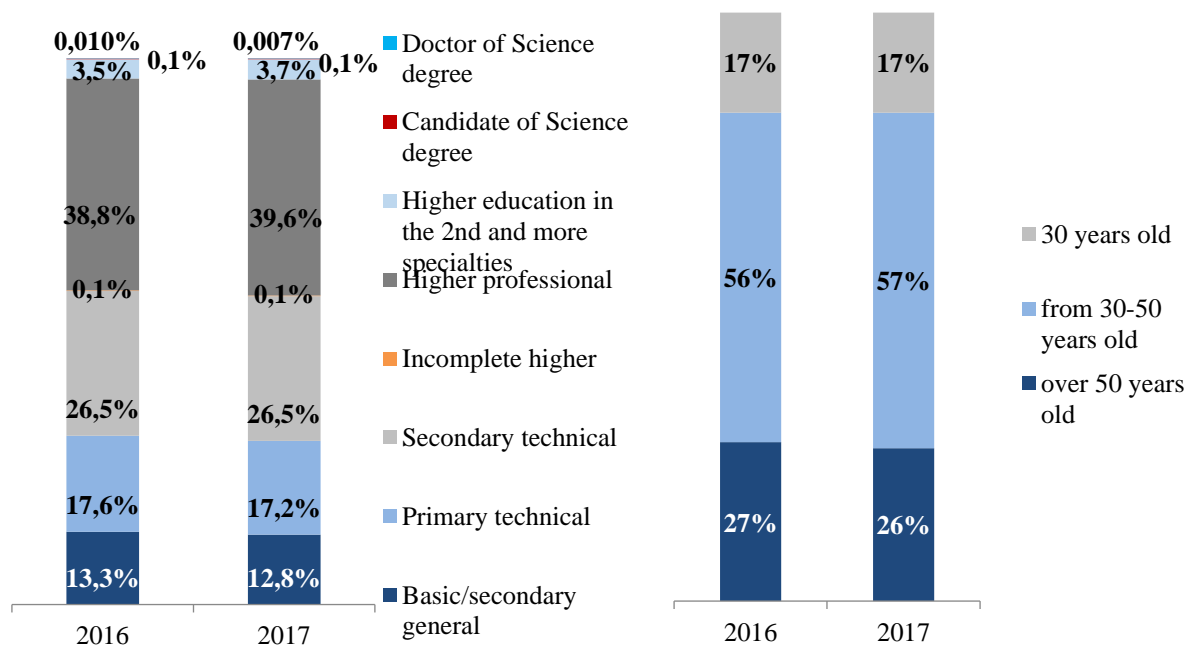


The structure of personnel of IDGC of Centre in 2017 did not change that is caused by specifics of activity of the power grid complex where more than a half of employees are blue-collar workers, and 80% of the personnel structure – men.

Structure of personnel of IDGC of Centre in 2017 by jobs and gender of workers



Structure of personnel of IDGC of Centre by education level and age



The share of workers with professional education – 87.2%, at the same time, the average age of employees of the Company in 2017 was 41.6 (41.5 in 2016). About 17% of workers – youth up to 30. The current structure of the Company’s personnel completely corresponds to

requirements of the Company for ensuring reliable and high-quality power supply, and also solution of other business challenges.

Functioning of IDGC of Centre is ensured by the highly skilled and united labour collective. The level of active staff turnover in 2017 in general for the enterprise was 3.33% (2.21% – in 2016), the staffing level, including production, was maintained at rather a high level of 97%.

The main features of IDGC of Centre's personnel in 2016-2017 are provided in Appendix No. 4 to the Report.

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6.2. Wage system and incentive programmes

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IDGC of Centre implements the uniform policy of wages and remunerations creating conditions for recruiting and retaining qualified personnel. The material motivation of employees of the Company consists of a tariff part (official pay rates) and additional payments according to internal documents and the Collective Bargaining Agreement of the Company.

The Company created the uniform standard rates of compensation of workers, and also a system of grades of compensation of heads, specialists, employees. The hierarchy of positions is built on the basis of results of assessment of all positions of heads, specialists and employees by a system of group factors considering job value of a standard position.

The system of material stimulation (awarding) of workers is tied to a system of grading. The system of key performance indicators (hereinafter – the KPI) allows to estimate activity of each structural subdivision of a branch and to motivate workers on achievement of specific result recorded in the form of the KPI and its target value. For each structural subdivision of a branch individual KPIs are defined, proceeding from its participation in business processes and business services.

Thanks to a standard organisational structure for all branches uniform indicators with individual target values are established. The procedure of the monthly reporting under results of accomplishment of KPI of a branch gives the transparent and effective tool to the management for assessment of activity of specialists and adoption of relevant management decisions.

The wage system operating in IDGC of Centre, which provides for wages indexation, allows to hold the average salary of workers higher than the level of the average salary in regions of operations on average by 1.3 times and to remain the competitive Company in the sphere of economic activity "Providing with electric energy, gas and steam; air conditioning".

The Company applies transparent procedures of employment, promotion and compensations, and also termination of employment relationships.

6.3. Personnel recruitment

The process of personnel recruitment is directed to organisation of work on active employee involvement, capable to solve problems of achievement of strategic objectives of the Company, necessary qualification according to requirements of business processes. For this purpose, the Company applies competitive selection at organisation of events on search, selection, acceptance of personnel, i.e. a method of the multistage procedure of candidate screening, the most conforming to requirements for professional and personal qualities.

The Company puts the main emphasis on work on timely ensuring requirements of the Company for personnel of required qualification. For the purpose of prevention of risks of the Company on decrease in reliability of electric grids, growth of injury rate and other risks of the Company, when obtaining the certificate of availability for operation during the autumn - winter period, a set of procedures for ensuring high-quality staffing is carried out, including:

- actions for analysis and priority setting of substitution of vacancies;
- development of a plan of actions for staffing of branches with industrial and production personnel, in the conditions of strict observance of requirements of the Business plan for the number of personnel and the key performance indicator – the staffing level of the Company, established by the Company’s HR and social policy;
- appointment of responsible persons for timely recruitment and substitution of personnel;

For ensuring high-quality filling of vacancies, personal control of compliance of candidates to the unified qualification requirements determined by the level of a position and a type of activity including to education and work experience, and also to professionally important knowledge, skills and competences is organised.

In addition, based on services of the corporate portal the monitoring system of operational information about staffing of branches is built, special attention is paid to Distribution Zones, including located in labour deficit, remote districts.

For the solution of a personnel problem of branches regarding team building of effective managers, actions for updating and staffing of managerial personnel reserves of the Company and its branches are organised. The actions allowed to substitute timely key executive positions with high-skilled employees with knowledge of specifics of activity and a possibility of their relocation to the Company’s branches at a staff shortage in a specific region.

6.4. Staff training and development programmes

Training is among the priority directions of the HR policy of the Company. According to requirements of the Rules of work with personnel in organisations of the electric power industry of the Russian Federation, advanced training of workers has continuous character and is carried

out during all labour activity. The demand for advanced training is defined by need of solving complex problems of the industry by personnel and the increased social importance of work of enterprises of the electric power industry.



The main directions of the training:

- professional training (retraining) of personnel of working professions on receiving a specialised working profession, adjacent (second) to a working profession;
- advanced training of personnel of core working occupations;
- professional training of heads and specialists on receiving specialized higher education;
- occupational retraining of heads and specialists based on non-core higher education;
- advanced training of heads and specialists;
- professional training and certification of personnel for the right to accomplishment of a certain work type.

Holding actions for the training of employees of the Company is carried out in two forms:

1. personnel training in workplaces (based on own training classrooms, the operating staff training centre);
2. training off-the-job in specialised educational institutions and training centres (professional training, retraining and advanced training of personnel).

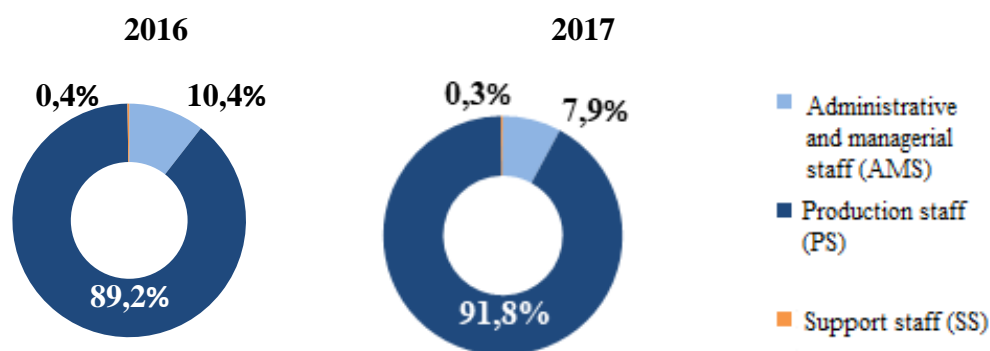
In-plant training differs in the practical focus, direct connection with production functions of the worker, and is focused to repetition and fixing of knowledge. Programmes of short-term

training in the training classrooms and the operating staff training centre are developed on the basis of state standards, coordinated with related services and departments of the Executive office of IDGC of Centre and approved by technical leads of the Company. Highly qualified specialists of departments and services having a high level of competence and vast experience of professional activity, and also invited instructors from higher educational institutions, veterans of the Company, are attracted for training. The positive moment of such training is also that workers, in addition to federal regulations, master also the local regulations developed by IDGC of Centre and branches. The training is internal and is carried out for own purposes. Third-party trainees are not invited.

The ratio of workers, who were trained in 2017 off-the-job, to the average staffing number was 50% (14,802 persons) that corresponds to the key indicator of the HR and social policy of IDGC of Centre (30%) and by 10.2 p.p. (3,040 persons) is higher in comparison with 2016 (11,762 persons). The increase in the number of trained staff is caused by mass unplanned training of production personnel.

The greatest share among the trained is occupied by production personnel – 91.8% (13,594 persons). This indicator in 2016 was 89.1% (10,495 persons). The structure of the personnel, who were trained by categories: administrative and managerial (hereinafter – AMS), production (hereinafter – PS) and support staff (hereinafter – SS), is given below.

Structure of the personnel trained off-the-job by categories, %



The annual average number of training hours per one employee of the Company during the reporting periods was:

Category of personnel, hours	2016	2017
Heads	41	34
Specialists/employees	38	40
Blue-collar workers	58	69

One of principal suppliers of educational services (for the relevant branches) are the training centres founded by the Company: Private institution of additional professional education "Tver industrial practice centre", Private institution of additional professional education "Voronezh training centre "Energetic" and Private institution of additional professional education

"Orel training centre". Employees of other branches of the Company study, preferentially, in regional educational institutions of higher and additional professional education.

The Company's training centres have licenses for implementation of educational activity, have training classrooms equipped with modern manuals, simulators, computers, video and multimedia means necessary for carrying out training in all specialties declared in the licenses. Also, in the territory of the training centres there are practice areas equipped with power grid equipment for working out practical skills.

Based on the corporate training centres in 2017, 3,295 people had professional training, retraining and advanced training that is 22.3% of the total number trained, which is 6.8 p.p. lower, than in 2016 (in 2016 based on the corporate training centres 3,428 people were trained (29.1% of the trained). The decrease in the indicator in relative expression is caused by increase in total quantity of the trained personnel in comparison with 2016.

The main share of the trained persons based on the corporate training centres was also production personnel – 98.1% (3,234 persons in 2017) and 97.1% (3,330 persons in 2016).

For the purpose of ensuring high-quality training, recruitment and development of personnel specialising in electric power engineering, the Company built up partnership with more than 20 specialised higher education institutions, including:

- Federal State Budgetary Educational Institution of Higher Professional Education "National Research University "Moscow Power Engineering Institute" (hereinafter – NRU "MPEI"),
- Federal State Budgetary Educational Institution of Higher Professional Education "Ivanovo State Power Engineering University named after V.I. Lenin", and also with more than 34 regional secondary technical educational institutions.

For many years IDGC of Centre has been actively interacting with NRU "MPEI" for the purpose of training, retraining and advanced training of the Company's employees, receiving the higher education, the organisation of practice of students and career guidance of students of specialised departments. Within the Summer school of the young engineer, organised by NRU "MPEI", the "Day of IDGC of Centre" for participants of the school with a visit to the city of Yaroslavl is annually held. The school's participants get acquainted with the rare and most modern substations operated in the Yaroslavl region.

Creation of the practice area (laboratory) became the next step to implement the joint plan of interaction of enterprises of the power grid complex and specialised educational institutions in ensuring practice focused training of specialists within the Agreement on cooperation between IDGC of Centre and NRU "MPEI". The area is intended for practical fixing of knowledge gained by students of the educational institution. Practical working out of

knowledge at the area is carried out on the following educational subjects: labour protection and safety, operation and maintenance of electric equipment of electric grids, control and management of technology processes, diagnostics of a condition of electric equipment of electric grids with performance of work by one or two working professions.

The "basic" department "Electric Distribution Grids" in the Yaroslavl State Agricultural Academy was created with direct participation of the Company. The curriculum included specialised disciplines which are taught by employees of the branch, such as electricity distribution in the Distribution Zone, relay protection of distribution grids, labour protection and safety, metrology standardisation and certification. A laboratory and practical training sessions pass on the basis of the branch "Yarenergo".

The Company's actual costs on training of personnel (irrespective of sources) in 2017 were RUB 88.2 mn, of them RUB 17.6 mn (20%) for training of personnel based the on corporate training centres. In 2016, RUB 81.5 mn were spent on training of personnel, from them based the on corporate training centres – RUB 13.3 mn (16.4%).

All actions for personnel training and increase in their qualification are aimed, including, at risk minimisation of emergency situations and major failures because of personnel. In addition, it is possible to note that rather small investments in employees' development can seriously improve efficiency of their work, increase motivation and improve loyalty to the employer, so in general raise a contribution of workers to business development in general.

The Company creates to workers undergoing professional training or additional professional education necessary conditions for combination of work with education, provides the guarantees established by the labour law and other regulatory legal acts containing regulations of the labour rights, the collective bargaining agreement, agreements, local regulations, the employment contract.

6.5. Additional social benefits and guarantees

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6.5.1. Medical programmes:

Accident and occupational and off the job disease insurance is provided for all employees of the Company.

Within the existing programmes of voluntary medical insurance, employees of the Company are given an opportunity free of charge to use an extensive range of medical services, such as dental treatment, out-patient and polyclinic check-up, hospital and rehabilitation and recovery treatment. In case of a serious illness and injury, depending on character of a clinical problem, workers can also receive the qualified medical care with hospitalisation or a hospital with specialised treatment and prevention facilities corresponding to the insurance programme of the worker.

Seasonal vaccinal prevention of workers against flu is annually carried out. Following the results of 2016, 2,811 people, in 2017 – 3,113 people were vaccinated that is 9.5% and 10.5% of the average staffing number respectively.

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6.5.2. Retirement plans:

For the purpose of ensuring the worthy standard of living of workers at a retirement age, conditions were created for effective solution of the personnel problems connected with recruitment, retention and motivation of personnel, special recognition of a contribution of veterans and honoured workers to development of IDGC of Centre. In accordance with the legislation of the Russian Federation the Company implements the programme of non-state pension provision. Within this programme funds are allocated in the Non-state pension fund (hereinafter – the NPF) to create individual retirement accounts to the Company’s employees. The NPF deposits (invests) the arriving means, providing their gain and performs payments of non-state pensions in accordance with the terms of the Agreement of non-state pension provision at retirement of the Company’s employees.

The amount of the pension contributions transferred to the NPF in 2016 was RUB 182.6 mn, in 2017 - RUB 207.8 mn.

6.5.3. Social support of retirees

For the purpose of ensuring economic stability of workers at achievement of their retirement and termination of their employment contract, the Company provides for payment of one-time financial aid at dismissal of the worker in connection with retirement.

At the termination of the employment contract in connection with retirement within 3 (three) months after emergence of the right to retirement pension, one-time financial aid is paid to the worker, which is established depending on cumulative length of service in organisations of the electric power industry. At retirement in 2016 the financial aid was received by 332 persons with a general size of RUB 28.4 mn. In 2017, similar compensation was paid to 378 workers for a total amount of RUB 33.6 mn.

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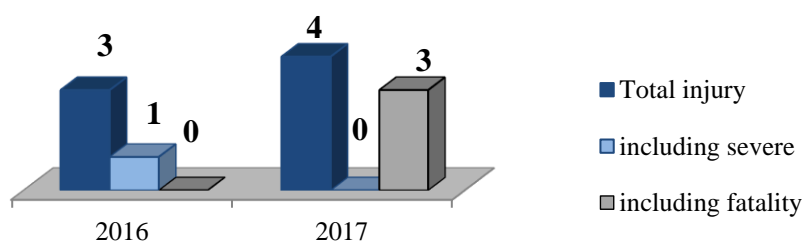
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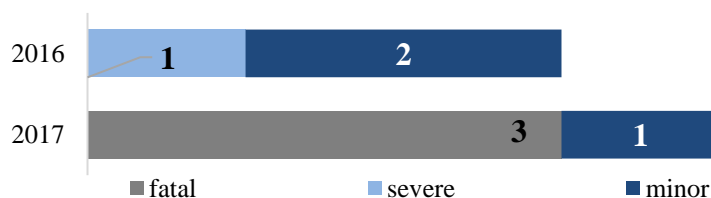
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6.6. Labour protection and safety in a workplace

In IDGC of Centre specifics of performed work are connected with high voltage and imply high risk of occupational injury. There are no risks of occupational illness of workers.

Changes of injury rate of IDGC of Centre





- in 2016 – 3 accidents, from which 1 severe;
- in 2017 – 4, from which 3 fatalities; 1 minor accident.

The general injury frequency rate (the number of injured per 1 thousand workers) for IDGC of Centre in 2017 was 0.135, in 2016 – 0.102.

More detailed statistics on injury rate in 2016-2017 broken down by the branches is provided in Appendix No. 5 to the Report.

At meetings of working groups in all subdivisions of the Company, revealed risks of injury to health are considered, additional measures to manage their decrease are defined. Lists of critical risks were developed and approved as follows:

- electric shock;
- falling of an injured person from a height, on a surface;
- moving parts and mechanisms (including traffic across premises of production sites);
- falling, collapses, tearing of objects, materials, earth, etc.;
- influence of moving, scattering, rotating objects, parts and tools;
- high temperature of a surface, including heating stationary sources, and hot works, including electric arc;
- influence of the environment with low and high temperature (climatic impacts);
- lifting, movement of weights manually;
- injury as a result of contact with plants, animals, insects and reptiles;
- intellectual and psycho - emotional overstrain;
- drowning at performance of work in a flood and during active snowmelt;
- road accidents.

The causes of occupational accidents, in the majority, for many years remain invariable. And first of all, it is absence of self-check with workers regarding observance of requirements of electric safety.

Registration, notification and reporting of occupational accidents is performed according to the "Regulation on features of investigation of occupational accidents in certain industries and organisations", approved by Resolution of the Ministry of Labour of Russia of 24.10.2002 No. 73.

Monitoring and accounting of cases of violation of safety requirements and occupational health is performed in IDGC of Centre according to the Guide "System of internal technical control" (hereinafter – the SITC). The purpose of functioning of the SITC of the Company is ensuring effective management of processes, monitoring of a level of technical condition and operation, technology of safe work performance as the main conditions of increase in efficiency and quality of electricity transmission, reliability of power supply of customers.

Lack of not revealed or uncontrollable long-term deviations from the established normative requirements at the Company's facilities and equipment and, as a result of it, increase in efficiency, reliability, safety, culture of production, the level of industrial, fire and environmental safety, decrease in failure rate and occupational injury is the result of effective functioning of the SITC.

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6.6.1. Obligations of the Company for labour protection and safety

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According to the current legislation in the field of labour protection and safety the Collective Bargaining Agreement of IDGC of Centre, PJSC envisages that the Company:

- Provides the safe working conditions conforming to the state normative requirements of labour protection and safety in each workplace and facility of work performance including training in safe methods and techniques of work performance and first-aid treatment victims at a production site, briefing on labour protection and safety, training in a workplace and checks of knowledge of requirements of labour protection and safety; free provision to workers, occupied at works with harmful and (or) hazardous working conditions, and also at works performed in special temperature conditions or connected with pollution, certified overalls, special footwear and other individual protection equipment, and also washing and (or) disinfecting agents according to standard regulations, which are established in the order determined by the Government of the Russian Federation;
- Conducts examinations of a condition of labour protection and safety and observance of the rules of safe operation, analyses working conditions and develops solutions and offers on their improvement, according to the current legislation and other legal acts, and the existing regulating documents of PJSC ROSSETI and IDGC of Centre on labour protection and safety;
- Organises control of working conditions in workplaces;
- Carries out acquaintance with working conditions in a workplace, risk of damage of health and appropriate individual protection equipment, and compensations;
- Provides compulsory insurance of employees of the Company from occupational accidents and diseases;
- Makes payments for the indemnification caused to life and health of the worker at execution of labour duties as it should be in terms and in sizes, established by the Labour Code

of the Russian Federation. Workers who incapacitated in connection with a mutilation or occupational disease according to medical recommendations are given an opportunity of retraining;

- Provides according to the current legislation performance of special assessment of working conditions in workplaces. In case of identification of exceeding of maximum permissible standards of harmful and (or) hazardous factors of the production environment and labour process, it will organise holding necessary actions to bring the working conditions in compliance with the state normative requirements of labour protection and safety;

- Carries out together with elected bodies of a primary trade-union organisation accounting and analysis of occupation injury, accidents at production facilities and occupational diseases in the Company, develops and controls accomplishment of actions for their prevention;

- Develops annual action plans on labour protection and safety, provides financing and accomplishment of actions included in them;

- Carries out accounting and analysis of incidence with temporary disability in connection with specific conditions of work, develops and performs actions for prevention of occupational diseases;

- Performs in the order, established by the Government of the Russian Federation, obligatory psychiatric inspection, to workers performing works in the conditions of increased danger;

- Does not allow workers to execution of their labour duties without passing obligatory medical examinations (check-ups), obligatory psychiatric evaluation, and also in case of medical contraindications;

- Provides at the expense of own means obligatory preliminary (at beginning of work) and periodic medical examinations (check-ups) of workers according to the current legislation. During passing the periodic medical examinations (check-ups) the place of employment (position) and the average salary is retained for the worker.

6.7. [Forming of corporate culture and creation of non-material incentives for employees](#)

Developed corporate culture plays an integral role in forming the Company's socially attractive image, its successful and stable development.

For the purpose of support and development of the corporate culture, IDGC of Centre annually holds a set of corporate events directed to unity of the labour collective, and also increase in the level of loyalty and non-material motivation of personnel. Such all-corporate events include:

- The All-Russian competitions of professional skill of crews in repair and maintenance of equipment of distribution grids of ROSSETI’s Group of Companies – teams of branches of the Company take active part in competitions, at the same time, repeatedly taking prizes;
- The Hockey tournament of IDGC of Centre – competitions are annually held in Tver;



- The Sports Games of employees of IDGC of Centre – a sports festival organised in the territory of one of regions of operations of the Company in which teams of all branches take part. In 2016, the Sports Games were held in Belgorod. In 2017, workers competed in Smolensk;
- The Contest of amateur art creativity – aimed at identification of creative potential of workers. In 2016, the Contest was devoted to the Year of the Russian Cinema, and in 2017 – to the Year of Ecology in Russia;
- The Festival of KVN (Club of the Funny and Inventive) – in 2016, the event was organised in Kostroma. In 2017, the finals were in Voronezh;
- The Power Engineers’ Day – rewarding and encouragement of the employees, who were distinguished with their professional merits in the Company;
- The youth gathering – the purpose of this event is creation of effective work with young specialists;
- Participation in traditional events timed to the Victory Day;
- Holding blood donor campaigns in branches.

IDGC of Centre pursues the active youth policy directed to attraction to work of young specialists. The main strategic objective of work with the youth is to create the highly skilled professional team providing achievement of the corporate targets.

6.7.1. Youth policy of the Company

For the purpose of forming a single system of personnel management and improvement of forms and methods of work with the youth in the Company, the main document on the youth policy is "The guide to work with the youth in IDGC of Centre, PJSC" was approved (hereinafter – the Guide to work with the youth). This document became the methodical support to form a complete system of work with the youth regulating the process of recruitment, adaptation, development and retention of the Company's young staff.

The main objectives of work with the youth are:

- recruitment in the Company of the most worthy, talented and purposeful graduates of educational institutions;
- acceleration of a process of production adaptation of young specialists;
- retention of the youth by ensuring the individual approach to the young specialist directed to the most complete use and development of creative, innovative and scientific potential;
- increase in activity of graduates in the solution of problems of modernisation of the Company;
- assistance to professional growth of the youth;
- improvement of their professional training.

The main directions of recruitment of the youth in the Company, regulated by the approved Guide to work with the youth, are:

- career guidance at schools directed to organisation, development and improvement of long-term forms of vocational guidance of schoolchildren for work in the Company; identification and selection of the most worthy and trained schoolchildren to send them for target training in educational institutions;
- cooperation with educational institutions of the higher and secondary professional education based on implementation of actions within the signed agreements on cooperation in the field of target education, retraining and advanced training of specialists;
- target training of young specialists in educational institutions;
- organisation of planned and system production practice/pre-graduation internship;
- establishment of grants of IDGC of Centre for the purpose of increase in the role of education, recruitment in the power industry of the most talented and purposeful youth, rendering social support to gifted students of educational institutions;
- personal distribution of graduates of educational institutions;
- compensation of hiring of housing for young nonresident specialists;

– assistance to educational institutions for the purpose of implementation of the high-quality target training of students aimed at knowledge acquisition and skills for the Company's up-to-dated specialised core activities, for strengthening and development of educational and laboratory base of institutions of the higher and secondary professional education.

For timely ensuring the needs for personnel of required qualification, IDGC of Centre signed agreements on mutual cooperation with educational institutions of secondary professional and higher education. The key among them are the leading higher educational institutions of the country, such as NRU "MPEI", Federal State Budgetary Educational Institution of Higher Education "Ivanovo State Power Engineering University named after V.I. Lenin", Federal State Budgetary Educational Institution of Higher Education "Belgorod State Technological University named after V.G. Shukhov", Association of Non-state Educational Organisations of Higher Education "International Institute of Computer Technologies", Federal State Budgetary Educational Institution of Higher Education "Lipetsk State Technical University", Federal State Budgetary Educational Institution of Higher Education "Tver State Technical University" and others.

Statistics on staff turnover among the youth and the number of appointments to executive positions for 2016-2017 of persons aged up to 30 years

Indicator	2016	2017
Distribution of staff turnover, %	15	14
Number of appointments to executive positions, persons	68	91

Regarding adaptation, development and retention of young staff of the Company, activity of the Councils for work with the youth is organised, in each branch of the Company. Their goal is creation of effective interaction with young employees, development of a creative and scientific and technical initiative, active participation in production and social and cultural life of the Company. The Council for work with the youth organises the activity according to the Regulation on the Council for work with the youth and the approved action plan for a year. The Councils for work with the youth represent mobile and competent teams of young employees implementing the youth policy in the Company. They annually implement over 300 activities in the areas: scientific and technical direction, cultural and sporting events, housing and social direction.



The tasks of the Council for work with the youth are:

- development of creative activity, creation of opportunities for manifestation of organising abilities;
- increase in a professional and educational level;
- organisation of leisure, sports and cultural events;
- solution of social problems of young employees;
- organisation of information support of the process of adaptation of young specialists;
- forming an effective system of internal communications;
- forming suggestions for improvement of work with young employees, growth of efficiency of their participation in the solution of production and scientific and technical tasks facing personnel of a branch.

Identification of talented youth and creation of conditions promoting the most complete development of potential of young specialists is a priority task facing the Company.

Young specialists represent Company at events having important industry value. So, in 2017 with participation of young specialists the Company held:

- The International forum of young power engineers and industrialists " Forsage - 2017";
- The International youth forum "Territory of initiative youth "Biryusa - 2017";

- The Youth day of the International forum in the field of energy efficiency and development of the power industry "Russian Energy Week";
- The scientific educational programme for students and young specialists of companies "Future Industry" within the XIX World festival of youth and students;
- The International youth round table within the St. Petersburg International Economic Forum;
- The All-Russian contest of innovative projects and developments in the field of smart power "Energopriv-2017";
- The Annual Gathering of youth personnel reserve in the format "School of youth personnel reserve of the unit of rendering of services", more than 90 reservists took part in it. Within the Gathering a visiting professional training to reveal their managerial qualities was provided for participants. The format of the held master class had interactive character, at the same time, the emphasis was placed on techniques which participants of the training could use in daily work.

Participation in the listed events allows reservists to get unique experience of communication with the leading industry experts, to hear speeches of top officials of the Russian and foreign energy companies, the specialised ministry, to exchange experience with colleagues working in other companies.

For young specialists (graduates of educational institutions) a period of probation is set for a period of one year, for the purpose of acceleration of the process of adaptation of young specialists in the Company, detection of managerial ability, business and personal qualities of graduates of educational institutions, acquisitions by young specialists of practical and organising skills, training of young specialists for independent work in the Company. The probation of young specialists is organised and held according to the Regulation on the procedure of organisation and holding training of young specialists – graduates of educational institutions. In subdivisions work with young specialists is carried out by heads of the probation who, as a rule, remain supervisors of young specialists for two next years of their labour activity.

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6.8. Corporate ethics

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One of the most important elements of corporate culture in the Company are the corporate ethics promoting increase in overall performance of all the Company and directly influencing its reputation. The Board of Directors of the Company approved 20.04.2017 the new Code of Corporate Ethics and Official Behaviour of Employees of IDGC of Centre, PJSC (hereinafter – the CCE), developed according to Art. 13.3 of Federal law of 25.12.2008 No. 273-FZ "About anti-corruption", the Corporate Governance Code approved by the Board of Directors of the Bank of Russia 21.03.2014, the Anti-Corruption Charter of the Russian Business, the Code of

Corporate Ethics and Official Behaviour of Employees of PJSC ROSSETI and other normative and local regulations.

The CCE represents the code of general principles, regulations and rules of professional ethics and internal behaviour which all employees of the Company should follow irrespective of the position held by them, and also members of governing bodies and control of the Company. The CCE is of advisory nature for natural persons working under civil agreements signed with the Company and also for contractors and consultants who are agents performing instructions or representing the Company to third parties if their actions are performed on behalf of the Company.

Acquaintance with the CCE of all employees of the Company (including senior and top managers) takes place at employment before signing of an employment contract. Members of the supreme body of corporate governance get acquainted with the CCE within "The Guide on initiation of newly elected members of the Board of Directors and Committees under the Board of Directors of IDGC of Centre, PJSC".

Each agreement, signed by the Company, without fail as an appendix includes the Anti-corruption clause, in which information on acceptance by the Company of measures for anti-corruption, development of culture not allowing corruption manifestations, maintenance of business relations established in the CCE with partners who guarantee conscientiousness of their partners and support anti-corruption standards of business, is communicated to a partner and a counterparty.

For the purpose of restriction of influence of private interests, personal interest of workers on the labour functions, performed by them, taken business decisions, IDGC of Centre takes measures for identification, prevention and settlement of a conflict of interests. For achievement of the specified purposes the Guide "About settlement of a conflict of interests" was developed and approved. The Commission on compliance with regulations of corporate ethics and settlement of a conflict of interests was created and operates. The Commission includes the top management of the Company, and also a representative of PJSC ROSSETI. In 2016, five meetings of the Commission were held, at which 5 situations were considered and settled. In 2017, three meetings were held, at which 286 individual situations were considered. All the situations were settled, or are under control of an authorised subdivision of the Company.

Any persons, workers, partners and customers of services of the Company, can consult on ethical or law-abiding behaviour, and also report about possible facts of corruption, unethical or illegal behaviour of workers and officials of the Company. For this purpose, the Company created the following opportunities:

- by "the hot line" phone at 8-495-747-92-99 – around the clock;

- to the e-mail address: doverie@mrsk-1.ru – around the clock;
- in a feedback form on the website of the Company: <https://www.mrsk-1.ru/en/> – around the clock;
- by mail to the address: 4 2nd Yamskaya St., Moscow, 127018, Russia – around the clock.

Addresses come to a specially authorised structural subdivision of the Company – the Office of anti-corruption compliance procedures of the Security Department (hereinafter – the OACP), which controls and bears responsibility for proper functioning of mechanisms of informing concerning ethical and law-abiding behaviour.

Each employee of the Company, a partner or another stakeholder can get at the OACP individual advice on all the listed questions at any time.

In addition to the Company, a stakeholder can address for consultation or with a message to PJSC ROSSETI or the Ministry of Energy of the Russian Federation.

All methods of consultation or reference to the Company, PJSC ROSSETI or the Ministry of Energy of the Russian Federation are in open access on the official sites of the specified organisations and bodies, and also are published in financial and non-financial statements of the Company and PJSC ROSSETI.

When receiving consultation or referring with a message the OACP conducts acceptance, registration and accounting of such consultations and messages, ensuring at the same time confidentiality and safety of all data obtained from the addressed person. The OACP considers anonymous messages, but without sending a reply of the Company to the applicant. The total quantity of the consultations and messages which arrived in 2016 – 90; in 2017 – 268.

IDGC of Centre takes measures for protection of applicants – workers who provided information on possible facts of corruption and other illegal actions, from any forms of pressure (including from dismissal, prosecution, any types of discrimination).

The Company guarantees that workers will not be subjected to negative impact (wrongful dismissal, transfer to a subordinate position, deterioration in payment terms of work, change of a leave period, bringing to disciplinary responsibility, etc.) in case of addressing with information on possible facts of corruption and corruption offenses including if the violation facts specified in the message are not confirmed during conducting an agency check.

7. SOCIAL RESPONSIBILITY

7.1. Contribution to development of regions

Invaluable contribution to development and economic prosperity of regions of operations is brought by investing activities of IDGC of Centre. Projects, implemented by the Company, are

aimed at improvement or maintenance of availability of electricity services. Within capital investments in 2016 the following was made:

1. Reconstruction of the 35 kV SS "Malinovka" (branch "Belgorodenergo") with removal of deficit of power and replacement of two transformers of 10x16 MVA, installation of new outdoor switchgear. Increase in capacity by 12 MVA.

Implementation purpose: Ensuring uninterrupted, reliable and high-quality power supply of Rakityansky District of the Belgorod region, ensuring technical capability of connection of new customers under signed grid connection agreements.

Volume of investment: RUB 206 mn.

2. Reconstruction of the 110/10 kV SS "Southern". Installation of power transformers of 2x40 MVA and 2x25 MVA, installation of indoor switchgear of 110 kV, 10 kV, 6 kV (branch "Belgorodenergo").

Implementation purpose: Ensuring uninterrupted, reliable and high-quality power supply of residential and industrial customers of the city of Belgorod, reduction of emergency power outages, ensuring technical capability of connection of new customers.

Volume of investment: RUB 10.3 mn.

3. Technical re-equipment of 110 kV SS No. 9 "SKHI" with replacement of 110 kV switches (branch "Voronezhenergo").

Implementation purpose: Increase in capacity of uninterrupted power supply of utility enterprises, social facilities, apartment houses, and also the dynamically developing sector of new buildings in Comintern District of the city of Voronezh.

Volume of investment: RUB 49.3 mn.

A striking example of implementation of large-scale infrastructure projects, performed in partnership with the state, can also be the launch of the substation "Factory" in the Tambov region for power supply of "Tokarevskaya Poultry Plant". The power facility was constructed within the signed between administration of the region and the Company concessionary agreement on electrification of sites of large agro-industrial enterprises. Implementation of this project of public-private partnership is of great importance for economy of the Tambov region and makes the significant contribution to development of rural territories, ensuring restructuring of agriculture, transition from low-efficiency to modern innovative production.

In 2017, the following major projects of IDGC of Centre's investment programme were implemented:

1. Reconstruction of the 35 kV SS "Malinovka" with its transfer to the voltage level of 110 kV and increase in capacity to 32 MVA (branch "Belgorodenergo").

Implementation purpose: Ensuring uninterrupted, reliable and high-quality power supply of Rakityansky District of the Belgorod region, ensuring technical capability of connection of new customers under signed grid connection agreements.

Volume of investment in 2017: RUB 65.5 mn.

2. Expansion of the 110/35/6 kV SS "Dyatkovskaya" with replacement of transformers of 2*TDTN 25000/110 by 2*TDTN 40000/110 (branch "Bryanskenergo").

Implementation purpose: Increase in reliability of functioning of the distribution power grid and satisfaction of additional demand for power in Dyatkovsky Municipal District of the city of Bryansk.

Volume of investment in 2017: RUB 56 mn.

3. Reconstruction of the 35/10 kV SS "Belyanka" with transfer of the SS to a new site (branch "Belgorodenergo").

Implementation purpose: Increase in reliability of power supply of customers of Shebekinsky District of the Belgorod region and removal of deficit of power for connection of large agricultural enterprises to the grid of the branch.

Volume of investment in 2017: RUB 19.6 mn.

Commissioning of hi-tech substations allowed to optimise the scheme of power supply of customers, to resolve the issue of grid capacity restrictions and to create some power reserve for dynamically developing regions of operations.

The Company also performs subsidised grid connection which is one of key measures of system support of development of small and medium business and growth of economy. Providing citizens and enterprises with electricity at reduced rates directly influences the solution of many major tasks in the field of quality assurance of life of citizens and increase in their social wellbeing.

For the period 2016-2017, the Company performed connection to electric grids of a number of large and socially important facilities having significant effect on development of subjects of the Russian Federation, including:

- in the Belgorod region: a poultry slaughtering facility of "Belgrankorm" LLC (7.0 MW) and 4 sports and fitness centres (total power – 2.9 MW);
- in the Bryansk region: sewer treatment facilities in the settlement of Dobrun of Bryansky District (0.3 MW);
- in the Kursk region: a manufacturing facility of "Pharmstandard-Leksredstva" LLC (5.0 MW) and a mushroom cultivation facility of "Mushroom Rainbow" LLC (1.7 MW);
- in the Lipetsk region: a facility for storage and processing of oil-bearing crops of "Black Earth" LLC (8.2 MW);

- in the Orel region: a grain warehouse of "Orel-Agro-Produkt" LLC (2.1 MW) and an elevator of JSC "Orel Nobel-Agro" (1.4 MW).

Fulfilling the obligations for timely connection to grids of large industrial, residential and social facilities, sites of small and medium business, IDGC of Centre promotes creation in regions of the Central Federal District of new jobs, implementation of effective housing policy and makes a powerful contribution to ensuring social and economic stability in subjects of the Russian Federation.

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7.2. Sponsorship and charity

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IDGC of Centre's activity in the field of charity and sponsorship is governed by the Regulation on the procedure of formation and use of sponsorship and charity funds, which has defined objectives, the order of request, and also the procedure and sources of financing. The document is posted on the website of the Company.

In 2016, charitable assistance was given for:

- power supply of socially important facilities and educational institutions in the territory of the federal city of Sevastopol in the conditions of an emergency situation;
- carrying out the infrastructure congress "The Russian week of public-private partnership";
- The Development Foundation of NRU "MPEI" on implementation of activity in the field of education.

In 2017, with IDGC of Centre's sponsorship in the field of charity the following programmes were executed:

- implementation of educational activity, in particular: organisation of speeches of leading experts of world and domestic power and science; holding annual scientific and practical conferences and workshops of young scientists and specialists; preparation for publication of educational literature, etc.
- holding events within the celebration of the Victory Day devoted to memory of fallen soldiers and also assistance to families of staff who died working at anti-terrorist agencies;
- the project implementation "Environmental problems of the region, regional environmental policy and activities of public organisations for environmental protection in the Yaroslavl region" devoted to the Year of Ecology in Russia.

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7.3. Social projects for the benefit of regions

For the purpose of assistance to the state policy in the field of energy saving, IDGC of Centre, as an energy company with the state participation, on a regular basis performs activities for promotion of energy saving and increase in energy efficiency of production. In 2016, the

project "System Approach to Energy Efficiency Promotion" was implemented. Within the project the following was executed:

- the educational programme "Defenders of energy";
- the energy efficiency motor rally across the territory of 11 regions of operations of IDGC of Centre;
- development of didactic materials;
- 12 information booklets on energy saving and energy efficiency for different customer groups;
- a series from 9 videos "Let's Talk about Energy Saving";
- the contest of the youth ideas and projects "Energy Efficiency Symbol" (IDGC of Centre – the co-organiser).

The company implements a number of special communication projects, such as:

1. The project "Alphabet of Electric Safety" within which in the media there were 677 publications. This project was awarded with the 2nd degree diploma of the contest "KonTEKst-2018" in the nomination "Social and Educational Projects".
2. The environmental project "Green Distribution Zone".

Within the project:

- 28,860 trees and 837 bushes were planted;
- 272 volunteer clean-ups were held;
- 4,871 beds of flowers were improved;
- about 15 tonnes of garbage from cleared territories were collected and removed.



This project became the winner of the contest "KonTEKst-2018" in the nomination "The Projects Aimed at Environment Protection".

3. The communication project "NO to Theft!", aimed at fighting against electricity theft.

Under the leadership of activists of the Youth Councils of IDGC of Centre, more than 1,000 employees of 11 branches of the Company were involved in the project.

Within the project the following was carried out:

- 10 raids with invitation of journalists;
- placement of posters against theft on information boards;
- the large-scale campaign "NO to Theft!" on the Youth Day.

7.4. Support of the power engineering profession

IDGC of Centre pays much attention to promoting the power engineering profession among the youth. Besides, the Company is interested in purposeful young workers understanding the needs for professional personal fulfilment. Practice shows that the considerable share of such young people comes from families of power engineering specialists, successors of power engineering dynasties. At the same time, IDGC of Centre aims to interest the youth already at a stage of school training.



The movement of students' construction crews of the power grid complex has been in places at IDGC of Centre for more than 4 years. Students during summer holiday work at facilities of the Company. In each IDGC of Centre's branch when forming students' construction crews, the priority is given to involvement of students of district secondary technical schools.

The main tasks of students' construction crews are to test theoretical knowledge, to acquire practical skills of work under power specialties, to revive traditions of labour education of the youth. It is a very serious school. Especially, it a tradition of the Russian power industry to start the career from working professions. Such actions allow to begin training of future workers at a stage of their training at university, to pick up and adapt perspective students in advance that over time they will become worthy replacement to the acting generation of power engineering specialists.

The built practice-focused system of training of qualified personnel in all regions of operations of IDGC of Centre brings notable results. Every year, more and more motivated and qualitatively trained young specialists come to the industry. In 2017, the Company employed 250 graduates of higher educational institutions and 250 graduates of institutions of secondary professional education that is 25% more than in 2016.

7.5. Patriotic education and assistance to veterans

The Company's social focus is also shown in annual events for support of veterans, volunteer movements and patriotic projects.

In 2016, in Company implemented a large-scale military patriotic project, which combined all 11 branches of the Company. "Power engineering specialists read the book about war" - such name was received by the movie - a tribute to the memory of the fathers and grandfathers who defended our Homeland from fascism, shot by IDGC of Centre. The basis of the movie was formed by A.T. Tvardovsky's poem "Vasili Tyorkin". The ready video was shown on plasma panels in the Customer Service Centres. Work on the project became a key action to implement the programme of work with personnel regarding patriotic education of the youth.



Also, IDGC of Centre implemented the historical and memorial project "Memory Light" within which more than 180 military burials, memorials and monuments were improved, works on installation and check of the lighting equipment in the territories adjacent to the monuments and memorial complexes, built in honour of memory of the soldiers who were at war during the Second World War, were carried out. More than 800 volunteers of 11 branches of IDGC of Centre became participants of the project. All works were carried out by own forces at off-work time.

IDGC of Centre's power engineering specialists carried out a number of patriotic campaigns and events to the 71st anniversary of the Victory in the Great Patriotic War.

In the Belgorod branch the book "Power — the Great Victory" was published, telling about operation of power facilities of Central Russia in the years of war, about heroic feats of power engineering specialists on fronts and in the back, about the military force of electricity and courageous engineering solutions, which were found almost in the battlefield.

"Voronezh front – front-line Tambov" is the name of the campaign, which was carried out on the eve of the Victory Day by power engineering specialists of the Tambov and Voronezh branches of IDGC of Centre. Retired power engineering specialists, and also activists of youth councils and trade-union organisations of both branches took part in it. Within the interregional event employees of the branch "Tambovenergo" visited Voronezh where they laid flowers at the Eternal Flame in the Park of Patriots, visited the exposition devoted to the Victory anniversary in the Centre of Military Patriotic Education "Museum-Diorama". In Tambov residents of Voronezh visited the Museum and Exhibition Centre of the Tambov region, laid flowers at the Eternal Flame, the Monument of the Hero of the Soviet Union Zoya Kosmodemyanskaya, the Memorial "Tank "Tambov Collective Farmer". And in the village of Kovylka of Kirsanovsky District they visited a memorial, sponsored by the branch "Tambovenergo", to soldiers who fell in days of the Great Patriotic War, and took part in planting the Alley of Power Engineering Specialists.

The branch "Kostromaenergo" works on a chronicle of military glory. In 2015, to the 70th anniversary of the Victory the event was started to collect stories about front-line veterans, which were told by their children, grandsons and great-grandsons – Kostroma power engineering specialists. As a result, more than 70 pages of the chronicle were collected, each of which is devoted to the biography of one of participants of war.

IDGC of Centre's branch "Orelenenergo" together with a memorial complex in the village Vyazhi in Novosilsky District of the region implemented the patriotic project "Military Letters" to the Victory Day.

In August 2017, participants of students' construction crews of IDGC of Centre's branch - Tverenergo took part in burial of soldiers in Zubtsovsky District of the Tver region. Solemn memorial service took place at a memorial in the village of Verigino. The event was timed to the 75th anniversary of liberation of Zubtsovsky District from fascist aggressors.

The branch "Tambovenergo" pays much attention to patriotic events. With the assistance of employees of the branch in the territory of the Tambov region, 38 memorials of military glory were constructed, reconstructed and improved. Among them there is the memorial to soldiers who died in days of the Great Patriotic War, installed in the village of Kovylka of Kirsanovsky District, the monument to crews of airplanes of the 752nd aviation regiment of Long-Range Air Force in the village of Podvigalovka in Gavrilovsky District, monuments to military pilots at the military cemetery of the town of Kirsanov and in the village of Sofinka in Umetsky District. And the work continues today.

Work with veterans is an important activity of the Company. IDGC of Centre pays much attention to social support of veterans: they are given financial support, holiday concerts and tours to the Company's branches are organised. The Company regularly interacts with veterans' associations, taking care of all problems of their members.

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7.6. Interaction with trade unions

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Within social partnership, the Company performs direct interaction with trade unions where a key partner is the Primary trade-union organisation of IDGC of Centre, PJSC, which unites trade union organisations of branches and works in 12 regions (in the executive office and 11 branches).

As the Company is a participant of the single industry system of social partnership based on the Industry tariff agreement in the electric power industry (hereinafter – the ITA), the main local regulation governing the social and labour relations in the Company is the Collective Bargaining Agreement of IDGC of Centre, PJSC for 2016-2018, which covers all employees of the Company, and provides the rights and obligations of both parties regarding establishment of working hours and time of rest, wages, compliance with regulations of labour protection and safety, and also providing privileges, guarantees and compensations. According to the Collective Bargaining Agreement all workers have the right to social privileges and payments regardless of their membership in the trade-union organisation. Thus, a worthy social package allowing to recruit and retain the most valuable personnel is provided to employees of the Company. Following the results of 2016-2017, IDGC of Centre completely performed the regulations provided in the ITA and the Collective Bargaining Agreement.

In addition to social support of workers, interaction with the trade union provides for joint organisation and holding of corporate events, which are fully paid for by the primary trade-union organisation.

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7.7. Cooperation with public organisations

Interaction with the public plays a key role in implementation of the principles of transparency and disclosure of IDGC of Centre and promotes strengthening of its reputation. The communication policy of the Company is formed on the principles of disclosure, availability, efficiency and accuracy of information.

The purposeful information policy promotes increase in information disclosure of IDGC of Centre and strengthening of its image as an effective, dynamically developing company, which in full provides customers with reliable power supply, promoting social and economic development of regions of operations.

Within implementation of the Uniform communication policy of ROSSETI's Group of Companies, IDGC of Centre actively works in social networks and the blogosphere, constantly supporting and updating accounts on popular websites. Special attention is paid to explanatory work and control of accuracy of information posted in social networks and the blogosphere while restoring power supply interrupted by adverse weather conditions.

In 2017, the Public Relations Department of IDGC of Centre repeatedly became the winner of such professional contests as "KonTEKst", "MediaTEK" and others.



The project of IDGC of Centre's branch "Belgorodenergo" on prevention of electric injury among children and teenagers "Alphabet of electric safety" became the winner of the third All-Russian contest "MediaTEK-2017" in the nomination "Safe Energy". "Alphabet of electric safety", created by power engineering specialists of IDGC of Centre, represents a set of printing and video

materials intended for carrying out lessons, social events and other actions directed to promotion of electric safety among children and teenagers. The set is implemented by the principle "After learning – consolidate!" and touches upon the most problem situations connected with electricity.

7.8. Compliance with law and regulations

IDGC of Centre conducts regular work with arrived claims of customers. Upon receipt of complaints, actions are determined to eliminate the incident that has occurred, and necessary measures are taken.

Customers of services can file a claim at their personal visit to an office of customer service, send a complaint by mail, and also use the interactive service "Internet Reception" on the corporate website of the Company.

Following the results of 2017, IDGC of Centre received 3,744 claims (complaints) that is 3.6% more than in 2016 (3,614). Questions of quality (electricity transmission), electricity outages and grid connection became the main topic of the arrived claims and complaints - 33.5%, 23.5% and 21.2%, respectively. The shares of complaints, connected with questions of maintenance of power grid facilities and commercial electricity metering, were 14.9% and 3.0%, respectively.

The number of claims (complaints), which came to the address of the Company, and which after consideration were recognized lawful, decreased by 4.4%, from 1,138 pieces in 2016 to 1,088 pieces in 2017. At the same time, one should note a considerable decrease in well-ground claims concerning grid connection - by 26.7%.

In 2017, claims (complaints) arrived generally from customers of services – 79.5%. The share of claims from executive authorities and local government was 13.4%.

The number of complaints, which arrived in 2017, decreased by 4% relative to 2016.

During 2017, active work was carried out to decrease the number of addresses concerning electricity outages and grid connection aimed at prevention of incoming requests:

- customers who most often address to the Company were defined, and their address individual informing was carried out;

- the IVR system was installed (Interactive Voice Response – the system of previously written down voice messages performing the function of routing of calls in the call-centre with use of information entered by the client on the phone keyboard by means of tone dialling) during mass blackouts with information on the current progress in restoration of power supply and causes of outages;

- acceptance of calls from customers through the Viber messenger is set. Messages of customers are processed by the call-centre's operators;

- on the website of IDGC of Centre the possibility of verification by customers of information on blackouts is implemented;

- interaction with territorial authorities of the EMERCOM of Russia and administrations of settlements in regions of operations of the Company is set.

Features of complaints received by IDGC of Centre

Indicator	Total number of complaints		Growth rate
	2016	2017	
	pcs	pcs	%
Distribution of complaints by topics, pcs	154,100	148,384	- 3.7%
1.1. Grid connection	611	928	51.9%
1.2. Electricity transmission	6,816	6,671	- 2.1%
1.3. Electricity outage (messages on outages are not considered)	129,067	124,569	- 3.5%
1.4. Maintenance of power grid facilities	14,230	13,167	- 7.5%
1.5. Commercial electricity metering	776	829	6.8%
1.6. Value-added services	404	277	- 31.4%
1.7. Service quality	1,762	1,462	- 17.0%
1.8. Contact information	0	0	-
1.9. Power sales activity	26	25	- 3.8%
1.10. Other	408	456	11.8%

The Company pays special attention to performance of the antitrust law when rendering services to customers.

In total for 2017, IDGC of Centre received 6 warnings of FAS according to statements of customers on grid connection, which came to IDGC of Centre's branches - "Orelenergo", "Smolenskenergo" (2 pieces), "Tambovenergo", "Yarenergo" (2 pieces).

The total quantity of initiated cases against IDGC of Centre in 2017 was 185 pieces, 167 (90%) of which – on violations regarding rendering the grid connection service. Basic reasons of initiation of the cases on violations regarding rendering the grid connection service – breaking completion dates of obligations of the Company under the agreement on implementation of grid connection and violation of terms of providing the offer of the agreement on implementation of grid connection.

Broken down by the branches, the largest amount of the initiated proceedings is with IDGC of Centre's branch - "Tverenergo" (57%).

In total for the period of 2016-2017, 722 complaints to different public authorities concerning IDGC of Centre were made. From them under 166 complaints the Company was brought to the administrative responsibility in the form of a penalty for a total amount RUB 13.6 mn, including fines under 34 complaints for a total amount of RUB 6 mn are in an appeal stage in arbitration courts.

The complaints were made in connection with the following activities performed by the Company's branches:

- connection to electric grids;
- rendering services in electricity transmission, check of observance of proper metering of consumed electricity;
- construction (reconstruction) of power grid facilities and rendering value-added services;
- tendering or participation in biddings in cases, stipulated by the legislation.

The bases for submission of complaints within the function on connection to electric grids were:

a) action (failure to act), connected with conclusion of agreements on implementation of grid connection (evasion from conclusion of agreements, violation of a closing date of agreements and issue of specifications, imposing of disadvantageous conditions of agreements, including wrong determination of a payment amount);

b) action (failure to act), connected with performance of agreements on implementation of grid connection (violation of completion dates of agreement obligations or terms of renewal of documents on earlier performed grid connection, refusal in prolongation of terms of accomplishment of activities under agreements).

The bases for submission of complaints within the function on electricity transmission and check of observance of proper metering of consumed electricity were:

a) action (failure to act), connected with conclusion and performance of agreements of rendering services in electricity transmission (imposing of disadvantageous conditions of an agreement);

b) action (failure to act), connected with identification of non-metered consumption of electricity and taking readings of electricity metering devices (violations of the procedure of drawing up acts and reference billings, wrong taking readings of metering devices).

The bases for submission of complaints within the function on construction (reconstruction) of power grid facilities and rendering value-added services were:

a) actions, connected with violation of the ROW of an overhead power line under construction;

b) actions, connected with compulsion to conclusion of an agreement on transfer of the HVL pole and concerning routine maintenance of a power line (replacement of a pole, etc.);

c) actions, connected with non-compliance with safety requirements of traffic at construction, reconstruction, repair and maintenance of roads, railway crossings or other road structures.

The bases for submission of complaints within the function on tendering or participation in biddings in cases, stipulated by the legislation, were actions, failure to act, connected with evasion from conclusion of an agreement following the results of biddings and violation of the procedure of tendering.

More details about the total amount of fines, penalties and liquidated damages paid by IDGC of Centre in 2015-2017 are provided in Appendix No. 6 of the Report.

IDGC of Centre strictly observes human rights in all spheres of the activity, and also the right of indigenous and small peoples in the regions of operations.

8. RESPONSIBLE ENVIRONMENTAL MANAGEMENT

8.1. Policy in the field of environmental protection

Realising the responsibility to present and future generations, IDGC of Centre follows environmentally balanced development of the electric power industry and increases the level of environmental safety.

In 2017, IDGC of Centre joined implementation of the Environmental policy of the power grid complex (hereinafter – the Environmental policy), which purpose is consecutive restriction of impact of the fuel and energy complex on the environment by decrease in pollutant emissions (discharges) into the environment and reduction of generation of production and consumption waste, and approved "The action plan of IDGC of Centre, PJSC on implementation of the Environmental policy for 2017-2019".

The Company is interested in environmental safety of productive activity, rational use and preserving of natural resources. The basis of achievement of the set objectives includes the solution of the following tasks:

- priority of taking measures to prevent harmful effects on the surrounding environment over implementation of actions for liquidation of environmental negative effects of such influence;
- use of the best available technologies and innovations providing observance of nature protection requirements and minimisation of negative impact on the environment, including application of cable lines and self-supporting insulated wires;
- improvement of a system of production environmental control;
- regulation of harmful effects on the environment. So, in 2017 the Company carried out work on development of 37 drafts of standards of maximum permissible emission (hereinafter – the MPE), and in 2016 it developed 6 MPE projects;
- training (advanced training) of heads and employees of the Company responsible for environmental protection and safety, for the purpose of increase in the level of environmental



knowledge and adoption of decisions, competent from the environmental point of view. So, in 2017 under the programme "Ensuring environmental safety during works in the field of treatment of hazardous waste" 86 specialists were trained, 59 heads and specialists were trained under the programme "Ensuring environmental safety by heads and specialists of general economic management systems". In 2016, under the programme "Ensuring environmental safety in the field of treatment of hazardous waste" 186 specialists were trained, under the programme "Ensuring environmental safety by heads and specialists of general economic management systems" - 69 heads and specialists were trained.

In 2016-2017, IDGC of Centre actively supported and participated in environmental campaigns, which are carried out by PJSC ROSSETI such as "Distribution power grid complex – for environmental protection", "Live forest!", and also events, organised by local governments. The Company annually holds the contest "Green Distribution Zone" among subdivisions.



Due to possible changes of loading of grids because of holding an ежегодной environmental action "Earth Hour", work on strengthening of control of operation of power grid equipment is carried out in all IDGC of Centre's branches. Supporting the environmental initiative of the population, all dispatching services of IDGC of Centre's branches, first responding mobile crews, persons on duty at substations of production departments ensured smooth and high-quality operation of the power supply system.

In 2017, announced in Russia as the Year of ecology, Environmental and Energy Rating Agency Interfax-Era assigned the Company with the 35th place in the rating of fundamental

efficiency among 150 largest companies of Russia on indicators of environmental and energy and technology efficiency. In 2016, the Company was not included into this rating.



8.2. Actions for environment protection and animals and plants

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One of the purposes of implementation of the Environmental policy of the Company is reduction of negative impact on the environment, by reducing emissions (discharges) of pollutants and decreasing the generation of production and consumption waste. For achievement of the set objectives, tasks are annually established, which are implemented through accomplishment of actions, approved by the Unified Technical Policy of PJSC ROSSETI and the Policy of Innovative Development, Energy Saving and Energy Efficiency Improvement.

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8.2.1. Protection of atmospheric air

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The Company's productive activity does not have considerable impact on atmospheric air. The main sources of pollution of atmospheric air from IDGC of Centre's productive activity are: welding equipment, metalworking and woodworking machines, motor vehicles, painting and drying cameras, car repair equipment and oil facilities.

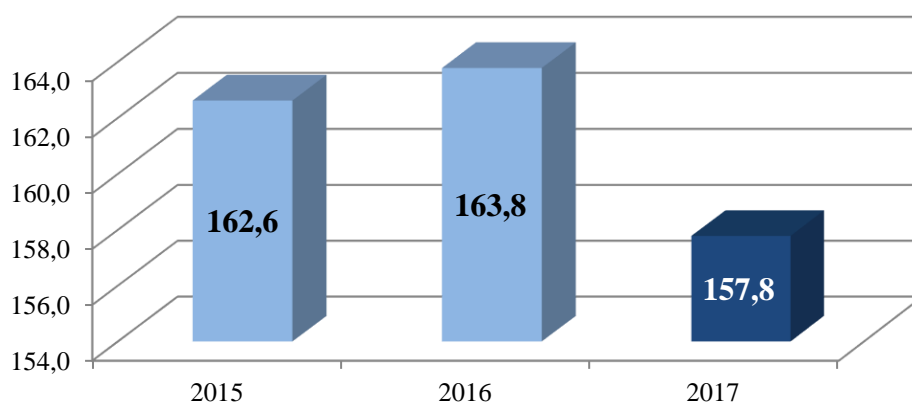
Within carrying out production environmental control in 2016-2017, control of observance of the established standards of maximum permissible emissions with involvement of accredited laboratories was carried out. Following the results of the performed measurements, no excess of the established standards was registered. Control of motor vehicles on compliance to standards for toxicity and smoke was carried out at the time of passing of their technical inspection. Operation of motor vehicles, which did not pass technical inspection on time, was not allowed.

For the purpose of compliance with criteria of quality of atmospheric air and regulation of emissions of pollutants into atmospheric air, for all production facilities of the Company, where there are sources of emissions, projects of maximum permissible emissions were developed, and corresponding permits were received.

For the purpose of prevention of exceeding of the established standards of emissions of pollutants, the Company performs a set of activities:

- regular instrumental control of emissions of pollutants with involvement of accredited laboratories;
- conducting regular checks of vehicles on compliance with technical standards of emissions;
- efficiency evaluation of work of gas treatment stations.

Changes of gross emissions of pollutants into the atmosphere, total tonnes



The total amount of emissions in 2017 decreased in relation to indicators of 2016 by 3.7% in connection with reduction of the quantity of sources of emissions of pollutants into the atmosphere.

Gross emissions of some harmful substances into the atmosphere in 2015-2017

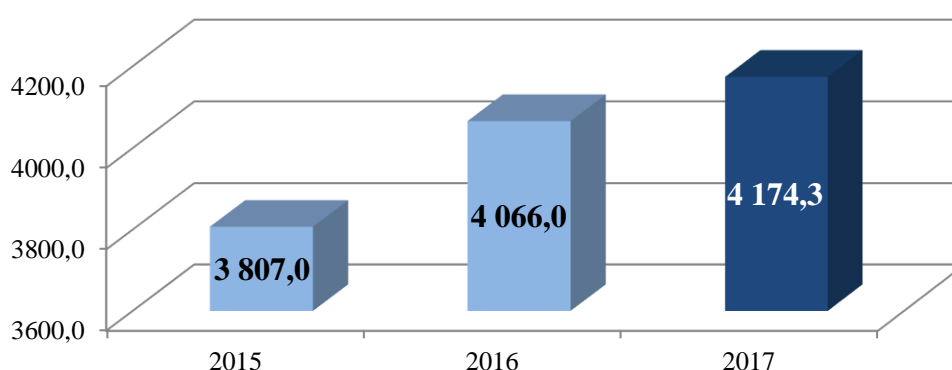
Indicator	UoM	2015	2016	2017
Particulate pollutants	t	13.7	14.2	12.2
Sulfur dioxide	t	0.5	0.5	0.5
Carbon oxide	t	78.2	78.1	74.3
Nitrogen oxides (expressed as NO ₂)	t	6.8	6.7	6.2
Hydrocarbons (without volatile organic compounds)	t	0.3	0.2	0.8
Volatile organic compounds	t	62.9	62.9	60.3

One of the directions of the Company's technical development is use of modern gas-insulated equipment.



Gas-insulated switches and transformers, unlike oil, possess a high degree of reliability, reduce utility electricity, are fireproof, environmentally friendly. SF₆ (Sulphur Hexafluoride) is a colourless and unscented gas, has high dielectric strength, arc-suppressing and heat-removing capability. SF₆ is among the so-called "new gases" of the Kyoto Protocol. Accounting of emissions of greenhouse gases for SF₆ is expressed in terms of CO₂. The Global Warming Potential is referenced 23,900 according to the decision of the Intergovernmental Panel on Climate Change. The total SF₆ content in the Company's equipment in 2017 was 12.1 tonnes (for comparison in 2016 it was 10.8 tonnes).

Approximate SF₆ emissions expressed in terms of CO₂, tonnes



However, it is necessary to take into account that at observance of statutory rules and regulations at operation of gas-insulated equipment, there are no dangerous situations neither for personnel, nor for the environment.

For the purpose of providing safe working conditions of personnel and decrease in negative impact on the environment, the Company conducts continuous work on control of operation of gas-insulated equipment. Substations with this type of equipment have gas alarms.

Indirect decrease in emissions of greenhouse gases in the Company is reached by implementation of actions, according to the adopted Programme of energy saving and increase in energy efficiency, which was detailed in section 8.3. of the Report.

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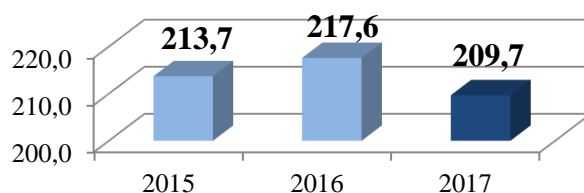
8.2.2. Protection and rational use of water resources

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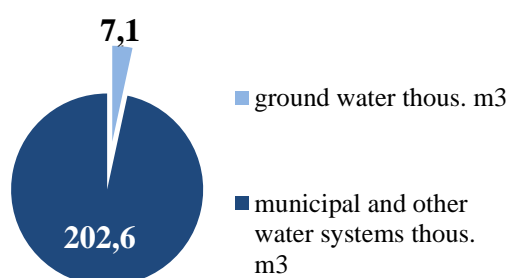
For ensuring economic and household and production needs of subdivisions of the Company, water is supplied from municipal organisations and other water supply systems, and also from 10 underground sources, which are on the Company's balance. Subsurface licenses were issued for all available wells. Accomplishment of the subsurface license conditions is provided by plans of nature protection actions.

Changes of total quantity of water withdrawal in 2015-2017 (thous. m³)

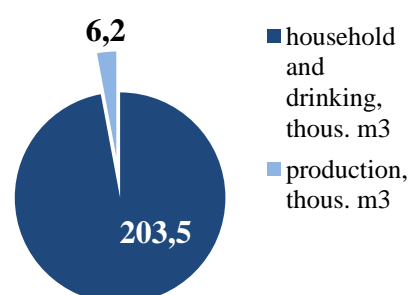


By results of accomplishment of nature protection and energy saving actions (installation of new equipment, repair of a water supply system) in 2017, in relation to indicators of 2016, there was a reduction of volumes of water withdrawal and consumption by 3.6%.

Breakdown of water withdrawal in 2017 by sources



Water consumed in 2017



The main volume of the withdrawal of water (97%) is used for providing economic and household needs of subdivisions of the Company. Determination of an amount of extracted (discharged) water is performed by commercial metering.

For reduction of negative impact on the environment the following measures are taken:

- accomplishment of the subsurface license conditions for extraction of ground water;
- performance of instrumental control of quality of extracted ground water;
- improvement of security zones of wells;
- conclusion of agreements for car washing.

The Company does not take in water resources from surface water bodies.

Effluents are transferred to water and sewer organisations according to agreements to water disposal with observance of the mode of water disposal and requirements for content and properties of effluents. Discharge into surface water bodies in the Company is performed in IDGC of Centre's branch - "Tverenergo" from premises of the site of the service of mechanisation and transport, after cleaning in the oil trap, into a water body, an unnamed stream, the Lyutinka river tributary. The discharge volume in 2017 was 1.4 thous. m³ that is 0.08 thous. m³ more than in 2016. The volume was determined by the decision on providing the water body in use, in connection with expiration of the previous one, in December 2016 a new decision was received.

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8.2.3. Production and consumption waste

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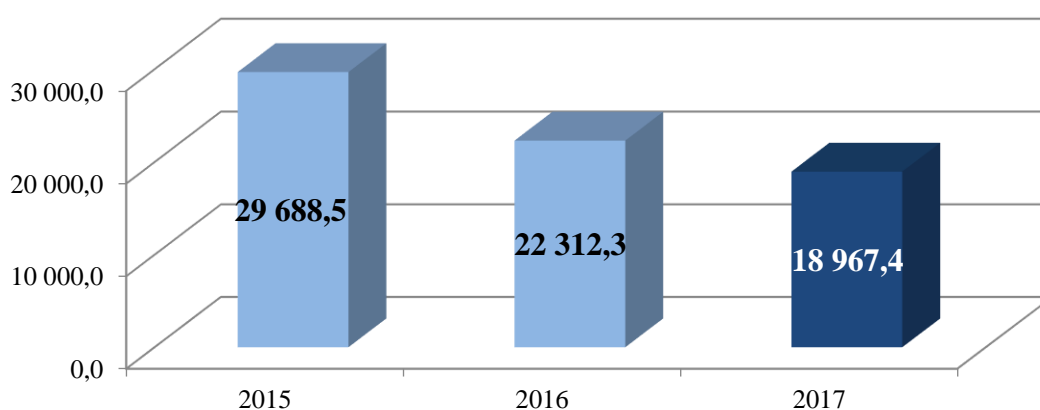
Generation of production and consumption waste results from the following types of

306-2

IDGC of Centre's activity:

- construction (reconstruction), maintenance, adjustment and repair of power grid facilities;
- operation, maintenance, repair of motor and specialised vehicles;
- operation and maintenance of rooms and premises of the enterprise;
- functioning of warehouses;
- administrative activity.

**Changes of volume of generation of production and consumption waste
in 2015-2017 (tonnes)**

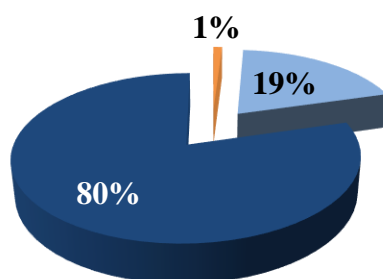


By results of accomplishment of nature protection measures in 2017 in relation to indicators of 2016, there was a reduction of volume of generation of waste by 15.0% as a result of decrease in generation of wood waste from clearing of ROWs, and also scrap metal.

The Company has no waste disposal sites on the balance. All waste generated in 2017 from productive and business activities of the Company is transferred to third parties for subsequent use, neutralisation, dumping at sites of third-party enterprises having corresponding licenses.

Year	Generation of waste per year, t	Used, t	Transferred to third-party organisations, t			
			In total	For use	For neutralisation	For dumping
2016	22,312.3	250.5	22,061.8	5,224.7	108.6	16,380.2
2017	18,967.4	0.0	18,967.4	3,062.3	105.6	15,799.5

By content of the waste, which was formed in 2017 in the course of productive and business activities of IDGC of Centre, the greatest part is made by waste of hazard categories IV (19%) and V (80%). The specific weight of waste of hazard categories I-III is 1%.



■ Category 1-3 ■ Category 4 ■ Category 5

Impact on the environment of the waste, which is temporarily stored in the territory of industrial sites of subdivisions, is minimum because:

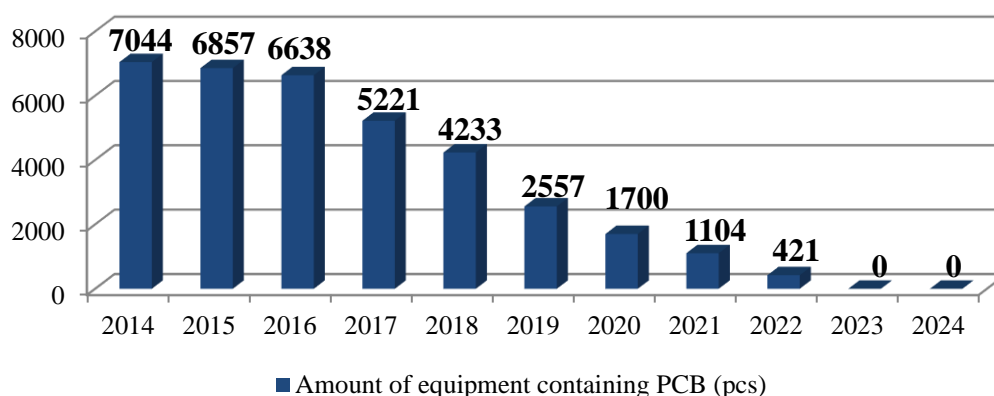
- the hazard category to the environment is established for all generated waste, defining methods of its treatment;
- in territories of subdivisions sites for temporary accumulation of waste (platforms, containers, etc.) according to sanitary and hygienic and nature protection requirements are equipped;
- officials responsible for treatment with hazardous production waste are designated;
- waste generated in the course of productive and business activities is transferred to third parties having corresponding licenses.

For the purpose of solution of the tasks of the Environmental policy, accomplishment of obligations of the Stockholm Convention on Persistent Organic Pollutants regarding decommissioning of 100% of the equipment containing polychlorinated biphenyls (hereinafter – the PCB), IDGC of Centre performs planned decommissioning of power equipment containing the PCB with its subsequent transfer for destruction. For 2017, 1,417 banks of capacitors containing the PCB with a total weight of 48.9 tonnes were transferred to neutralisation to specialised organisations. IDGC of Centre's costs for transportation and neutralisation were RUB 2.5 mn. As at 31 December 2017, on the Company's balance there were 5,221 pieces of the equipment containing the PCB, with the equipment total weight – 240 tonnes.

The Company is going to decommission completely and transfer to utilisation to specialised organisations all equipment, which is on the balance, containing the PCB by 2024. The number of the capacitors being in operation with the PCB decreases, so for the last 4 years their number was reduced by 26%, and the number of the equipment with the PCB decreased by 70.3 tonnes. The planned decommissioning of the equipment and its replacement by environmentally friendly one, which does not contain resistant organic pollutants in its structure, is carried out.

Indicator	2014	2015	2016	2017
Number of the equipment with the PCB (pcs)	7,071	6,884	6,638	5,221
Number of the equipment with the PCB transferred to utilisation, pcs	128	187	246	1,417
Number of the equipment with the PCB transferred to utilisation, tonnes	5.5	8.8	7.1	48.9

Changes of decommissioning of the equipment containing the PCB and its transfer to neutralisation in 2014-2024 (pcs)



The share of the capacitors, transferred to neutralisation with the PCB, is 0.3% (48.9 tonnes) of the waste formed in 2017.

G4-EN12

8.2.4. Actions for protection of animals and plants

For ensuring regular and high-quality power supply of settlements located in specially protected territories in the Company’s regions of operations, all works on maintenance of the HVL, passing through the protected natural territories, are performed according to the established requirements:

- clearing of ROWs of the HVL using herbicides is not allowed;
- clearing of ROWs under the HVL during reproduction of animals is not allowed;
- the HVL is equipped with bird guards.

The performed technical measures within reconstruction and modernisation of power grid facilities, such as, application of the SIW, also lead to decrease in risk of death of animals at operation of power facilities. In 2017, the HVL length of 0.4-35 kV, equipped with the SIW, increased in relation to 2016 by 7.7% and was 8.4 thous. km.

Equipment of the HVL by special bird guards is carried out by the Company. In 2017, 4,732 bird guards were purchased and installed on the HVL of 6-110 kV (in 2016 - 3,554 pieces). Including 90 pieces were installed on the HVL of 10 kV passing across the territory of Federal Government-Financed Institution "National Park "Lake Pleshcheyevo" in the Yaroslavl region and 33 bird guards were installed on the HVL of 10 kV passing across the territory of the National Park "Smolensk Lakeland", which received the status of the key ornithological territory of international importance.



Within the environmental actions the power engineering specialists of the Company's branches took an active part in events actions directed to recovery of natural balance, planting of trees, improvement and gardening of cities and villages, beautification of premises around subdivisions. Annually, a contest on improvement and landscape gardening "Green Distribution Zone" is held in IDGC of Centre's branches.

For the purpose of reduction of violations, and also ensuring regular and high-quality power supply of customers, the maintenance of ROWs along power lines in a treeless state is one of priority tasks of IDGC of Centre.

Indicator	2015	2016	2017
Clearing of the ROW of the HVL, ha	14,663.2	11,359.5	11,708.6
including chemical clearing, ha	2,020.5	0.0	0.0

Since 2016, the Company refused application of a chemical method when clearing ROWs of power lines, which was the most efficient way to fight against undesirable vegetation together with mechanised or manual methods, and, at observance of all rules of use of chemicals, did not do harm to the surface soil as concentration of harmful substances on the processed sites did not

exceed the regulation. In 2016-2017, IDGC of Centre's branches applied only the mechanised and manual methods of clearing of ROWs of power lines without use of chemical substances.

When clearing the ROW of the HVL passing across forests, requirements of the Rules of sanitary safety in woods are fulfilled for the purpose of prevention of increase in the number of pests in the woods, namely:

- during the spring and summer period storage in the woods of cut timber without removal of bark or treatment with pesticides is not allowed for more than 30 days;
- moving of felling residue to the forest edge is not allowed.



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8.3. Rational use of resources and energy efficiency

8.3.1. Careful attitude to use of resources

The Company pays much attention to decrease in negative impact on the environment in transportation of personnel and material resources by implementation of the following measures:

- inspections of motor vehicles on compliance with technical standards of emissions of harmful (contaminating) substances into the atmosphere are regularly carried out;
- operation of vehicles and other mobile means, which content of pollutants in emissions exceeds the established technical standards of emissions, is not allowed;
- holding video conference calls and webinars for the purpose of reduction of the quantity of business trips and, as a result, reduction of emissions of pollutants from motor vehicles and saving of automobile fuel.

For the purpose of reduction of generation of waste of paper from clerical activity, electronic document management is applied, the paper back is used. In 2017, within the Year of Ecology in Russia, the Company collected and transferred to processing 6.1 tonnes of waste paper, in 2016 similar events were not held.

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8.3.2. Energy saving and energy efficiency

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IDGC of Centre systematically deals with issues of energy saving and increase in energy efficiency. Today, the Company sees the mission in promotion of standards of energy efficiency and energy saving applicable to all distribution power grid facilities of the regions of operations including grids of territorial grid organisations and customers.

The organisation of work on energy saving and increase in energy efficiency of the Company is carried out in accordance with the legislation of the Russian Federation, and also according to the Programme of energy saving and increase in energy efficiency of IDGC of Centre, PJSC. At the moment, the Programme is created for 2017 with perspective till 2022.

The implementation of the Programme of energy saving is aimed at:

- decrease in electricity losses at transmission and distribution;
- decrease in use of electricity for utility needs;
- decrease in consumption of other fuel and energy resources;
- optimisation and development of internal business processes, regarding the organisation and control of work on management of consumption of energy resources (power management).



Actual resource consumption for production and utility needs

Indicator	UoM	2016	2017
Fuel and energy, including:	thous. tonne of oil equivalent	82.5	80.9
electric energy	mn kWh	129.3	124.2
thermal energy	Gcal	50,289.6	47,205.9
gas	thous. m ³	1,184.9	1,305.8
motor fuel	thous. tonne of oil equivalent ¹	29.1	29.6
Hot water supply	thous. m ³	16.5	14.6
Cold water supply	thous. m ³	210.3	203.1

Reached effect of implementation of actions of the Programme of energy saving, mn kWh

	2016	2017
Total effect, including:	37.4	37.8
Target actions for decrease in losses	19.6	22.3
Programme of development of metering systems	6.8	1.6
Programme of modernisation and reconstruction	11.0	13.9

Installation of energy efficient transformers with reduced losses, replacement of wires with a bigger cross-section on overloaded power lines, replacement of existing feeders of 0.4 kV with the SIW (in sections of the greatest losses) refer to the most effective technical actions.

Following the results of 2016, the effect of implementation of actions for decrease in use of resources for economic needs was 122.5 tonnes of oil equivalent, following the results of 2017 – 352.4 tonnes of oil equivalent.

¹ Recalculation in tonnes of reference fuel (hereinafter – tonne of oil equivalent) is performed on the basis of "Methodological provisions for calculation of fuel and energy balance of the Russian Federation according to the international practice", approved by Resolution No. 46 of the Federal State Statistics Service of the Russian Federation of 23 June 1999.

The main target actions providing decrease in resource consumption for economic needs are: replacement of incandescent lamps in lighting systems for LED ones, automation of heating systems of buildings and structures, modernisation of heating systems, sealing and heat insulation of buildings.

8.3.3. Support of renewable sources of electricity

By Resolution of the Government of the Russian Federation of 13.07.2009. N 1715-r "About the Energy Strategy of Russia for the period till 2030", the strategy of development for the energy sector of the country was approved, which defined the main objectives and problems of long-term development of the energy industry. According to the specified Strategy, one of the main priorities of perspective development of the fuel and energy complex of the country is use of renewables (RES) for generation of electric and thermal energy. IDGC of Centre provides comprehensive assistance to generating companies that have transferred or plan to switch to generation with renewable energy sources.

List of organisations connected to IDGC of Centre's grids, which sell electricity produced at qualified generating facilities, functioning on the basis of use of renewables.

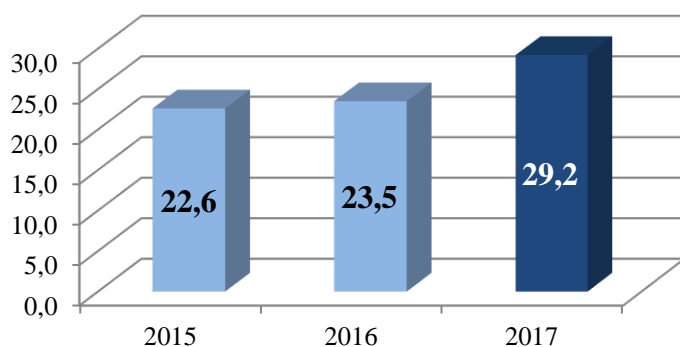
Name of the branch	Name of the organisation	RES facility	Volume of supply of electricity to the grid of the branch (thous. kWh)		
			2015	2016	2017
	Altenergo LLC	Biogas station "Luchki"	21,122.2	22,421.4	19,254.1
Belgorodenergo	Altenergo LLC	Wind generators in the village of Krapivinsky Dvory	14.9	12.4	5.0
	Altenergo LLC	Solar panels in the village of Krapivinsky Dvory	91.9	80.5	80.4
Orelenergo	"Lykovskaya hydroelectric power plant" LLC	Lykovskaya hydroelectric power plant	445.5	5,724.2	6,259.4
Tverenergo	Federal Government-Financed Institution "Moscow Canal"	Novo-Tveretskaya hydroelectric power plant	3,974.1	3,415.7	7,748.9
Yarenergo	PJSC RusHydro	Rybinskaya hydroelectric power plant	433,088.8	442,989.6	334,192.3
	PJSC RusHydro	Khorobrovskaya small hydroelectric power plant	689.3	866.2	847.9
Total			459,426.8	475,510.0	368,388.0

Since March 2015, IDGC of Centre's branch - Belgorodenergo has signed with Altenergo LLC an electricity purchase and sale agreement for compensation of losses in electric grids of the grid company.

8.4. Costs for environmental protection and payment for environmental pollution

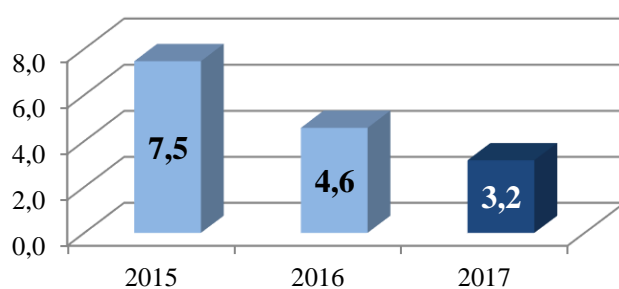
Total costs on environmental protection include arrangement of sites for temporary accumulation of waste, payment to third parties for neutralisation and dumping of waste, waste water collection, development of project documentation, personnel training, carrying out instrumental control over the level of negative impact and observance of standards of established emissions, etc.

Cost changes on environmental protection for 2015-2017 (RUB mn)



Current costs on environmental protection in 2017 grew in relation to 2016 by 24%. Increase in the costs was the result of increase in expenses for transportation and neutralisation of capacitors with the PCB, within accomplishment of obligations of the Stockholm Convention on Persistent Organic Pollutants. In total in 2017, RUB 2.5 mn were allocated for it (in 2016, RUB 416 thous.).

Payment for negative impact on the environment in 2015-2017 (RUB mn)



Decrease in the payment for negative impact on the environment was the result of introduction of amendments to the nature protection legislation.

8.5. Cooperation with nature protection structures and environmental organisations

IDGC of Centre's activity is open for dialogue and cooperation with the public and all parties concerned regarding environmental issues.

IDGC of Centre closely interacts with nature protection structures. So, in 2017 the following scheduled inspections of the Company's nature protection activity were carried out:

– from 02.06.2017 to 28.07.2017 the Office of the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor) for the

Kostroma region carried out a scheduled inspection of IDGC of Centre's branch - Kostromaenergo. 6 violations were revealed, including 3 in the field of environmental protection, which concern development and approval of the sanitary protection zone of subdivisions. Actions for elimination are planned to be completed until 15.11.2018.

– from 18.09.2017 to 18.10.2017 the Office of the Federal Service for Supervision of Natural Resource Usage (Rosprirodnadzor) for the Lipetsk region carried out a scheduled visiting inspection of observance of requirements of the legislation in the field of environmental protection by IDGC of Centre's branch - Lipetskenergo. Instructions were not issued following the results of the performed inspection.

– from 17.10.2017 to 12.12.2017 the Office of Rosprirodnadzor for the Bryansk region carried out a scheduled visiting inspection of observance of requirements of the legislation in the field of environmental protection by IDGC of Centre's branch - Bryanskenergo. Violations were not revealed.

– from 01.12.2017 to 28.12.2017 the Office of Rosprirodnadzor for the Orel region carried out a scheduled visiting inspection of observance of requirements of the legislation in the field of environmental protection by IDGC of Centre's branch - Orelenergo. By results of the performed inspection an instruction was issued, regarding the need of approval by executive authorities of actions under adverse meteorological conditions. The term of accomplishment of the action is until 01.03.2018.

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8.6. Non-compliance with the environmental legislation and regulations

Complaints and offers are accepted both via the single "Hot line" number, and by mail to the Company's address.

In total for 2016-2017, 18 complaints connected with impact on the environment were submitted concerning IDGC of Centre.

The reasons for submission of the complaints connected with non-compliance with the environmental legislation and regulations were:

- a) actions connected with violation of the fire safety regulations;
- b) actions connected with unauthorised water discharge to a city street road network, a municipal territory;
- c) actions connected with effluents discharged into water bodies;
- d) actions connected with violation of maintenance of distribution and transformer substations;
- e) actions connected with inadequate performance of work on removal of felling residue after clearing of ROWs.

By results of consideration of the total quantity of the made complaints, the following resolutions were delivered:

– under 8 complaints the Company’s branch the in the Tver region was brought to the administrative responsibility in the form of a penalty for the total amount of RUB 1.290 mn for violation of the fire safety regulations in forests in the conditions of special fire safety arrangements;

– under 1 complaint in 2017 the Yaroslavl interdistrict nature protection prosecutor’s office issued a warning upon inadequate treatment of effluents before their removal in connection with violation of paragraph 1 of Part 6 of Article 60 of the Water Code of the Russian Federation.

Violations of nature protection regulations were not revealed under the other complaints, and the Company was not brought to the administrative responsibility.

9. COMPLIANCE TABLE TO THE GRI STANDARDS IN THE REPORT

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102-28	Evaluating the highest governance body's performance	12	
102-30	Effectiveness of risk management processes	32	Disclosed in item 4.4. of the Annual Report of the Company
102-31	Review of economic, environmental, and social topics	4, 6	
102-32	Highest governance body's role in sustainability reporting		The Report is approved by the Corporate Governance and Shareholder Interaction Department of the Company
102-33	Communicating critical concerns	6	
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102-48	Restatements of information		No such restatements
102-49	Changes in the reporting		No such changes
102-50	Reporting period	6	

102-51	Date of the most recent report		The Report first published
102-52	Reporting cycle	6	
102-53	Contact point for questions regarding the report	109	
102-54	Claims of reporting in accordance with the GRI Standards	6	
102-55	GRI content index	103	
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Topic-Specific Disclosures

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103-2	Management approach and its components	12, 30	
103-3	Evaluation of the management approach	25, 85	
201-1	Direct economic value generated and distributed	20	
201-2	Financial implications and other risks and opportunities due to climate change		The Company does not evaluate risks due to climate change
201-3	Defined benefit plan obligations and other retirement plans	65	
201-4	Financial assistance received from government		The Company did not receive financial assistance from government in the reporting periods
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204 Procurement Practices			
103-1	Explanation of the material topic and its Boundary	6	
103-2	Management approach and its components	12, 26, 29	
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Sector Disclosures

INDEX	GRI INDICATOR	PAGE NO.	NOTE
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10. GLOSSARY AND ABBREVIATIONS

Abbreviations

HV	High voltage (110 kV)
Subsidiaries and affiliates	Affiliated and dependent companies
Investment Programme	Investment programme
KPI	Key performance indicators
PL	Power line
LV	Low voltage
SS	Substation – a power installation intended for transformation and distribution of electric energy
RAS	Russian Accounting Standards
Distribution Zone	District of electric grids
SME	Subjects of small and medium entrepreneurship

MV	Medium voltage
TS	Transformer substation
FZ	Federal law
CSC	Customer Service Centre
GCC	Grid Control Centre

Units of measurement

kWh	kilowatt-hour. Unit of measure of generated or consumed electric energy
km	kilometre
l	litre
MVA	megavolt-ampere. Unit of measure of electric power
MW	megawatt. Unit of measure of electric power
mn	million
bn	billion
p.p.	percentage point
RUB	Russian ruble
t	tonne
thous.	thousand
pc	piece

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11. CONTACT INFORMATION

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APPENDICES

Appendix 1. Structure of requests and revenue received for provision of value-added service for 2016-2017

Appendix 2. Deductions to budgets of different levels and extra-budgetary funds of IDGC of Centre, PJSC for 2015-2017

Appendix 3. Characteristics of work with calls of IDGC of Centre, PJSC for 2016-2017

Appendix 4. Main characteristics of staff of IDGC of Centre, PJSC for 2016-2017

Appendix 5. Number of occupational injuries for 2016-2017 broken down by the branches of IDGC of Centre, PJSC

Appendix 6. Total amount of fines, penalties and liquidated damages paid by IDGC of Centre, PJSC for 2015-2017

Appendix 7. Revenue from grid connection services for 2016-2017 by branches of IDGC of Centre, PJSC

Appendix 8. Assurance of the Sustainability Report of IDGC of Centre, PJSC for 2016-2017