RusHydro

2015 CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY REPORT RUSHYDRO GROUP

2015 CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY REPORT
RusHydro Group

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REPORT PROFILE

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This report contains the analysis of RusHydro activities related to corporate social responsibility and sustainable development, namely: the material facts and results of the activities in labour management, health, safety and environment, responsible stakeholder engagement, and participation in the socio-economic development of the regions for 2015.

This 2015 Corporate Social Responsibility And Sustainability Report of RusHydro Group (hereinafter - the Report) covers the period from January 1 to December 31, 2015. RusHydro has an annual non-financial reporting cycle. This report is the eighth one. It has been prepared in compliance with the Sustainability Reporting Guidelines (G4 version, Core Option[1]) of the Global Reporting Initiative (hereinafter - the GRI) and the GRI Electric Utilities Sector Supplement. The Core Option has been selected since it is the most suitable option for RusHydro's needs and allows to meet the information needs of its stakeholders.

The 2014 Corporate Social Responsibility And Sustainability Report was also prepared in compliance with the GRI-G4 Core Option of the GRI Guidelines and is available at www.rushydro.ru/sustainable_development/socialotvetstvenost/kso.

TERMINOLOGY

PJSC RusHydro, or the Company: means the holding company, and includes the executive bodies and branches of PJSC RusHydro.

RusHydro Group, or the Group[2]: means PJSC RusHydro and its subsidiaries within the Report Boundaries. The list is given below within the Report Boundaries.

RAO ES East Subgroup: PJSC RAO ES East, including its subsidiaries.

REPORT BOUNDARIES G4-20, G4-21

The main subsidiaries of the Group fall within the Report boundaries. The list is given in the tables below. The Group's subsidiaries outside the Report boundaries are not essential for the purposes of the Report disclosures.

EXTENDING THE BOUNDARIES G4-13, G4-23, G4-22

Unlike in the 2014 Report, the boundaries of this Report include PJSC RAO ES East and main subsidiaries controlled by PJSC RAO ES East.

There have been no other material changes in the boundaries of the Report or in comparable data, or rewordings as compared with earlier reports.

List of companies of the RusHydro Group, except for the companies of RAO ES of the East Holding (within the scope of the Report) and their key business areas G4-17

Electricity generation companies	Electricity generation facilities construction companies	Supply (retail) companies	Institute (research and design) companies	Repair and construction companies
PJSC RusHydro executive administration and branches: JSC Geoterm JSC Pauzhetskaya GeoPP PJSC Kolymaenergo PJSC KamHEK CJSC MEK (the Republic of Armenia) JSC Boguchanskaya HPP* JSC Blagoveshchenskaya CHPP**	JSC CHPP in Sovetskaya Gavan JSC Yakutskaya SDPP-2 JSC Sakhalinskaya SDPP-2 JSC Nizhne-Bureyskaya HPP JSC Ust-Srednekanskaya HPP JSC Sulak HydroCascade LLC SHPP of Stavropol Region and KCR JSC Zagorskaya PSPP-2 JSC SHPP of KBR JSC Zaramagskye HPPs	PJSC Krasnoyarskenergosbyt PJSC Ryazan Energy Retail Company JSC Chuvash Energy Retail Company LLC Energy Supply Company of Bashkortostan JSC ESK RusHydro	JSC Vedeneyev VNIIG JSC NIIES JSC Lengidroproject JSC Hydroproject Institute JSC MOSOBLHYDROPROJECT	JSC Hydroremont VCC LLC Montazhenergo JSC Ust-Srednekanskaya GESstroy JSC ESCO UES JSC ChirkeyGESstroy

* Boguchanskaya HPP is not a part of the RusHydro Group, it is a joint venture.
** Central heating and power plant, which generates heat energy in addition to electricity.

List of companies of East RAO ES Holding (within the scope of the Report) and their key business areas G4-17

Electricity and heat generation companies	Repair and construction companies	Other companies that are essential for Corporative Social Responsibility (CSR)
PJSC RAO ES of the East JSC FEGC (as well as supply) PJSC Yakutskenergo JSC Sakhaenergo JSC Teploenergoservice PJSC Magadanenergo JSC Chukotenergo PJSC Kamchatskenergo JSC KSEN JSC Sakhalinenergo JSC Mobile energy (Peredvizhnaya energetika)	JSC Khabarovsk Repair-Assembly Company JSC Khabarovsk Production and Repair Company JSC Neriungrienergoremont	JSC FEDC (electricity distribution) PJSC FEEC (supply) JSC LUR (coal mining)

PROFILE OF MAIN GROUP COMPANIES G4-4

In accordance with the RCEA[3] classification, the main economic activities of the RusHydro Group companies are the production of electricity by hydro-power plants, production of electricity by thermal power plants, transmission, distribution and supply (retail).

APPROACH REGARDING EXTERNAL ASSURANCE G4-33

The report was submitted to the GRI Content Index Service, and GRI confirmed the accuracy of the

Content Index, t, all the information, provided, meets the requirements of the GRI G4 standard. In addition, the Report was reviewed by an independent auditor to comply with ISAE 3000. CJSC PricewaterhouseCoopers acted as the independent auditor[4].

The Report also underwent the public assurance procedure conducted by the Russian Union of Industrialists and Entrepreneurs (RSPP)[5].

METHODS FOR DEFINING THE REPORT CONTENT

The procedure for the material topics selection was used to determine the contents of the Report. RusHydro Group adopted a two-year materiality determination cycle. The previous procedure was carried out in 2015, the next will be conducted in 2017. In 2016, the Company carried out additional work to clarify the material topics / aspects to be disclosed in the Report.

«Material Aspects are the aspects that reflect the organization's material economic, environmental and social impact or substantially influence the assessments and decisions of stakeholders.» GRI G4 Guidelines

This Report reflects RusHydro Group's range of activities and contains Disclosures on the Management Approach (G4-DMA), as well as Indicators on identified material aspects – environmental, social and economic performance and the impact of RusHydro companies.

THE PROCESS OF DEFINING THE REPORT'S CONTENT G4-18

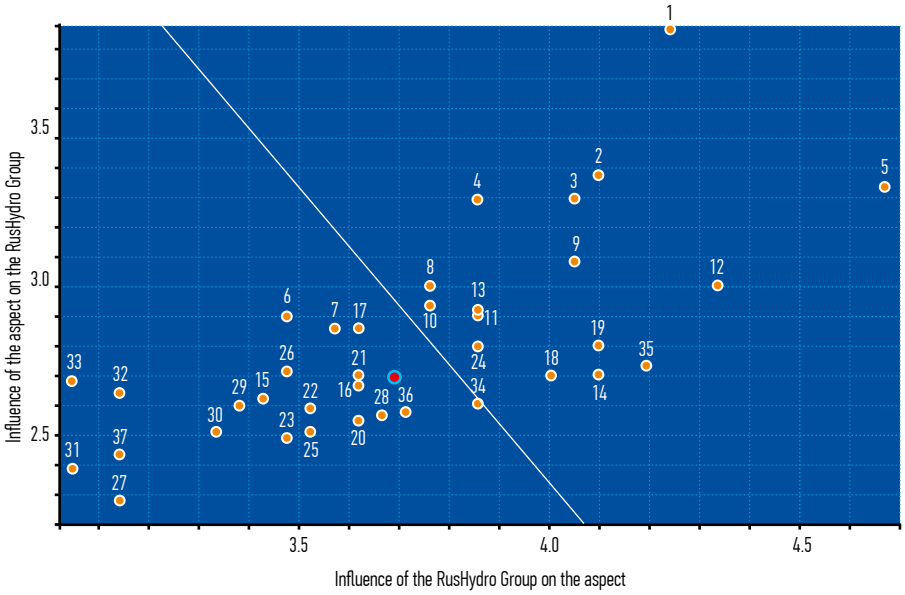
While defining the content and scope of information to be included in the Report, the Company used THE GRI G4 GUIDELINES REPORTING PRINCIPLES.

The process of identifying material topics: Key stages

In 2015, the Working Group on the preparation of the Report, consisting of internal stakeholders, prepared a list of 83 material topics/aspects. At first, the Working Group held a survey to prioritize the aspects among internal stakeholders (36 persons), including managers and key experts of departments of the executive administration, as well as representatives of PJSC RAO ES East. A list of 37 basic topics was formed based on the results of this survey. Then the external stakeholders (50 persons), including representatives of federal, regional and municipal authorities, regulatory and supervisory authorities, customers, clients, suppliers, contractors, trade union organizations, educational institutions, media and NGOs were interviewed on the selected topics, and the materiality matrix[6] comprising 23 most material topics (with a significance ratio of over 20%) was formed.

In 2016, the matrix has been improved, namely: internal stakeholders were interviewed to identify the aspects that have significant economic, environmental and social impact on RusHydro Group and substantively influence the assessments and decisions of stakeholders. 23 persons, interviewed, rated 39 basic topics according to the 5-point scale. The materiality matrix was adjusted, that is, the priority rating of a number of topics was changed. According to the Working Group decisiontopics above the blue line are material. The Working Group also included the «Implementation of the Environmental Policy» to the list of material topics.

Materiality matrix G4-18



*Material aspects G4-19**

Item No.	Aspects
1	***Areas of activity (electric energy generation and supply, construction)***
2	***Financial and economic performance of the Group***
3	***The Company's mission, strategic goals and values***
4	***The Company's development priorities and their implementation***
5	***Reliability and safety of hydraulic structures and infrastructure facilities of central heating and power plants***
6	Construction of facilities in Russia and abroad
7	Social Policy implementation
8	**Investment projects implementation results**
9	***Health and safety of personnel, including prevention of operational injuries***
10	Comprehensive Modernisation Program implementation
11	Facilities commissioning (including RES)
12	***Disaster and emergency prevention and relief system (including floods, high water, low water)***
13	**Maintaining a high employee skill level**
14	***Construction program for new thermal generation facilities in the Far East***
15	The Group's role in developing the regions of presence
16	Direct and indirect investment effects on regional economies
17	Restoration and comprehensive modernisation of the Sayano-Shushenskaya HPP
18	***Ensuring credit quality in the medium- and longterm***
19	***Production supervision over compliance with industrial safety requirements at hazardous operating facilities***
20	The Board of Directors and the Management activities
21	***Implementation of the Environmental Policy, including international environmental cooperation***
22	Creating jobs
23	Market capitalization, shareholders' interest in Group securities, investor relations
24	**Control over the targeted use of funds**
25	Improving the incentive system and employeesloyalty
26	Key opportunities and risks (including the risk management system)
27	Charity events and corporate volunteering
28	Governmental support
29	Human resource development programs (formation of personnel reserve and training programs)
30	Interaction with universities (working with human resources)
31	International cooperation
32	Energy consumption and energy efficiency
33	Measures aimed at improving energy efficiency
34	**Compliance of the Group's activities with legislative regulations**
35	***Design and construction Quality control***
36	Installation of new equipment that meets the latest environmental requirements
37	Development and use of renewable energy sources (including the Technology Platform "Advanced Technologies of Renewable Energy")

* Material topics are marked in bold, the most material topics are given in italics.

In the preparation of this Report, the Company held the first Public dialogue on the 2015 Draft Report on Sustainable Development and Corporate Social Responsibility. The dialogue were attended by the representatives of major stakeholder groups of RusHydro. Table with the list of recommendations and stakeholders' requests are provided in Appendix 14.

DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

The report contains information about the plans and intentions of the RusHydro Group for medium and long term. Plans and intentions are of forecasting nature, and their feasibility depends also on a number of economic, political and legal factors beyond the Company's area of influence (financial-economic and political situation, situation in key markets, changes in tax, customs and environmental legislation, and others). Therefore, the actual performance indicators for future years may differ from forecast statements published in this Report.

MANAGEMENT BOARD CHAIRMAN – GENERAL DITRECTOR'S STATEMENT

G4-1

Dear Colleagues and Partners,

I am pleased to present the eighth non-financial report of the RusHydro Group, one of Russia's largest hydrogenerating holdings and the leader in renewable energy generation, comprising more than 430 facilities with a total capacity of 38.7 GW, including 70 renewable energy facilities. The company supplies clean energy from our Hydropower plants to most of Russian regions, and subsidiaries of RusHydro Group provide almost the entire Far East with electricity and heat.

2015 became a turning point for our company. The difficulties experienced by the world economy, significant changes in energy prices, the new challenges that confronted our country – all these factors had a significant impact on the power sector in general and on RusHydro in particular. Efficiency improvement and costs reduction tasks while maintaining the absolute reliability of generating facilities were our main priorities. Change of the company's management has become one of the means to address these problems.

Being a large company with state participation, RusHydro performs the tasks set by the state and society in the economic and social spheres. Social responsibility is one essential for the company, and it remains our priority. For RusHydro team, 2015 was marked with commissioning of the Gotsatlinskaya HPP. The plant has supplied energy to the remote areas of Dagestan. For years, there were constant interruptions in energy supply to residents of the Republic. Launch of a new modern hydropower plant has solved this problem. In addition, the first phase of the second stage of the Blagoveshchenskaya CHPP has been commissioned. The plant's launch will enable construction of tenblocks of 14 thousand apartments. The social infrastructure will start to operate: kindergarten and sports complex, new social and shopping centers, greenhouses, cafes, shops and stores.

Not only we continue to build new generating facilities, but also successfully update the obsolete power plants. We continue to implement our Comprehensive Modernisation Program that includes replacement of more than half of the main equipmentat dozens of plants. This is an investment in safety, reliability and efficiency improvement of our plants. Since last year, we have set a course for the program optimization to bring it to the current Group's financial abilities, for import substitution of the equipment, where possible, without impairing the reliability and safety of facilities.

In its history, RusHydro has not once, nor twice faced the tremendous challenges, and solved them successfully. It is a merit of the company's employees, high-class professionals, reliable and talented people, who restored the Sayano-Shushenskaya HPP after the accident and completed the construction of the Boguchanskaya HPP. No matter how the current economic situation is developing, we shall retain the tradition of domestic hydropower industry and pass them on to new generations. It is a strategic resource, the earnest of reliability of the unified energy system of the country.

I would like to thank my colleagues, employees of RusHydro Group sincerely for the fruitful work in 2015, for patience and dedication. In 2016, we have to pass the funding peak of the investment program, complete large-scale projects and resolve the issue of refinancing of RAO ES of East Holding debt. I am confident that we are moving in the right direction and will implement all the plans announced.

Nikolay Shulginov

Chairman of the Management Board –
General Director, PJSC RusHydro

KEY EVENTS

January	- PJSC RusHydro and OJSC Power Machines signed agreements for the comprehensive replacement of hydropower units at the Votkinskaya and Rybinskaya HPPs This is one of the largest projects wihin the framework of RusHydro Comprehensive Modernisation Program (CMP). The signing of contracts with the Russian manufacturer of equipment has been carried out within the framework of the import substitution program. CMP is a long-term program (2012-2020 with a view to 2025), prescribing the technical modernisation of RusHydro's generating facilities. In total, it is planned to replace 55% of the turbines, 42% of the generators and 61% of the transformers of RusHydro fleet, which will allow to reverse the trend of aging of equipment fleet, upgrade all generating facilities which have served the standard terms, as well as to reduce operating costs by reducing the scope of repairs and implementing process automation. CMP implementation will allow to increase the installed capacity of the company's facilities by 779 MW by the time of its completion. The planned increase in production due to the activities under the program equals to 1,375.600 000 kWh. - RAO ES East Subgroup completed the first wind power complex on Sakhalin. The introduction of renewable energy sources in isolated areas of the Far East allows to improve the reliability of power supply to consumers and to reduce consumption of expensive imported diesel fuel. The CMP of RAO ES of the East for the implementation of renewable power generation technologies in the Far East involves the construction of over 170 RES facilities with a total capacity of 120 MW.
February	- Russian Institute of Directors raised the corporate governance rating of PJSC RusHydro to 8[7] - «Advanced corporate governance practices» This is the highest rating among the companies participating in the 10-point National corporate governance rating – no company is awarded rating 10 or 9.
June	- Yuriy Trutnev, a Deputy Chairman of the Russian Government, Plenipotentiary Representative of the Russian President in the Far Eastern Federal District, was elected as the Chairman of the Board of Directors of RusHydro - Sayano-Shushenskaya HPP increased its maximum output capacity to 5,100 MW as a result of the modernisation of the automation system Prior to 2015, the actual output capacity of the Sayano-Shushenskaya HPP had been limited to 4,400 MW at the installed plant capacity of 6,400 MW. The reasons for this limitation were the development projects for enterprises of the Sayano region power and industry complex, which were not implemented during the Soviet period, and, as a result, insufficient development of electrical networks in the Siberia power system. As a result, the Sayano-Shushenskaya HPP had 2,000 megawatts of «locked» power, and, in some years, electric power generation limits. - PJSC RAO ES East finished the construction of the first phase of the largest solar power plant in the Arctic The construction of the solar plant in the Batagai village is a part of RAO ES of the East program for the implementation of renewable energy sources in local generation systems. The development of alternative energy sources in remote areas is designed to reduce the consumption of diesel fuel by diesel power plants for power generation, and, therefore, to restrain the rise in tariffs. Solar plant in Batagai will keep the leadership among Arctic SPPs for a long time, and the experience gained will be extended to other settlements of the northern part of Yakutia.
July	- The Boguchanskaya HPP reached its design capacity of 2,997 MW and the reservoir has been filled to its design level mplementation of the Boguchanskaya HPP project is the basis of the state investment project «Integrated Development of the Lower Angara Region». The project concept involves ensuring the energy security of the United Energy System of Siberia and the further development of the natural resources potential of the northern part of the Krasnoyarsk Territory, by attracting private investments for the construction of the Boguchanskaya HPP and the Boguchanskiy aluminum smelter. - The Kamskaya HPP was the first RusHydro's plant that finished the modernisation of hydropower equipment Modernisation of Kamskaya HPP vertical hydroelectric units has become a crucial part of the RusHydro's Comprehensive modernisation Programs* (CMP). After modernisation, the capacity of each hydroelectric unit has increased from 21 to 24 MW, operating performance has been significantly improved. Kamskaya HPP CMP shall last until 2025, and its implementation will allow to increase the installed capacity of the plant to 552 MW (design capacity of the plant is 504 MW), to increase the generation of electricity in flood periods, to improve the reliability and safety of equipment operation, to minimize the environmental risks and to significantly reduce repair and maintenance costs.

September	- Nikolay Shulginov was elected as the Chairman of the Management Board – General Director of PJSC RusHydro - The Gotsatlinskaya HPP with a capacity of 100 MW was commissioned The Gotsatlinskaya HPP has the fourth capacity in Dagestan, its commissioning will reduce the energy deficit in the energy system of the republic, which amounted to about 1.8 billion kWh in 2014. The Gotsatlinskaya HPP has become one of the hydro-power plants completely built in the post-Soviet period (construction began in 2007). - In Kamchatka, RAO ES East Subgroup has opened the largest wind power complex in the FEFD. The construction of the power facility was a successful joint project of RAO ES of the East Holding, the Government of the Kamchatka Territory and the Japanese New Energy and Industrial Technology Development Organization (NEDO). During the project implementation, cutting-edge technologies were used, which have improved the reliability and safety of power supply to isolated areas. It is planned to replicate this technology. - RusHydro was General Partner of the first Eastern Economic Forum in Vladivostok Eastern Economic Forum is a key communication platform of the Far East. The Forum gathers prominent politicians, businessmen, representatives of scientific community. In the Far East, RusHydro has been implementing priority investment projects. - RusHydro acted as a Partner of GenerationS (federal accelerator of technology start-ups) in the Power&Energy wing GenerationS is a federal accelerator of technology start-ups, in which the best projects, selected on the basis of the results of a multi-stage assessment, receive intensive development and opportunities to attract new investment. The goal of the Power&Energy GenerationS-2015 industrial wing is to identify the technology needs of large energy companies, to form a pool of innovations, and to optimize the models of their implementation into production processes. The largest Russian companies are involved in the project.
December	- The construction of the first phase of the second stage of the Blagoveshchenskaya CCHP was completed, 120 MW of electrical capacity and 188 Gcal/h of thermal power have been commissioned The implementation of the second stage of the Blagoveshchenskaya CCHP, one of the four thermal power generation construction projects of RusHydro, was started in accordance with the Decree of the President of Russia No. 1564 dated November 22, 2012 «On Further Development of Joint Stock Company Federal Hydro Generating Company - RusHydro», when 50 billion rubles were contributedto the authorized capital of PJSC RusHydro. Commissioning of the 2nd stage of the Blagoveshchenskaya CCHP will increase the efficiency of the heat supply system through the replacement of retired capacities of unprofitable boiler houses of the town of Blagoveshchensk, satisfy the current deficit and the growing demand for thermal energy in Amur region, increase the reliability of power supply to consumers and cover the peaks of electric load schedules in the United Energy System of the East.

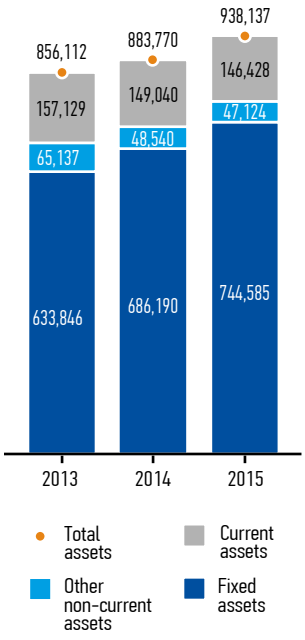
* As a result of implementation of the Comprehensive Modernisation Program in 2015, total capacity increased by 55.5 MW, including Volzhskaya HPP (10.5 MW), Zhigulevskaya HPP (21.0 MW), Saratovskaya HPP (13.0 MW), Novosibirskaya HPP (5.0 MW) and Kamskaya HPP (6.0 MW).

EVENTS AFTER THE REPORTING PERIOD (JANUARY–JUNE 2016)

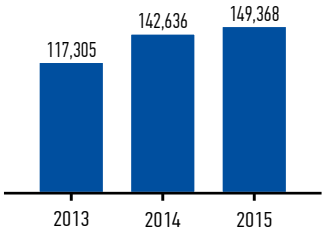
January	- PJSC RusHydro and Voith Hydro signed a contract providing for the opportunity to optimize the cost of modernisation of the Saratovskaya HPP
February	- The most difficult stage of construction of the Zaramagskaya HPP-1 (driving of a unique diversion tunnel) was completed
April	- The revised version of the Environmental Policy of RusHydro has been approved - The revised version of RusHydro Code of Corporate Conduct has been approved - The Bureya river in the Amur region has been dammed up at the site of the the Nizhne-Bureyskaya HPP which is currently under construction
June	- RusHydro Group Development Strategy for the period until 2020 with an outlook for 2025 has been approved - Shareholders of RusHydro Group approved record high dividends in the amount of 15.01 billion rubles The company's management understands the importance of dividends for the market value of the company, and aims to increase both the total amount of dividends and the dividend yield. Dividend payments of RusHydro are steadily growing: - dividends for 2013 - 5.25 billion rubles, - dividends for 2014 - 6.03 billion rubles.

KEY INDICATORS[8]

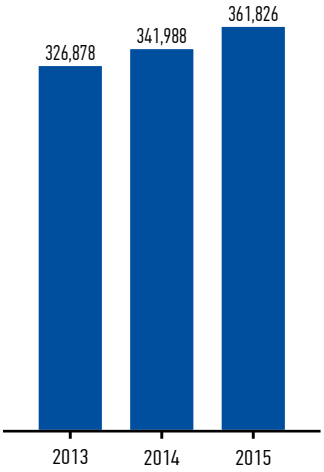
Assets, million rubles



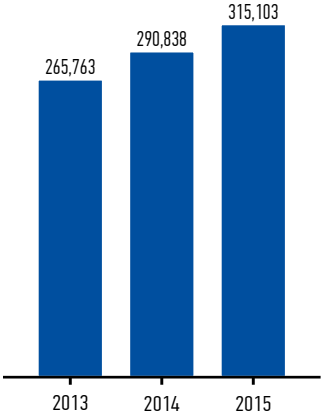
Net liabilities, million rubles



Revenues, million rubles*

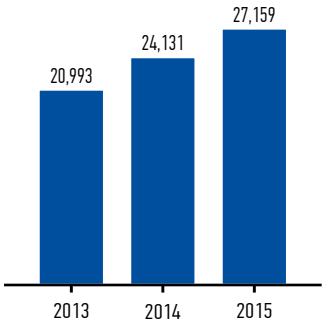


Operating costs, million rubles

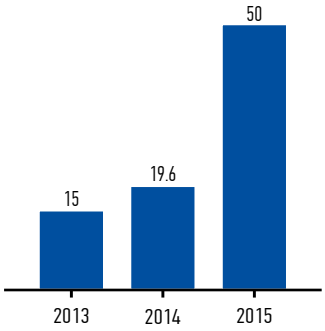


* Including state subsidies.

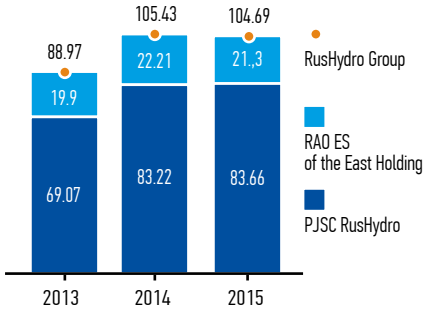
Net profit, million rubles



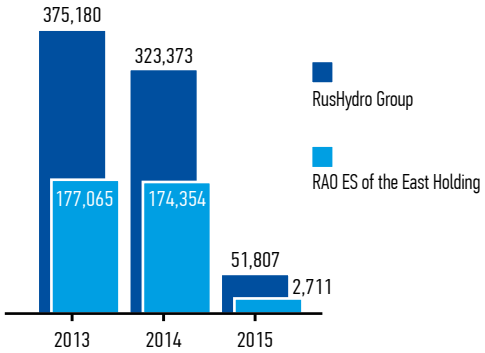
Share of net profit under RAS to be paid as dividends, %



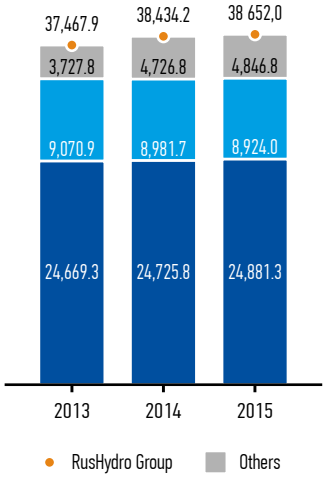
Amount of investments, billion rubles



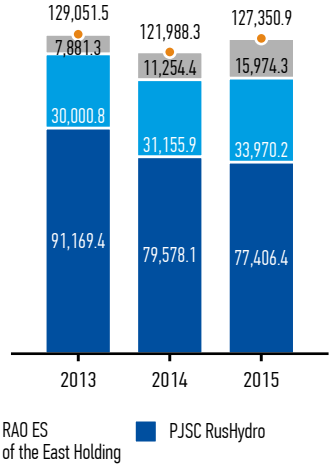
Generated and distributed direct economic value for 2015, million rubles



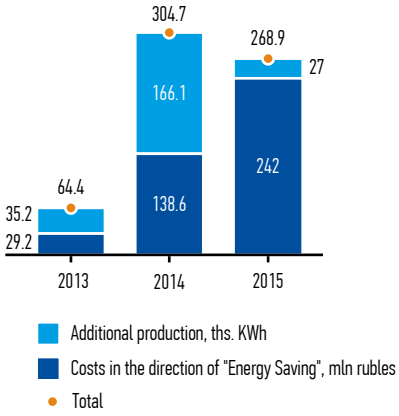
Installed capacity, MW*



*Power generation**, million kWh*



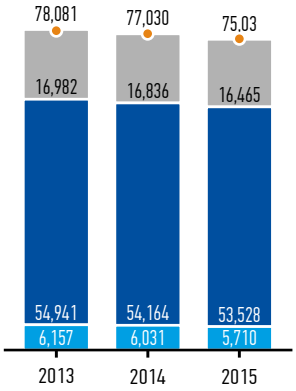
*Energy Saving and Energy Efficiency Improvement** effect of PJSC RusHydro*



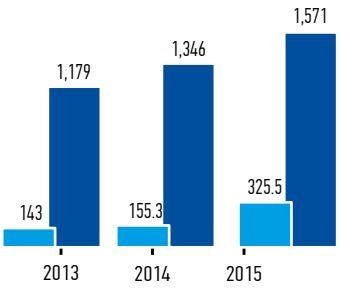
* The data given include the financial and economic performance results of JSC Boguchanskaya HPP (owned by PJSC RusHydro and UC RUSAL) and HPP-2 of JSC KamHEK, but excluding HPP-1 and HPP-3 of JSC "KamGEK" which have been in the trust management of PJSC RusHydro.
** See Chapter 3, "Economical efficiency"

SOCIAL RESPONSIBILITY PERFORMANCE

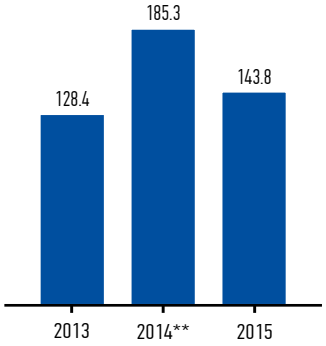
Average number of employees of RusHydro Group, persons



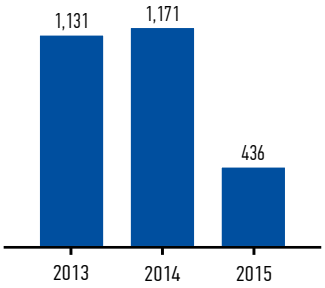
*Labor protection costs, million rubles**



Expenses for development of human resources of PJSC RusHydro, million rubles



*Charitable expenses of PJSC RusHydro***, million rubles*



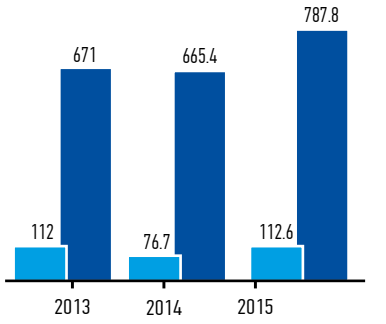
RusHydro Group
Other
PJSC RAO ES of the East
PJSC RusHydro

PJSC RusHydro
RAO ES of the East Holding

* Increase in labour protection costs of PJSC RusHydro has occurred in connection with the extension of the list of expenses attributable to this category
** Includes the costs of the All-Russian competition of HPP operating personnel conducted every two years.
*** The difference in the amounts of financing in 2013-2015 is associated with a one-time financial support to HC Dynamo (500 million rubles in 2014) and FC Alania (440 million rubles in 2013). The company therefore was involved in the implementation of the state sports support program.

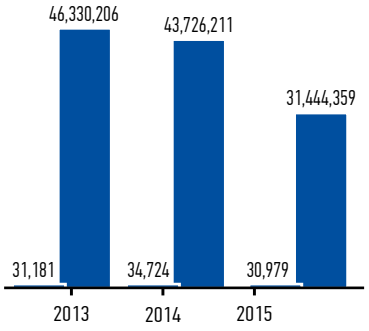
ENVIRONMENTAL PROTECTION RESULTS

Environmental protection expenses, million rubles



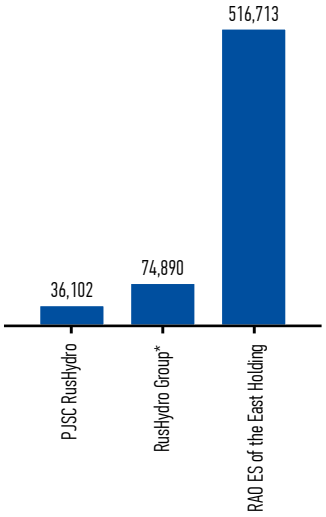
RusHydro Group*
RAO ES of the East Holding

Total amount of waste, tons



PJSC RusHydro
RAO ES of the East Holding

Total volume of wastewater in 2015, thousand m³



*excluding RAO ES East Subgroup

AWARDS

Rating / Competition	Win / Achievement
2015 Platts Top 250 Global Energy Company Rankings	The agency has called PJSC RusHydro the leading electric power company in Russia (137th position in the ranking - the best among Russian electric power companies).
EMEA Finance International Magazine	The magazine has recognized the credit for the modernisation of the Saratovskaya HPP as the best deal in the area of sustainable development in Central and Eastern Europe in 2014.
Survey on corporate transparency of Russian companies for 2015 by the Russian Regional Integrated Reporting Network	1st level of transparency has been assigned to PJSC RusHydro (the 12th position among 729 companies).
All-Russian competition of professional management of the project activities in the Project Olympus public sector	The project for the replacement of hydro-power units of the Zhigulevskaya HPP took the 3rd place in the nomination "Integrated project management system".
International professional forum "Risk Management in Russia and CIS"	RusHydro program on risk management has become the winner of the annual contest "Best Risk Management 2015" in the category "Industrial organizations".
Rating of the Company's corporate governance prepared by the Russian Institute of Directors	Level 8 is awarded to PJSC RusHydro, which stands for the Advanced practices of corporate governance.
The first all-Russian contest "MediaTEK"	RusHydro charitable environmental projects were awarded a diploma in the "Environmental Standard" nomination.
"Environmental Initiatives of Russian Companies in the Media. Fuel and Power Sector and Metallurgy" rating, prepared by the Institute of Modern Media in cooperation with the Live Planet TV channel	PJSC RusHydro - 3rd place.
2014 Social Report rating of the RAEX ("RA Expert") international rating agency	The sustainability report of the RusHydro Group received the highest rating of 3 stars (8.76 points).
"Top-1000 of the leading managers of Russia", prepared by the Association of Russian Managers and Kommersant Publishing House	Director of the Department of Personnel Management and Organizational Development of PJSC RusHydro has been ranked among the best HR directors among the "Top 1000" largest Russian companies.
RBC rating "15 Leaders of Corporate Education"	PJSC RusHydro has entered Top 10 of the rating.
Award for achievements in the field of human capital management "Crystal Pyramid - 2015"	Branch of PJSC RusHydro - Corporate Hydropower University won the Grand Prix. Corporate Hydropower University wontwo nominations - "Corporate University of the Year" and "HR-project of the Year".
All-Russian contest of youth development and educational initiatives in the energy sector held under the auspices of Ministry of Energy of Russia	Educational projects "Human Resources Development of PJSC RusHydro" and "Summer Energy School" have become the winners of the contest.
The Silver Threads 2014 National Contest of Corporate Information Resources	The electronic version of the corporate newspaper "RusHydro Bulletin" ("VESTNIK RusHydro") was awarded a diploma in the nomination "The Best Digital-Edition: Innovative Solutions in Corporate Media Communications".
The contest "Best Corporate Media 2015" organized by the Association of Directors of Communications and Corporate Media of Russia	The winner in the nomination «Internal Corporate Newspaper» - newspaper «RusHydro Bulletin» («VESTNIK RusHydro»).
Award of "Digital Communications AWARDS"	The winners of the awards were projects of PJSC «RusHydro»: - The People of Light photo project, - Five video news items about the power plants under construction in the Far East, - Virtual Museum of Far East Power Industry.
Award of the System Operator "For significant contribution to the reliability of modes of UES of Russia"	The award has been presented to the Branch of PJSC RusHydro - The Sayano-Shushenskaya HPP named after P.S. Neporozhny.
The contest "Project of the Year" held by the portal of the Global CIO official community of IT-directors of Russia and CIS	The winner in the nomination "Best Integration Solution" - the project for the introduction of a unified contact center at JSC ESC RusHydro.

01

STRATEGIC OVERVIEW

1.1. ABOUT RUSHYDRO GROUP

1.1.1. RUSHYDRO IN 2015

G4-4, G4-9, G4-DMA

Being one of the largest energy holdings in Russia and a leader in renewable sources-based electricity production, RusHydro is an important element of sustainable development of the Russian electric power sector. As a core company and key state institution of the electric power industry, RusHydro was included in the list of strategic enterprises and strategic joint stock companies approved by the President of the Russian Federation.

The installed capacity of the Group's assets amounts to 38.7 GW, including the newest hydropower pant in Russia - the Boguchanskaya HPP built and operated together with UC Rusal.

The company owns more than 70 hydropower plants, including 9 plants of the Volga-Kama Cascade with a total installed capacity of over 10,380 MW, Russia's largest Sayano-Shushenskaya HPP (6,721 MW), Zeyskaya HPP (1,330 MW), Bureyskaya HPP (2,010 MW), Novosibirskaya HPP (465 MW) and several dozens of hydropower plants in the North Caucasus. RusHydro also owns geothermal plants in Kamchatka and highly maneuverable capacities of the Zagorskaya pump storage plant in Moscow region used for leveling the daily imbalance of the electric load schedule in the IPS of Russia's Center.

The Group also includes a number of major separate subdivisions: RAO ES East Holding – a subgroup representing the energy system of the Far East of Russia, ESC RusHydro subgroup, that unites power retail companies operating in the European part of Russia and Western Siberia, and JSC International Energy Corporation, the operator of the Sevan-Hrazdan Cascade of HPPs in Armenia.

Total electricity generation by power plants of RusHydro Group in 2015, amounted to 127 TWh, or 12% of total electricity generation by power plants of the Unified Energy System (UES) of Russia. The share of RES in the energy balance of RusHydro Holding amounted to 75% of the total electricity output[9], and in the energy balance of RusHydro Group (excluding RAO ES East Subgroup) amounted to 100%.

Features of the organisation scale G4-9

	Country	Amount, million rubles
Sales volume* by countries / regions, representing at least 5% of total revenues	Russian Federation	361,826
Expenses by countries / regions, representing at least 5% of total revenues	Russian Federation	315,103

* the sales volume includes the amount of subsidies to compensate for the difference between the approved economically justified tariffs for electrical and thermal energy and the reduced tariffs presented for consumers, as well as the amount of subsidies to compensate of losses on fuel.

The shares of PJSC RusHydro are included in the Level 1 quotation list and have been traded on the Moscow Exchange (MOEX) under ticker HYDR since 2008. The Company's shares are included in both Russian: MICEX, RTS, MICEX Power, RTS Electric Utilities, MICEX BMI indexes, index of partially government-owned shares of companies (SCI) MICEX, and international indexes: MSCI Russia, FTSE All World Emerging Europe.

RUSHYDRO'S ACTIVITY[10]

G4-DMA Understanding of the Group's activities is closely related to the market-technology division of the industry into pricing zones of the UES operating on market principles and non-pricing zones, as well as isolated energy systems operating on the basis of regulated tariffs.

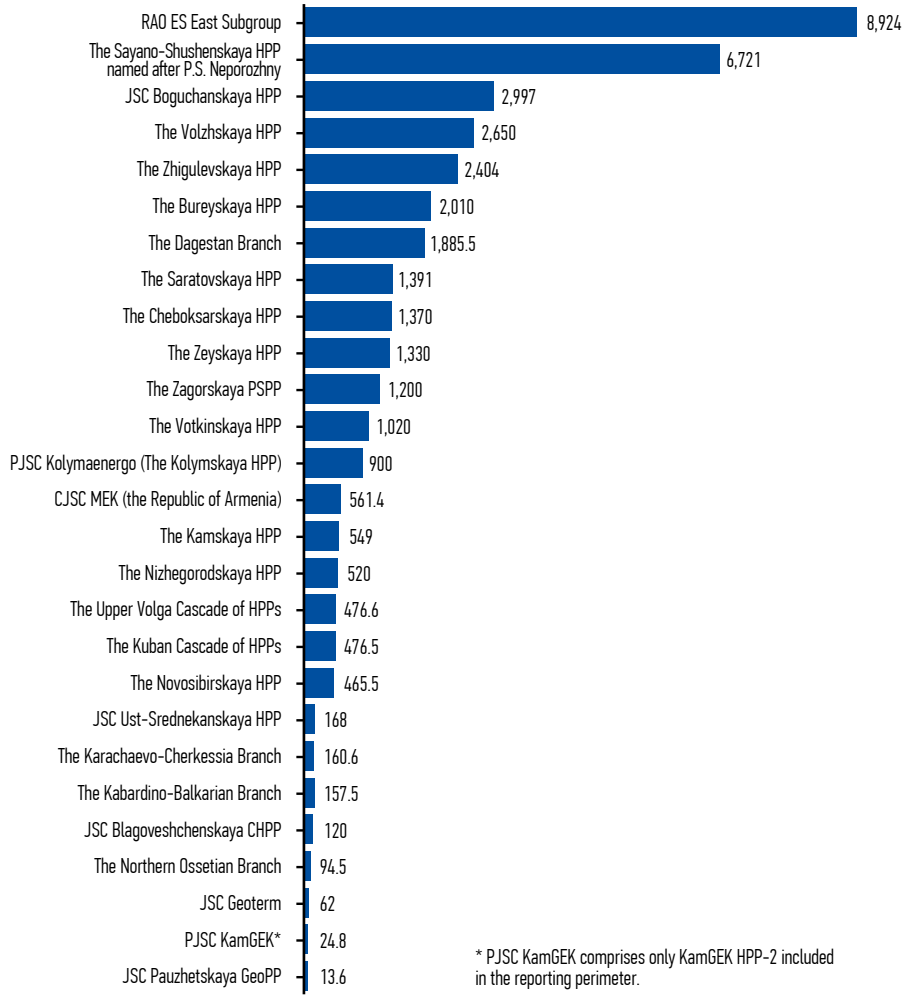
In the pricing zone of the UES, the Group generates electricity and capacity based on renewable energy sources, and performs wholesale and retail sale of electricity.

In the non-pricing zone of the UES - IPS of the East, as well as in the adjacent isolated energy systems, the Group produces, transmits, distributes and sells electric energy, as well as generates and sellsheat.

In the Republic of Armenia, the Group is represented by CJSC MEK, which produces and sells electric energy.

To ensure the main types of activities, the Group constructs new generating facilities, repairs and maitains operating facilities, and carries out scientific and project activities.

Installed electric capacity of RusHydro Group's assets as of December 31, 2015 (excluding Small HPPs), MW G4-EU1



* PJSC KamGEK comprises only KamGEK HPP-2 included in the reporting perimeter.

COMPETITIVE ADVANTAGES AND COMPETENCIES G4-EC8

RusHydro plays a backbone role in the Russian electric power industry.

Competitive advantages of RusHydro are:

- mastering and use of the hydropower potential of Russia,
- energy efficient, safe and clean generation,
- pioneering renewable energy innovations,
- corporation controlled by professionals with extensive experience in managing hydropower assets.

Competitive advantages and competencies of RusHydro allow to strengthen the Company's positions and role both within the country and abroad.

RusHydro's companies:

- support key infrastructure for Russia's vital activities and key utility systems, ensure their operation and safety;
- represent an instrument of State policy, which can resolve complex social and economic problems;
- ensure the growth of business value, both through the technical upgrading of existing facilities and investing in new assets.

1.1.2. ELECTRICITY AND CAPACITY MARKETS

According to installed capacities and production volumes, Russia ranks No. 5 in the world.

RusHydro's assets make the Company a unique global power producer, which occupies the third place among the world's hydropower corporations in terms of installed capacity.

ELECTRICITY, CAPACITY AND THERMAL POWER MARKETS G4-8

RusHydro's companies conduct transactions with electric power and capacity on the wholesale electricity and capacity market and retail electricity and thermal power markets.

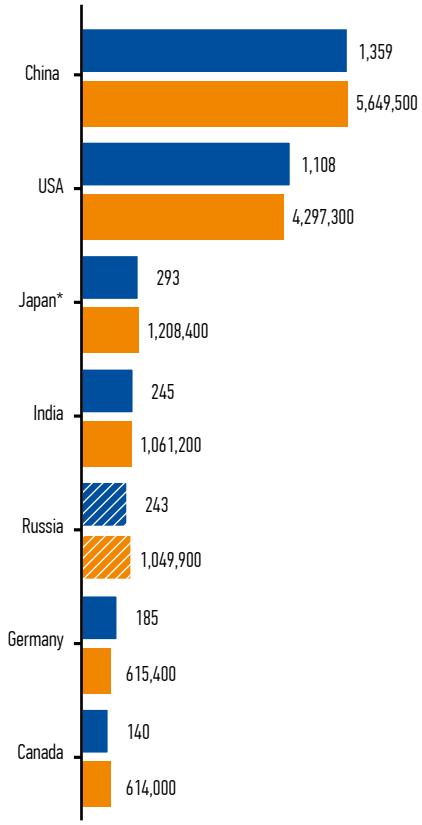
Wholesale market participants are: generating companies, electricity export/import operators, power sales organizations, grid companies (in terms of purchasing electricity to cover transmission losses), and major consumers.

Retail market participants are: consumers, public utility service providers, last resort suppliers, energy sales and energy supply organizations, electricity (capacity) producers in retail markets, grid companies, operational and dispatching management entities of the electric power sector, and exercising operational and dispatch management in retail markets (the system operator and operational and dispatching management entities in technologically isolated territorial electric power systems).

The Wholesale electricity and capacity market (WMEP) operates in regions that are incorporated into pricing and non-pricing zones. The first pricing zone covers the European part of Russia and the Urals, whereas the second zone includes Siberia. In non-pricing zones (Arkhangelsk and the Kaliningrad Region, the Komi Republic and the Far East Regions), where the electric power industry market relationships organization is not yet possible due to the technological reasons, the electricity and capacity sales on the wholesale market are carried out at regulated prices (tariffs).

In 2015, all electricity generated by the companies of RusHydro Group in the pricing zones of the wholesale market was sold at non-regulated prices, excluding electricity supplied to the population and similar categories of consumers, as well as to consumers of the North Caucasus Region and the Republic of Tyva. The tariffs for electricity supplied by the energy companies of the Far East to consumers (end tariffs) were approved by the regional regulators on the basis of the overall tariff level approved by the Federal Tariff Service for the regulated period.

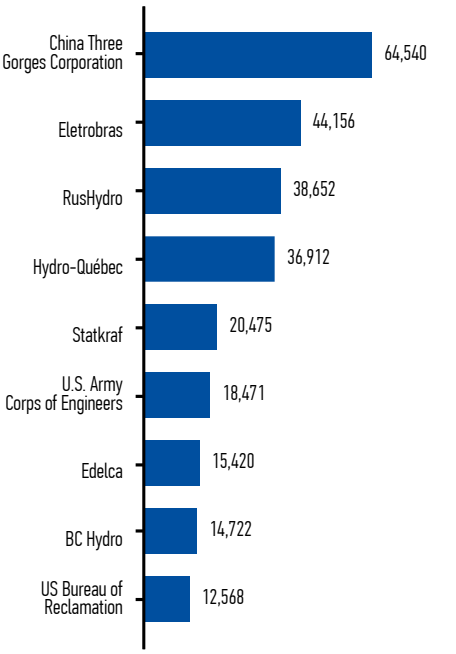
УстановлInstalled capacity, GW
Power generation, million kWh



*Data for 2012

Source: Ministry of Energy of the Russian Federation, Eia, Cia (The World Factbook), Ministry of statistics and programme implementation government of India (Energy statistics 2015), Fraunhofer ISE, Presentation «China's Role in Global Emissions», NEB (Canada), BP Statistical Review of World Energy 2015

Installed capacity of the world's major peers[10], MW



In retail electricity markets, electricity purchased on the wholesale electricity and capacity market, as well as the electricity produced by generating companies, which are not participants of the wholesale market, is sold to end consumers.

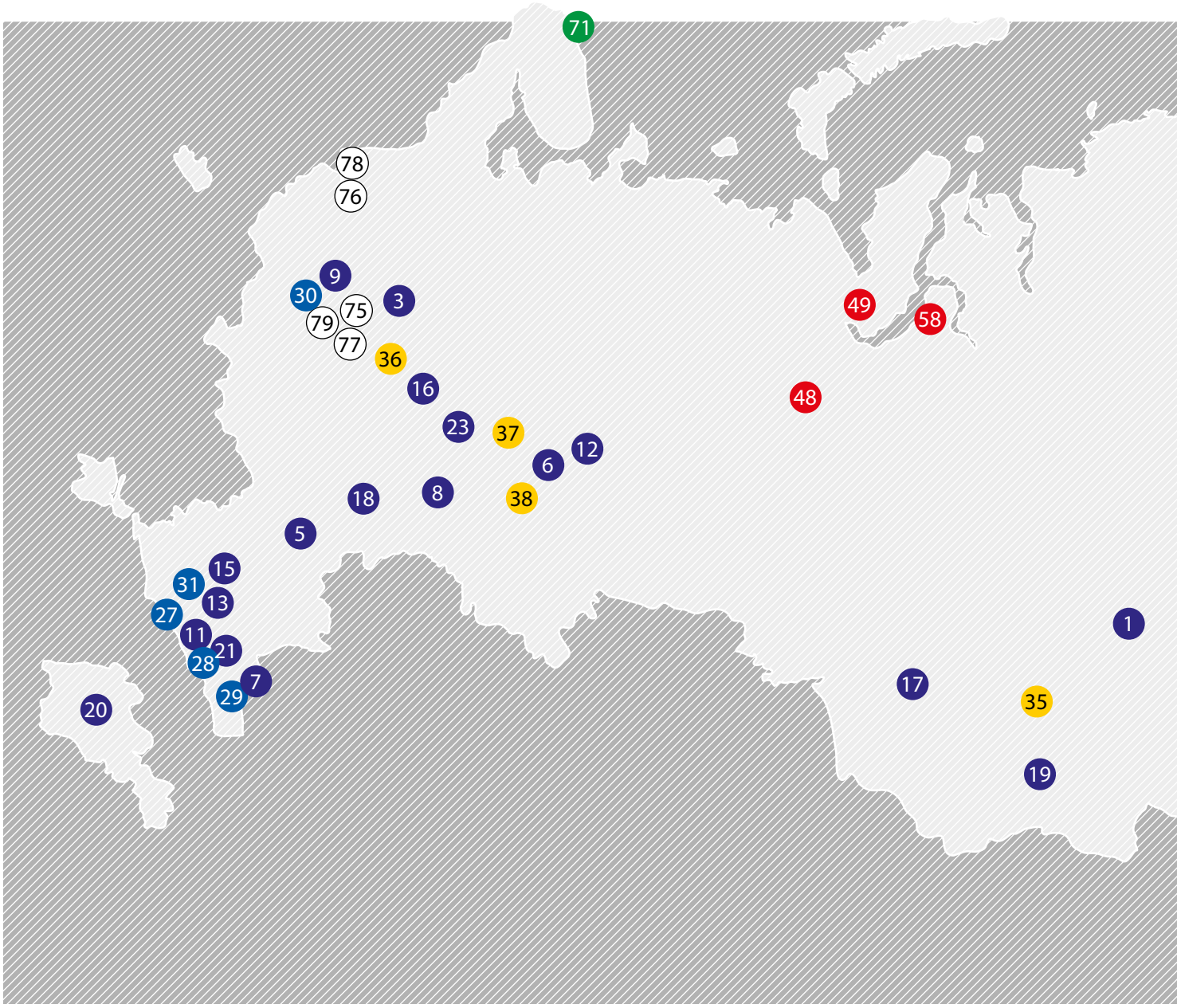
Within the territories of the constituent entities of the Russian Federation united in the pricing zones of the wholesale market, electricity is sold at non-regulated prices (tariffs), except for electricity sold to the population and similar categories of consumers.

In the territories of isolated energy systems, the electricity is sold to all categories of consumers at regulated prices approved by the Federal Tariff Service of Russia and executive authorities of the sub-federal units of the Russian Federation involved in the state regulation of tariffs, where these energy systems are located. The Federal Tariff Service has been abolished by the Decree of the Russian President of July 21, 2015, No. 373 and its functions has been transferred to the Federal Antimonopoly Service.

Subsidiaries of RAO ES East are participants of heat power retail markets on the territories of presence. In accordance with the Russian legislation, heat power sale is a fully regulated.

Prices (tariffs) for heat supplied by the power companies to consumers of all categories are approved by the executive authorities of the sub-federal units of the Russian Federation involved in the state regulation of tariffs on the basis of the tariff limit set by the Federal Tariff Service.

GEOGRAPHIC FOOTPRINT G4-8, G4-6



Existing HPPs — **MW**

1. The Boguchanskaya HPP — 2 997
2. The Bureyskaya HPP — 2 010
3. The Upper Volga Cascade of HPPs — 476,6
4. The Vilyui Cascade of HPPs — 680
5. The Volzhskaya HPP — 2 650
6. he Botkinskaya HPP — 1 020
7. The Dagestan Branch NPPs — 1 785,5
8. The Zhigulevskaya HPP — 2 404
9. The Zagorskaya PSPP — 1 200
10. The Zeyskaya HPP — 1 330
11. HPPs of The Kabardino-Balkarian Branch — 157,5
12. The Kamskaya HPP — 549
13. HPPs of the Karachaevo-Cherkessia Branch — 160,6
14. The Kolymskaya HPP — 900
15. The Kuban Cascade of HPPs — 476,5
16. The Nizhegorodskaya HPP — 520
17. The Novosibirskaya HPP — 465
18. The Saratovskaya HPP — 1 391
19. The Sayano-Shushenskaya HPP — 6 721
20. The Sevan-Hrazdan Cascade of HPPs — 561,41
21. HPPs of The North Ossetian Branch — 79,5
22. The Tolmachevskiye HPPs — 45,2
23. The Cheboksarskaya HPP — 1 370

GeoPP — **MW**

24. The Verkhne-Mutnovskaya GeoPP — 12
25. The Mutnovskaya GeoPP — 50
26. The Pauzhetskaya GeoPP — 12+2,5

HPPs under construction — **MW**

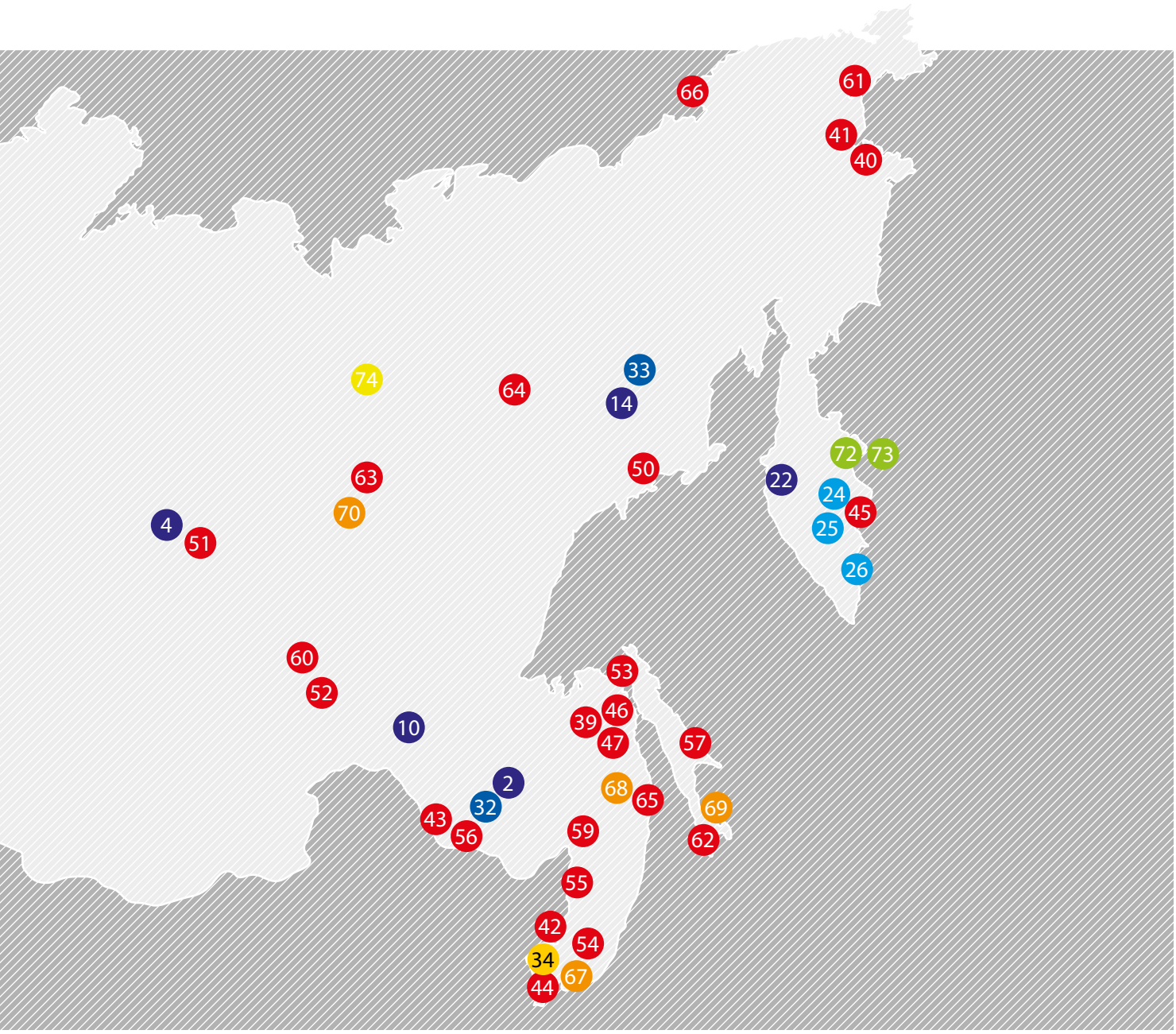
27. The Zaragizhskaya HPP — 30,6
28. The Zaramagskye HPPs — 15+342
29. The Gotsatlinskaya HPP — 100
30. The Zagorskaya PSPP-2 — 840
31. The Zelenchukskaya HPP-PS PP — 140
32. The Nizhne-Bureyskaya HPP — 320
33. The Ust-Srednekanskaya HPP — 570

Retailing companies

34. Far East Energy Company
35. Krasnoyarskenergosbyt
36. Ryazan Energy Retail Company
37. Chuvash Energy Retail Company
38. Energy Supply Company of Bashkortostan

Thermal power plants — **MW**

39. The Amurskaya CHPP — 285
40. The Anadyrskaya CHPP — 30
41. The Anadyrskaya CHPP — 56
42. The Artemovskaya CHPP — 400



43. The Blagoveshchenskaya CHPP 400
44. The Vladivostokskaya CHPP-2 497
45. The Kamchatskye CHPPs 406,8
46. The Komsomolskye CHPPs 600
47. The Komsomolskaya CHPP-3 360
48. The Kyzymskaya Mobile Power Plant 72
49. The Mobile Power Plant in the town of Labytnangi 73
50. The Magadanskaya CHPP 96
51. The Mirninskaya CHPP 72
52. The Neryungrinskaya CHPP 570
53. The Nikolayevskaya CHPP 131
54. Partizanskaya TPP 203
55. Primorskaya TPP 1 467
56. Raychikhiskaya TPP 102
57. Sakhalinskaya TPP 252
58. Urengoy (Mobile PP) 72
59. Khabarovskiye CHPPs 1 155
60. Chulmanskaya CHPP 48
61. Egvenkinotskaya TPP 34
62. Yuzhno-Sakhalinskaya CHPP 316
63. Yakutskaya TPP 320
64. Arkagalinskaya TPP 224
65. Maya TPP 81
66. Chaunskaya CHPP 34,5

Thermal PPs under construction **MW**
67. Vostochnaya TPP 139,5
68. Sovgavanskaya CHPP 120
69. Sakhalinskaya TPP 110
70. Yakutskaya TPP 170

Приливная ЭС **MW**
71. Kislogubskaya Tidal PP 1,7

Wind PPs **MW**
72. WPP in Ust-Kamchatsk 1,1
73. The Wind-Diesel Hybrid in the settlement of Nikolskoye 0,55

Solar PP
74. «The Batagayskaya SPP» 1

Research and design organizations
75. Mosoblhydroproject
76. Vedeneyev VNIIG
77. Hydroproject institute
78. Lenhydroproject
79. NIIES

DEVELOPMENT OF LOW CAPACITY RENEWABLE ENERGY SOURCES

Improving energy efficiency through greater use of other renewable energy sources (wind power, geothermal power, etc.) is one of the objectives of the Innovative Development Program of PJSC RusHydro.

RusHydro explores and investigates a potential of wind sites, geothermal fields, sites of small hydropower plants both through the use of pilot projects and through the organization of system works, e.g. works to study the hydro-power potential of river basins of the North Caucasus, Siberia, North-Western and Volga Federal Districts. This allows to choose the most advanced design and construction technologies. If incentive measures are taken at the national level, then the accumulated experience will allow RusHydro to move to large-scale implementation of these solutions.

Major pilot projects of PJSC RusHydro in the field of renewable energy sources

Project	RES Type	Region	Capacity	Stage
Experimental-industrial binary unit at Pauzhetskaya GeoPP	Geothermal heat	The Kamchatka Territory	2.5 MW	Construction
Development and scientific substantiation of schemes of use of small rivers and HS of non-power purpose	Hydro	Russian regions	Up to 30 MW each	Research, design, start of construction
Small HPPs: - Barsuchkovskaya - Bolshoy Zelenchuk - Ust-Dzhegutinskaya - Zaragizhskaya	Hydro	The Stavropol Territory The Republic of Karachay-Cherkessia The Republic of Karachay-Cherkessia The Kabardino-Balkarian Republic		
Five solar power plants: - settlement of Batagai - settlement of Yunkyur - settlement of Betenkes - settlement of Stolby - settlement of Uluu	Solar energy	The Republic of Sakha (Yakutia)	1,000 kW 40 kW, 40 kW 10 kW 20 kW	Commissioned in 2015
The Wind Turbine Unit in the settlement of Ust-Kamchatsk	Wind energy	The Kamchatka Territory	600 kW	Commissioned in 2015
The Wind Turbine Unit in the settlement of Novikovo	Wind energy	Sakhalin region	450 kW	Commissioned in 2015

1.2. THE COMPANY'S STRATEGY

1.2.1. THE COMPANY'S MISSION, STRATEGIC GOALS AND VALUES

The Company's mission is the efficient use of water resources, ensuring reliability of Russia's Unified Energy System (UES), as well as the creation of favourable conditions for the social and economic development of the Far Eastern regions by providing reliable access to energy infrastructure for the existing and prospective consumers.

In accordance with the Strategic Plan of JSC RusHydro for the period till 2015, with an outlook for 2020, the Company's strategic goals were:

GOALS OF JSC RUSHYDRO'S STRATEGIC PLAN

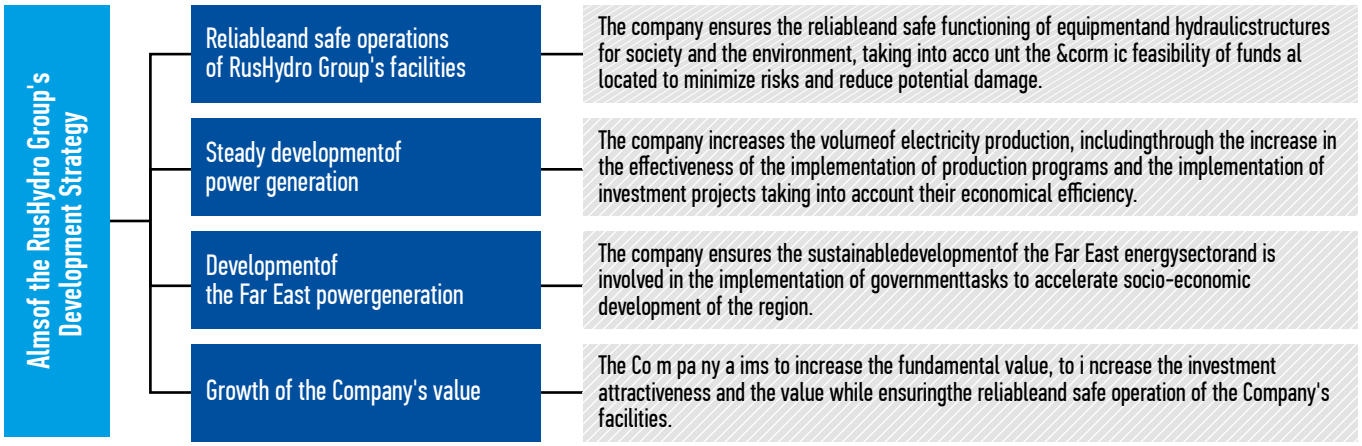
TO ENSURE THE RELIABLE AND SAFE PERFORMANCE OF THE COMPANY`S FACILITIES	The Company realizes its social responsibility as a producer of electricity for the needs of society. One of the key strategic goals of the Company is ensuring reliable and safe functoning of equipment and hydraulic facilites for society and the environment, taking into account the economic feasibility of funds allocaton in order to minimize risk and reduce potental damage
SUSTAINABLE POWER GENERATION DEVELOPMENT	The Company is making every effort to increase the share of renewable energy sources (RES) in the energy mix, aiming to take leading positons in Russia for the use of RES. The achievement of the goal isensured by commissioning of new generatng capacites, and also due to the increase in consumpton of «clean» energy produced at the faciltes of the Company while increasing energy efficiency.
TO INCREASE THE COMPANY'S VALUE	The Company seeks to maximize its value to the state, shareholders, society and employees.

In June 2016, the Board of Directors of PJSC RusHydro approved Development Strategy of RusHydro Group's for the period until 2020, with an outlook for 20251.

The Strategy for the period until 2020, with an outlook for 2025, was developed in accordance with the following documents:

- The Concept of the long-term socio-economic development of the Russian Federation until 2020;
- The National Security Strategy of the Russian Federation;
- The long-term forecast of Russia's economic development until 2030;
- The draft Energy Strategy of Russia until 2035;
- The scheme and program of development of the Unified Energy System of Russia for 2015 - 2021;
- The general layout of electricity generation facilities' locations until 2020;
- Regional socio-economic development strategies and regional energy strategies;
- Sector strategies.

In accordance with the Strategy until 2020, with an outlook for 2025, the strategic aims are:



GROWTH OF THE COMPANY'S VALUE

The Company aims to increase its fundamental value, investment appeal and ensure value creation without compromising reliable and safe operation of the Company's facilities.

STRATEGY IMPLEMENTATION MECHANISMS

The main Strategy implementation tools are the Long-Term Development Program of RusHydro Group and the Strategy Implementation Plan, which includes the Company's Development Priorities.

The Strategy Implementation Plan includes annual tasks and indicators aimed at achieving the strategic goals of the Company. The plan is formed for communication and operationalization of the Strategy for a one-year period, and contains tasks and indicators for the current year.

The Company's Development Priorities are presented as a formalized list of key strategic tasks, projects and programs, the implementation of which ensures the achievement of the Company's strategic goals of and the maximum synergy during the current year. The priorities help to concentrate the Company's resources on the most important targets and indicators.

The Company's values:

Clean energy – environmental safety, and respect for natural resources.

Engineering culture – safe and reliable operation of the assets.

Prosperous society – reliability and infrastructure development, the sustainable use of water resources, development of a hydro generation potential and expanded use of renewable energy sources that promote the development of territories, economic growth and increase in welfare and prosperity of society.

Responsible business – social policy that supports the personnel and the residents of the regions where the Company operates.

Leading company – ensuring the Company's success and leadership by combining the efforts of personnel and resources, and a business component in the pursuit of excellence in every venue.

Single team – fair remuneration and development opportunities for employees to achieve the Company's competitive advantages in different areas of its activity (team spirit, self-expression and personal fulfillment for each team member).

Developing environment – new technologies and unlimited development opportunities.

Young energy – professional development of the Russian youth when still a pupil.

1.2.2. LONG-TERM DEVELOPMENT PROGRAM OF RUSHYDRO GROUP

Long-Term Development Program of RusHydro Group[13] is a key tool in the vertical system of strategic planning in companies with State participation and is aimed at improving the Group's efficiency and upgrading the governance system by the Russian Federation, major shareholder of the Company.

RusHydro Group Long-Term Development Program was formed for the 2015-2019 period and is based on the Strategic Plan, the medium-term consolidated business plan of RusHydro Group and approved program documents of RusHydro Group (PJSC RusHydro and JSC RAO Energy Systems of East): production, investment and innovative development programs.

The Long-Term Development Program defines basic principles and directions which ensure the effective development of RusHydro Group and contains proposals to improve PJSC RusHydro's operating and investment efficiency, and competitiveness of JSC RAO ES of East Subgroup, as well as measures to upgrade the corporate governance system.

1.2.3. DEVELOPMENT PRIORITIES

The development priorities of the Company[14] are a list of key priority tasks and activities set for the current year. The priorities are approved on annual basis as part of the Strategy Implementation Plan, the main tool for implementation of Strategy for a one-year period, and represents a set of annual targets and indicators.

PJSC RusHydro Development Priorities

Priorities Implemented in 2015
Providing high-quality services to customers of the power retail companies
Expanding the Company's presence in internationalmarkets
Long-term (Rolling) Strategic Priorities in 2015
Providing for the reliability of existing assets and their modernisation
Ensuring sustainable operation of the Company's hydropower facilities during flood periods
Increasing installed capacity via investment project implementation
Efficiently utilizing funds for the investment projects of JSC RAO Energy Systems of the East
Increasing the competitiveness of the design complex
Creating an efficient system for innovation management and forming an uninterruptable innovative process in the Company's activities
Approving strategic documents
Upgrading the corporate governance system
Development Priorities Planned for 2016
Developing and improving the efficiency of management of production and process complexes
Investment policy and changing approaches to the formation of the investment program
Increasing the operational efficiency and transparency of the Company's activities

1.3. SUSTAINABLE DEVELOPMENT MANAGEMENT

1.3.1. CONNECTION BETWEEN STRATEGY AND SUSTAINABLE DEVELOPMENT GOALS

In the reporting year, the sustainable development of RusHydro Group was achieved through a large-scale work on upgrading the reliability and safety of hydraulic facilities, implementation of the investment program, including in the Far East of Russia, and shareholder value creation. This work was based on the balanced management of economic, environmental and social aspects of corporate responsibility. The results, according to the Company's management, demonstrate the connection between corporate strategy and sustainable development.

The Group is aware of its responsibilities (economic, social and environmental) as a producer of electricity necessary for society. Sustainable business development is an important value and is reflected in PJSC RusHydro mission and strategic goals.

Reliable and safe operation of generating facilities for society and the environment, taking into account the economic feasibility of funds allocated to mitigate risks and reduce potential damage, is one of the key strategic goals of RusHydro Group.

The Company makes every effort to increase the share of renewable energy source in the energy balance of the country. This aim is achieved through commissioning new generating capacites, as well as increasing the amount of «clean» energy produced at the existing facilities of the Group with a simultaneous increase in energy efficiency.

PJSC RusHydro also seeks to maximize its value to the State, shareholders, society and employees.

The activities in the field of sustainable development are implemented by specialized Units in the area of their functional responsibility:

Areas of activity in the field of sustainable development

- ensuring the energy security of the Russian Federation
- development of the power utilities industry and improving energy efficiency
- positive economic and social impact on the regions of presence
- minimization of environmental impact, including the impact on the planet's climate
- responsible HR management practices
- increasing the transparency and accountability
- structural interaction with stakeholders.

- Social responsibility - Human Resources Unit;
- Cooperation with the authorities in the regions

of presence and creation of a favorable social environment for the efficient development of the Company – Government and International Relations Unit f;
- Economic responsibility - Economic Planning and Investment Unit, Operating Unit, Capital Construction and Engineering Unit, Financial and Corporate Governance Unit;
- Power generation, improving energy efficiency and environmental responsibility - Operating Unit.

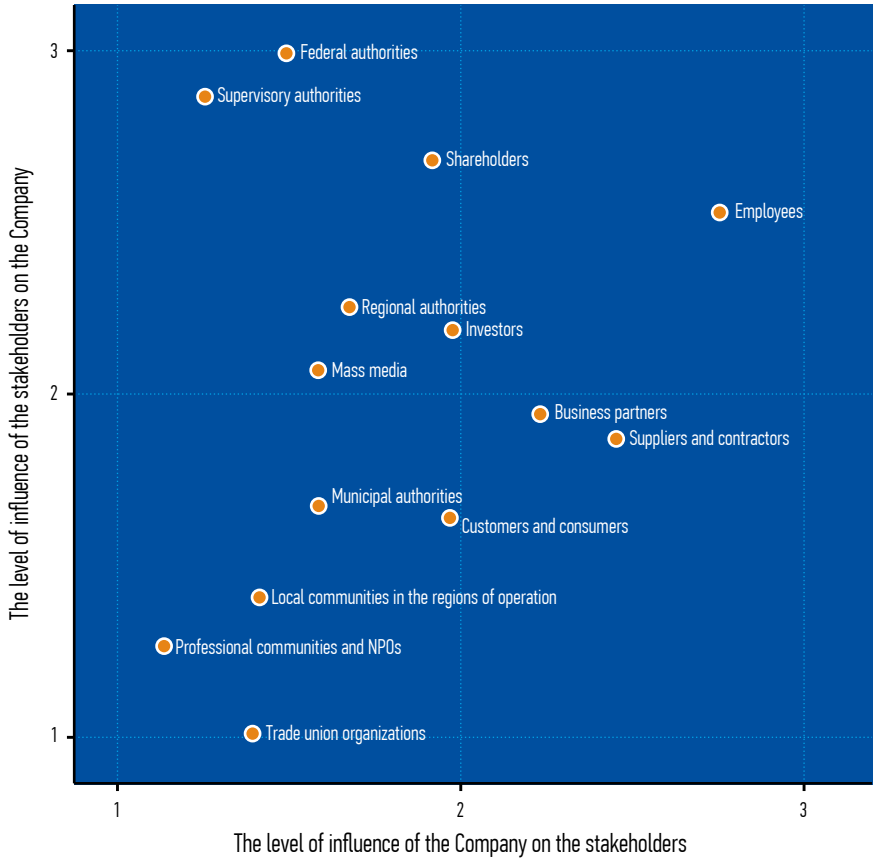
The key issues of sustainable development are considered at meetings of the Company's Board of Directors and the Management Board[15]. An important role in the management of the RusHydro Group's sustainable development is played by the Reliability, Performance and Innovations Committee of the Board of Directors. The Committee at its meetings preliminarily considers issues on the long-term planning of development of hydro-power and other RES-based generation, on the elaboration of functional policies (for example, technical policy, environmental policy, energy saving policy and energy efficiency policy), and corporate standards in the field of technical regulation, etc.

The Company approved a number of corporate documents, regulating the approach and activities in the field of sustainable development - Environmental Policy, Corporate Governance Code, etc. For further information see the relevant sections of the Report.

Since 2007, RusHydro has been publishing sustainable development reports on annual basis, reflecting the management approaches and the most significant results of the Company's activities in economic, environmental and social spheres.

1.3.2. STAKEHOLDER RELATIONS

G4-25 Key Stakeholder Map



RusHydro Group has an impact on a wide range of stakeholders. The key stakeholders of the Group are: employees, shareholders and investors, the consumers of the Company products and services, business partners, suppliers and contractors, federal, regional and municipal authorities, supervisory authorities, non-government organizations, professional and local communities, mass media, higher education institutes and other educational establishments. The Company biennially analises and updates «PJSC RusHydro Group's Key Stakeholder Map», specifying the degree of mutual influence during interaction. (next update will be performed during the preparation of the 2016 Report).

In July 2016, public dialogue on the 2015 Report on Corporate Social Responsibility and Sustainable Development of RusHydro Group were held, which were attended by various stakeholder groups. The representatives expressed their views on the completeness and materiality of the information provided in the Report and the recommendations to the perspective plans of the RusHydro Group (see Appendix 14). Minutes of public (stakeholders) dialogue look on the Company's website http://www.rushydro.ru/upload/iblock/349/scan.pdf

Mechanisms of stakeholders relations of RusHydro Group G4-24 and G4-26

Stakeholders	Stakeholders' interests	Basic mechanisms of interaction
Federal, regional and municipal authorities	- Ensuring reliable and uninterrupted power supply - Support for the development of the regions of operation - Development and modernisation of the electric power industry - Development of renewable and alternative energy sources	- Agreements on social and economic cooperation with the constituent entities of the Russian Federation - Contributions to the development of the regions of operation - Conducting public dialogue on the plant construction projects - Work in joint committees, commissions, expert groups on the fuel and power sector development issues
Shareholders and investors	- Economic efficiency - Company' business continuity - Transparency of business processes	- Meetings of shareholders and other corporate events - IR-presentations and IR-events - Publication of reports
Employees	- Professional development and career advancement - Safe working conditions - Decent remuneration	- Personnel development - Social support for employees - Informing and communication through internal channels - Interaction with trade union organizations
Regulatory and supervisory authorities	- Compliance with the requirements of Russian and international legislation	Submission of reports - Development of proposals to improve legislation
Business partners, suppliers and contractors	- Fair competition and responsible conduct on the market - Transparency of activities, including the transparency of procurement activities	Forums, exhibitions, conferences, dialogs - Open and competitive procurement procedures - Joint projects
Customers and consumers	- Reliable electricity supply - Improving the quality of products and services - High standards of service	- On-line consultation on the retail companies' websites - «Whistleblowing Line» - Mobile service centers - Virtual reception office - Contact center - Personal accounts of consumers guaranteeing suppliers - Development of client offices
Local communities in the regions of operation	- Improving the quality of life in the regions of operation - Reducing the negative impacts on the environment	- Contributions to the development of the regions of operation Social programs and projects, including charitable and environmental - Conducting public dialogue on construction facilities
Professional communities and NPOs	- Development and modernisation of the electric power industry - Transparency of activities	- Cooperation with the relevant Russian and international organizations - Participation in professional and business associations - Cooperation with NGOs
Higher education institutes and other educational establishments	- Target training - Development of sectoral science - Development of innovative technologies, including those reducing negative impact on the environment	- Cooperation in the field of scientific and research activities - Training, retraining and development of personnel - R&D orders
Mass media	- Providing real-time access to the information about the activities of the Company	- Organization of media events - Initiation of publications in the national, regional and local media - Updating information on corporate websites, on the official blog http://blog.rushydro.ru/ and the resources of the company in social networks (Facebook, Live Journal, Instagram, etc.)

INTERACTION WITH KEY STAKEHOLDER GROUPS IN 2015

Investors

With the increased number of socially responsible investors who consider the environmental, social and governance (ESG) factor while making their investment decisions, in recent years there is an active institutionalization of the processes of information collection and analysis of public companies in terms of compliance with these criteria. A number of large investment funds, including sovereign, create their own ESG analytical units and others are guided in their decision-making by research provided byspecialized analytical agencies. The agency, specializing in the development and maintenance of market indexes and making analytical reports, are targeted at socially responsible investors. RusHydro Group actively interacts with all three categories of stakeholders. In particular, during the reporting year RusHydro Group communicated with the following organizations:

- Robeco SAM (developer of DJ Sustainability Index - Dow Jones Sustainability Index),
- MCSI (one of the world's leading providers of information and indexes on shares and debt market

tools, it is also the developer of a family of ESG-related indexes),
- Evalueserve (FTSE Low Carbon Economy project developer, which assesses the business in terms of its contribution to the reduction of greenhouse gas emissions),
- Sustainalytics (independent agency responsible for the analysis of public companies in terms of ESG criteria)
- Oecom (independent agency responsible for the analysis of public companies in terms of ESG criteria)
- CDP (Carbon Disclosure Project, a global project aimed at the disclosure of reports on greenhouse gas emissions by public companies).

In 2015, the RusHydro Group for the first time provided information on request of Carbon Disclosure Project (CDP) in two directions: greenhouse gas emissions and water use.

Government authorities G4-EC7

RusHydro Group cooperates with a number of the federal and regional government authorities of the Russian Federation.

The key objective of government relations is development of partnership to enhance the competitiveness of national and regional economies, social development of the regions on the basis of statutory compliance and transparency of the Group's activities.

In 2015, representatives of PJSC RusHydro participated in three parliamentary hearings, six «round tables» and a number of advanced meetings of the Russian Federal Assembly committees with the participation of representatives of the federal authorities of the Russian Federation and the authorities of the RF constituent entities, as well as representatives of energy companies, on matters directly related to the Company's activities, including:
- On amendments to certain legislative acts of the Russian Federation in connection with the strengthening of the payment discipline of energy consumers,
- On amendments to the state program of the Russian Federation «Energy Efficiency and Energy Industry Development»,
- discussion of the draft Energy Strategy of Russia until 2035,
- on measures to improve the legislation, ensuring the development of small distributed energy industry in the Russian Federation,
- improving the statutory regulation of process connection to the electric power industry,
- regulatory safety of fuel and energy complex facilities: the current situation and development perspectives,
- perspectives and practical aspects of the implementation of the Federal Law No. 224-FZ «On public-private partnership, municipal-private partnership in the Russian Federation and amendments to some Russian Federation legislative acts».

The managers of PJSC «RusHydro» take part in the work of following commissions and task forces attached to the President and the Government of the Russian Federation, with said commissions and task forces engaged in the development of fuel and energy complex and social and economic development of the regions of the Russian Federation:

- The Presidential Commission on development strategy of fuel and energy complex and environmental safety,
- The Government Commission on development of electric power industry,
- The Government Commission on fuel and energy complex and energy efficiency improvement of the economy,
- The Government Commission on social and economic development of Far East and Baikal regions,
- The Government Commission on social and economic development of Northern Caucasia Federal District,
- The State Commission on development of the Arctic,
- The Government Commission on the safety of power supply (federal headquarters),
- Inter-agency working group preparing suggestions intended to improve the efficiency of activities of power industry organizations,
- The RF Government Commission on development of the Far East,
- Task force on sustainable functioning of water utilization systems and hydro-meteorological activities of the Russian Federation (Government Commission on the natural resource use and environmental protection).

Besides, the work is carried out with the relevant and other committees of the Federal Assembly of the Russian Federation on matters affecting the activities of PJSC RusHydro.

As a result of the participation of RusHydro's representatives in the activities of the Federal Assembly of the Russian Federation, the Company has submitted comments and suggestions which were taken into account while finalizing the relevant draft legislation.

Regional authorities G4-EC7

RusHydro Group is making efforts for the development of cooperation with the authorities in the regions of its operation, creating a favorable investment and socio-economic environment for efficient development of the Group, including through the development of social partnership in these regions. The Company develops such partnership in the form of agreements on mutual cooperation in terms of social and economic development of the regions of operation.

As of December 31, 2015, thecooperation agreements with the authorities of a number of Russian regions were valid: Republics - Altai, Bashkortostan, Dagestan and Khakassia; Krasnoyarsk and Stavropol Territories; Amur, Irkutsk, Moscow and Sverdlovsk regions.

The Group is convinced that constant cooperation with the regional authorities in terms of implementation of regional socio-economic development programs and investment projects of PJSC RusHydro will serve as the key to success in the regions.

Mass media

The development in technologies and new information resources led to greater diversity of the forms and formats of media and of disclosing RusHydro Group's information to the public. While striving for greater openness and information transparency, the Company goes beyond publishing a standard press kit on its corporate website, using any opportunity to assist the journalists, including those working for regional media, in studying the practical aspects of hydro-power engineering and the operation of the Group's companies.

According to the statistical analysis for the reporting period, the media registered 57,582 posts mentioning the companies of PJSC RusHydro or its branches and subsidiaries. Most of these posts had neutral and positive nature (99%), negative publications amounted to one percent of all posts studied.

Internal corporate monthly printed publication «RusHydro Bulletin» («VESTNIK RusHydro») traditionally wins the competition among corporate printed publications.

The key tasks of the information and PR-support of RusHydro's activities in 2015 were the following:
- demonstration of RusHydro leading role in the development of the Far East energy infrastructure by informing public about the progress in implementation projects of for construction of new generating capacity in the FEFD regions,
- informing about unique technical parameters and the progress of implementation of the Comprehensive modernisation Program aimed at the modernisation of basic production assets of the company - HPPs,
- informing about the implementation of projects for the construction of new hydro-generation facilities in the North Caucasus,
- popularization of the profession of a hydraulic

power engineer among the rising generation and improvement of knowledge of the media and the general public about the industry,
- focusing on the key role of HPPs in water regulation and protection of territories and population from high water and floods,
- promoting the topic of social responsibility of the company and implementation of charitable initiatives.

For objective informing, RusHydro uses a series of PR-instruments, including the following:
- distribution of press releases,
- publishing information on the company's website,
- special information projects («How dams fought» - , «Far East: Energy growth» - http://tass.ru/rushydro-dv/energetikadv),
- information-educational project «The School of a hydraulic power engineer» http://www.rushydro.ru/press/school/ ,
- RusHydro communities in social networks and the company's corporate blog,
- press conferences and press briefings (direct communication of the top management with the media),
- press tours to the RusHydro facilities in the regions,
- publications in the media,
- multimedia tools.

Business (international) partners

The development of international activities is one of RusHydro Group's priorities.
The approaches to international cooperation are based on the following principles:
- mutually benefits and transparency of cooperation,
- long-term nature of cooperation;
- ensuring accessible warranty and after-sales service when purchasing advanced foreign technology and foreign equipment,
- preparation of integrated solutions taking into account the specifics of the Russian electricity market,
- increasing the economic efficiency.

Cooperation with the Chinese company «China Three Gorges Corporation»

Cooperation with the company «China Three Gorges Corporation» is continuing in accordance with the signed Agreement on cooperation in the area of joint implementation of projects for the construction of flood-control HPPs on tributaries of the Amur River with a total capacity of up to 2000 MW:
- The Nizhne-Zeyskaya HPP (400 MW) on the ZeyaRiver,
- The Selemdzhinskaya HPP (300 MW) on the Selemdzha River,
- The Gilyuiskaya HPP (462 MW) on the Gilyuy River,
- The Nizhne-Nimanskaya HPP (600 MW) in the basin of the Bureya River.

In 2015, the corporation «China Three Gorges Corporation» carried out a comprehensive audit of the Nizhne-Zeyskaya HPP in order to assess the value of its shares and the possibility of creating a joint venture. In addition, PSC RusHydro conducted works to select a contractor for the development of the feasibility study of the project for the construction of the Nizhne-Zeyskaya HPP and the Selemdzhinskaya HPP, as well as for the development of the terms of reference.

Cooperation with the Chinese company «PowerChina»

In 2015, during the visit of experts of PJSC RusHydro to Beijing, negotiations were held with the China party on the technical and economic issues of the project for the construction of the Leningradskaya PSPP.

Joint work was performed to define a number of conditions necessary to ensure the return on investment guarantees in the implementation of the project on mutually acceptable conditions for the parties, as well as to define the changes in the regulatory framework required to ensure the project return on investment.

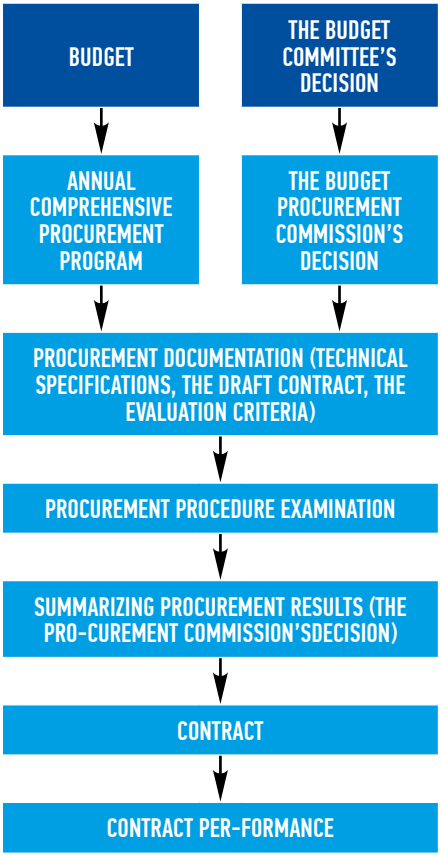
RusHydro's participation in international organizations G4-27

RusHydro Group is a member of the international organization Global Sustainable Electricity Partnership (GSEP), International Hydropower Association (IHA), International Commission on Large Dams (ICOLD) and International Association for Hydro-Environment Engineering and Research (IAHR). RusHydro's representatives are members of the committees and task forces of these organizations.

In addition, RusHydro Group develops cooperation with international governmental organizations and integration associations, including the Eurasian Economic Union (in terms of work with the Eurasian Economic Commission), CIS Electric Power Council, Shanghai Cooperation Organization.

Also, RusHydro Group cooperates with professional industry international organizations through joint research, participation in expert groups, professional seminars (Canadian Technology Association (CEATI), International Council on Large Electric Systems (CIGRE), and others).

The RusHydro's supply chain G4-12



Membership in national and international organizations G4-16

Association / Organization	The role of the Company's representatives in the management bodies	The Company's participation in projects or committees	Membership grounds
International Hydropower Association (IHA)	Do not take any role	Does not participate*	IHA is the largest international non-governmental organization in the hydro-power industry.
International Commission on Large Dams (ICOLD)	Chairman of the Russian National Committee for Large Dams	Participation in 24 committees	ICOLD is the oldest international organization, the largest platform for the exchange of latest scientific data in the field of hydro-power engineering.
International Association for Hydro-Environment Engineering and Research (IAHR)	Do not take any role	RusHydro representatives (Vedeneyev VNIIG) are the members of the IAHR European Committee	- a major scientific forum in the field of hydraulic research.
Global Sustainable Electricity Partnership (GSEP)	Do not take any role	RusHydro representatives take part in the work of political, project and steering committees	GSEP - one of the major international platforms in the field of hydro-power engineering and renewable energy sources.
Russian Union of Industrialists and Entrepreneurs (RSPP)	Member of the RSPP Management Board	Participation in the work of the Committee for International Cooperation and the Electric Energy Commission	RSPP is a leading organization that expresses the consolidated interests of industrialists and entrepreneurs of Russia, builds a constructive dialog with the leadership of the country, legislative and executive authorities on the matters relating the improvement of the business environment, raising of the Russian business status in the world, and maintaining the balance of the interests of society, government and business, including the interests on a wide range of issues relating the development of the Russian fuel and energy complex, energy security and energy efficiency.
Non-profit partnership "Russian-Chinese Business Council" (NP "RCBC")	Do not take any role	Does not participate	NP "RCBC" is an important mechanism to support the Russian and Chinese organizations in the implementation of specific projects of trade and economic and investment cooperation, as well as to develop proposals for executive authorities to remove barriers to the development of bilateral economic cooperation.

* In September 2016, Brazil is holding a regular meeting of the Management of International Hydropower Association, the aim of which is joining one or more committees.

Charters, principles and initiatives supported by the Company G4-15

Title	Year of association	Countries where the document is used
Declaration on Water Reservoirs for Sustainable Development (International Commission on Large Dams, ICOLD)	2012	International document
Social Charter of Russian Business (Russian Union of Industrialists and Entrepreneurs)	2013	Russia
Anti-corruption Charter (Russian Union of Industrialists and Entrepreneurs)	2013	Russia
The Concept of Long-term Economic Development of the Russian Federation till 2020	2008	Russia
Assessing the Compliance of Hydropower Projects to the Sustainable Development Criteria (IHA)	2011	International document
Russian Federation Power Sector Tariff Agreement for 2013-2015	2013	Russia

Suppliers and contractors

G4-DMA RusHydro Group has a unified procurement management system since 2011. It is regulated by the Provisions on procurement for RusHydro's needs of PJSC and the model Procurement Regulations designed for subsidiaries, including the Regulations on procurement for the needs of PJSC RAO ES of the East. Detailed information on procurement activities, including procurement notices, information on procurement results and the contracts signed (including information on procurement from small and medium enterprises) is published in the special section of the corporate website (www.zakupki.rushydro.ru) on a regular basis.

Non-profit organizations

Since 2008 RusHydro has been one of the founders of the Non-Profit Partnership «Power Industry Veterans Council». The main activity of the Partnership is to assist the members of NPP «Power Industry Veterans Council» in the implementation of activities aimed at helping power industry veterans.

In addition, information on RusHydro's interaction with NPOs can be found in the Section «RusHydro's participation in international organizations»

Employees

See Section 5.1 Human Resources Development

Higher education institutes and other educational establishments

RusHydro has held the competition «Energy of Development» for youth, that is for students and post-graduates of technical universities, for the sixth time. The main objectives of the competition are to create conditions for the identification and development of youth abilities, to assist in obtaining professional education and assist in the implementation of professional and career ambitions. The competition was conducted for the sixth time in a row, becoming all-Russian with over 100 higher education establishments as participants and over 600papers submitted. Over 30 winners of the competition have become hydropower professionals, including in RusHydro. RusHydro will organize internship at its facilities for the winners.

In accordance with the Cooperation Agreement signed between PJSC RusHydro and the Moscow Power EngineeringInstitute (MPEI), the «Hydropower Engineering and RES» department was revived in the MEI in 2013. In 2015, the «Hydropower Engineering and RES» department, with the support of PJSC RusHydro, commissioned a new smart labouratory «RES-based Hybrid Energy Complex». The complex includes electromechanical models of WPPs and PSPPs, a SPP model, elements for modeling overhead lines and controlled complex load, as well as a programmable SCADA-system. This is a complex that allows to explore operation modes of different RES-based power plants and to manage them in SmartGrid environment. The complete set of five stands collected in the MPEI is unique not only in Russia, but also in CIS countries.

In addition, the Company collaborates with universities in R&D field. Funding for R&D works performed by universities on request of PJSC RusHydro amounted to about 4 million rubles[16].

Customers and consumers G4-PR5

The development of energy retail sales providing for quality services and uninterrupted supply of power to consumers is one of the RusHydro's strategic development trends. To pursue this development trend, RusHydro interacted with the entities of the energy retail market in 2015. The Company has developed the Consumer Loyalty Improvement Program and proceeded with its implementation. Starting from 2013, all regional power supply companies are guided by the corporate Customer Servicing Standard. In the reporting period, the front offices of all interregional power supply companies were checked to comply with the Standard.

The RusHydro's retail customers include over 1.65 million household consumers and over 69 thousand entities.

The customers' growing accounts receivable remains one of the most pressing issues in the RusHydro's interaction with customers (retail market entities). Since 2014, the Reliable Partner initiative has been implemented to foster the payment discipline among the industrial consumers of fuel and electricity resources[17] and the management companies, and to develop an efficient dialog among the suppliers and the consumers of electricity and utility services. The RusHydro's proposal was supported by the Ministry of Energy of the Russian Federation and by the Council of the Federation of the Federal Assembly of the Russian Federation.

1.4. CORPORATE GOVERNANCE[18]

1.4.1. CORPORATE GOVERNANCE PRINCIPLES AND STANDARDS

G4-56

The Company constantly improves the quality of corporate governance, applying best practices in corporate social responsibility and sustainable development. The Company's corporate governance principles and procedures are set in Articles of Association and internal regulatory documents[19].

Corporate governance and organizational development efficiency helps to achieve goals and solve sustainable development problems of RusHydro Group's subsidiaries.

Corporate governance in the Company is carried out in strict accordance with:

- Russian legislation,
- Recommendations of the Russian Governance CorporateCode ,
- Requirements for companies listed on MOEX and London Stock Exchange.

Corporate governance system is based on principles set in Corporate Governance Code of JSC RusHydro: transparency, accountability, fairness and financial discipline..

Structure of Authorized Capital

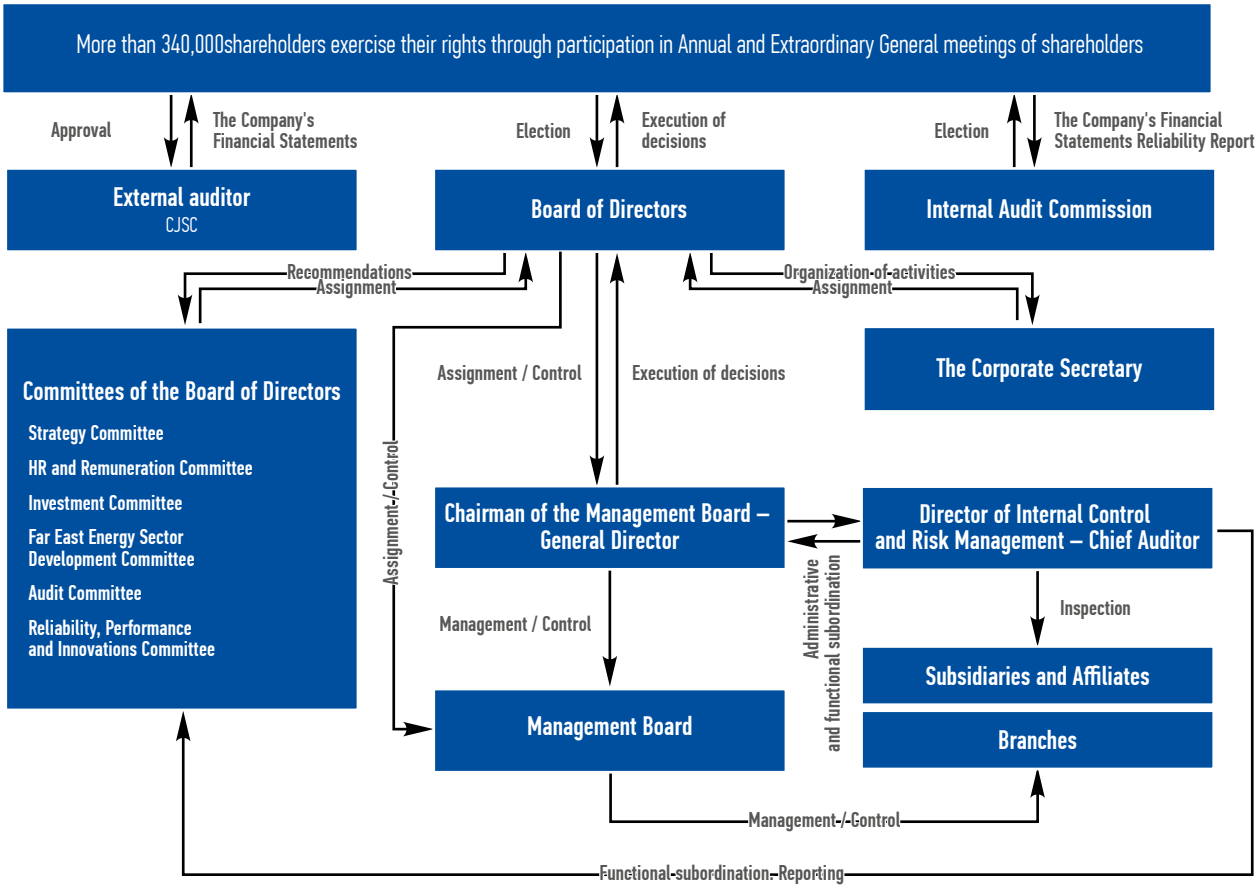
The Company's major shareholder is Russian Federation, owning 66.837% of the Company's authorized capital, the minority shareholders own 33.163% of the Company's authorized capital. Total number of RusHydro's shareholders is more than 340,000.

The Company's shares are traded on the MOEX, as well as outside the Russian Federation in the form of depositary receipts on the Main Market of London Stock Exchange (LSE) and on the US OTC market (OTCQX). The percentage of shares traded outside the Russian Federation in the form of depositary receipts, at the end of the reporting period, amounted to 5.3% of the total number of shares.

List of registered legal entities owning over 2% of the Company's shares (as of December 31, 2015)

Name of the registered legal entity	Type of the registered legal entity	Percentage of the share capital
The Russian Federation represented by the Federal Agency for State Property Management	owner	66.8370
Non-bank credit organization Closed Joint Stock Company National Settlement Depository	nominee holder	29.1456
Limited Liability Company Depositary and Corporate Technologies	nominee holder	2.1554

RusHydro's Corporate Governance Structure G4-34



SUBSIDIARIES MANAGEMENT

The Company participates in the authorized capital of companies engaged in engineering, construction, repair and service maintenance, technical upgrade and reconstruction of generating facilities, production and supply of electricity.

The interaction of the Company with its subsidiaries is aimed at strategy implementation, ensuring stable economic development, investment appeal and corporate transparency, increase in RusHydro Group's value, protection of shareholders' rights and interests.

The Company manages its subsidiaries through its representatives at the General Meetings of Shareholders, the Boards of Directors and governing bodies of the subsidiaries, in accordance with the Articles of Association and the Procedure for JSC RusHydro's Interaction with organizations in which the Company participates.

The Board of Directors determines the Company's opinion on the subsidiaries' strategic issues (reorganization, liquidation, change in the authorized capital, approval of major transactions, participation in other organizations). The Company's executive bodies are responsible for other significant issues of subsidiaries.

PJSC RusHydro constantly improves the corporate governance of subsidiaries by increasing transparency of subsidiaries and monitoring their compliance with the legislative requirements related to mandatory disclosure of information.

1.4.2. CONTROL BODIES

BOARD OF DIRECTORS[20] G4-39, G4-38[21]

The Board of Directors' (BoD) activity is regulated by the Regulations for the procedure on convening and holding the Board of Directors meetings of PJSC RusHydro. According to the Articles of Association, the Board of Directors consists of 13 members. The Board of Directors members were elected at the Annual General Meeting of Shareholders on June 26, 2015. The Chairman of the Board of Directors is not a member of the collective executive body (the Management Board).

Members elected to the Board of Directors have a professional experience in power engineering, economics, corporate governance, as well as sustainable development. Also, the Board of Directors includes the directors with academic degrees and international business schools graduates.

Remuneration to the Board of Directors members is calculated in accordance with the Regulations for remuneration paid to members of the Board of Directors of PJSC RusHydro. In accordance with these Regulations, remuneration is paid to the members of the Board of Directors who do not have legal restrictions, as well as non-members of the collegial executive body and the sole executive body. According to Russian legislation, remuneration is not paid to the members of the Board of Directors with the status of government officials. *For information on the remuneration paid to the members of the Board of Directors and the Management Board, see the 2015 Annual report of PJSC RusHydro, Section «Report on the remuneration paid to management and control bodies».*

Independent members of the Board of Directors

The composition of the Company's Board of Directors includes three independent directors who meet the criteria of the Corporate Governance Code of PJSC RusHydro[22] and the UK Corporate Governance Code[23]. Independent Director S.N. Ivanov (CEO of JSC ERCO) is the Deputy Chairman of RusHydro Board of Directors.

MANAGEMENT BOARD G4-44, G4-51 И G4-52

The Management Board acts in compliance with the Management Board Regulation and is guided by the decisions of the General Meeting of Shareholders and the Company's Board of Directors. Nikolay Shulginov, Chairman of the Management Board – General Director of PJCS RusHydro, elected by the Board of Directors in 2015, is responsible for the general management of the Company ,.

In 2015, Management Board members did not make any transactions with RusHydro's shares.

Performance of the Management Board members is regularly assessed using key performance indicators (KPIs). This list of KPIs was developed in accordance with recommendations of the Russian Ministry of Energy.

KPI targets for the Management Board are approved by the Board of Directors based on the approved business plan. The Regulations on the procedure on remuneration and compensation payment to Management Board members of PJSC RusHydro provide for quarterly and annual bonuses for performance based on individual KPIs.

Management Board Activities

In 2015, the Management Board held 66 meetings (including 14 meetings in presentia) and considered in which over 550 issues related to the Company's current operations. Also, all strategically important issues, to be solved by the Board of Directors, were preliminary discussed. The Management Board prepared reports on the implementation of performance indicators of the activities, the Company's Business Plan , and approved the targets for KPIs of subsidiaries and affiliates and reviewed the reports on their implementation.

INTERNAL CONTROL BODIES

The system of internal control bodies: Structure and competences

The Audit Committee of the Board of Directors Elected by the Company's Board of Directors on July 17, 2015 (Minutes No. 220 dated July 20, 2015) and valid until the Annual General Meeting of Shareholders, which was held on June 27, 2016 (Minutes No. 15). The Committee consists of 3 persons. Acts on the basis of Regulations on the Audit Committee of the Board of Directors	The main function of the Audit Committee is to guarantee the effective performance of the BoD's functions in terms of control over the Company's financial and economic activity. The full text of the Regulation on the Audit Committee of the BoD is available at: http://www.rushydro.ru/upload/iblock/978/Prilozhenie-15.-Polozhenie-o-KA.pdf

Internal Audit Commission Elected annually by the General Meeting of Shareholders in the membership of 5 people. Acts in the interests of the Company's shareholders and in its activities is accountable to the Company's General Meeting of Shareholders. In its activities, the Internal Audit Commission acts independently of management body officials and the Company's business units' managers.	The main tasks of the Internal Audit Commission are: - Supervising the Company's financial and business performance; - Monitoring the compliance of the Company's financial and business transactions with Russian Federation law and the Company's Articles of Association; - Independent evaluation of information on the Company's financial condition. The full text of the Regulations on PJSC RusHydro Internal Audit Commission is available at: http://www.rushydro.ru/upload/iblock/b7e/Prilozhenie-5-k-protokolu-godovogo-obshego-sobraniya-aktsionerov-ot-26.06.2015--13.pdf. The new edition of the Regulation on the Internal Audit Committee of the Company to take into account relevant recommendations of the Federal Property Agency to companies with state participation was approved by the Decision of the AGM dated June 27, 2016 http://www.rushydro.ru/upload/iblock/389/03Polozhenie-o-RK.pdf
The control and risk management department	The main tasks and functions of the Control and Risk Management Department are: In terms of control and risk management: - Organizing an effective corporate internal control system and anti-corruption system operating in the Company, - Developing and monitoring the implementation of plans and programs to upgrade the corporate internal control system of the Company and its subsidiaries, - Interacting with the territorial authorities of the Russian Federation, the Accounts Chamber of the Russian Federation, the Internal Audit Commission of the Company and other supervisory bodies on internal control, as well as in the course of their audits of the Company and its subsidiaries, - Control over the disclosure of information about the risks of the Company and its subsidiaries. The Regulations on the Internal Audit Policy is available at: http://www.rushydro.ru/upload/iblock/c9c/Politika-VKiUR-PAO-RusGidro_16.11.2015_utv.pdf
Internal Audit Service	The goal of the Internal Audit Service of PJSC RusHydro is to assist the Board of Directors and executive bodies of the RusHydro Group in raising the RusHydro Group's management efficiency and improving its activities. In 2015, PJSC RusHydro formed the Internal Audit Service, which is functionally subordinate to the Board of Directors and represented by the Audit Committee. The tasks and functions of the Internal Audit Service are: - Organizing and conducting internal audits of the Company, its subsidiaries and affiliates, processes and activities; - Evaluation of the effectiveness of the internal control system, risk management system, corporate governance of the Company and its subsidiaries and affiliates; - Organizing methodological support and control over the activities of the Company's representatives in the Audit Commissions of its subsidiaries and affiliates; - Interaction with the Audit Committee of the Board of Directors. The priority activities of the Internal Audit Service of the Company in accordance with the objectives of the RusHydro Group, with the account of available resources, as well as the risk-oriented approach to planning control measures, are determined in the Control Measures Schedule, which is approved annually by the Audit Committee. The Internal Audit Policy of PJSC RusHydro is available at: -http://www.rushydro.ru/upload/iblock/1e3/Prilozhenie-1-Politika-Vnutr-audit-22-10-15.pdf

1.4.3. CORPORATE GOVERNANCE IMPROVEMENT

In the reporting year, PJSC RusHydro updated its Corporate Governance Code. The draft new revision of the Code, which takes into account the specifics of PJSC RusHydro, as well as the current corporate governance practice, was approved by the key stakeholders of the Company, including federal executive authorities, experts of the working group for creation of an international financial center in the Russian Federation, professional securities market participants, rating agencies, as well as the operator of the Company's depository program - The Bank of New York Mellon. Experts appreciated the Company's intention to continue improving its corporate governance.

In 2015, the Board of Directors approved the following:
- Regulations to Increase the Investment and Operational Efficiency and Reduce Costs,
- Internal Audit Regulations,
- Regulations on the Quality Management System.

Internal Control and Risk Management Policy
All subsidiaries implemented standard articles of association that meet the requirements of the current legislation, as well as common standards in the following areas:
- procurement policy,
- credit policy,
- internal control and risk management,
- insurance,
- business planning, etc.

1.5. KEY RISKS AND OPPORTUNITIES

1.5.1. RISK MANAGEMENT SYSTEM

G4-2

According to the Company's management, implementation of strategy and business processes efficiency are the key elements of the Company's sustainable development. These are the main goals of the Company's risk management.

RusHydro's Internal Control and Risk Management Policy was updated in 2015 pursuant to the Russian President's instructions and orders of the Government. The Company updates its Strategic Risk Management Plan on annual basis, including a list of key risks and response measures taking into account all aspects of the Company's sustainable development.

A List of the Strategic Risks of PJSC RusHydro is approved on annual basis, specifying risk owners. The List is used both for disclosing information on the Company's risks to shareholders, the rating agencies, the auditor and other stakeholders, and for further developing and monitoring the implementation of measures to optimize risks within the the Company's strategy.

Priority of risks and possibilities is determined by their impact on the key financial, environmental and social aspects, taking into account the established strategic goals and development priorities and social mission of the Company.

The corporate risk management system covers all companies of the Group and envisages management of potential impacts in order to reduce the probability and negative consequences of risks. This system includes internal procedures and a set of preventive measures in accordance with the adopted RusHydro's Internal Control and Risk Management Policy.

1.5.2. RISKS

The Group's valid risk / impacts management procedures in terms of sustainable development are classified according to the following three aspects: economic, environmental and social risks. RusHydro Group also identifies the interested parties (stakeholders), which are subject to the potential impact in case of the occurrence of specific risks. The range of risks is presented in 2015 Annual Report of the RusHydro Group[24].

Management of sustainable development risks in 2015

Risk	Impact on KPIs LTDP of the RusHydro Group[25]	Stakeholders	Risk management measures
ECONOMIC ASPECT			
Risks of implementation of capital construction projects	Total shareholder return (TSR), % Fulfillment of the schedule of commissioning of capacities of the core facilities of new construction, % The share of procurement from small and medium enterprises	Shareholders and investors Employees Federal authorities Regional authorities and local government authorities Suppliers and contractors	Systematization of data on the projected facilities: - Development of the corporate project management system in order to systematize data on existing and projected facilities. Development of the internal review of the design and working documents: - Improvement of the efficiency of design institutes and procurement activities aimed at strengthening the role of its own design institutes to conduct an internal review of design and working documents; - Regulation of activity on conducting internal review of design documentation. Control of quality, timing and cost of the works: - Maintenance of the list of bad-faith designers, participation in choosing sub-designers; - Optimization of the insurance and procurement system in terms of construction and assembly activities; - Development of regulatory documents for the production of certain types of work, introducing the personnel permit-to-work system to permit employees to carry out such works with the possibility to restrict personnel from the implementation of subsequent projects if a material breach is committed; - Development of the quality control system of equipment supplied (including the process of its production and shipment/delivery); - Establishing the System for monitoring and controlling the timing and cost of new construction facilities based on SAP of the capital construction management information system. The 2016-2020 Investment Program materials to be reviewed contain the assessment of the cost-effectiveness of investment capital construction projects with the account of risks.
Decrease in revenues from sales of electricity and capacity compared to the business plan	Return on equity (ROE), % Debt-to-equity ratio Leverage limitation (Net Debt/ EBITDA) Share capital efficiency (EBITDA / yearly average share capital)	Shareholders and investors Employees Suppliers and contractors	Preparation of proposals for amendments to the normative legal acts in the sphere of electric power industry; Regular revision of the sales policy of PJSC RusHydro; Conclusion of hedging bilateral «day-ahead» contracts on the market, including the purchase of electricity to secure obligations; Performance of work on the reduction of accounts receivable for the supply of electricity and capacity.
Shortage of funds, including those obtained from external sources, to carry out planned investments	Return on equity (ROE), % Debt-to-equity ratio Leverage limitation (NetDebt/ EBITDA) Share capital efficiency (EBITDA / yearly average share capital)	Shareholders and investors Federal authorities Suppliers and contractors	- Maintenance of the sufficient amount of funds and the availability of financial resources through credit lines; - Implementation of a balanced model of working capital financing through the use of short-term and long-term sources; - Monitoring of the compliance with credit agreements in order to avoid breaches of the Company's financial covenants; - Temporary placement of free funds into short-term financial instruments (bank deposits and notes); - Conclusion of contracts with contractors on «standard financial conditions», introduction of interest rate and currency risks management techniques, taking into account the credit policy of PJSC RusHydro. Within the framework of the Company's approved interest rate and currency risks management technique, the Company calculated the risks of currency and interest rate fluctuations for 2016 for the open foreign currency position and the portfolio of liabilities of the Company, respectively, for the purpose of evaluation and formation of the reserve to cover foreign currency and interest rate risks in the budget of the Company for 2016.

Terrorism	Reliability criteria: - Avoiding a larger limit number of accidents (pcs.), - Availability factor.	Shareholders and investors Employees Suppliers and contractors Federal authorities Regional authorities and local government authorities	- Full implementation of the integrated plan to ensure the safety of facilities of PJSC RusHydro for 2015; - Interaction has been organized with law enforcement authorities in terms of protection of facilities of PJSC RusHydro in case of commission or a threat to commit a terrorist act. On the territory of hydro-power facilities, there are robust access regimes and internal security regimes. Together with law enforcement agencies, measures to prevent theft and to ensure control of unauthorized access to company facilities are organized. Estimation of the most dangerous threats and development of emergency recover plans is performed together with the civil defense and emergency service of the Russian Federation constituent entities at the location of the generating assets of PJSC RusHydro; - Power facilities of PJSC RusHydro are protected by armed guards of the FSUE Departmental Security Agency of the Russian Ministry of Energy and the private security agency of the Russian Ministry of Internal Affairs; - The Company's fixed assets insurance package includes insurance against Terrorism and Sabotage. - Increasing the share of equipment certified by FSTEC and home equipment; - Audits of information and technical security.
Failure of sales companies to achieve targets	Return on equity (ROE), % Debt-to-equity ratio Leverage limitation (NetDebt/ EBITDA) Share capital efficiency (EBITDA / yearly average share capital)	Shareholders and investors Employees Suppliers and contractors	- Updating of the sales policy with emphasis on the risks, including the updating of the internal methods for rating the Company's counterparties on the WECM market and the updating of the methods for determining the minimum / maximum WECM price indexes based on the VaR methodology; - Participation in law-making, representation and protection of interests of retail energy sales subsidiaries in regional and federal authorities; - Monitoring of the compliance of the retailing companies controlled by PJSC RusHydro with the criteria for financial stability in accordance with the rules of retail markets; - Introduction of the PJSC RusHydro's corporate risk management system in subsidiary retailing companies; - Work with consumers to form mutually beneficial relationships, including the work aimed at preserving the market share of retailing companies of PJSC RusHydro; - Approval of plans of anti-crisis measures to improve profitability and reduce the liquidity deficit of subsidiary retailing companies.
Delays and mistakes when updating the governance system	Return on equity (ROE), % Share capital efficiency (EBITDA / yearly average share capital) Introduction of the Corporate Governance Code and ensuring compliance with its requirements	Shareholders and investors Employees Suppliers and contractors	- Improvement of the activities regulation and business process management system (business process regulation procedure for 2015-2016 has been approved); - Optimization of timing and coordination of procurement; - Performance of activities aimed at improving the efficiency of the document management system, result - reduction of time for approval of documents (by 15-60%); - Analysis of core business processes (BP) that have a direct impact on the productive performance of PJSC RusHydro: - Management of operation and inspection of equipment, retrofitting and upgrading of production assets and funds, - Management of electricity and capacity sales, - Materials, equipment and services procurement management, - Information technology management, - Investment program management, - R&D and Research Activities management. The purpose of the analysis is to improve control and efficiency of processes. This list of business processes has been formed on the basis of the List of the Strategic Risks of the Company ranked according to the degree of risk of possible commission of illegal acts. Risk analysis for the first three business processes from the list has been performed. Additionally, the risks of unethical and unfair acts within the framework of the Company's Anti-corruption Policy have been highlighted. Lists of risks have been formed, their assessment and ranking in cooperation with the owners have been carried out, the effectiveness and adequacy of existing controls have been analyzed, and the recommendations to address shortcomings have been developed.

ENVIRONMENTAL ASPECT			
Adverse changes / breaches of legislation	Total shareholder return (TSR), % The share of procurement from small and medium enterprises	Shareholders and investors Consumers Employees Trade unions Federal authorities Regional authorities and local government authorities Local communities Environmental organizations Mass media Suppliers and contractors	- Monitoring of initiated and pending changes in legislation, which could potentially have an impact on the Company's activities; - Monitoring and review of existing standards and regulations in the field of technical regulation; - Participation of PJSC RusHydro's representatives in important law changing events held by legislative, executive and judicial bodies, public associations, professional legal organizations and associations; - Regular environmental audits and implementation of recommendations received; - Participation in task forces on technical regulation of the Russian Ministry of Energy; - Development of the Method of calculation of the maximum damage that can be caused to the life or health of individuals, property of individuals and legal entities as a result of an accident of a hydraulic structure; - Environmental audits as part of technical audits of JSC Boguchanskaya HPP, JSC Ust-Srednekanskaya HPP. Measures to eliminate the violations have been prepared based on the results of audits. The recommendations issued based on the results of environmental audits in 2014 at Votkinskaya, Kamskaya, Nizhegorodskaya and Saratovskaya HPPs have been implemented in full compliance with the Remedial Measures Plan.
Man-made accidents	Reliability criterion: - Avoiding a larger limit number of accidents (pcs.), - Availability factor.	Shareholders and investors Consumers Employees Trade unions Federal authorities Regional authorities and local government authorities Local communities Environmental organizations Professional communities and higher education institutes Mass media Suppliers and contractors Non-profit organizations	The factors of this risk are design errors that appear during the operational phase, physical wear and tear of equipment, violation of operating conditions and untimely repairs, rehabilitation and modernization, impact of human factors, environmental exposure, which can lead to a failure of the main equipment and the destruction of hydraulic structures. According to the Company, the probability of a failure of equipment and facilities does not exceed the average level probability. All of the major production facilities of PJSC RusHydro are insured. In addition, the Company carries out a set of measures to ensure the reliability of equipment and facilities. Events in 2015: - Updating of a number of corporate standards and procedures for assessing and predicting risks of hydraulic structure accidents, planning and management of emergency stocks of materials and equipment to ensure safe operation of hydraulic structures, evaluating the cost of the asset life cycle; - Performance of the full scope of repair, and implementation of the Retrofitting and Upgrading Program; - Development of quality control system for the delivered equipment, including the process of its manufacture and shipment / delivery / construction and installation / commissioning, as well as improvement of the contractual liability of suppliers / contractors in the manufacture and supply of equipment and materials; - Conducting of claims-related work against unscrupulous contractors / suppliers; - Implementation of the recommendations identified during surveying inspections[26] of facilities of PJSC RusHydro; - Increase in on-site control of contractors / sub-contractors in terms of reducing accident rates, fires, unethical behavior, thefts; - Development of technical guidance documents aimed at improving the quality of design and construction management processes; - Introduction of modern methods of equipment diagnostics without shutdowns, modern technologies of production asset management, including the necessary information technology; - Holding of regular technical audits and implementation of measures based on their results in order to improve the quality of control in the course of repair, retrofitting and upgrading of equipment and facilities.

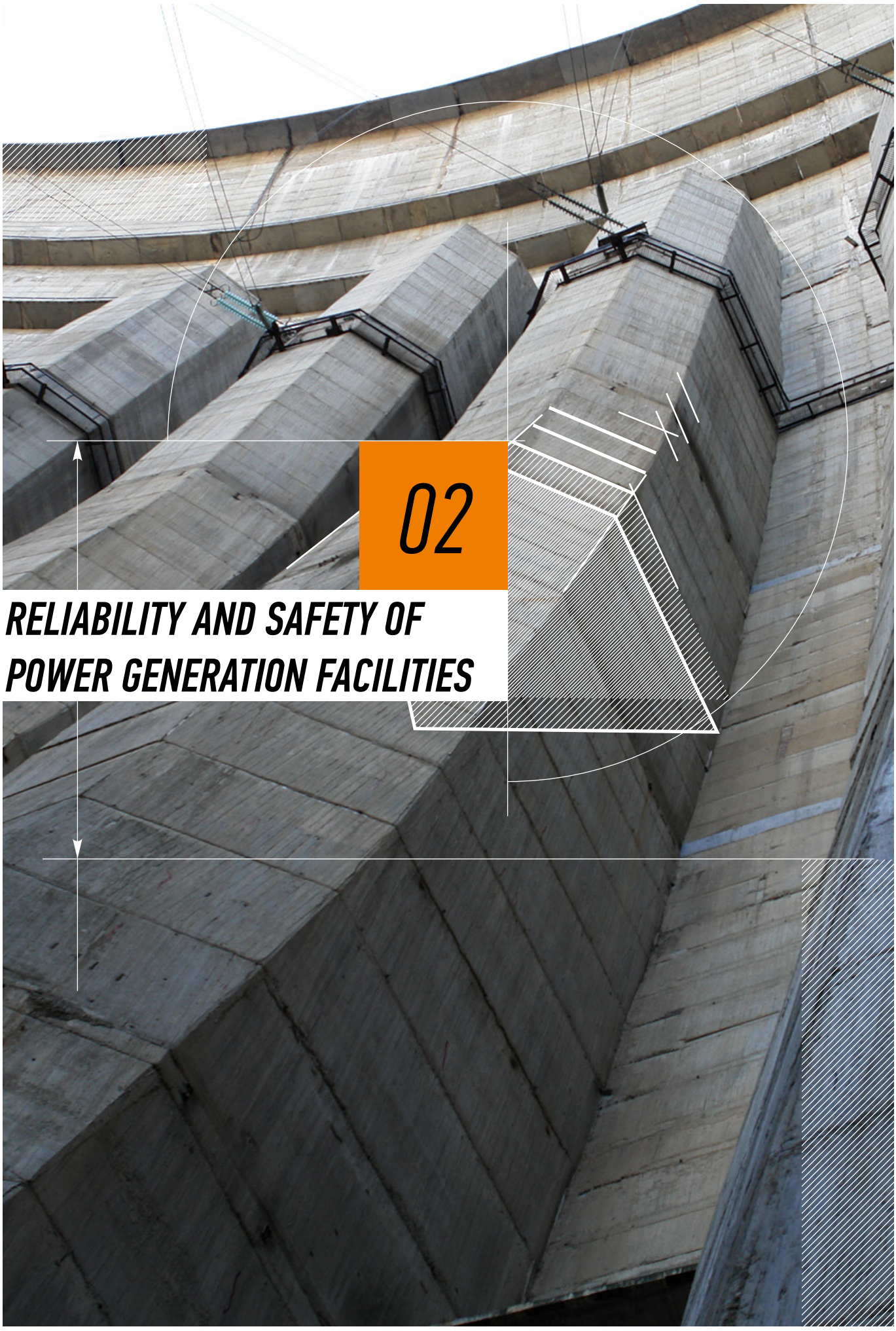
Damage as a result of natural disasters and man-made accidents outside the Company's facilities G4-EC2	Reliability criteria: - Avoiding trespassing limit number of accidents (pcs.), - Availability factor.	Shareholders and investors Consumers Employees Federal authorities Regional authorities and local government authorities Environmental organizations Non-profit organizations	- modernisation in accordance with modern requirements of the centralized emergency control system; - Compliance with the Russian legislation in the field of industrial safety and the use of the production control system functioning on its basis; - Property insurance in accordance with the «Regulation on insurance protection of PJSC RusHydro»; The Company complies with the Russian legislation in the field of industrial safety and uses the production control system functioning on its basis. Emergency Response Plans are updated annually in accordance with the key actions on emergency prevention and civil defense.
Incorrect forecast of water availability and production plans	Return on equity (ROE), % Share capital efficiency (EBITDA / yearly average share capital)	Shareholders and investors Consumers	- Optimization of the use of water resources within the framework of the Energy Saving Program of PJSC RusHydro, - Development of the industry system of hydro-meteorological observation and protection of the interests of hydro power plants in interagency task forces of the Federal Agency for Water Resources, - Commissioning of the second stage of the «Dispatch center» information system with a medium-term water content forecasting model.
		SOCIAL ASPECT	
Risks of interaction with stakeholders	Total shareholder return (TSR), % Introduction of the Corporate Governance Code and ensuring compliance with its requirements	Shareholders and investors Consumers Employees Trade unions Federal authorities Regional authorities and local government authorities Local communities Environmental organizations Professional communities and higher education institutes Mass media	- Compliance with the Rules of information activities, the Rules of participation in public events, the Rules of information disclosure; - Development of changes in the Interaction Regulations of PJSC RusHydro, its branches, subsidiaries and affiliates in terms of implementation of information activities on the issues affecting the strategic development and investment activities of the RusHydro Group in the Far East; - Organization of interaction with stakeholders on the basic areas of activity of the Company, including through the organization of joint public events; - Preparation of regular press releases with the Company's official opinion on the activity issues; - Holding of press tours and special events for the media; - Regular placement of information on the corporate blog, the community on LiveJournal, the group on Facebook.
Unethical or illegal actions of employees	Introduction of the Corporate Governance Code and ensuring compliance with its requirements	Shareholders and investors Consumers Employees Trade unions Mass media Suppliers and contractors Non-profit organizations	- Adoption of the Anti-corruption Policy of PJSC RusHydro. - Implementation of measures of the Comprehensive Program for Preventing PJSC RusHydro's Employees from Committing Illegal Actions. In 2015, 0.01% of the facts received through «Whistle-blowing Line» were confirmed, and the appropriate decisions on bringing to disciplinary responsibility were taken. Information and propaganda materials warning about the responsibility for illegal actions have been developed.

The growth of the following risks in 2015 as compared to 2014 was the most significant for RusHydro Group (compared to 2014): the risk of adverse changes in legislation, the risk of funding shortage for implementation of technical rehabilitation and modernization program, the risk of engineering companies' failure to achieve their targets, as well as the risk of terrorism. The relevance of risks related to human resources significantly declined.

1.5.3. RISK MANAGEMENT IN SUBSIDIARIES

During the reporting period, the following was performed within the implementation of the Program to develop and upgrade the corporate system of internal control and risk management:

- Adoption of the standard Subsidiary's Internal Audit and Risk Management Policy;
- Adoption of Subsidiary's internal control and risk management Policies in a number of key subsidiaries of RusHydro (design and research institutes, organizers and owners of construction, repair and service companies, retailing companies);
- These subsidiaries adopted their risk management plans for 2015-2016; an instruction was given to implement the comprehensive risk management system in the remaining key subsidiaries;
- Evaluation and prioritization of RusHydro's branches and subsidiaries according to the risk level and the status of implementation of risk management procedures in order to create a risk-oriented plan of monitoring activities within internal audits of RusHydro for 2016-2017.



02

RELIABILITY AND SAFETY OF POWER GENERATION FACILITIES

Thermal and hydro power plants are operated in accordance with legal requirements and regulatory engineering standards related to industrial safety of hazardous production facilities and safety of hydraulic structures at all facilities of Group companies[27].

PROJECTS OF PJSC RUSHYDRO AIMED TO IMPROVE SAFETY OF HYDRAULIC STRUCTURES

Major projects completed in 2015 aimed at improving safety of hydraulic structures:

- Water arrangement at the lower wedge of earth dam No. 4 of of the Votkinskaya HPP;
- Integrated modernisation of hydro-mechanical equipment of the Zhigulevskaya HPP: Trash screens and gates of trash-rack structures, gates of spillway dikes, hydraulic lifts emergency repair gates of hydraulic units – manufacturing and replacement of trash screen (1 piece);
- Installation of extra instruments (control & measurement devices) in the facilities of the Zagorskaya PSPP due to the influence of the Zagorskaya PSPP-2;
- Reconstruction of the dam drainage system and the cement-grout curtain of the Zeyskaya HPP;
- Construction and installation work on the reconstruction of drainage systems of the channel dam of the Kamskaya HPP;
- Implementation of the project for the automation of instruments installed to monitor deformations and temperature at hydraulic structures of the Kamskaya HPP;
- cement grouting of the bypass regulator sluice of the headpond, and cement grouting of the base of anchor support No. 5 of the Baksanskaya HPP;
- Infrastructure development of the river bed of the Kudakhurd River and the automatic spillway device from derivation of the Kashkhatau HPP;
- Construction of the rain gutter at the entrance portal of the diversion tunnel of the Kashkhatau HPP;
- Creation of the system of automatic collection of information from the instruments of buildings and structures of the Rybinskaya HPP;
- Creation of the system of automatic collection of information from the instruments of buildings and structures of the Uglichskaya HPP;
- Construction and commissioning of the idle spillway of the Yegorlykskaya HPP;
- Liquidation of the tower spillway of the Yegorlykskaya HPP;
- Completion of the replacement of the gates of the spillway dam of the Nizhegorodskaya HPP;
- Reconstruction of the spillway dam of the Novosibirskaya HPP;
- Development of the project for the complex reconstruction of the Mainsky hydro-power complex;
- Reconstruction of penstocks of the Irganayskaya HPP;
- Development of the project for the reconstruction of the complex of instruments of the earth dam of the Irganayskaya HPP.

RusHydro companies are backbone and have a significant impact on the state of the industry's industrial and energy security, guaranteeing reliable and uninterrupted power supply to consumers.
Ensuring the reliable and safe operation of energy facilities is a strategic circulating priority of the Company, and is one of the ten most significant aspects identified during Report preparation. Given the potential risks and possible effects, this aspect is of great economic, environmental and social importance for a wide range of stakeholders, including the industrial staff of the Company and the local communities. G4-DMA

- The term «reliability» means the ability of equipment and hydraulic structures to operate during the operational period, while maintaining pre-set parameters.
- The concept of corporate «safety» is treated as providing conditions under which there are no unacceptable risks associated that cause harm to human health, the environment, and/or the property of individuals and legal entities, the State and municipal property. G4-DMA

The following works are still being executed:

- Works on the project «Development of the working documentation and execution of construction and installation works on the restoration of bases of fixing slabs of sections RS-12 – RS-15 of the separate wall and sections 2-8 – 2-9 and 3-5 – 3-9 of right-bank retaining walls Nos. 2, 3. Execution of construction and installation works on the stabilizing cement grouting of very coarse and boulder soils at the base of sections 3-2, 3-3 and 3-4 of the right-bank retaining wall No. 3 of the Zeyskaya HPP»;
- Development of the unified information-diagnostic system of hydraulic structures of the Sayano-Shushenskaya HPP;
- Reconstruction of spillway edges and concrete of the variable level areas on the Volzhskaya and Saratovskaya HPPs;
- Development of design documentation for the complex reconstruction of hydro-power plants as part of the CMP program;
- Construction of the bypass channel of the head of the Gizeldonskaya HPP and restoration of the water reservoir to the design dimensions;
- Construction of the channel bypassing the headworks of the Ezminskaya HPP and construction of an additional settler.

2.1. MANAGEMENT OF INDUSTRIAL SAFETY, RELIABILITY AND SAFETY OF HYDRAULIC STRUCTURES AND EQUIPMENT

Reliable and safe operation of generating facilities is one of strategic priorities of RusHydro Group.

Allocation of responsibility for the management of industrial safety, reliability and safety of hydraulic structures and equipment

Area of responsibility	Responsible person / department of PJSC RusHydro
The general management of activities on ensuring the reliability and safety of hydraulic structures and equipment	Member of the Management Board, First Deputy CEO - Chief Engineer
Organization of management of activities on ensuring the reliability and safety of hydraulic structures and equipment at RusHydro generation facilities	Operations Department
Development and supervision of the implementation of measures and methodological support related to the reliability and safety of hydraulic structures and equipment	Operations Department, Department of Development and Standardization of Production Processes
Monitoring of the state of hydraulic structures and equipment, direct execution of activities related to the ensuring of reliability and safety of hydraulic structures and equipment	Personnel of the Chief Engineer Service of the Company Branches

The Production Program includes, inter alia, the Technical rehabilitation and modernization program as part of the Comprehensive Modernisation Program of RusHydro's generating facilities approved in 2012 (for the period until 2025).

The Technical Policy also provides for the development of corporate regulations and standards, specifying industry standard provisions taking into account specific HPP features.

2.1.1. SYSTEM OF MANAGEMENT OF SAFETY AND RELIABILITY OF HYDRAULIC STRUCTURES AND EQUIPMENT

System principles:
- Management of safety and reliability of hydraulic structures and equipment ensures the compliance with all legislative regulations in the field of safety of hydraulic structures;
- The system operates at all stages of the life cycle of hydraulic structures and equipment (stage of initiation of creation, design, construction, operation, maintenance, reconstruction, preservation and liquidation);
- The system is built into the existing processes of management of safety and reliability of hydraulic structures and equipment;
- Solutions to ensure the safety and reliability of hydraulic structures and equipment are taken under governmental regulatory restrictions on the activities having impact on ecosystems and natural-territorial complexes;
- Management actions of the Systems are transparent to the Management of the Company, shareholders, HPP personnel, supervisory authorities and the media.

Main Sistema processes:
- Monitoring of the state of hydraulic structures and equipment with the automated processing of data on the state indicators of hydraulic structures and equipment;
- Assessment of the state of hydraulic structures;
- Assessment of the technical condition and physical wear and tear of equipment;
- Planning and implementation of measures to ensure the safety and reliability of hydraulic structures and equipment;
- Management of operational and regulatory expertise in the field of safety and reliability of hydraulic structures and equipment.

Documents that regulate the management of safety and reliability of hydraulic structures:
- The Concept of the Safety and Reliability Management System of hydraulic structures adopted in 2009, which highlights major risk groups and control mechanisms.
- The Regulation on the safety and reliability management system of hydraulic structures and the main equipment of hydro-power power plants of PJSC RusHydro (Order No. 225 dated March 23, 2011).
- The Regulations on interaction of monitoring services of branches of PJSC RusHydro, the executive administration of the Company and the structural unit of the analytical center of PJSC RusHydro in JSC Vedeneyev Vedeneyev and JSC NIIES regarding hydraulic structures and power equipment (last update – Order No. 666 dated July 15, 2015)
- RusHydro Technical Policy, which establishes a comprehensive approach to ensuring the reliability and safety of equipment and the power facility as a whole throughout its life-cycle.
- The Company's Production Program which is a main instrument for implementing RusHydro Technical Policy. The Technical Policy provides for the development of measures for the Company's Production Program in the mid-term (a six-year outlook) and the long-term (a 15-year time horizon).

Each year, internal commissions of the RusHydro Group with the involvement of representatives of the territorial bodies of the Russian Ministry of Emergency Situations conduct a check of HPP preparedness to work during the autumn and winter period by issuing appropriate certificates. In 2015, all HPPs received certificates of readiness for the 2015-2016 autumn-winter period.

2.1.2. ENSURING OPERATIONAL AVAILABILITY AND RELIABILITY OF POWER SUPPLY IN THE FAR EAST IN THE SHORT- AND LONG-TERM[28]

G4-DMA The main challenge faced by the energy sector of the Far East is to overcome the aging trend and the accumulated depreciation of equipment. More than half of all thermal power plants in the Far East were built more than 30 years ago and now are 55-85% worn out. Almost3 GW of generating capacity, including thermal capacity of ca. 2,800 Gcalh are subject to decommissioning until 2025. As a result, there will be a significant deficit in energy systems. In order to make up for such shortfall, new thermal power generation facilities in the Amur, Khabarovsk and Primorye energy systems, as well as in isolated energy systems of Sakhalin, Chukotka and the Kamchatka Territory will be constructed within the investment programs of RusHydro Group of.

One of the main problems of implementation of new thermal power generation projects in the Far East is financing of new projects without return on investment. It is obvious that the thermal power sector of the Far East, especially in the current macroeconomic environment, needs a new funding mechanism that allows, on the one hand, to avoid the increase in pressure on energy tariffs, and, on the other hand, to attract private investment.

In order to replace the retired capacities, in 2014-2015 PJSC RAO ES East cooperated with regional authorities as the main representatives of interests and needs of local consumers.

PREPARATION OF RAO ES EAST FOR THE AUTUMN-WINTER PERIOD

A distinctive feature of the energy sector in the Russian Far East is the operation at sub-zero temperatures during the period from 6 to 9 months per year, so power companies use the warm season to prepare for the next autumn-winter period.

During 2015, the companies of the RAO ES East Subgroup, under the supervision of the management company, timely and fully implemented the planned set of priority measures included in the repair program, the program of modernisation of power plants and electric grids, as well as the investment program, aimed at uninterrupted generation and supply of electricity and heat.

The key stage of preparation for the autumn-winter period is a readiness certificate receipt. The certificate of readiness for the autumn-winter period is issued by a special commission, consisting of representatives of federal authorities, the Ministry of Energy of the Russian Federation and power generation companies, at the end of the audit of the implementation of the complex of planned activities.

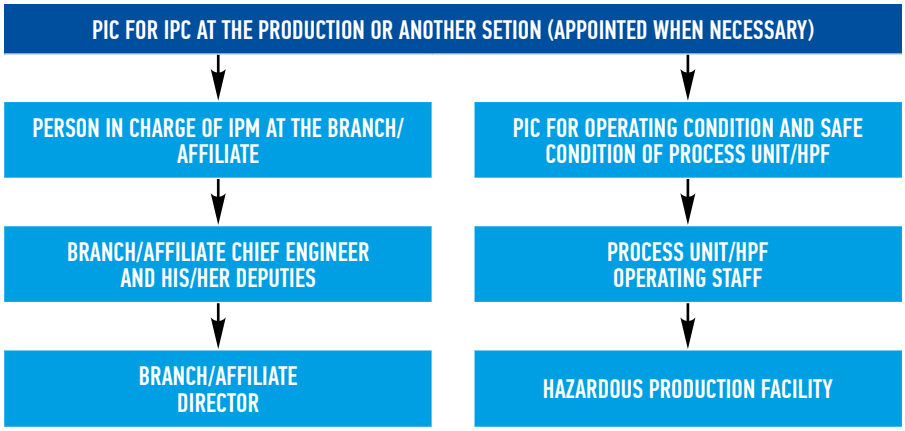
2.2. INDUSTRIAL SAFETY AND IN-PROCESS MONITORING

2.2.1. IN-PROCESS MONITORING

In-process monitoring of compliance with the industrial safety rules is a main factor for accident free operation of power facilities.

Timely maintenance, scheduled repair works, modernisation of equipment, buildings, structures and utilities of power facilities significantly impacts the quality of manufacturing facilities and engineering complexes, and, first of all, extension of service life and no-failure operation of operating assets.

Typical structure of in-process monitoring arrangement at RusHydro



Industrial safety inspections at HPF

In-Process Monitoring Level	Inspection Frequency	Responsible person
Shift-time control	Monthly	Operational personnel, process unit personnel, persons in charge.
1-Level In-Process Monitoring	Within a month	Persons in charge of operating condition and safe operation of process units used at HPF
2-Level In-Process Monitoring	Once per quarter	Committees of the branches
	Monthly	Person in charge of in-process monitoring.
3-Level In-Process Monitoring	At least 1 process unit/building/structure/worksite per HPF per month	Branch director, branch chief engineer, deputy chief operation engineer.
4-Level In-Process Monitoring	At least once per 5 years (when necessary, more frequently, in case of diminution of industrial safety and in-process monitoring)	RusHydro Executive Body Committee.

Implementation of industrial safety program in 2015

Facility	Status of works
Equipment operating under excessive pressure > 0.07 MPa, steam, gas, liquids and water at the temperature > 115ºC	All scheduled industrial safety works including industrial safety expert review, initial, periodic, and occasional inspection, repairs and decommissioning are arranged in full.
Load-lifting devices Load-lifting devices	All industrial safety works including industrial safety expert review, partial and full technical inspection, repairs actions are arranged in full.

Information about registered and insured Hazardous Production Facilities (HPFs)

As for 31.12.2015 State Registry of HPF for PJSC RusHydro has registered 98 HPF sites.

All HPF sites are insured under the contracts for the compulsory liability insurance of HPF owner against damage from an accident at a hazardous facility for the total amount of 17.5 million rubles.

Information about availability of licenses for certain type of activities in the field of industrial safety

License No. BX-00-015161 dd. 16.12.2014, issued by the Federal Service for Ecological, Technological and Atomic Supervision for the «Operation of explosive/flammable and chemically hazardous production facilities of I, II and III hazard classes». Type of license - perpetual.

Information about declarations of safety for HPF of I and II hazard classes

In accordance with the Certificate of Registration of HPF in the State Register of HPF, PJSC RusHydro has no HPF of I and II hazard classes, and pursuant to the Paragraph 2 Article 14 of the Federal Law dd. 21.07.1997 No. 116-FZ «Concerning the Industrial Safety of Hazardous Production Facilities», no industrial safety declaration is required.

Information about deviations from industrial safety requirements

There are no deviations in the accounting period in respect to which a Safety Case needs to be developed. Also, there are no instructions from state supervisory bodies in respect to HPF.

2.2.2. TECHNOLOGICAL DISTURBANCES

ACCIDENT RATE

In 2015, at PJSC RusHydro branches 128 accidents, including 19 accidents with equipment damage (15%) happened. As determined by investigation commissions, 14 accidents happened due to faulty actions of staff.

Information about the number of accidents at HPF

On 03.10.2015 PJSC RusHydro branch had technological incident at HPF «Main building site of PJSC RusHydro branch - Nizhegorodskaya HPP», namely: creepage of portal derrick crane and its collision with gantry crane due to the rough air. Economic damage amounted to 5,312 thousand rubles. The commission that performed incident investigation determined that the blocking of electrohydraulic latch units was the reason. Operating personnel and persons in charge from JC Hydroremont were found guilty.

There were no other accidents and incidents at HPFs.

Information about readiness to localization and rectification actions from accidents at HPFs.

PJSC RusHydro branches have:

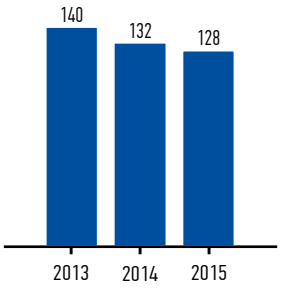
- natural and man-made emergency response plans approved by local offices of the Ministry of Emergency Situations of Russia and local offices of civil defense and fire safety;
- safety certificates for PJSC RusHydro branches;
- contracts with professional emergency rescue units (teams);
- non-professional emergency rescue branch units equipped with rescue instrument, equipment, mobile lighting equipment, mobile power supply sources, water crafts, medical equipment, personal protective equipment; the units are well trained and ready to act in emergency conditions;
- specialized vehicles for timely rectification of possible damages and emergency situations;
- emergency supply;
- emergency rescue equipment and tools.

PJSC RusHydro branches do not operate hazardous production facilities of I, II and III hazard classes regulated by Paragraph 2 Article 10 of the Federal Law of 21.07.1997 No. 116-FZ «On Industrial Safety of Hazardous Production Facilities»; thus, no measures for accident localization and rectification are required. PJSC RusHydro branches - «Cascade of Kubanskiye HPPs», «Votkinskaya HPP», «Karachaevo-Cherkessia branch», «North Ossetian branch» - have developed these plans on a voluntary basis.

While developing business plan, the Company makes a provision for emergencies response in the amount of 1% of average monthly revenue (in 2015, the provision amounted to 87 million rubles).

The number of accidents reduced by 4, as compared to 2014, as a result of technical rehabilitation and modernisation of HPP equipment. Moreover, the number of accidents with the equipment damage and due to the fault of power plant personnel was reduced (from 26 to 19 and from 16 to 14 respectively).

Number of technological failures at RusHydro's facilities



See distribution of accidents as classified by equipment types and by organizational principles in Annex 12.

The analysis of accidents related to equipment operation shows that the main reasons for disturbances in 2015 were:

- fault in construction and design, poor quality of installation;
- equipment aging impact;
- faulty or incorrect actions of the Company's and outsource staff;
- exposure of hidden manufacturing defects of newly equipment brought into operation during running-in period.

RAO Energy Systems of the East carries out actions to analyze power equipment accident rate, develops recommendations and activities to reduce accident rate, including by means of engaging special organizations and using advanced and innovative instrumental control methods during technical audits.

Special attention is paid to quality control actions and actions to control the completeness of repair works and post-repair equipment testing, actions for incoming material and equipment control, and repair personnel reliability program.

Emergency response
There is a vast amount of work at HPP to improve reliability and arrange no-failure operation of equipment. To reduce the likelihood of occurrence of incidents at power plants, some emergency response is arranged; such response is developed upon investigation results from previous accidents. The response is developed by technical experts of Company branches and Executive bodies. Replacement of equipment with more reliable and advanced one is performed under technical re-equipment in accordance with Comprehensive Modernisation Program.

Implementation of emergency response based on reports on accident investigation and orders upon results of their investigation in 2015
On the basis of reports on accident investigation more than 250 organizational and 202 technical emergency responses have been developed; most of them are implemented. 43 activities are scheduled for 2016 and 2017.

2.2.3. RUSHYDRO HS STATE MONITORING AND ASSESSMENT

Monitoring of the state of hydraulic structures is performed using regular monitoring systems installed during construction stage and upgraded during operation.

HS parameter control

At concrete dams	At earth dams	At the territories adjacent to hydraulic structures
- structure slope - structure yield - horizontal displacement - mutual displacement of structure items - seepage uplift along structure base and seepage heads in the foundation - seepage discharges through dam body and seams - temperature conditions in the structure body - temperature conditions for seepage water - chemical erosion and mechanical suffosionin the dam and in the foundation - opening of crack tips, expansion settlement and construction joints - erosion of bottom and banks at therace	- physical and mechanical properties of dam material - yield along the crest and berms - horizontal displacement along the crest and berms - position of depression curve in the dam body and values of seepage heads in the foundation and in landfall areas - seepage water consumption - temperature conditions in the dam foundation and body (for structures located in the northern climatic region) - water levels in the upper and lower watertail	- yield of landslide-proned and potentially unstable downslopes (at the downslope surface and inside them) - horizontal displacement of landslide-proned and potentially unstable downslopes (at the downslope surface and inside them) - mutual displacement of rock formation along tectonic dislocations (fault lines) - horizontal and vertical displacement geological rock formations near the landfall areas of arch dams

DIAGNOSTIC INFORMATION SYSTEMS FOR TECHNICAL CONDITION MONITORING

Research institutes JSC NIIES and JSC VNIIG named after B.E. Vedeneyev develop diagnostic information systems (DIS) are . DIS are used to provide:

- permanent monitoring of HS condition and safety by HPP personnel
- behavior monitoring of structure safety condition by HPP personnel and engaged experts;
- receiving information about HS condition in a real-time mode if automated system for a remote instrumentation and control (I&C) interrogator is available.

Recently RusHydro re-equiped regular monitoring systems of modern I&C at hydraulic structures and automate information collection and processing. Automated information collection and processing system transfers data to DIS of hydro power plant HS safety control.

R&D WORKS

To assess and analyze the condition of hydraulic structures at JSC NNIES and JSC VNIIG named after B.E. Vedeneyev, the following R&D works were arranged:

- hydraulic structure condition analysis according to field studies,
- underwater technical inspections of hydraulic structures,
- geodetic observations,
- building and structural survey,
- HS multifactor studies,
- assessment of strength, resistance, seismic safety, etc.

2.2.4. RUSHYDRO HS SAFETY SUPERVISION SYSTEM

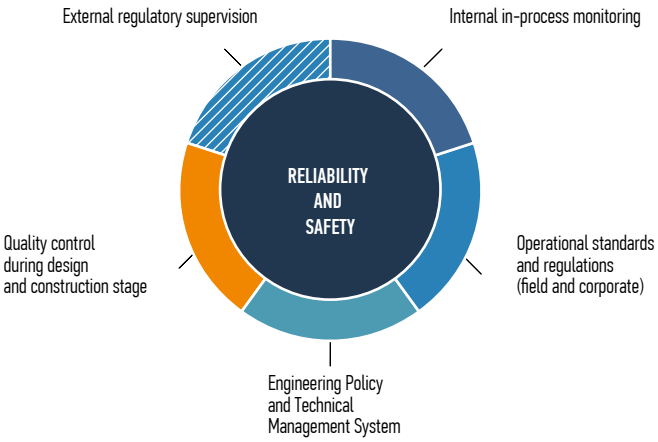
Safety control and reliability of assets in operation are achieved through double monitoring system: internal – at the account of in-process monitoring for the compliance with industrial and professional safety at hazardous production facilities, and external – by state supervisory bodies.

Company internal HS safety monitoring system is supportive towards HS safety state supervision and shall interact with federal executive bodies that perform state monitoring (supervision).

Monitoring system includes:

- permanent control of hydraulic structures in construction and in operation to assess and reveal their technical condition;
- compliance control related to standards and rules in terms of hydraulic structure operation, construction and decommissioning;
- timely detection and elimination of damages and emergency situations;
- arrangement of scheduled preventive repair and overhaul;
- timely submission of safety declarations for hydraulic structures to state monitoring (supervisory) bodies.

Instruments that provide operational safety and safe operation of facilities



In 2011, the standard «Hydro power plants. Organization of hydraulic structure safety monitoring at generating companies. Standards and requirements» was adopted; which itegrates the existing standards and requirements in terms of HS safety monitoring organization.

2.2.5. RESULTS OF RELIABILITY AND SAFETY MANAGEMENT OF RUSHYDRO HS IN 2015

- Federal Service for Ecological, Technological and Atomic Supervision has developed and approved Safety Declaration for Hydraulic Structures for hydraulic structures of all Company branches.
- HS certification plan for 2015 has been carried out.
- Monitoring System Liaison Protocol for PJSC RusHydro branches, Company Executive Bodies and PJSC RusHydro Analytical Center business unit in JSC VNIIG named after B.E. Vedeneyev, and JC NIIES in the course of condition analysis for hydraulic structures and power equipment has been updated.
- Federal Service for Ecological, Technological and Atomic Supervision has arranged routine comprehensive inspection of Company HSs in relation to the compliance in the field of hydraulic structure safety provision.

FIRE SAFETY

Fire safety works are one of the main areas to improve accident record at RusHydro branches. Fire safety system is administered by the Occupational Safety Administration of HSE Department. We annually approve executive documents that regulate Company staff activities in the field of fire safety.

Production and administrative facilities, buildings, structures and site of RusHydro branches comply with fire safety standards and rules; they are equipped with emergency fire-fighting equipment.

Every RusHydro branch has developed actions focused on fire safety upgrade and improvement, including:

- equipment of facilities with automatic fire alarm systems, public address and evacuation control systems, automatic firefighting equipment;
- equipment of hazardous locations with input-exhaust ventilation;
- repair and mounting of internal fire fighting main;
- repair and mounting of external fire fighting main;

Investment program, depreciation allocations, repair program, technical re-equipment and overhaul, and operational costs are primary sources of finance.

There were no fires at RusHydro branches in 2015.

2.3. SYSTEM OF WARNING AND RESPONSE TO NATURAL HAZARDS AND EMERGENCY SITUATIONS

All RusHydro Group facilities that operate hydraulic structures have the following:

- natural and man-made emergency response plans approved by local offices of the Ministry of Emergency Situations of Russia;
- safety certificates for PJSC RusHydro branches/affiliates;
- contracts with professional emergency rescue units;
- specialized vehicles for timely rectification of possible damages and emergency situations (at facilities where there are on-site (contracted) fire fighting units);
- emergency supply;
- emergency rescue equipment and tools;
- non-professional emergency rescue units, well trained and ready to act in emergency conditions.

2.3.1. READINESS OF HS TO DISASTERS AND EMERGENCY SITUATIONS

Works are performed in full accordance with regulatory requirements of Russian legislation for hydraulic structures. A backup set of documentation for RusHydro Group hazardous facilities is established; it is stored at national archives and intended to be used during accident rescue and recovery work.

Functional subsystem of Russian Unified ESR integrated with national subsystem is established; it includes:

- ESR and fire safety committees at all RusHydro Group companies,
- RusHydro facilities security and operation monitoring center,
- 24/7 Monitoring Center duty shift and duty shifts managed by power plant shift supervisors,
- emergency response forces,
- communication and emergency alarm system for management bodies and functional subsystem forces,
- inventory stock,
- local emergency alarm systems.

ESR and fire safety committee includes into its annual working plans the activities related to safe passage of flood water during spring and winter periods, preparations for autumn and winter load peaks and to stable operation during fire and storm seasons.

EMERGENCY RESPONSE ACTIVITIES

- All RusHydro Group facilities have approved Safety Declarations for Hydraulic Structures which are updated (revised) at least every five years during which hydraulic structures are obligatorily inspected by specially established commissions that engage design and research institutions.

- In 2015 Company branches arranged activities related to HS inspection prior to declaration update and obtained completion reports in terms of emergency response; they are: Zhigulevskaya HPP, Zagorskaya PSPP, Kabardino-Balkarian branch (Aushigerskaya HPP, Kashkhatau HPP) and Cascade of Kubanskiye HPP (PSPP, HPP-1, HPP-2).

- All Group companies that have hazardous facilities in terms of petroleum products spill have developed emergency response to oil and petroleum products spill; besides, they have trained and equipped non-professional emergency rescue units that can localize and eliminate emergency local oil spills by their own forces; the companies also conclude contracts with professional emergency rescue units.

- Inventory has been restocked for the purposes of civil defense against emergencies in Company branches.

- We annually perform maintenance of life support systems at 22 civil defence shelters; we have also developed renovation project for one civil defence shelter at Dagestan branch, Chirkeyskaya HPP.

- 24 local alarm systems are in place to provide timely notification of people and local authorities at Group facilities. In 2015 we have arranged readiness review for local alarm systems by joint commissions with the participation of local offices of the Ministry of Emergency Situations of Russia. Within the framework of activities focused on the introduction of new technologies, equipment and maintenance of local alarm systems we have upgraded local alarm systems at Company branches: Volzhskaya HPP, Nizhegorodskaya HPP and Karachay-Cherkessia branch (Zelenchukskaya HPP). We have developed design documentation for local alarm systems upgrade at Saratovskaya HPP and Zhigulevskaya HPP. We have developed projects for the establishment of local alarm systems establishment in Dagestan branch (Chirkeyskaya HPP and Gunibskaya HPP).

- To provide operational communications between PJSC RusHydro and National Emergency Control Center of the Ministry of Emergency Situations of Russia, joint Rules for data exchange are applied.

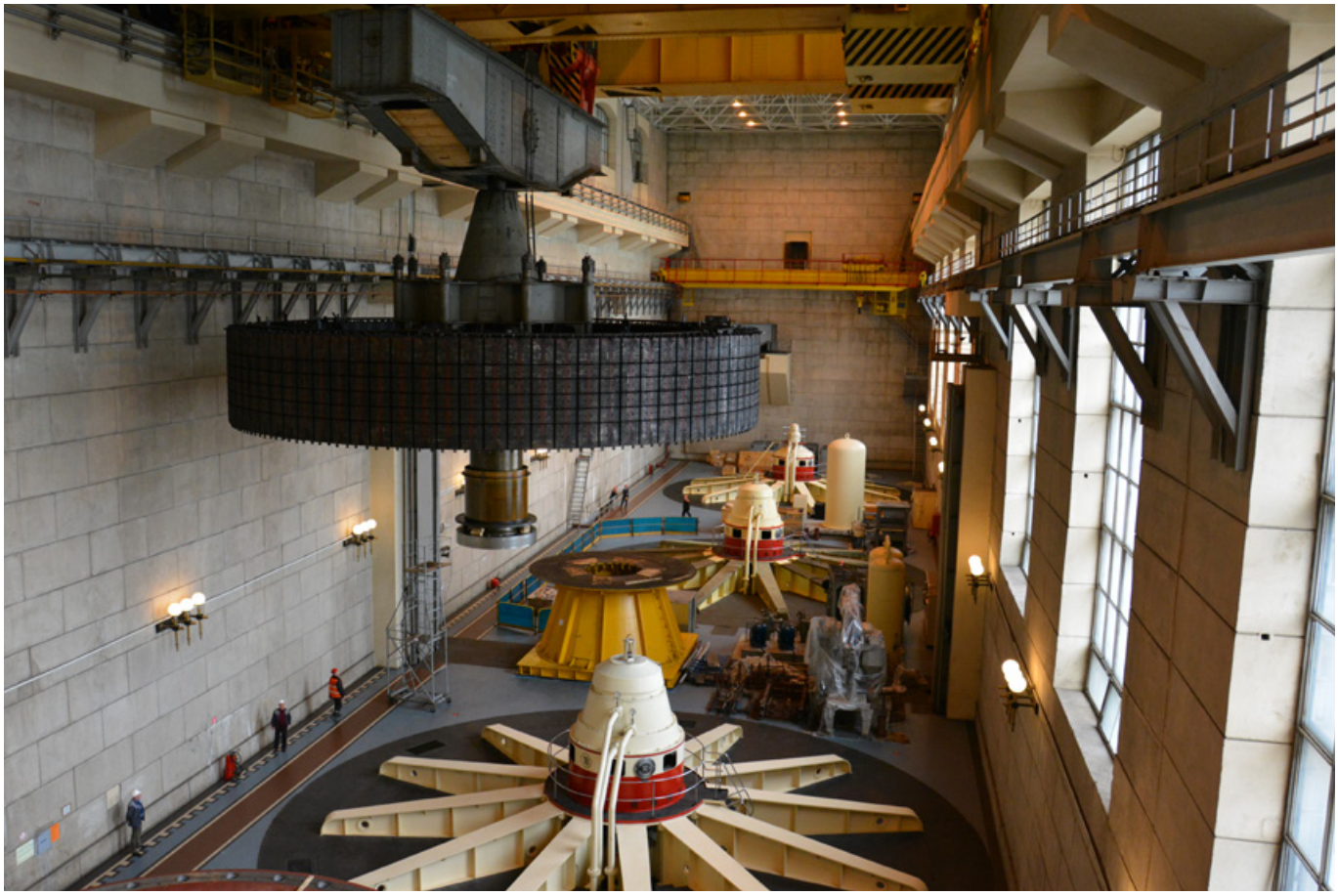
EMERGENCY RESPONSE TRAINING/DRILL PROGRAM

Training of Company employees in terms of fire and emergency situations prevention is arranged in accordance with corporate training program in the field of civil defence and fire and emergency situation prevention. List of employees to be trained is determined pursuant to legal regulatory acts of the Russian Federation. 168 employees have been trained (received advanced training) in training centers and attended civil defence course in 2015.

On the basis of Training and production center for hydraulic power industry and PJSC RusHydro branch – Upper Volga HPP Cascade, heads of special program departments - chiefs of staff of civil defence and emergency situation departments of Company branches, chiefs of staff (specialists) for civil defence and fire and disaster prevention of Company affiliated companies attended seminar «Lessons learnt review in the field of civil defence and fire and disaster prevention for 2014. Areas of concern and solutions.»

The Company performed selection, training and performance evaluation for Company employees as emergency response groups and performance evaluation for professional emergency rescue units at 13 branches for them to be able to perform rescue operations. As a result, all branches are equipped with individual certified emergency response groups; total number of specialists reached 180 persons.

Professional skill competition has been held at Votkinskaya HPP; professional emergency rescue units of PJSC RusHydro branches – Votkinskaya HPP, Kamskaya HPP and other organizations located ar Perm Region and nearby territorial entities of Russia took part in it.



2.4. TECHNICAL UPGRADE AND MODERNIZATION PROGRAM

As a result of implementation of Technical upgrade and modernisation program in 2015, installed capacity of PJSC RusHydro generating facilities increased by 55.5 MW. In 2016-2019, the Company plans to commission 231.5 MW of additional capacity within technical upgrade and modernisation program (including implementation of Comprehensive Modernisation Program) and 1,166.8 km of power lines and 46.73 km of heat transmission pipelines to upgrade the Far Eastern power infrastructure.

Basic activities in terms of TU&M Program carried out in 2015 at PJSC RusHydro branches are listed in Annex 13, learn more about TU&M Program implementation in Annex 11.

2.4.1. PRIORITY AREAS OF TECHNICAL UPGRADE AND MODERNISATION PROGRAM OF RAO ENERGY SYSTEMS OF THE EAST HOLDING

Technical upgrade and modernisation program of RAO Energy Systems of the East Holding for 2015 amounts to 7,701.108 million rubles, excluding VAT. Actual implementation of the Program amounted to 6,218.940 million rubles excluding VAT (18%).

Program priority areas are:

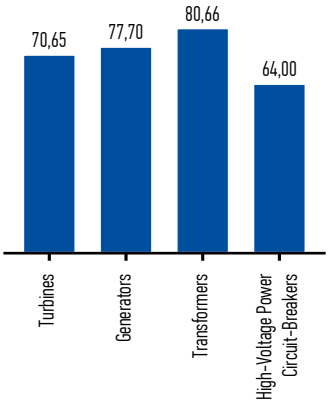
- renovation of first-stage facilities of Blagoveshchenskaya CHPP (JSC FEGC),
- renovation of substation 110 KW «A», Primorsky electric networks (JSC FEDC),
- renovation of substation 110 KW «KSI» («Kamchatstroyindustriya») (PJSC Kamchatskenergo),
- renovation of OHL 6–10 KW using deicing wire SSIW (OJSC Sakhalinenergo),
- renovation of OHL 220 KW WHPP-Aykhal-Udachny (third stage) (PJSC Yakutskenergo),
- renovation of power mains networks for process tie-in,
- provision of reliable power supply to consumers by means of program implementation.

2.4.2. TECHNICAL CONDITION RATING FOR PRIMARY EQUIPMENT GROUPS

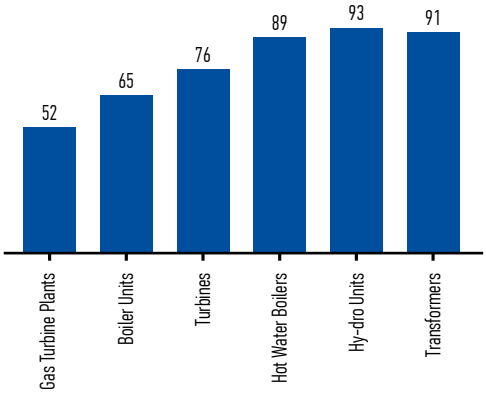
One of Group primary tasks is keeping the equipment in a proper technical condition, which includes:

- equipment operation in accordance with requirements stipulated by standards and technical documentation,
- timely and high-quality equipment troubleshooting in order to prevent irreversible effect,
- modernization of existing equipment,
- new capacities construction,
- extending equipment operational life during scheduled repair works.

Condition index[29] for PJSC RusHydro primary equipment groups as of 31.12.2015, %



Condition index for RAO Energy Systems of the East primary equipment groups as of 31.12.2015, %



2.4.3. «REPAIR» OPERATION PROGRAM

Implementation of «Repair» Operation program in 2015 with regard to costs, million rubles

PJSC RusHydro Branches	Plan	Actual	Performance, %
The Volzhskaya HPP	422.01	427.71	101
The Votkinskaya HPP	172.61	177.96	103
The Zhigulevskaya HPP	296.065	309.93	105
The Kamskaya HPP	128.11	129.64	101
The Upper Volga Cascade of HPPs	70.65	74.42	105
The Nizhegorodskaya HPP	101.40	102.83	101
The Saratovskaya HPP	220.76	205.35	93
The Cheboksarskaya HPP	143.77	137.66	96
Sayano-Shushenskaya HPP named after P.S. Neporozhny	402.70	374.16	93
The Bureyskaya HPP	80.94	74.41	99
The Zeyskaya HPP	187.41	168.11	90
The Novosibirskaya HPP	63.03	57.31	91
The Kuban Cascade of HPPs	227.87	210.81	93
The Dagestan Branch	168.98	146.72	87
The Karachaevo-Cherkessia Branch	26.32	24.28	92
The Kabardino-Balkarian Branch	65.02	65.74	101
The Northern Ossetian Branch	61.02	64.05	105
The Zagorskaya PSPP	328.37	340.93	104
Total for PJSC RusHydro	3,234.76	3,098.04	98

During the accounting period RAO Energy Systems of the East implemented repair program in the amount of 11,226.978 million rubles and Technical upgrade and modernisation program in the amount of 6,218.940 million rubles.

Repair works (capital and mid-level) for primary equipment for 2015

Equipment name	Annual plan, total	Actual implementation	Annual plan implementation, %
Turbine Sets, pcs	23	23	100
Boiler Units, pcs	34	34	100
Hot Water Boilers, pcs	17	17	100
Generators, pcs	19	19	100
Transformers, pcs	212	212	100
Grids, km	4127	4456	108
Heat transmission pipelines, km	75	79.7	106

2.5. QUALITY CONTROL SYSTEM DURING DESIGN AND CONSTRUCTION

Safety of hydraulic structures and HS process facility is determined during project implementation, including design and construction stages, and depends on many factors - design documentation outcome, quality of structures and materials, construction operations technology compliance, skills of executors, engineers and technicians as well as common workers.

2.5.1. QUALITY MANAGEMENT DURING DESIGN STAGE

Quality level of performance figures for HPP equipment and technical structures is determined during the design stage and is mainly defined by the workflow quality and design outcome. RusHydro Group facilities are designed by Scientific and Design Complex; afterwards the design documentation undergoes state expert review. PJSC RusHydro and RusHydro Group companies act as customers (developers).

On the basis of RusHydro Group Research institute the full range of R&D is performed to design water engineering, energy, industrial and civil construction and water handling services. Besides, we also perform works related to preventive maintenance and extension of service life for facilities in operation, we develop technologies to improve HS and HPP equipment performance figures and to increase reliability and safety of power facilities, and to reduce their environmental impact.

All design institutes of RusHydro Group apply quality standards, have introduced quality control system for works being performed starting from hydro facilities and power design preparation and up to facilities commissioning. Design workflow and outcome control system is regulated by local regulatory acts developed within the framework of RusHydro Technical Policy, as well as industry and international technical standards. Moreover, project quality is assured by using advanced methods and technologies, most advanced materials and structures and by planning activities that help reduce adverse effect and compensatory measures during the construction stage.

Environmental impact assessment for capital construction facility is the mandatory condition for projects to be approved during the initiation stage. Elaboration of environment protection activities during construction and operation stages is a constituent part of the design stage.

QUALITY CONTROL SYSTEM FOR DESIGN DOCUMENTATION

Design and budget documentation and engineering survey reports being developed by the institutes are subject to review at PJSC RusHydro, JSC RusHydro MC, PJSC RusHydro branches and affiliates (customers) in accordance with the provisions of the Regulations for investment project implementation management and control.

Design documentation and engineering survey reports are reviewed by the customers before bringing up for discussion of PJSC RusHydro Research and Development Board.

Detailed design must be reviewed in full by the customers (PJSC RusHydro branches and affiliates) and randomly reviewed at PJSC RusHydro and JSC RusHydro MC for the compliance with design solutions and completeness of information for construction and installation works.

Budget documentation must be reviewed in full by PJSC RusHydro branches and affiliates (customers), by PJSC RusHydro and JSC RusHydro MC for the accuracy of works scope specified in estimates, for the correctness of prices and obtained cost of works.

STATE EXPERT REVIEW

Pursuant to the provisions of the Urban Planning Code of the Russian Federation and Decree of the Government of the Russian Federation No. 145 dated 05.03.2007 «On the Procedure of Organization and Execution of State Examination of Project Documentation and Results of Engineering Research», the design documentation and engineering survey outcome are subject to state expert review.

Evaluation of compliance of design documentation to the requirements of technical regulations is the subject-matter of state expert review. It includes compliance with sanitary requirements of state protection ofcultural heritage, requirements of fire, industrial, nuclear, radiation and other safety, as well as engineering survey results.

PROCESS AND PRICING AUDIT

Starting from 2014, Company projects that cost 1.5 billion rubles or more come within the «Provision about public process and pricing audit for large-scale investment projects of PJSC RusHydro[30]. The audit is focused on the provision of selecting the best design, engineering and structural solutions, advanced construction materials and equipment during investment facility production in terms of investment project implementation.

Pursuant to the Executive Order of the Government of the Russian Federation No. 2988p-P13 dated 30.05.2013 RusHydro Group is instructed to arrange public process and pricing audit of at least three investment projects (and to arrange it at branches and affiliates when necessary) that involve construction, renovation, technical rehabilitation of capital construction facilities having budgeted value of at least 8 billion rubles each with scheduled implementation start date in 2013-2014.

Moreover, PJSC RusHydro Board of Executives (minutes No. 811pr dd. 06.12.2013) made a decision to develop and approve typical provision «On holding of public process and pricing audit of large investment projects at RusHydro branches and affiliates», also Boards of Directors from 43 RusHydro branches and affiliates approved it (including RAO Energy Systems of the East).

In accordance with the Standard, PJSC RusHydro Board of Directors (minutes No. 215 dd. 05.05.2015) has approved the list of investment projects that are subject to the public process and pricing audit in 2015 and 2016.

In 2015 public process and pricing audit was arranged for the following RusHydro Group projects:

1. Replacement of gas turbines for power stations No. 1, 2, 3, 4, water power generators for power stations Nos. 1, 2, 3, 4 of Chirkeyskaya HPP;

2. Replacement of water power turbines for power stations Nos. 1, 2, 3, 4, 5, 6, 7, 8 water power generators for power stations Nos. 1, 2, 3, 4, 5, 6, 7, 8 of Nizhegorodskaya HPP;

3. Construction of Khabarovskaya CHPP-4 (feasibility study stage);

4. Construction of Artemovskaya CHPP (feasibility study stage);

5. Construction of CCGT at the site of Vladivostokskaya CHPP-2 (feasibility study stage);

6. Construction of heat main No.35 for Khabarovskaya CHPP-3 (feasibility study stage).

In accordance with the Standard, PJSC RusHydro Board of Directors (minutes No. 237 dd. 01.06.2016) has approved the list of investment projects that are subject to the public process and pricing audit in 2016 and 2017, that provide for the start and the end of public process and pricing audit in 2016 in terms of the following RusHydro Group projects:

1. Comprehensive renovation of transformers (Votkinskaya HPP)

2. Renovation of hydropower units at Maynskaya HPP.

3. Construction of GTPP-CHPP in Vladivostok village Zmeinka (design documentation stage)

4. Construction of power source in Bilibino city (JOI stage)

5. Construction of GTPP-CHPP in Vladivostok village Zmeinka (feasibility study stage)

6. Construction of GTPP-CHPP in Artem village Sinyaya Sopka (feasibility study stage)

In accordance with the Standard, all materials related to process and pricing audit for PJSC RusHydro investment projects shall be published at PJSC RusHydro corporate web-site in order to provide public access to them.

DESIGN SUPERVISION

Design supervision over the construction of buildings and structures is carried out by the developers of detailed design for a facility (facility component) in respect to which construction and installation works are performed in accordance with the provisions of SP 11-110-99.

Design companies supervision is performed during the whole period of construction and commissioning of completed facilities in order to provide the compliance of engineering, architectural, construction and other technical solutions and performance indicators of commissioned facilities with solutions and indicators stipulated in approved designs (working designs), and to increase liability level of design, construction and installation organizations and customers for them to provide high quality buildings and structures and to keep to their budget.

2.5.2. QUALITY MANAGEMENT DURING CONSTRUCTION

Quality control during construction and installation works in performed in order to:

- validate the compliance of works performed with the Urban Development Code, design documentation, requirements of technical regulations and engineering survey results;
- provide reliable and fault-free operation of power generation facilities and to reduce overhead costs during operation stage.

Quality control:

- includes elaboration of technical requirements to the output and evaluation of compliance of the output to technical requirements, in-house regulatory documents and legislative acts;
- is performed by all construction participants, general contractor, developer (customer) and designer (within the framework of design supervision);
- provides incoming operational, acceptance inspection and performance record, final examination of performed works and preparation of statement of conformity;
- besides internal inspection, includes external inspection system performed by the Federal Service for Ecological, Technological and Atomic Supervision and other state technical supervision authorities.

REGULATORY ACTIONS AND SUPERVISION

Quality control evaluation in terms of C&IW, applied materials and structures is regulated by the legislation of the Russian Federation, industry standards and requirements, corporate technical standards, and regulatory requirements to the design documentation.

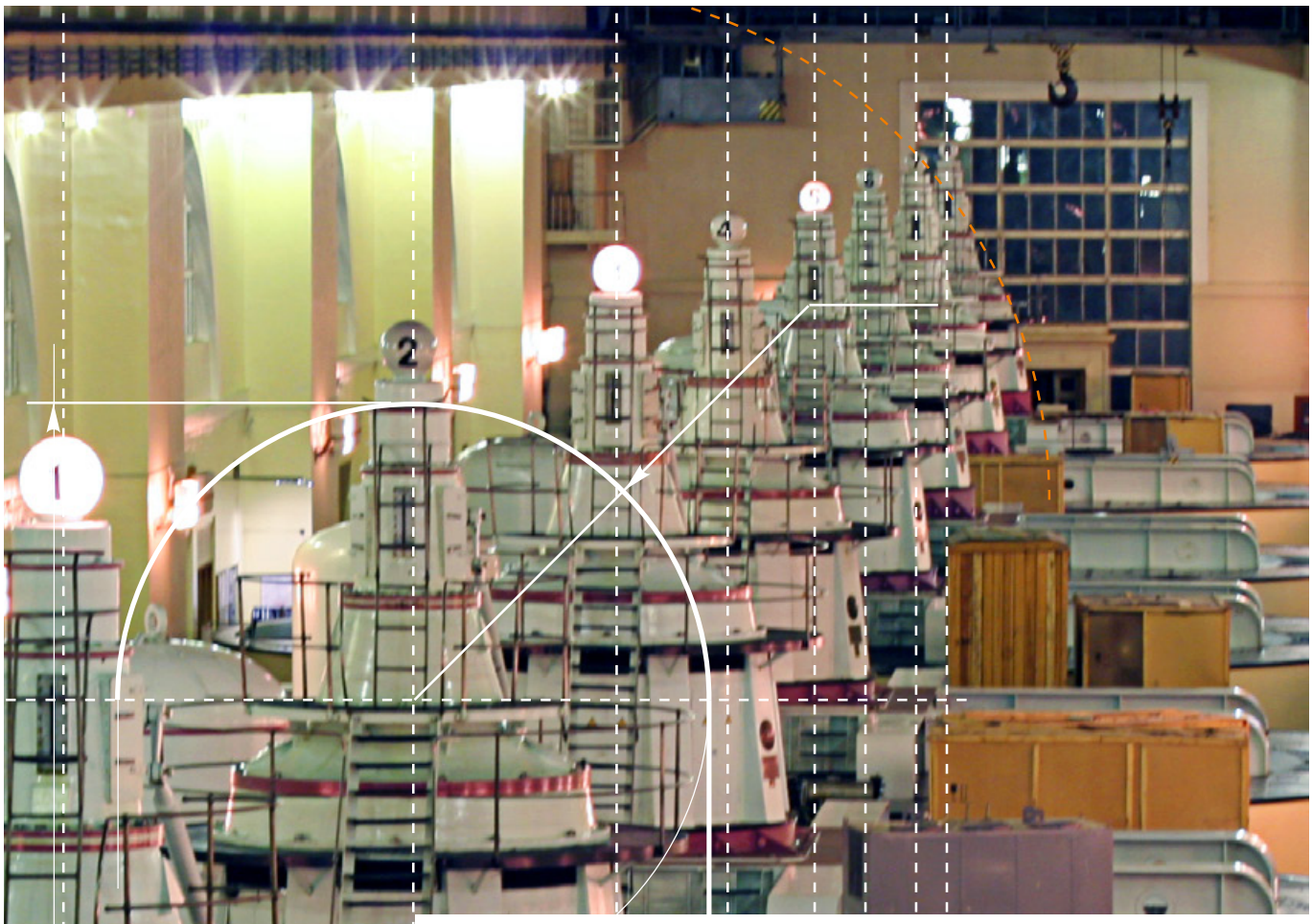
Apart from requirements of laws and federal-level by-laws[31], industry quality control standards and standards, developed in RusHydro are applied during all stages of construction works.

Supervisory Board of the unified compliance evaluation system in the field of industrial, environmental safety and safety in power and construction industry develops Unified Compliance Evaluation System (UC ES) during construction (renovation and capital repair works at capital construction facilities) and requirements to UC ES oversight procedure. Federal Service for Ecological, Technological and Atomic Supervision performs supervision over their observance.

During construction an automated diagnostic system is introduced at power stations; it automatically collects instrumental data and processes them to analyze the condition of hydrosystem structures. When hydraulic structures are commissioned, the construction organization hands over instrumentation and control as well as all data observed during the construction period to the customer.

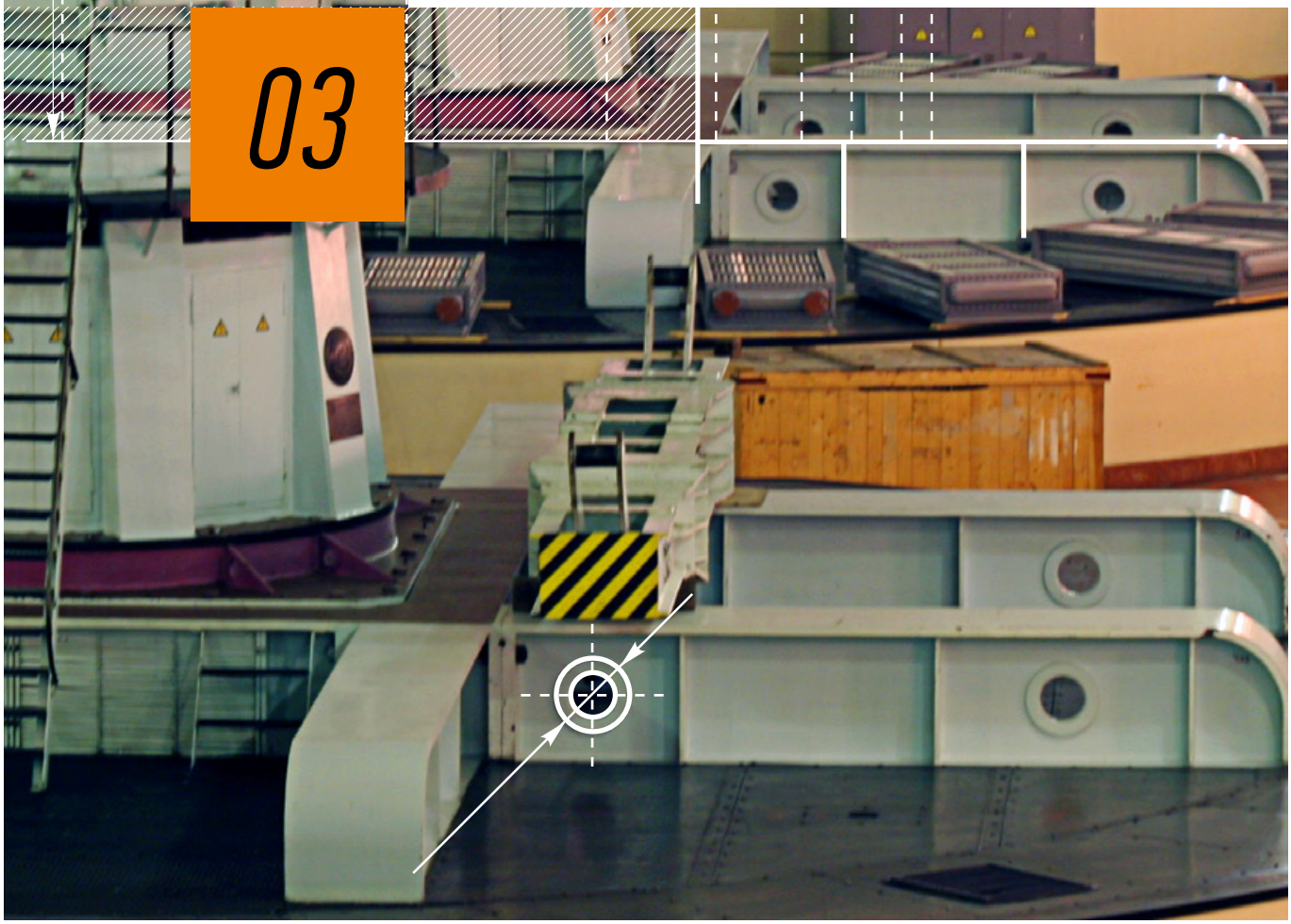
Documents that regulate quality control issues during construction

- RusHydro Technical Policy;
- Corporate Standards for RusHydro Construction and Installation Works (construction customer level):
- 70238424.27.140.028-2009 "Hydro-power plants. Organization of construction operations. Standards and specifications»,
- 70238424.27.140.029-2009 «Hydro-power Plants. Work quality control during construction. Standards and specifications»,
- 70238424.27.140.046-2009 «Hydro-power Plants. Construction and installation work performance. Standards and specifications»,
- 04.01.71-2011 «Hydro-power development. The procedure for determining the cost of construction and installation work. Recommended practices»,
- 01.02.85-2013 «Hydro-power development. Diary and network scheduling of hydro-power generation facilities construction projects. Standards and specifications».



ECONOMIC PERFORMANCE

03



3.1. FINANCIAL AND ECONOMIC RESULTS

In 2015 RusHydro retained stable financial position; despite difficult macroeconomic situation the company managed to increase revenues by 5.8restain increase in operating costs at the inflation level, increase RusHydro dividend payout ratio by 15% and new profit by 12.5%. The Group's relative leverage and profitability ratios remain at the comfortable level.

3.1.1. CONSOLIDATED FINANCIAL STATEMENTS UNDER IFRS

RusHydro key economic indicators

Indicators	2013	2014	2015	Change for 2015/2014
Assets, million rubles	856,112	883,770	938,137	6.2 %
Long-term loans, million rubles	131,890	119,187	135,179	13.4 %
Short-term loans and short-term part of long-term loans, million rubles	19,887	57,843	62,214	7.6 %
Revenue*, million rubles	326,878	341,988	361,826	5.8 %
Government grants, million rubles	13,246	12,428	14,314	15.2 %
Operating costs**, million rubles	265,763	290,838	315,103	8.3 %
Net profit, million rubles	20,993	24,131	27,159	12.5 %
EBITDA, million rubles	79,171	73,249	73,383	0.2 %

* Including government grants
** Excluding impairment loss

Direct economic value created and distributed, million rubles. G4 - EC1

	Items	RusHydro Group 2014	RusHydro Group 2015	RAO Energy Systems of the East Holding 2014	RAO Energy Systems of the East Holding 2015
I. Generated economic value		**343,799**	**375,180**	**160,082**	**177,065**
1.1.	Revenues from business operations	322,957	343,501	146,651	159,692
1.2.	Revenues from interest on loans and dividends received	8,977	12,741	1,428	2,152
1.3.	Revenues/losses from assets sale (revenues from subsidiaries, fixed and other assets sale) and insurance indemnity	-563	4,624	-410	953
1.4.	Government grants	12,428	14,314	12,413	14,268
II. Distributed economic value		**292,890**	**323,373**	**154,717**	**174,354**
2.1.	Operating costs	192,373	206,022	98,948	110,150
2.2.	Employee salaries and benefits	65,504	72,871	45,756	51,460
2.3.	Payments to capital providers (interest on loans and other financial expenses, accrued dividends on shares)	16,701	24,755	6,951	10,730
2.4.	Payments to government (taxes charged at the accounting period, including profit tax)	16,458	18,673	2,528	1,557
2.5.	Community investments (charitable contributions, donations to charitable organizations)	1,854	1,052	529	454
III. Retained economic value		**50,909**	**51,807**	**5,365**	**2,711**

COMMENTS TO MATERIAL CHANGES OF KEY FINANCIAL INDICATORS

RusHydro total revenue in 2015 increased by 5.8 % from 341,988 million rubles to 361,826 million rubles.

Key factors for revenue change are:

- increase in revenue from electricity sale by RAO ES East Subgroup segment as a result of:
  - increase in output and growth of tariffs,
  - increase in electricity sales under bilateral agreements between JSC FEGC and PJSC InterRAO,
  - increase in purchased electricity and capacity expenses by PJSC Yakutskenergo due to start of electricity purchase from JSC Vilyuiskaya HPP-3 (ALROSA group) following growth of energy consumption by JSC FEEMC;
- increase in revenue from electricity sales of ESC RusHydro subgroup segment following:
  - planned tariff growth,
  - increase in electricity consumption in areas of PJSC Krasnoyarskenergosbyt and JSC Chuvash retail company operations,
  - new consumers acquisition by JSC ESC RusHydro;
- increase in revenue from capacity selles:
  - by PJSC RusHydro: due to the increase of capacity selling price at Competitive Capacity Auction for HPP of second pricing zone following market liberisation for HPPs starting from 01.05.2014, growth of prices for capacity supplied under sale and purchase agreements (supply contracts) in 2015 on the wholesale electric power market using new hydro power plant facilities and indexation of regulated tariffs;
  - by PJSC FEEC: due to increase in sales and price growth.

Operating costs

RusHydro operating costs (excluding impairment loss) in 2015 increased by 8.3% and amounted to 315,103 million rubles as compared to 290,838 million rubles in 2014; mainly as a result of increase in fuel costs, employee benefit expenses, purchased electricity and capacity expenses, and growth of the third-party services expenses; as well as loss on disposal of fixed assets due to the technical incident at Zagorskaya PSPP-2.

Main reasons for increase in fuel costs are increased electricity output of JSC FEGC, decline in output of Zeyskaya and Bureyskaya HPP due to low water inflows, and increase of specific standard fuel consumption and growth of fuel prices in terms of RAO ES East Subgroup segment.

Increase in employee benefit expenses as a result of indexation of tariff rates and salaries of personnel of RAO ES East subgroup's subsidiaries and operating staff of RusHydro's branches (n accordance with utilities employees' union agreement) during the year.

EBITDA[32], revenues and assets

In the reporting period EBITDA increased by 0.2 % and amounted to 73,383 million rubles as compared to 73,249 million rubles for 2014.

In 2015 RusHydro net profit increased by 12.5 % and amounted to 27,159 million rubles as compared to 24,131 million rubles for 2014.

As of December 31, 2015, the Group's assets increased to 938,137 million rubles by 54,367 million rubles, or 6,2 % against the comparable figure as at December 31, 2014.

Change in assets is primarily attributable to growth of fixed assets by 58,395 million rubles (9 %) as a result of investment program implementation and major investments into state infrastructure facilities. As a result, the share of fixed assets in the balance for 2015 increased from 78 to 79%. The Group maintains stable asses structure.

Liabilities

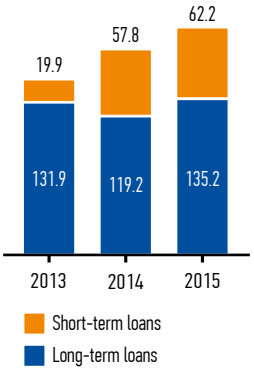
As of December 31, 2015, RusHydro liabilities increased by 35,599 million rubles, or 12,3 %, to 324,218 million rubles as compared to the same figure as at December 31, 2014. The Company needs to raise funds to finance the investment program.

3.1.2. CREDITABILITY AND LIQUIDITY RISK MANAGEMENT

CREDITABILITY

G4-DMA The Company's creditability is in the mid-term and long term is provided by own and borrowed funds: ruble bonds, credit lines, undrawn commitments in the leading banks, equity investments available for sale.

Debt portfolio structure, billion rubles



As of December 31, 2015, over 91 % of RusHydro consolidated financial debt (including guarantees for JSC Boguchanskaya HPP obligations under the loan from Vneshekonombank group) is nominated in Russian rubles; which makes it independent on foreign exchange risk . Over 40 % of the total outstanding loans are liabilities to major Russian banks with state perticipation. As of December 31, 2015, the amount of undrawn loans of RusHydro companies was over 97 billion rubles, which exceeded requirements in the short-term debt refinancing and significantly reduced financial risks.

In 2015, RusHydro long-term debt increased by 15.992 billion rubles (13 %) to 135.179 billion rubles mainly due to refinancing of eurobonds (as on 31.12.2014 it was classified as a short-term loan) by issuing long-term ruble bonds of PJSC RusHydro during 2015, and raising long-term borrowings to finance the Group's investments. The long-term debt profile as of 31.12.2015 included 62 % of credits, 35 % of bonds issued by the Group, and 3 % of other long-term borrowings.

As of 31.12.2015, short-term debt of the Group amounted to 62.214 billion rubles. Growth of short-term debt by 4.371 billion rubles is mainly caused by the transfer of the part of long-term credits and bonds to short-term liabilities due to approaching maturity date in 2016. As a result, the short-term part of long-term credits makes up 16 % of the short-term debt of RusHydro Group, 57 % are short-term credits, 25 % –bonds issued and around 2 % are other short-term borrowings.

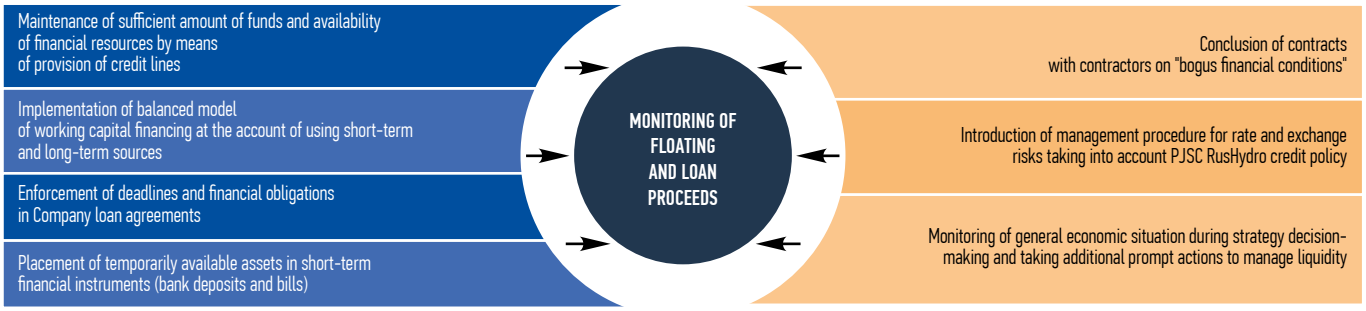
Financial stability and debt control are provided by approval of borrowing plans, borrowing limits, standard financial and behavioral covenants by the boards of directors of affiliates. The companies of RusHydro Group report on the amount of borrowing and redemption of credits, aw well as on timely and full fulfillment of obligations under the loan agreements on a quarterly basis.

LIQUIDITY RISK MANAGEMENT

Liquidity risk management provides for the maintenance of sufficient amount of funds and securities available for sale to fulfill current obligations of the Company. Temporarily available funds are placed in short-term financial instruments, mainly bank deposits and promisory notes.

The Group introduced system of control over contract conclusion process: it applies standard financial procedures, including standards for payment structure, payment terms, proportion of advance payment and amount paid at final redemption, etc. This system allows RusHydro to control capital structure in terms of due dates.

Liquidity risk management and provision of borrowing power in the mid-term and over the long term



3.1.3. MONITORING PROPER USE OF FUNDS

PJSC RusHydro has a system of monitoring over the proper use of funds. Basic tool for monitoring is internal control and risk management system aimed at:

- efficiency and expediency (economic feasibility) of operations,
- reliability of financial and management reporting,
- compliance with laws and regulatory legal acts.

Principles and approaches to the organization of internal control and risk management system are determined in the Policy of internal control and risk management. In accordance with the Policy the Company's governing bodies and officials use the following internal control procedures:

- adjustment of documents (procedure during which the supervisory agent under the respective competence reviews and confirms accuracy, completeness and consistency of information contained in the document, correctness of its execution and compliance with local regulatory documents);
- document approval;
- data reconciliation;
- monitoring of key performance indicators (analysis of compliance of actual budget targets with the planned targets);
- monitoring the compliance with information disclosure regulations focused on the detection of deviations in routes and schedules of accounting document flow in order to arrange respective remedial actions;
- division of access rights (use of software and physical tools to control information provided to Company employees under the separation of duties);
- automated procedures of information input and processing (patterns and data input filters in electronic accounting formats, automated calculation procedures built into data processing software, accounting for generation procedures).

In 2014-2015 Company performed comprehensive work for the improvement of internal control and risk management system, among other things its upgrade in accordance with current requirements and recommendations of the Ministry of Finance of the Russian Federation, Bank of Russia, and Federal Agency for Public Property Management.

INTERNAL CONTROL

Internal control system established in the Company is a multilevel system that provides continuous information exchange between its members. Both Company management authorities and business units act as internal control system members.

Thus, on the basis of information about Company business processes, and availability and execution of internal control procedures related to them that come from Company functional units, internal control and risk management units analyze existing risks, test control procedures (evaluate their efficiency) focused on the reduction of existing risks. Taking into account such analysis internal control and risk management units prepare recommendations to improve risk management and control procedures.

In January 2016 we have approved Provision about Control and Risk Management Department and Provision about Internal Audit Service that determine goals, tasks and functions in the field of internal control, risk management, and internal audit.
In terms of internal control system improvement we approved Provision about PJSC RusHydro internal control system management that specifies the procedure for internal control system organization and operation in accordance with the Policy of PJSC RusHydro in the field of internal control and risk management, which is the basis for the establishment of vertically integrated system of Company internal control members. The Provision describes basic items of Company internal control system; it determines primary internal control members and their roles within the process of Company internal control system management.

There is a communication between risk management, internal control, and internal audit units. Under this communication, to provide risk-focused planning of control activities Risk Management Administration submits updated information related to Company risks to internal control and internal audit units.

In its turn, upon results of control actions Internal Audit Service informs about detected risks and about residual risks for the management of Control and Risk Management Department (CRMD), and about detected «defects» of internal control system of internal control unit in order to take action to improve internal control system.

Thus, internal control is performed at all Company management levels, at all its units. This system helps implement all forms of control: preliminary, in-process and follow-up; it also helps immediately interact and timely respond to appearing risks as well as prevent inappropriate use of funds.

RusHydro has implemented internal corporate control scheme for proper use of funds. It provides special accounting system towards RusHydro Management Board (quarterly under investment sessions) and a number of standards and control regulations that help perform corporate monitoring over affiliate activities during all stages of project implementation. Such measures provide maximal transparency and full control by the State, other shareholders and other stakeholders during the implementation of sensitive infrastructure projects.

PREVENTION OF INAPPROPRIATE AND INEFFICIENT USE OF FUNDS

RusHydro Group has approved a number of local regulatory acts focused on the prevention of inappropriate and inefficient use of funds. To provide procedure regulations for procurement and timely and high-quality provision of RusHydro Group with goods, works and services and to provide husbandry of Customer funds, Provision about procurement of products for PJSC RusHydro is applied.

Regulation of procurement activities provides for the appliance of mandatory procedures that include thorough planning of needs; market analysis; transparency of procurement; activities focused on equality, fairness, non-discrimination and absence of unwarranted restrictions in competition towards procurement parties, proper and economically efficient spending of funds to purchase goods, works, services and other activities.

CONTROL OF PROPER USE OF FUNDS FOR INVESTMENT PROJECTS AND REPAIR WORKS

In accordance with the Provision about public process and pricing audit for large-scale investment projects of PJSC RusHydro, an audit must be performed for investment projects amounting to more than 1.5 billion rubles.

Provision about PJSC RusHydro investment activities provides for investment project control during all stages of lifecycle and includes pricing audit, enforcement of schedules, monitoring of compliance with applicable legislation. Special field checks are arranged at every construction site on a regular basis.

Upon completion of each stage of investment project implementation and at the handover of facility to pilot production, the Company initiates the discussion about the course of implementation or about completion of investment project at the Board of Directors. Matters related to the implementation of investment program and certain investment projects may be submitted for consideration to the Board of Directors at the initiative of any member of the Board of Directors.

A Hotline is established to enhance and improve the efficiency of operation of specialized feedback communication channels with PJSC RusHydro employees and contractors regarding the matters of fraud/corruption management, of suppression of unlawful acts, and Company activities improvement.

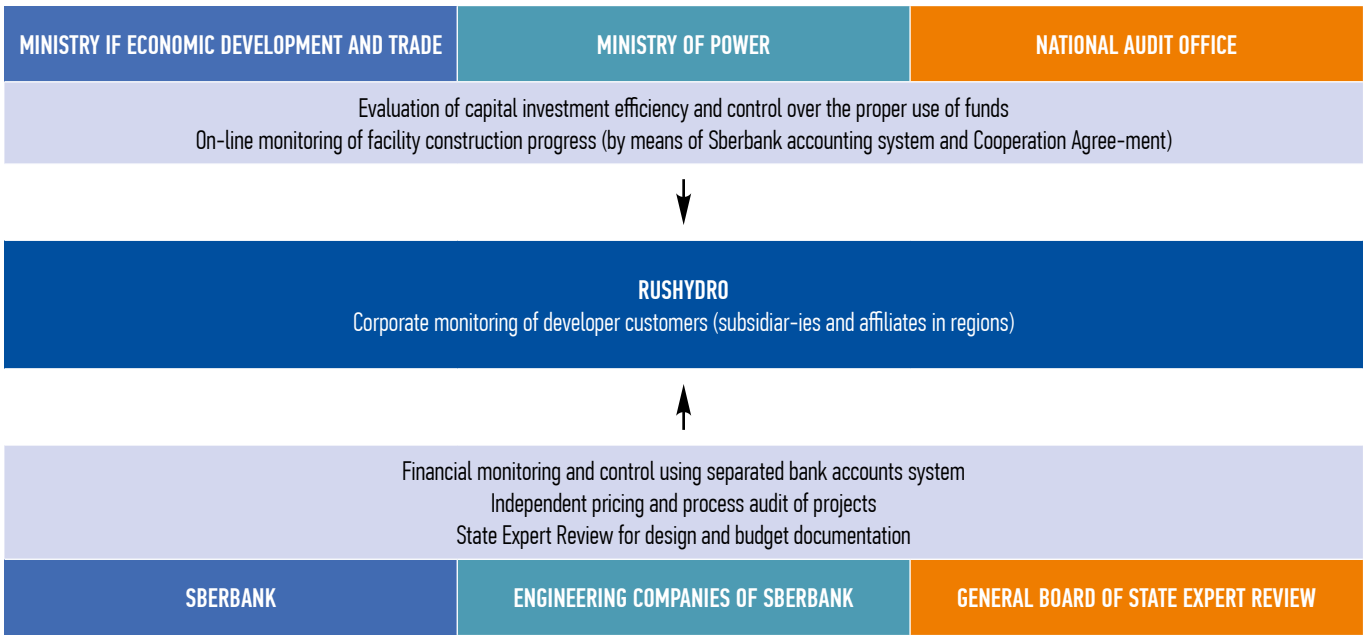
CONTROL OVER THE PROPER USE OF BUDGET FUNDS

To control the proper use of budget funds, and in particular, to implement priority investment projects under the Far East Power Development Program, RusHydro has arranged special control and monitoring system that helps the State to watch on-line the use of special-purpose budget funds received by RusHydro in the form of additional offering. On the part of the State, National Audit Office, Ministry of Economic Development and Trade of the Russian Federation, Ministry of Energy of Russia and PJSC Sberbank take part in it.

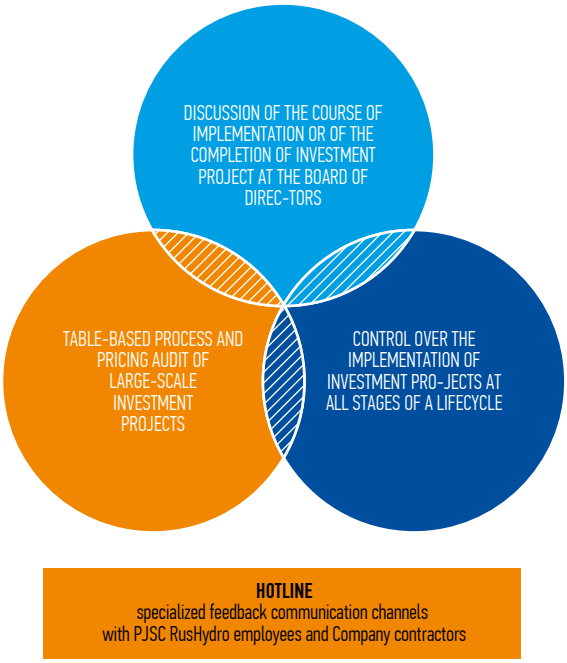
PJSC RusHydro Control and Risk Management Department arranges continuous monitoring of implementation of priority investment projects under the Far East Power Development Program to prevent and timely respond to any possible deviations from specified requirements.

In terms of this duty, the Company performs preliminary control over the expenditure of special-purpose investment funds by means of analyzing source financial documents received by organizations authorized to approve payment of works under the projects, by monitoring the compliance of actually performed works with the requirements stipulated by design documentation, by enforcing requirements of Urban Planning Code, by keeping as-built reports and observing specified schedules as well as monitoring elimination of previously detected defects and violations.

Controls for the proper use of Federal Budget funds issued for investment project financing



Control of proper use of funds for investment projects and repair works



3.1.4. PROCUREMENT ACTIVITIES

G4-12, G4-EC9

During 2015 companies of RusHydro Group had been working with contractors under the programs of TU&M, Repair, Maintenance, and Research. In 2015, procurement activities of PJSC RusHydro amounted to 29.3 billion rubles. (including VAT), of RAO ES East - 84.9 billion rubles. (including VAT).

PROCUREMENT RECORD

PJSC RusHydro

For 2015 for the needs of PJSC RusHydro had completed 2,681 procurement procedures (including emergency ones) for total amount of over 29 billion rubles (including VAT), including:

- for current business activities: 2,249 procurements amounting to 16.8 billion rubles (including VAT).
- for investment activities (TU&M and New Construction): 432 procurements amounting to 12.5 billion rubles (including VAT).

RAO ES East Subgroup

For 2015 the total cost of procurement arranged for the needs of RAO Energy Systems of the East amounted to 158.6 billion rubles including VAT, including:

- 84.9 billion rubles including VAT for the procurement of contractual works and services;
- 73.7 billion rubles including VAT for the procurement of goods.

One of the most critical and sensitive procurement areas for RAO Energy Systems of the East is timely and efficient competitive procurement activities for fuel (in the first place, coal, diesel fuel) for the purposes of generating facilities (TPP, CHPP, etc.). For 2015 the total cost of procurement performed under «Fuel» title amounted to 70.7 billion rubles including VAT, which is 44.6% of the total cost of procurement arranged.

For 2015 the 3,582 companies have been accepted as winners in procurement procedures, among them 2293 are local suppliers, residents of the Far Eastern Federal District with total cotracts value of to 96.6 billion rubles.

GREATER ACCESS TO PROCUREMENT FOR SMALL- AND MEDIUM-SIZE BUSINESSES

Website of the Unified information system in procurement (http://zakupki.gov.ru/epz/gws/quicksearch/search.html) and PJSC RusHydro website include list of goods, works, and services which are purchased from small- and medium-size business enterprises.

Upon results of 2015, the proportion of procurement from small- and medium-size business enterprises amounted to 29.31 %.

In 2016 PJSC RusHydro plans to purchase from small- and medium-size business enterprises in the amount of at least 18 % of the total procurement volume, including at least 10 % of procurements performed only with small- and medium-size business enterprises.

3.1.6. INVESTMENT ACTIVITIES

INVESTMENT ACTIVITY MANAGEMENT G4-45

Management approach to investments is focused on improvement of investment and operating efficiency and reduction of expenses of PJSC RusHydro by making reasonable investment decisions. Moreover, the approach provides for improvement of use of financial resources and their focus on the most promising and important projects and, as a result, company competitive growth, profit maximization, reliable operation of electric power system.

RusHydro development milestones, including in the field of investment activities, are determined by the Long-Term Development Program of RusHydro Group[33].

Principles of PJSC RusHydro investment policy:

- Compliance of investment decisions and projects with legal requirements, construction and environmental standards;
- Analysis of profit and loss from implementation of alternative investment decisions upon completion of every stage of an investment project in case of change of its baselines;
- Compliance of investment decisions and projects with the profit and risk requirements , approved by Company's Board of Directors;
- Adherence to the order of stages and milestones during investment project implementation;
- Provision of all investment projects with financing sources.

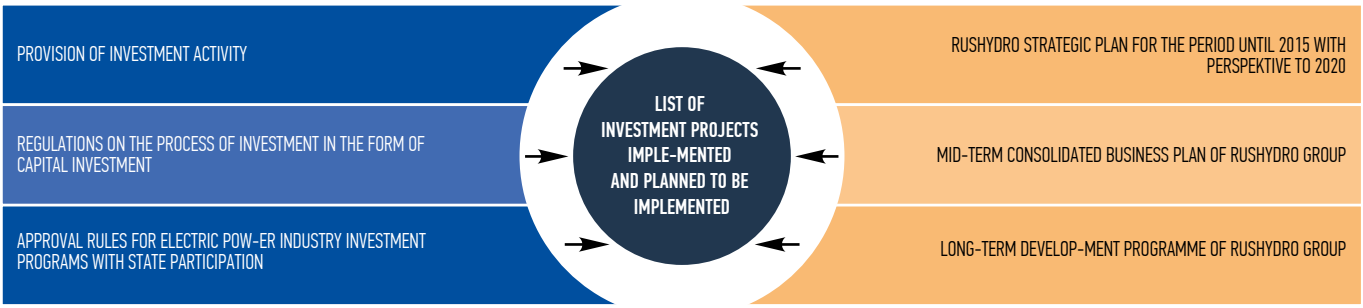
Documents that regulate investment activities

Provision about PJSC RusHydro investment activities has been developed To regulate investment activities. The Provision is focused on the improvement of investment and operational efficiency and reduction of PJSC RusHydro expenses by means of making reasonable investment decisions in terms of investment activity improvement for PJSC RusHydro and its affiliates and subsidiaries, improvement of efficiency for the use of financial resources and their focus on more promising and important projects and, as a result, company competitive growth, profit maximization, and reliable operation of electric power system.
Moreover, Regulations for the improvement of investment and operational efficiency and reduction of PJSC RusHydro expenses has been developed.

ACTIVITIES ARRANGED DURING THE ACCOUNTING YEAR TO ENHANCE THE EFFICIENCY OF INVESTMENT ACTIVITIES

For the purposes of the Directiveof the Government of the Russian Federation dated 30.05.2013 No. 2988p-P13, the Board of Directors of PJSC RusHydro has approved the list of investment projects being implemented and planned to be implemented under PJSC RusHydro investment program to perform public process and pricing audit in 2015-2016.[34]

Regulations for investment decision-making

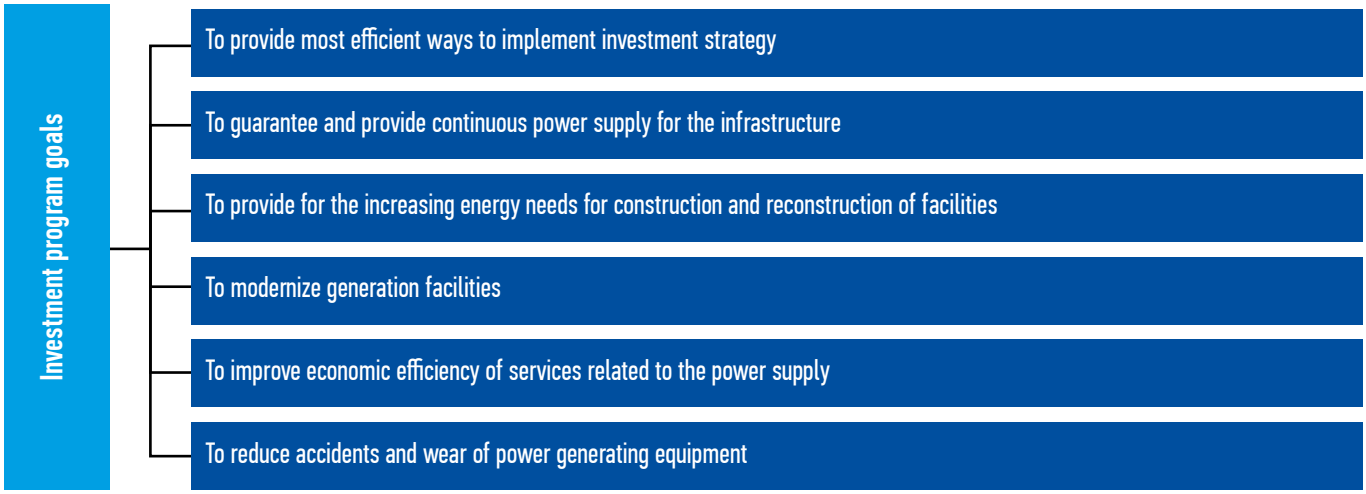


INVESTMENT PROGRAM FOR 2015

PJSC RusHydro investment program for 2015 (as adjusted) is approved by the order of the Ministry of Energy of the Russian Federation dated 14.12.2015 No. 955; it is also included into the adjusted PJSC RusHydro Business Plan for 2015 (minutes of the Board of Directors dated 25.12.2015 No. 230).

PJSC RusHydro investment program for 2016-2018 is approved by the order of the Ministry of Energy of the Russian Federation dated 14.12.2015 No. 956. Moreover, as part of PJSC RusHydro Business Plan for 2016-2020 (minutes of the Board of Directors dated 25.12.2015 No. 229) PJSC RusHydro Business Plan for 2016 has been approved; it includes investment program for 2016 and please take note of PJSC RusHydro Business Plan for 2017-2020, including investment program for 2017-2020.

Investment program goals



Main investment projects in construction

Name of facility	Project capacity, MW	Start of construction	Completion of construction	Capacity commissioning in 2015, MW	Capacity commissioning in 2016 (planned), MW
Priority projects at the Far East					
2nd stage of Blagoveshchenskaya CHPP Purpose of construction – securing the deficiency and meeting future demand for heating power, more reliable power supply and securing uneven part of electric load schedules for IPS of the East.	120	2011	2016	120	-
1st stage of Sakhalinskaya CHPP-2 New TPP will help solve an issue of substitution of retired capacity at Sakhalinskaya HEPP and improve the efficiency of Sakhalin power system operation.	120	2011	2017	-	-
CHPP in Sovetskaya Gavan' The CHPP is being constructed to substitute the retired capacities at Maynskaya CHPP and to provide for the growing demand in power energy of Port Special Economic Zone in Sovetskaya Gavan'	120	2010	2017	-	-
1st stage of Yakutskaya CHPP-2 The project provides for the substitution of retired capacity of YakutskayaTPP, provision of consumption growth and more reliable power supply.	193.48	2011	2016	-	193.48
Total				**120**	**193.48**
Facilities under construction					
Gotsatlinskaya HPP The main purpose of the project is to supply energy and capacity for end-users within the deficient energy system of the North Caucasus. It will positively impact and settle social and political situation and improve social standing at the Republic of Dagestan.	100	2007	2016	100	-
Zelenchukskaya HPP-PSPP The project is aimed to provide more reliable power supply at the energy system of Northern Caucasus, to master the water and power potential of the head of Kuban River.	140	2009	2016	-	140
Nizhne-Bureyskaya HPP This plant is designed as counter regulatorof Bureyskaya HPP that will smoothen daily variations of the water level in the river that appear in the course of operation of hydroelectric power plant. It will help lift limits for the operation of Bureyskaya HPP and to prevent winter flooding of a number of villages located at the lower race.	320	2010	2017	-	320
Zagorskaya PSPP-2 Zagorskaya PSPP-2 investment project is focused on partial elimination of deficiency of demand management capacity at the Central Region of Russia.	840	2006	2019	-	
Total				**100**	**460**

For details about investment program implementation in 2015 please see PJSC RusHydro Annual Report for 2015

3.1.7. FINANCIAL DISCIPLINE AND FAIR BUSINESS PRACTICES

DIVIDEND POLICY

The Company's dividend policy is aimed at ensuring the strategic development of PJSC RusHydro and shareholder value growth through creation an optimal balance between dividend payments to shareholders and capitalization of profits.

ANTI-CORRUPTION PROGRAM

RusHydro Group companies are open public companies; all communications with representatives of public authorities take place in strict accordance with procedures and regulatory acts drawn up by government agencies; it excludes informal relations that create conditions for corrupt practices.

The Group systematically works to prevent and detect corruption at RusHydro companies, to eliminate (minimize) roots and causes that give rise to corruption. Legal framework for the work includes Anti-Corruption Policy, Code of Corporate Conduct, Conflict of Interest Management Policy, Comprehensive Program of Anti-Corruption Activities, and a number of other local regulatory documents that organize corporate culture, rules and procedures that provide corruption prevention. In the course of inter-department electronic communication with government organizations, RusHydro Group companies provide partnership transparency and minimize the possibility for the occurrence of corrupt motives (incentives) on the part of specific officials.

RusHydro Group companies track that all circumstances accepted by them and government authorities are performed by both parties; during investment project implementation they organize their budgets, arrange discussions of all matters related to the construction stages with local government authorities and keep track of timely preparation and submission of reports, statements and replies to respective requests to government authorities.

Primary anti-corruption activities of RAO Energy Systems of the East include formulation of a number of executive documents in the field of corruption management, establishment of system for anti-corruption expert review of documents and anti-corruption monitoring. The Holding has introduced activities related to legal consultancy and cooperation with legal entities and individuals (there is an on-line channel for communication with informers in the form of a hotline - website, phone).

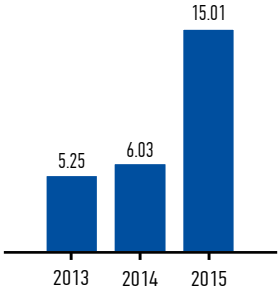
PJSC RusHydro is a member of Anti-Corruption Charter of the Russian Business adopted by business community in 2012 in terms of implementation of National Anti-Corruption Plan. The Charter was initiated by the Chamber of Commerce of the Russian Federation, Russian Union of Industrialists and Entrepreneurs, All-Russian Public Organization «Business Russia», and All-Russian Public Organization for Small- and Mid- Business «OPORA ROSSIYI» (Support of Russia). In 2014 RSPP analyzed data about implementation of Anti-Corruption Charter of the Russian Business (related to the implementation of anti-corruption activities) in more than 50 companies enlisted to the Consolidated Register of Charter Members. Activities for corruption management at PJSC RusHydro were accepted by experts as one of the best.

Control of corruption and wrongful acts G4-SO5, G4-PR8

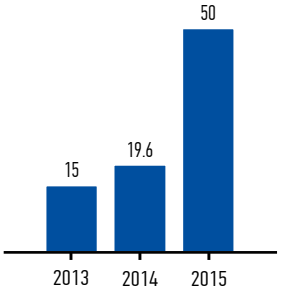
G4-DMA The Company sticks to the principle of rejection of any form and display of corruption. The Company regularly arranges monitoring of corruption risks in the framework of Comprehensive Program for the Prevention of Wrongful Acts by Employees[35]. Upon the results of risk analysis the Company elaborates and introduces procedures for corruption management that comply with international requirements and monitors their compliance. In-process monitoring of Program compliance is performed by Internal Control and Risk management Director - Chief Company Auditor.

There are no cases of non-renewal of contracts with business partners due to violations related to corruption and no legal actions against Group companies or their employees related to corrupt practices in 2015.

Amount of dividend payment, billion rubles



Share of net profit under RAS, paid as dividend



LIABILITY FOR PRODUCTS G4-DMA G4-PR2, G4-PR8, G4-PR9

RusHydro power supply companies jointly named as RusHydro ESC (managed by JC ESC RusHydro) fulfill their liability for products and service quality by bringing accurate, full and up-to-date information about their services to the market. In accordance with approved service standard, websites of local supply companies and information boards at customer offices of ESC RusHydro companies include information necessary both for existing and potential customers. All detailed information about services is provided at the website www.esc.rushydro.ru, at websites of local supply companies and in other public sources, in promotion materials, contracts, and delivery notes. The disclosure procedures fully comply with all regulatory requirements.

The Company guarantees to all consumers-customers of ESC RusHydro the observance of their lawful rights for confidentiality of personal information, safe environment, and their equality regardless of gender and culture – marketing policy of ESC RusHydro companies in regions is based on such principles and observes such approach to communication with customers. Companies use personal data of customers only in relation with their primary business and do not use the data to promote other services and products, as well as in purposes that have not been agreed on with the customer. ESC RusHydro Companies did not receive any legal actions and applications related to the violation of legislation of the Russian Federation in terms of personal data protection.

In 2015, there were no cases of substandard services provided by RusHydro Group companies1 in terms of regulatory requirements and voluntarycodes related to the influence of products and services on health and safety of consumers.

Total number of non-compliance with regulatory requirements and voluntary codes related to the influence of products and services on health and safety (including Substantive amount of penalties imposed due to violation of legislation and regulatory requirements) in RAO Energy Systems East companies is provided in the table below.

Item No.	Company	Cases of non-compliance		
		to regulatory requirements resulted in penalty or sanction	to regulatory requirements resulted in warning	to optional codes
1	JSC Far-Eastern Power Generating Company	One (administrative fine for labor law violation in accordance with statements No. 6-154-15-UV/16/11/6 dated 24.02.2015)	-	-
2	JC FEDC	Issued: - 15 Reports from Rostekhnadzor (Federal Service of Environmental, Technological and Nuclear Supervision) for the total amount of fines: 48.0 thousand rubles, 2 Reports from Gospozharnadzor (Fire Safety Supervising Agency) for the total amount of fines: 21.0 thousand rubles.	-	-
3	PJSC Kamchatskenergo	Issued: 10 Reports from Rostekhnadzor and 4 Reports from Gospozharnadzor	-	-
4	JSC Sakhalinenergo	Two Decrees from Gospozharnadzor officials for the total amount of fines: 15 thousand rubles, legal entity for the total amount of fines: 300 thousand rubles.	-	-

HOTLINE G4-57

The Company has a Hotline (http://www.rushydro.ru/form/) – an available communication channel for PJSC RusHydro employees and third parties for matters of fraud and corruption management, prevention of unlawful actions and conflicts of interests.

In 2015 the Holtine received 522 calls, 111 of them are accepted for review (the other ones were not reviewed as non-complying with criteria stipulated by the Hotline rules). Seven of 111 reviewed calls confirmed information about unlawful actions and violations of informer rights, including in terms of performed internal investigations (the accounting period included a decision about the arrangement of 2 internal investigations upon calls to the Hotline).

Results of review for Hotline calls:

- 87 replies are sent to informers.
- A decision is made to arrange 2 investigations (1 finished in 2015).
- 7 calls confirmed information about unlawful actions and violations of informer rights. 6 calls initiated actions towards employees:
  - disciplinary penalties (1 dismissal, 2 sanctions, 1 admonition);
  - motivational (2 bonus reductions).

PREVENTION OF INSIDER INFORMATION MISUSE

G4-DMA, G4-41, G4-56, G4-SO4 The Company distributes information about ethical norms and recommended actions during detection of evidences of unlawful actions, questioning employees in order to rank the list of business processes in accordance with the risk category of possible unlawful actions. An on-line course «Fraud Management» has been developed, describing actions for fraud management and corruption.
PJSC RusHydro Code of Corporate Conduct has definition of conflict of interests for employees and members of the Board of Directors (BD) and specifies an obligation of BD members to inform about their affiliation on an annual basis. Such practice aims to detect and prevent conflict of interests during decision-making at BD level and helps introduce the principle of precaution on the level of the Board and BD.
Additional means of prevention of corrupt practices of management authority members are stipulated in the Provision about insider information of PJSC RusHydro.

PJSC RusHydro applies Provision about insider information focused on the enforcement of requirements of Russian legislation by the Company in the field of prevention of misuse of insider information and market manipulation. The provision takes into account international corporate management practice, including the Disclosure and Transparency Rules of the Financial Conduct Authority ofUK.

The Provision determines categories of persons included by PJSC RusHydro into the list of insiders, access procedure and insider information confidentiality protection rules, and restrictions in the use of information by insiders to perform transactions with Company financial instruments and in transfer of such information to third parties.

In the first quarter 2015 the list of Company insider information was approved as amended. In the fourth quarter 2015 the procedure for the inclusion of Company employees into the insider list was revised. According to the new procedure, Company Director first deputies and deputies have been included into the insider list.

The list of insider information is arranged in Russian and English and published at the corporate website (www.rushydro.ru and www.eng.rushydro.ru). The Company publishes information related to insider information in Russian in the RSS newsfeed of authorized information agency Interfax (www.e-disclosure.ru) and in English in RNS newsfeed (http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

30 announcements about inclusion of persons into insider list and exclusion from it have been prepared in 2015.

3.2. ENERGY EFFICIENCY

The State, as major shareholder of PJSC RusHydro, expectscompanies of fuel and energy sector solve demanding tasks related to safety improvement and reduction of energy intensity. State Program of the Russian Federation «Energy Efficiency and Power Generation Development» provides for three primary areas for energy efficiency improvement in terms of use of all types of power resources:

- power saving and energy efficiency improvement,

- electric power industry development and renovation,

- development of the use of renewable energy sources.

3.2.1. PROGRAM FOR ENERGY SAVING AND ENERGY EFFICIENCY IMPROVEMENT OF PJSC RUSHYDRO

In 2015 the Program for Energy Saving and Energy Efficiency Improvement for 2016-2020 was approved. The Program complies with PJSC RusHydro Technical Policy and contains the list of primary works to improve efficiency of use of energy and water resources, and the number of priority energy-saving solutions.

As a result of activities related to energy efficiency improvement, the Company's electric power consumption for own needs declined by 2.5% as compared to 2013.

G4-EN5, G4-EN6

Moreover, in 2015 at the account of selection of optimal equipment configuration, optimization of repair company, operation of hydro power plants with increased head as compared to long-term annual average values, and reduction of spillsby means of redistribution of automated secondary control reserves to other HPPs of the chain, the company provided additional output of electric energy amounting to 590.3 million kWh, which is equivalent to fuel saving in the volume of 203.35 thousand tons of reference fuel per year.

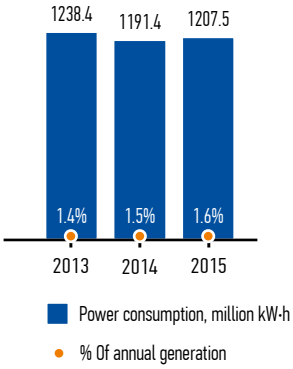
Energy saving

Type of energy	Energy saving, in total per PJSC RusHydro, thousand kWh
Electric energy saving	241,952
Additional output	26,964

The energy consumption in terms of energy resources, PJSC RusHydro G4-EN5 and G4-EN6

	Consumption volumes			Consumption, thousand rubles, excluding VAT
Type of energy resource	2013	2014	2015	2015
Heat power, Gcal	23,486	23,619	25,293	26,368
Electric power, million kWh	1,238.393	1,191.381	1,207.481	941,451
Motor Gasoline, l	1,472,341	737,726	1842	53
Diesel Fuel, l	723,809	392,129	17,955	515
Natural Gas, m^3	100,571	55,417	58,716	495

Consumption dynamics and PJSC RusHydro electric power consumption share from annual output of PJSC RusHyrdo G4-EN5



Activities of the Program for Power Saving and Energy Efficiency Improvement

Activity	Description	Performance
With low capital intensity	They have short recoupment periods in terms of economic indicators.	- Renovation of internal, external, working, and emergency lighting systems (partially with automated controls); - renovation of ventilation and air conditioning systems for main and auxiliary HPP buildings (including introduction of weather controls); - reconstruction of heated buildings and structures, elimination of warm air leakages, reduction of the degree of infiltration of premises; - reconstruction of heating and hot water supply systems, electric boiler houses, renovation of pump stations, elevators (with the exchange of mechanisms and using variable frequency drivers); - cleaning of wall surfaces and window frames in order to increase the utilization factor; - automation of lifecycle system management.
Mid- and high-cost	Depend on other workplace factors formed at the certain period (synchronization of work execution). Focused on operating cycle efficiency improvement, including on the increase of degree of fail-safe behavior. Have long payback period. The investment component is quite large for these activities, it cannot be considered only from the point of view of self-repayment.	- Replacement of hydroelectric units with units that have higher performance factor; renovation of automated control systems for hydroelectric sets and excitation systems for the sets; - renovation and reconstruction of facilities, including service and emergency repair gates, phased reconstruction of units and sections of water intakes and industrial water discharge; - replacement of power transformers with power-saving equivalents, replacement of air-circuit breakers and transfer to SF6 circuit breakers (taking into account decommissioning of compressor ones); - elimination of leakages in slots in front of the turbine.
With indirect (postponed) effect	Are quite capital-intensive; herewith repayment of activities cannot be calculated in obvious (quantitative) form, their economic effect is indirect; they monitor and analyze energy consumption and timely adjust operation modes both for separate systems and for HPP in general.	- Deployment of engineering utility metering systems; - renovation of metering equipment and automated systems; - repeated energy inspections of branches in accordance with PJSC RusHydro order No. 1145 dated 23.12.2015.

3.2.2. ENERGY EFFICIENCY OF RAO ES EAST

G4-DMA During implementation of projects related to the Far East Power Development, one of the main tasks consists in the improvement of energy efficiency and energy saving. Energy saving and energy efficiency improvement activities are carried out within the framework of adopted programs: investment, repair, reliability improvement and production performance programs, local energy optimization programs, electric and heat energy recovery programs, programs for installation and renovation of metering systems at company facilities and at consumers, etc.

KEY ACTIVITIES FOR ENERGY EFFICIENCY IMPROVEMENT IN 2015

- reconstruction of generating equipment (turbine units, boiler units, auxiliary equipment) to improve its efficiency indicators, among other things - improvement of flow range condition; replacement of heating surfaces; elimination of leakages in ducts, etc.;
- comprehensive renovation of equipment at heat supply stations;
- renovation of conduits using efficient heat insulation;
- substitution of capacities of inefficient generation facilities in operation by means of construction and reconstruction of DPP, construction of stand-alone solar power plants;
- introduction of APCS[35];
- replacement of wires at overloaded power lines with heavy-gauge wires, replacement of OHLs with self-supporting insulated wires;
- replacement of underloaded and overloaded transformers;
- renovation of lighting systems using efficient lights and lighting control systems at facilities;
- renovation and extension of equipment operational life in the course of scheduled repair works.

In 2015 costs related to the activities in accordance with approved programs of energy saving and energy efficiency improvement of PJSC RAO ES of the East enterprises amounted to 1,591 million rubles.
Economic effect from implementation of activities in terms of programs of energy saving and energy efficiency improvement amounted to 355 million rubles.
In 2015 energy consumption of RAO Energy Systems of the East was 2.4%.

In order to reduce losses and too optimize energy resources consumption, the company introduced activities that involved installation of commercial metering instruments for heat and electric energy, as well as renovation and introduction of EPFMS.

To improve quality and efficiency of PJSC RAO ES East activities, the Policy of Energy Saving and Energy Efficiency Improvement of RAO ES of the East Holding has been approved. In order to implement Policy requirements in addition to projects being implemented by Holding companies within the framework of programs for energy saving and energy efficiency improvement, PJSC RAO ES of the East implements projects for the automaton of activities in the field of energy saving and to for the introduction of energy management system on a phased basis.

In 2015 administrative and technical measures for energy efficiency improvement have been focused on:

- energy inspections;
- optimization of equipment and system operation modes by means of redistributing loads and supporting equipment in a condition that corresponds to the required mode.

In 2015 activities within the framework of programs for energy saving and energy efficiency improvement provided saving of energy resources in the following amount:

Saving of energy resources G4-EN6

Type of energy	Energy resource saving, in total for Holding
Gas saving, thousand m3	752
Diesel fuel saving, TFOE	188
Saving of different kinds of fuel, TFOE	31,848
Heat energy saving, Gcal	39,454
Electric energy saving, thousand kWh	65,307

3.2.3. OTHER ACTIVITIES IN THE FIELD OF ENERGY SAVING IN 2015

OPTIMIZATION OF THE USE OF WATER RESOURCES

Accurate forecast of the amount of generated electric energy in the mid-term and in the long run is an important condition for mode control optimization. For these purpose RusHydro continually improves its forecast system. In 2015:

- project for the establishment of hydrometeorological observation network at Sulak and Samur rivers (Dagestan branch) has been accomplished. During 2012-2014, 21 stations have been installed. During 2015 the company performed works for calibration and configuration to review adequacy of information provided;
- project for the establishment of hydrometeorological observation network at SSHPP reservoir has been accomplished: 8 automated hydrological stations (AGS) and 20 aeronautic snow-measuring units have been established at the reservoir and 2 AGS - in the lower race of SSHPP. The company has initiated activities to pass title for the facilities to the monitoring network of FSBI Srednesibirskiy UGMS (Territorial Administration for Hydrometeorological and Environmental Monitoring);
- within the framework of introduction of mid-term planning system at Far East and Siberian HPPs:
- mid-term planning module has been developed and put into commercial operation for Novosibirskaya, Sayano-Shushenskaya and Maynskaya HPPs;
- we keep developing mid-term planning modules for HPP of Angaro-Yeniseyskiy HPP Cascade, Zeyskaya, Bureyskaya, Kolymskaya and Ust-Srednekanskaya HPPs;
- we performed works for the development of module for collection, processing, storage and distribution of actual and predicted hydrometeorological and waterworks data at the territory of Burayskaya reservoir basin.

PJSC RusHydro branches and work for wholesale and retail markets equipped with Electric Power Fiscal Metering System (EPFMS). In 2015 all EPFMS that have been certified for the first time or repeatedly have been certifiedin accordance with letter class A in compliance with WMEP technical requirements and accepted for industrial operation.

COMMUNICATION WITH STAKEHOLDERS IN TERMS OF ENERGY EFFICIENCY G4-EC8

In 2015 PJSC RusHydro acted as a partner at the Fourth International Forum for Energy Saving and Efficiency «ENES-2015» and Media-FEC prize. ENES-2015 is to make energy saving policy popular at international, federal, regional and municipal level and to introduce participants to the advanced experience in the field of energy saving. Primary activities of the forum:

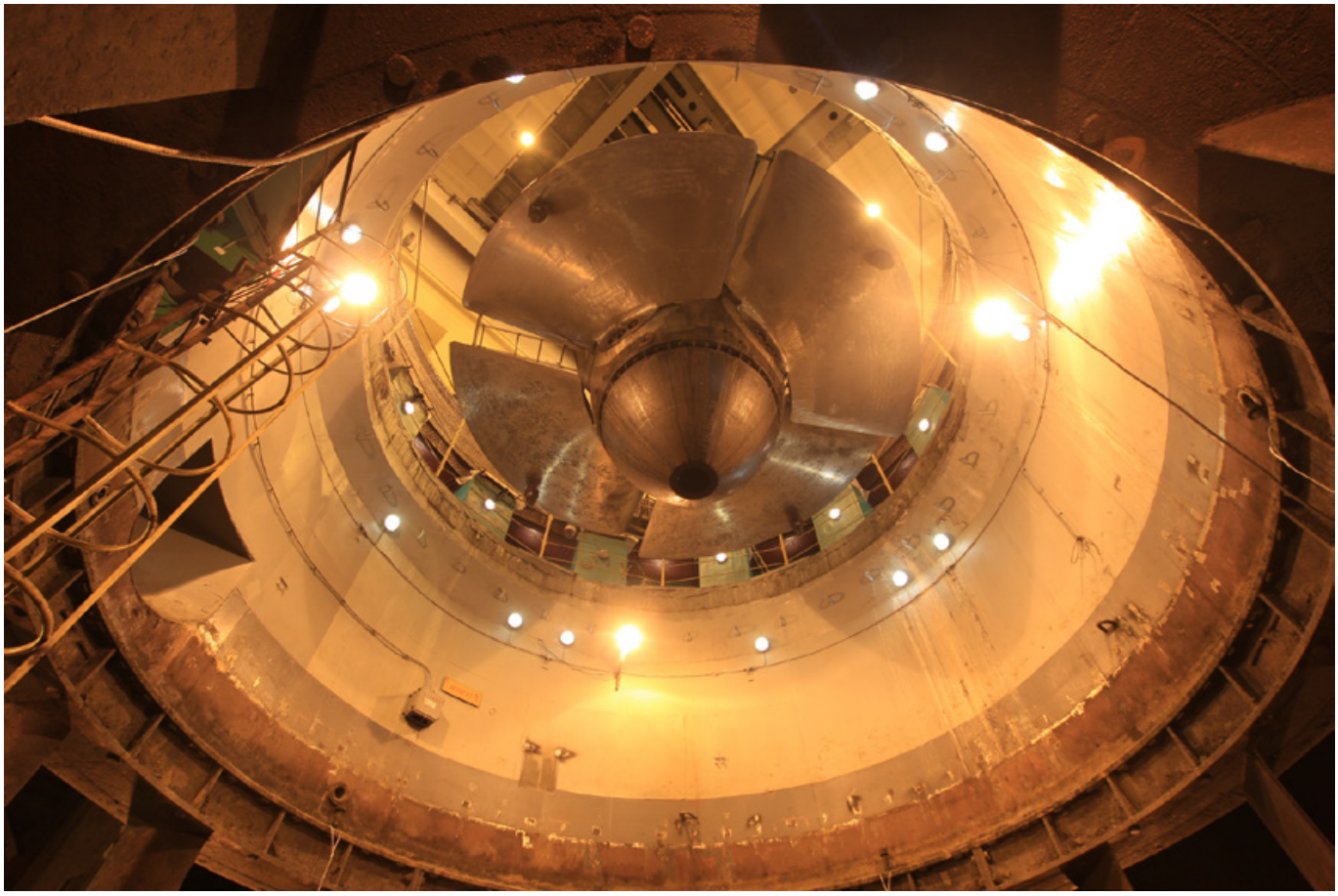
- first meeting of Ministers of Energy from BRICS countries where Memorandum of Understanding has been signed in the field of energy saving and energy efficiency improvement;
- all-Russian meeting «Concerning the preparation of electric power engineering entities for operation during autumn and winter of 2015-2016.»

Organization of sustainable behavior model among consumers of RusHydro Group G4-EU7

Within the framework of the Program for the Organization of Sustainable Behavior Model among consumers on the basis of department of ESC RusHydro energy supply companies at their operations areas, it was decided to establish Energy Efficiency and Saving Centers (EESC). EESC operate in Krasnoyarsk, Ryazan, Republics of Bashkiriya and Chuvashiya and are multipurpose exhibition and educational sites for special forums and training seminars. All activities are free of charge. Projects of ESC RusHydro energy supply companies in the field of energy saving have repeatedly won government, national and industry prizes.

In 2015 the company arranged All-Russia lesson focused on energy efficiency and conservationof energy resources. Lessons took place at 21 operation areas in 80 schools and vocational schools, adult education centers, and orphanages. 3,800 people took part in it.

In 2015 we have arranged seventh annual all-Russia contest « Energy of Water « for the best publicity of the topic focused on the development of renewable energy sources. Journalists from printed and on-line media, information agencies, radio-stations and TV-channels took part in it, as well as bloggers. More than 60 journalists from different Russian regions took part in the contest; they presented more than 100 publications.



3.3. COMPREHENSIVE MODERNISATION PROGRAM

G4-DMA (FORMERLY - EU6)

Since 2012 RusHydro has been implementing its Comprehensive Modernisation Program (CMP) aimed to upgrade power generating facilities. Within CMP, till 2025 RusHydro plans to replace more than half of main equipment of HPPs:

- 154 turbines (55 % of the total turbine fleet),
- 119 generators (42 % of the total generator fleet),
- 176 transformers (61 % of the total transformer fleet),
- 396 power circuit-breakers,
- around 8 thousands secondary control equipment items,
- more than 4 thousands of auxiliary equipment,
- and to reconstruct hydraulic structures.

The CMP key goal is absence of generating equipment with expired safe operation life by 2025.

Modernisation of water power equipment includes not only the increase of its capacity but also improvement of performance and energy response. New turbines and generators, designed and manufactured in accordance with present day power engineering industry have higher efficiency, increased service life, require less costs for repairs, and reduce escapage during flood. Replacement of obsolete outdoor switch gears with advanced switchgear and control gear units with SF insulation also greatly improve energy efficiency of HS equipment and mode control within the electric energy system. Thus, successful implementation of CMP will result in the reduction of operating costs, improved performance and energy efficiency of HS equipment.

Apart from operational performance, equipment renovation activities improve its environmental performance and substantially reduce human impact and greenhouse gas emissions to the atmosphere.

The program is implemented using innovation and energy efficient solutions (fiber optics technology, optical transformers, spraying nanostructure materials, monitoring system of the basis of microprocessors, vibration control systems, etc.).

CMP improves production efficiency by reducing negative impact on the environment.

Due to significant amount of funds, required for CMP implementation, on the basis of specially developed criteria RAO ES East Subgroup companies prioritized CMP projects and included them into the Special Modernisation Program (SMP) of RAO ES East for 2014-2025.

As available sources of PJSC RAO ES East companies cannot cover SMP financial needs in full, in 2016 SPM adjustment is planned with specification of measures by equipment items taking into account the need of auxiliary equipment renovation (relay protection and controls, fuel conditioning, heating system introduction, etc.) with reference to the sources of financing.

CMP features

TECHNICAL CHARACTERISTICS AND GOALS:

- Replacement of 154 hydroturbines, or 55% of the total turbine fleet*;
- Replacement of 119 generators, or 42% of the total generator fleet*;
- Replacement of 176 transformers, or 61% of the total transformer fleet*;
- 396 power circuit-breakers;
- around 8 thousands of secondary control equipment items;
- more than 3 thousands of auxiliary equipment.

KEY ASPECTS:

- CMP is approved by RusHydro Board of Directors in the end of 2011
- During 2014-2017 program financing will amount to
- around 1 billion dollars per annum. Management Board and Board of Directors
- annually approve and adjust CMP financing plan.
- Primary contractors under CMP: Power Machines, Alstom, Voith AG, Turboatom, ABB.

CMP RUSHYDRO 2012-2015

KEY EXPECTATIONS:

- Increase of installed capacity by 2025 – and. 800 MW,
- increase in production – 1.4 TWh per annum (see slide 33);
- increase in reliability and safety of facilities;
- service life extension by 30-40 years;
- higher efficiency;
- reduction of escapage during flood;
- reduction of operating costs.

KEY FACTORS FOR IMPLEMENTATION:

- equipment obsolescence and reliability weakness;
- underinvestment in 1990s and 2000s;
- increased control on the part of Rostekhnadzor and risks of not receiving certificates of readiness for a number of facilities;
- comprehensive approach is necessary in relation with technical re-equipment and overhaul.

3.3.1. CMP RESULTS IN 2015

- Kamskaya HPP was the first to accomplish scheduled modernisation of hydraulic power units.
- Three hydraulic power units have been commissioned at Volzhskaya HPP after modernisation.
- Turbines and mechanical parts of generators are replaced at three hydraulic power units of Zhigulevskaya HPP.
- Five hydraulic power units have been put for reconstruction at Cheboksarskaya HPP; two of them are accomplished.
- Three hydraulic power units have been put into operation after renovation at Saratovskaya HPP.
- Hydraulic power unit No. 5 has been renovated at Novosibirskaya HPP.

Implementation of Comprehensive Modernisation Program for HPPs

	CMP plan (2012-2025), units	CMP fact (2012-2015), units	% of CMP plan performance (2012-2025)
Turbines	201	60	29.9
Generators	187	46	24.6
Transformers	183	42	23.0
Power circuit-breakers	398	111	27.9
Hydraulic structures	230	175	76.1
Second control equipment	≈ 10,200	3792	37.2
Auxiliary equipment	> 4200	1479	35.3

Installed capacity growth, MW

	2015 (fact)	2016 (forecast)*
Volzhskaya HPP	10.5	10.5
Zhigulevskaya HPP	21.0	31.5
Kamskaya HPP	6.0	3.0
Saratovskaya HPP	13.0	6.0
Novosibirskaya HPP	5.0	5.0
Total for PJSC RusHydro	55.5	56.0

* In accordance with RusHydro investment program optimization criteria for 2016 (adjusted) approved in advance by the Management Board of PJSC RusHydro on 21.03.2016 (minutes No. 968pr) to disclose information about investment programs in accordance with requirements of the Decree of the Government of RF No. 24 dated 21.01.2004 and taken into account by the Board of Directors of RusHydro (minutes No. 235 dd. 08.04.2016).

3.4. INNOVATIVE DEVELOPMENT

3.4.1. INNOVATIVE DEVELOPMENT PROGRAM G4-DMA (FORMERLY - EU8)

PJSC RusHydro implements its Innovative Development Program for 2011-2015 with an outlook for 2021. In accordance with the instruction of the Prime-Minister of the Russian Federation (list of instructions No. DM-P36-7563 dated 07.11.2015), in 2016 PJSC RusHydro will update Innovative Development Program for the period of 2016-2020 with an outlook for 2025[38].

3.4.2. R&D AND RESEARCH FOR SUSTAINABLE DEVELOPMENT

Approaches in R&D area are focused on the provision of power supply reliability and achievement of sustainable development goals. RusHydro has introduced a multi-level system to search and select innovative projects. New solutions in the field of technical tasks to improve equipment operation are performed within the framework of R&D and engineering works and R&D works of the Production Program.

During innovative project selection an important role is given to PJSC RusHydro Research and Development Board.

R&D Board includes around

200 leading Russian experts, industry academics and practitioners; they provide external professional evaluation. R&D Board makes decisions on launching innovation projects of RusHydro Group.

IMPLEMENTATION OF JOINT PROJECTS WITH DEVELOPMENT INSTITUTES

In 2015:

- continued work for renewable energy development industry, including hydropower. Key feature of these activities included coordination of engineering platform «Renewable Energy Prospective Technologies» by the

Company;
- Platform participants carried out RES projects amounting to more than 500 million rubles raised via the Platform.

COOPERATION WITH EDUCATIONAL INSTITUTIONS IN R&D FIELD

In 2015 financing of R&D carried out by educational institutions upon PJSC RusHydro request amounted to 4.8 million rubles.

Three R&D projects are selected in total amounting to more than 100 million rubles:
- The technology for the improvement of ground foundations of hydraulic structures and ground slope protection by means of their treatment with special substances.
- Development of condition evaluation method for hydraulic structures and hydroturbine units upon results of the monitoring of frequency and amplitude response functions of their vibrations together with the ground foundation.
- Study into feasibility and development of recommendations to improve energy efficiency of HPP primary process cycle in order to increase electric energy output.

R&D projects in 2015

Improvement of reliability of radial axis hydroturbines at the account of extension of recommended operating areas	Research of impact of microbial communities on the structural changes of concrete in Bureyskaya HPP structures	Analyzing field data of foundation-dam system
Moscow Power Engineering Institute	**Saint-Petersburg State University**	**Siberian Federal University**
Analyzing impact of operating parameters on dynamic loads of fittings in mid-and high-head power plants; developing methods to evaluate the impact of dynamic loads on the stress strain state of hydroturbine fittings, metallurgical study of sample pins.	Study of sources and consequences of pollution of concrete structures with microbial communities (species composition of fungi, bacterial groups, number of dominating microorganisms, biochemical indicators).	Analyzing factors that characterize irreversible processes in hydraulic structures of SSHPP.

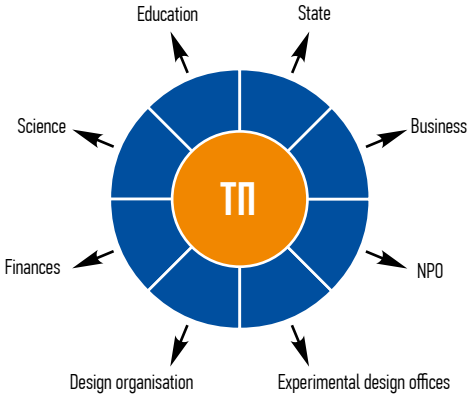
ENGINEERING PLATFORM «RENEWABLE ENERGY PROSPECTIVE TECHNOLOGIES» G4-DMA (FORMERLY - EU8)

PT RES has been established at the initiative of PJSC RusHydro in order to organize innovative development infrastructure and has been approved by the Minutes of the Government Commission for Advanced Technology and Innovation in April 2011. Projects are financed at the account of funds of non-budgetary sources, as well as within the framework of Federal Special Purpose Program «Research and development in priority areas of development of science and technology sector of Russian for 2014–2020».

Primary results of Platform operation in 2015

- Strategy Research Program of the Platform has been updated in accordance with recent development trends in terms of in-process areas of the Platform and proposals of Platform participants.
- Platform participants performed 26 projects with financing amounting to more than 500 million rubles in accordance with areas specified in the Strategy Research Program.
- Under the aegis of the Platform in 2015 the company held International Congress «Renewable Energy Sector XXI century: energy and economical efficiency» REENCON-XXI (http://reencon-xxi.ru/). More than 300 people took part in the Congress.
- In 2015 the Platform took part in the holding of seminars and expert sessions in the field of present-day Power&Energy for engineering businessmen as part of GenerationS accelerator.

Areas of innovative development within the PT RES



Areas of innovative development within the framework of PT RES:

1. Hydropower industry (including large-scale industry)
2. Wind power industry
3. Power of tides, waves and streams
4. Solar Energy
5. Geothermal Energy
6. Energy Storage Units
7. Hydrogen energy
8. Other RES technologies
9. Power supply systems based on comprehensive use of RES

- Platform news and documents are published at the Platform official portal http://www.i-renew.ru/ and i-Renew.ru (http://www.i-renew.ru/) and at the Facebook (http://www.facebook.com/PTofRES/)..

3.4.3. IMPLEMENTATION OF MOST SIGNIFICANT INNOVATIVE PROJECTS IN TERMS OF SUSTAINABLE DEVELOPMENT

PUMPED-STORAGE POWER PLANT (PSPP) WITH SUBSURFACE RESERVOIR

In European part of Russia, where PSPP arein demand, elevation difference between lower and upper reservoirs does not exceed 100 meters, therefore the cost of PSPP construction in the central region is quite high. One of advanced solutions for this issue is to construct PSPP with deep subsurface reservoir.

PJSC RusHydro in cooperation with leading design and research institutes in Russia and with European partners develops engineering solutions for PSPP with gallery. In 2015 the company selected sites for PSPP construction and substantiated construction of PSPP with subsurface reservoir on the territory of IPS of the Center.

DEVELOPMENT OF RECOMMENDATIONS TO INTRODUCE OPTICAL MEASURING CURRENT AND VOLTAGE TRANSFORMERS

PJSC RusHydro branch - Nizhegorodskaya HPP established digital yard for testing innovative optical current and voltage transformers in the conditions of plot production. Introduction of Digital Substation solutions at PJSC RusHydro facilities on the basis of optical current and voltage transformers will result in cost saving as compared with standard projects.

DEVELOPMENT OF TECHNOLOGY FOR THE USE OF SYSTEM FOR EXTERNAL REINFORCEMENT OF STEEL STRUCTURES WITH COMPOSITES OF CARBON FIBERS FOR HYDROTECHNICAL CONSTRUCTION

Elaboration of typical technical solutions (technology) to reinforce building parts of hydraulic structures (including penstocks) using external reinforcement. Development of regulatory guideline to apply external reinforcement systems (ERS).

In 2015 the company arranged:

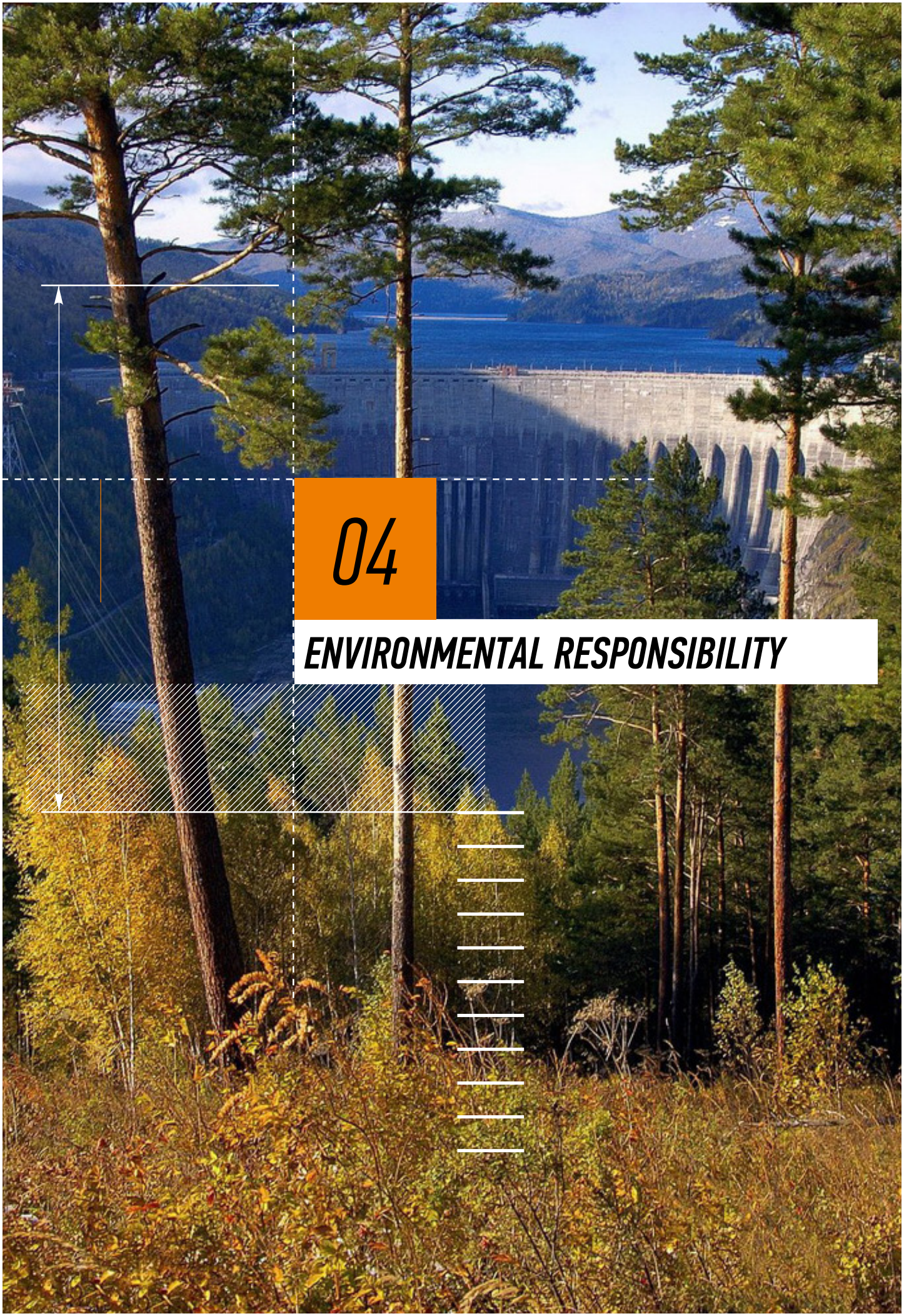
- comparative evaluation and feasibility study for advantages/disadvantages, specific features of selected methods of reinforcement, technical and economic assessment of proposed solutions for ERS;
- experimental research of reinforced concrete samples of reinforced ERS taking into account impact of different factors of environment on physicotechnical and operational properties of ERS.

Project outcomes are planned to be applied during repair and refurbishment works at Zagorskaya PSPP-2 and during scientific support of projects for repairs and refurbishment of power plants.

Plans for 2016

In 2016 the Company will complete the development of new innovative development program for the period of 2016-2020 with prospects up to 2025.

In the field of design activities the Company will work on the implementation of selected projects focused on the improvement of operational efficiency of Company business units and key affiliates and subsidiaries.



04

ENVIRONMENTAL RESPONSIBILITY

4.1. ENVIRONMENTAL POLICY

G4-56

PJSC RusHydro performs its activities in compliance with state policy in terms of sustainable development. RusHydro activities are based on the Constitution of the Russian Federation, federal laws and other regulatory legal acts, international agreements of the Russian Federation in the field of environment protection and rational use of natural resources.

G4-14

In its activities the Company adheres to precautionary principle determined in article 15 of the Declaration on the Environment and Development adopted in 1992 in Rio de Janeiro by United Nations Conference on Environment and Development. This principle is implemented everywhere in the course of environmental impact management at all stages of project lifecycle of RusHydro facilities.

PJSC RUSHYDRO

The Company approved its Environmental Policy[39] aimed at improvement of environmental safety of hydrogenerating facilities in operation and under construction through minimization of negative impact on the environment and maintaining favorable environment for current and future generations. The Policy is a basis for planning and implementation of the Company's business processes.

RAO ES EAST SUBGROUP

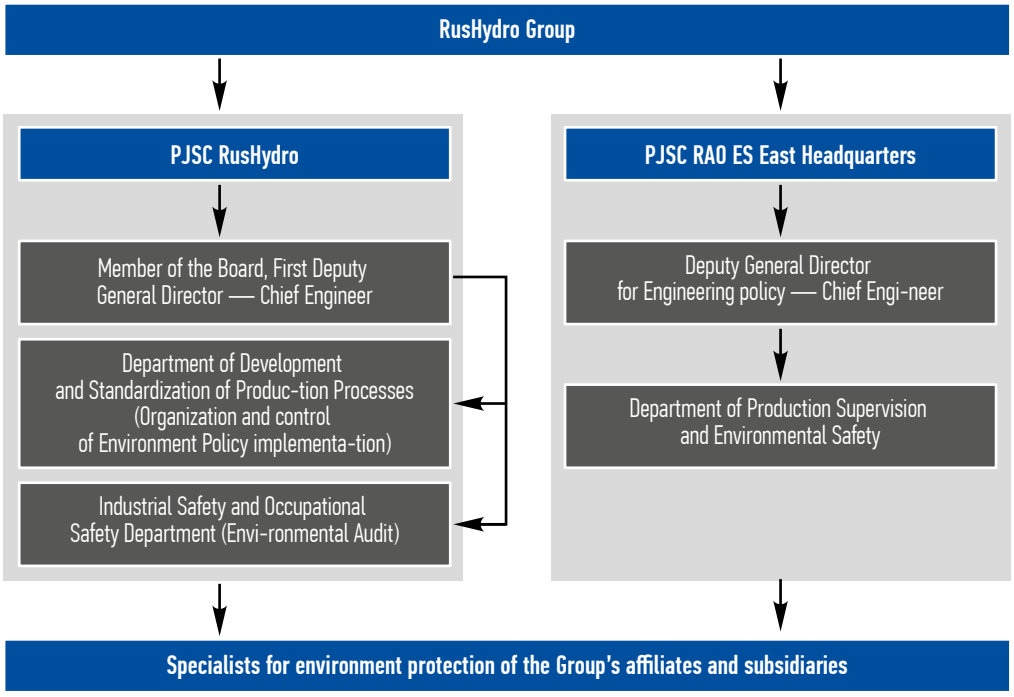
Environmental Policy of PJSC RAO ES East was approved on April 21, 2014.

PJSC RAO ES East goals in terms of environment protection[40] are:

- technical re-equipment and gradual replacement of equipment that has low technical, economic, and environmental indexes with advanced and economically efficient and environmentally safe equipment;
- engagement of all staff into activities aimed at environmental risks reduction, improvement of environmental management system and environment protection performance indicators;
- improvement of efficiency of use of non-renewablenatural resources;
- minimization of adverse man-made impact on the environment.

Learn more at www.rushydro.ru/sustainable_development/environmental.

Group structure that provides management of activities in the field of environment protection



ENVIRONMENTAL POLICY IMPLEMENTATION MECHANISMS

Technical upgrade and modernization of HPPs

Technical activities implemented within comprehensive modernization allow not only to improve technical condition of the equipment, but also to reduce negative impact on the environment:

- renovation of existing and equipment of new treatment plants;
- replacement of hydraulic units of HPP with modernized ones that:
  - minimize impact on aquatic biological resources while passing through hydraulic duct of hydroturbines,
  - eliminate leakage of oil products to the environment during operation of hydroturbine equipment;
- replacement of oil-filled electrical equipment with equipment that does not contain oil (vacuum, SF_6);
- equipping HPPs under construction with fishery conservation plants;
- renovation and repair of hydraulic structures for proper maintenance of water conservation zones, arrangement of shore protection.

Works for HPP environmental safety performed in 2015 within the framework of Comprehensive Modernisation Program

Facility	Works
Reconstruction, modernization and repairs of hydroturbine equipment using environmental friendly structures that help eliminate leakage of oil products into water facilities:	
The Volzhskaya HPP	Works for the replacement of hydroturbine No. 6 are in progress. Works for the replacement of hydroturbine No. 13 are finished, hydroturbine is put in operation. Equipment for hydroturbine No. 2 is delivered. Replacement of sealing for impeller blades in the course of current repair of hydroturbines Nos. 2, 7, 15, 23.
The Zhigulevskaya HPP	Performed renovation of hydroturbines No. 12, 14, 17. Renovation of hydroturbines No. 7, 13, 16 in process.
The Votkinskaya HPP	Replaced sealing of impellers at hydroturbines No. 2, 9.
The Kamskaya HPP	Completed modernisation of hydraulic units with replacement of impeller with "ecologically clean" type.
The Saratovskaya HPP	Replaced sealing node of impellers at hydroturbines Nos. 9, 15.
Renovation and repair of hydraulic structures for the purpose of proper maintenance of water conservation zones, arrangement of shore protection:	
The Volzhskaya HPP	Performed repair works for the improvement of upper and lower piers of HPP, longstanding planting of ground dams Nos. 40 - 42. Performed works for the cleaning of sills and grids of intake system. Performed concrete casting for damaged sections of reinforced concrete slope protections of lower pier of HPP, lower slope of ground dam No. 41. Performed repairs of rock apron of slopes for ground dams No. 40, 42.

The Zhigulevskaya HPP	Renovation of slots, shell-slabs, sills and spillway faces of HPP overflow dam is in progress in terms of capital construction of reinforced concrete slope protection in the area of dam No. 49 running level.
Cascade of Verkhne-VolzhskyeHydro Power Plants	Repair of mounting places for structure 49, repair of upper slope protection of the dam Nos. 41, 46, 47 in progress.
The Votkinskaya HPP	Performed current repair of utility gallery concrete.
The Kamskaya HPP	Performed repair of HS power canal (bank protection), repair of mounting plates of the upper slope of the channel dam. Performed cleaning of canals and drainage systems of dams and adjacent buildings, renovation of collecting systems of channel and bottom-land dams, capital construction of reinforced concrete slope protection of tailrace canal. Works for the replacement of water discharge gates are in progress.
The Saratovskaya HPP	Performed repair works for concrete and ground slopes of the left-bank dam and channel dam.
The Karachaevo-Cherkessia Branch	Fixed borders of water protection area of lower reservoir of PSPP
Replacement of oil-filled electrical equipment with equipment that does not contain oil (vacuum, SF) or that contains less oil:	
The Volzhskaya HPP	Detailed design for the replacement of oil-filled wires 220 kV with dry ones is in progress.
The Zhigulevskaya HPP	Comprehensive renovation is in progress with the replacement of power and measuring equipment of SWYD-500 kV, equipment of system SWYD-500 kV, reconstruction of the building part of SWYD-500 kV.
The Nizhegorodskaya HPP	Construction and installation works are in progress for the reconstruction of SWYD-110/ 220 kV, performed equipment delivery for SWYD-110 kV. Performed replacement of equipment - 21 cells per 110 kV and 4 cells per 220 kV. In progress replacement of oil circuit-breakers 13.8 kV. Equipment delivery performed.
The Cheboksarskaya HPP	Performed replacement of generator circuit-breaker of VVG-20 with SF circuit-breaker.
The Karachaevo-Cherkessia Branch	Performed works for the replacement of oil circuit breakers with SF circuit breakers in terms of comprehensive renovation of SWYD-110 kV.
Cascade of Verkhne-VolzhskyeHydro Power Plants	In progress replacement of single-phase transformers with three-phase ones, and generator circuit-breakers GA No. 4, 6 with SF ones.
Other activities focused on the reduction of negative impact on environment	
The Votkinskaya HPP	Performed capital construction of intake screen G/A 2 (right conduit).
The Volzhskaya HPP	Works for comprehensive renovation of lighting network for HPP facilities are in progress.
Renovation of existing and equipment of new treatment plants	
The Dagestan Branch	Performed renovation of buildings for car fleet water treatment at Chirkeyskaya HPP
The Zhigulevskaya HPP	In progress development of design documentation for the improvement of water discharge network for household and storm sewage runoffs for Zhigulevskaya HPP facilities.
Activities focused on the maintenance of aquatic biological resources	
The Karachaevo-Cherkessia Branch	Performed design works for the introduction of fish-path and modernisation of fish protection system at Marukha hydro system. Performed release of juvenile fishes into the water body.

STANDARDIZATION. REGULATORY TECHNICAL REGULATION IN THE FIELD OF ENVIRONMENTAL SAFETY

Within technical regulation PJSC RusHydro has applied a number of environmental safety standards.

On the basis of experience obtained at the number of PJSC RusHydro facilities in terms of introduction of ISO 14001 provisions, the Company is developing the organization standard «Hydro power plants. Environmental protection. Management system. General Provisions.»

In order to determine and entrench necessary requirements to design and operation of fish protection facilities at the company level, the Company is developing the organization standard «Hydro power plants. Fishways, fish screens and fish protection facilities. Requirements for design and operation.»

For the purposes of use in administration activities and in terms of state supervision, the Company has developed National Standard PNST 15-2014 «Environment protection. Standards for the losses of oil products of hydroturbine equipment in the course of operation. Method for the calculation of losses of turbine oil in the course of operation of hydroturbine equipment.»

4.1.1. ENVIRONMENTAL IMPACT ASSESSMENT: GENERAL APPROACH

G4-DMA PJSC RusHydro provides environmental safety in the course of operation at all stages of HPP lifecycle, including during the development of Environmental Impact Assessment projects (EIA) at the design stage, as well as social and environmental monitoring and mitigation of potential or actual negative impact during construction and operation stages.

Assessment and controls for environmental impact at all stages of project lifecycle

PLANNING (PRE-DESIGN STAGE) →	Arrangement of R&D and engineering works focused in environment protection; Preliminary assessment of environmental impact during planning of new construction and reconstruction;
DESIGN →	Arrangement of EIA; assessment of facility impact on the environment in order to make a decision about ability to construct or reconstruct production facilities; Elaboration of activities to provide required level of environmental safety.
CONSTRUCTION →	Implementation and enforcement of activities provided by the project and focused on the provision of environmental safety of facility; Observance of environmental regulations during construction and installation works
OPERATION →	Performance of industrial environmental monitoring; performance of activities in order to prevent deviation from specified level of facility environmental safety Voluntary initiatives for the protection of biological diversity and improvement of environmental awareness of communities and employees

4.1.2. ENVIRONMENTAL IMPACT ASSESSMENT: PLANNING AND DESIGN

G4-EU20 и G4-EU22

Russian laws establish federal ownership for water bodies that include water storage reservoirs. Pursuant to the Water Code of Russia, water storage reservoirs are provided to PJSC RusHydro for a long-term use for the purpose of hydrogeneration on the basis of water use agreements. Russian Federation interests in the field of water management relations are represented by the Ministry of Natural Resources of the Russian Federation. At the regional level the Ministry is represented by seven departments of natural resources in accordance with federal districts and 17 basin water management boards.

Pursuant to the Russian legislation, the decisions related to the planning and location of energy infrastructure are also taken by government authorities; as a result, all matters regarding relocation of inhabitants due to the location and development of energy facilities is their responsibility.

ASSESSMENT OF IMPACT OF PROJECTS ON THE ENVIRONMENT

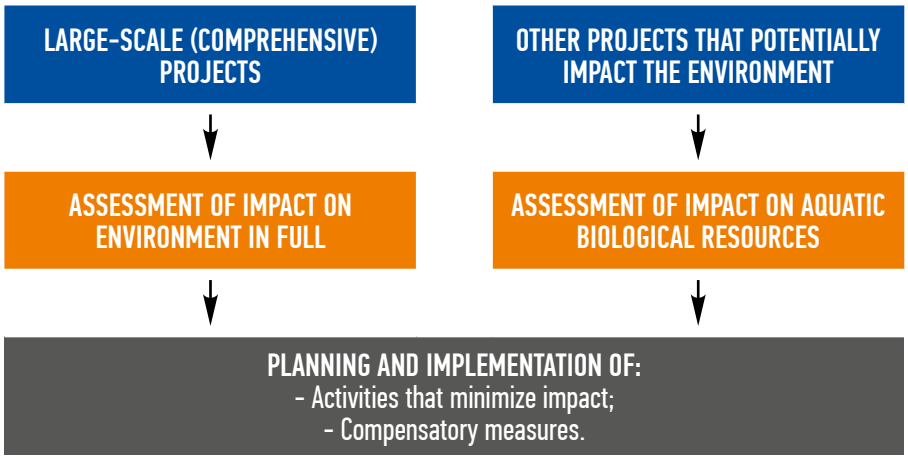
G4-EU19

EIA procedure is a mandatory procedure at the stage of decision-making about hydropower facilities construction. Pursuant to the Federal Law dated 10.01.2002 No.7-FZ «Concerning the Protection of the Environment», the Customer is responsible for the preparation of documentation related to the projected activities in accordance with regulatory requirements towards such kind of activities. RusHydro Group companies organize and take part in public dialogue related to EIA materials at the very stage of project initiation. The Company has approved corporate standard for the assessment of environmental impact: «Hydro power plants. Environmental protection. Assessment of impact on the environment. Procedural Guidelines» G4-EU19. RusHydro also actively engages all stakeholders at the stage of discussion and approval of arrangements of integrated utilization and conservation of water resources (AIUCWR) in accordance with the requirements of the Water Code of the Russian Federation.

Learn more about PJSC RusHydro approach to decision-making that helps reduce environmental risks at

(http://www.rushydro.ru/file/main/global/company/safety/environmental/Podhody.pdf)

Arrangement of EIA in terms of projects



EIA description

Design stage: EIA (Assessment of impact on the environment) Process of assessment of environmental effect and development of activities to reduce and prevent the effect in order to make a managerial decision about implementation of projected business activities by means of determining possible adverse impact and taking into account public opinion.

EIA Tasks	REGULATORY AND METHODOLOGICAL PROVISION OF EIA
1. Determination of parameters for environmental compo-nents that will be impacted by the economic entity. 2. Preliminary assessment of factors and types of impact on the environment in the course of implementation of projected activities. 3. Categorization of environmental effect and social, economi-cal and other changes caused by it. 4. Accounting of possible effects of implementation of busi-ness activities in design decisions.	• Federal Law dated 10.01.2002 No. 7-FZ «Concerning the Protection of the Environment» • Federal Law dated 04.05.1999 No. 96-FZ «Concerning the Protection of Atmospheric Air» • Federal Law dated 23.11.1995 No. 174-FZ «Concerning Ecological Examinations» • Water Code of the Russian Federation dated 03.06.2006 No. 74-FZ • Federal Law dated 14.03.1995 No. 33-FZ «Concerning Specially Protected Natural Areas» • Land Code of the Russian Federation dated 25.10.2001 No. 136-FZ • Provision on the Assessment of Impact of Projected Busi-ness and Other Activities on the Environment in the Russian Federation (Instruction No. 372 of State Committee for Environmental Protection of the Russian Federation dated 16.05.2000)

Public dialogue in terms of EIA related to HPPs being designed and constructed did not take place dur-ing the accounting period.

4.1.3. CONSTRUCTION AND OPERATION: ACTIVITIES TO REDUCE ENVIRONMENTAL STRESS

RusHydro Group companies act in strict compliance with design documentation that includes section of environmental impact assessment that received positive opinion of respective supervisory bodies. Moreover, it is mandatory that norms and limits for waiste and wmissions are being developed in the course of facilities operations. These norms are approved by respective executive authorities tin charge of regulation in the field of environment protection.

By efforts of its own scientific, design and engineering complex, RusHydro Group develops and introduces advanced and sustainable technologies in hydraulic power industry that improve environmental safety of hydraulic power facilities and reduce industrial load on the environment.

The Company supports industry and international initiatives for the decrease of industrial load on the environment and people, for the advocacy and introduction of environmental liability standards and actively engages external stakeholders.

Public environmental actions

The company regularly performs actions focused on the improvement of environmental culture of people in the presence regions:

- environmental events «oBEREGay» (cleaning of shores of water bodies from litter) are performed in all presence regions;
- charity support to preservation areas and other conservation organizations;
- programs for the conservation of biological diversity and natural habitat for rare and endangered species are being implemented at biosphere reserves and other protected designated natural areas, eco-tours are sponsored, recreation areas are being organized;
- voluntary actions for the restoration of biological diversity of water bodies;
- other - environmental publications, field exercises, tours around HPPs and environmental lessons for school students.

Voluntary actions are being implemented in areas affected by RusHydro Group facilities to reduce environmental stress; such as: actions related to the stocking of water bodies, improvement of designated natural and conservation areas, and voluntary (charitable) environmental programs focused on the popularization of ecology and development of husbandry towards nature among local communities.

Within the framework of such activities the Group develops cooperation with conservation areas, national parks and other protected designated natural areas, educational institutions, and environmental organizations. For more details please see Section 5.4 Charity.

INITIATIVES FOR THE MITIGATION OF IMPACT FROM PRODUCTS AND SERVICES ON THE ENVIRONMENT AND THE SCALE OF MITIGATION G4-EN27

In terms of Technical rehabilitation and modernization, RusHydro Group companies perform technical events that not only increase the level of technical condition for equipment but also reduce (mitigate) environmental stress.

Examples of environmental actions within the framework of TR&M projects:

- reconstruction of existing and equipment with new treatment plants under the comprehensive HPP reconstruction;
- replacement of hydraulic units of HPP with modernized ones that:
- minimize impact on aquatic biological resources while passing through hydraulic duct of hydroturbines,
- eliminate leakage of oil products to the environment in the course of operation of hydroturbine equipment.
- replacement of oil-filled electrical equipment with equipment that does not contain oil (vacuum, SF6) or that contains less oil;
- equipping of newly constructed HPPs with fishery conservation plants;
- renovation and repair works at hydraulic structures for the purpose of proper maintenance of water conservation zones, arrangement of shore protection.

In 2015 during generation, transmission, and distribution of heat and electrical energy primary efforts of PJSC RAO ES of the East in terms of environmental impact management in the regions of facility operation have been focused on the addressing of the following tasks:

- minimization of negative impact on the environment at the account of abatement of emission into the atmosphere, organization of production wastes, optimal use of natural resources;
- implementation of environmental protection plans of affiliates taking into account changes in environmental regulations that came into effect in 2015;
- improvement of the environmental management system by means of introduction of ecological management system in accordance with ISO 14001:2004.

G4-EN28 Share of sold products and its packaging materials being returned for recycling to the manufacturer with a breakdown by category

PJSC RAO ES of the East does not perform recycling of products and its packaging materials.

Initiatives for the mitigation of impact from products and services on the environment at RAO Energy Systems of the East Holding

Initiative	Environmental effect
Reconstruction of gas-purifying equipment	Abatement of emission of ash from burning coal , sulfur dioxide.
Transfer of CHPP to gas fuel	Abatement of emission into the atmosphere. Reaching permissible levels of impact on the environment. Abatement of emission of greenhouse gases. Reduction of water consumption volumes. Reduction of bottom ash from burning coal.
Construction of water treatment plants for stormwater drain	Reduction of discharge of waste water.

ENVIRONMENTAL MANAGEMENT SYSTEM

One of enablers of Environmental Policy of certain companies of RusHydro Group includes introduction of Environmental Management System (EMS) at the branches and associated utilities.

In 2015 PJSC RAO ES of the East continued work for the introduction of Integrated Management System - environmental management and management of occupational health and safety (IMS).

Plan fulfillment was monitored during IMS internal audit. As on 31.12.2015 the plan was fulfilled by 80 %, the term of full fulfillment - until 31.03.2016.

In 2015 the company continued to introduce IMS at energy companies managed by the Group and at companies that provide generation, dispatch, distribution, transfer and sale of electric and heat energy at the territory of Far East and Ural Federal Districts: JSC Chukotenergo, PJSC Magadanenergo, PJSC Kamchatskenergo, JSC KSEN, JSC Sakhaenergo, JSC Mobile energy (Peredvizhnaya energetika).

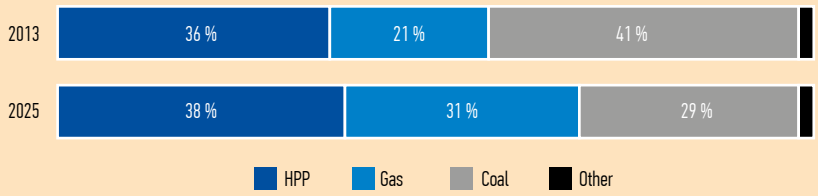
Certification audits have been carried out by international authority JC Bureau Veritas Certification Rus. Certificates obtained:

- PJSC RAO ES of the East,
- JSC Dalnevostochnaya Generation Company (executive bodies JSC FEGC and «Primorsk Generation» branch),
- OJSC Sakhalinenergo (executive bodies OJSC Sakhalinenergo),
- JC «Dalnevostochnaya distribution network company (Executive bodies JC FEDC, Amursk PPs, South-Yakutsk PPs, PP of Jewish Autonomous Province, Primorsk PPs, Khabarovsk PPs).

G4-EU10 Gradual decommissioning and replacement of outdated generation capacities with new ones and increasing the amount of more environmentally -friendlygeneration (gas-fueled CHPP) in the structure of energy generation will reduce release of emissions both in relative and in absolute value. By 2025:

- reduction of specific fuel equivalent consumption for electric power in term of CHP for FEFD in average by 12 %,
- reduction of specific exhaust emission in terms of hazardous substances by 9-36 %.

Projected energy balance at FEFD.



MINIMIZATION OF NEGATIVE IMPACT IN RAO ES OF THE EAST HOLDING

To reach target values in terms of minimization of negative impact on the environment, investment projects for the construction and renovation of energy facilities. They are focused on the use of environmentally efficient gas turbine equipment, and on the use of low waste and minimum impact technologies, for example using natural gas as a fuel with innovative technology of fuel preparation and supply.

Third start-up complex of the facility «Construction of 4-th power unit at Yuzhno-Sakhalinskaya CHPP-1» was put into operation during the accounting year as a part of one gas turbine unit LM 600 PD Sprint manufactured by General Electric and waste heat boiler KUV-50-150 made by CJSC Energomash (Belgorod)-BZEM. To reduce emission of hard polluting substances into the atmosphere, boiler unit No. 13 of Khabarovskaya CHPP-1 was redesigned for natural gas combustion.

According to preliminary estimates, in 2016 upon completion of the second stage of provision of gas supply at Vladivostokskaya CHPP-2 reduction of emission on an annual basis must be around 55-60 % of the level of 2010.

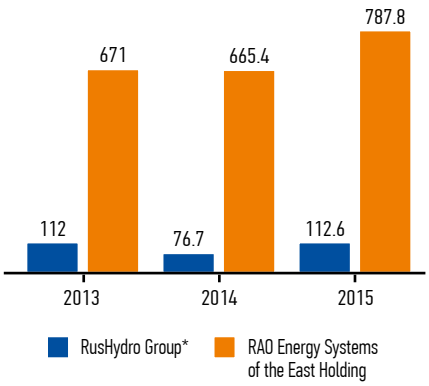
There were neither accidents nor incidents that caused damage to the environment in 2015 in RAO ES of the East Holding companies.

4.2. ACTIVITIES PERFORMED BY GROUP COMPANIES TO REDUCE ENVIRONMENTAL IMPACT IN 2015

4.2.1. EXPENSES FOR ENVIRONMENT AND CONSERVATION ACTIVITIES DURING THE ACCOUNTING YEAR

Learn more about total expenses for environment protection and conservation actions in Annex 7.

Expenses for environment protection, million rubles G4-EN31



*Except for RAO ES East Subgroup.

Environment protection actions performed by branches and affiliates of PJSC RusHydro in 2015

The Nizhegorodskaya HPP	- Arrangement of «oBEREGay» action - Training on the subject «Environmental protection and safety»
The Votkinskaya HPP	- Quality control for open, drainage and waste waters - Replacement of impeller sealings at two hydroturbines - Reconstruction of water treatment plant for drainage waters at hydraulic structures
The Upper Volga Cascade of HPPs	- Chemical analysis of drainage waters from Rybinskaya andUglichskaya HPP - Biotesting of drainage waters - Replacement of one-phase transformers with three-phased ones. - Development of maximum permissible discharge at experimental small-scale HPP - Chemical analysis of headrace and tailrace of Rybinskaya, Uglichskaya HPPs. and Experimental SHPP.
The Zeyskaya HPP	- Arrangement of «oBEREGay» action - Quality monitoring for drain water and water body - Assessment of efficiency of operation dust-trapping equipment - Replacement of sealings for impeller blades and hydroturbines (during renovation of hydraulic unit No. 3) - Implementation of project for storm water drain reconstruction
The Saratovskaya HPP	- Renovation of horizontal and vertical drains - Chemical analysis and bacteriological research of natural and water drain system - Cleaning of intake screen during drybeed and low water flow period from debris. - Submission of used luminescent lamps for disposal.
Zhigulevskaya HPP	- Reconstruction and modernisation of hydroturbine equipment using environmentally sound structures - Comprehensive renovation with replacement of power and measuring equipment SWYD-500 kV (replacement of oil-filled transformers with SF ones with the capacity of 500 kV) - Development of projects of waste generation limits - Quality control for drain waters - Measuring pollutant concentration at the source of emission to the atmosphere
The Volzhskaya HPP	- Works for the cleaning of intake screens, water intake units from debris - Inspection of fish-protection devices, cleaning the surface of head walls. - Revision of water intake devices for watering pump stations at HPP ground dams - Repair of seals for oil-filled impellers of hydroturbins - Monitoring of water body pollutions – Volgograd water storage reservoir and river Volga, - Dust collecting unit operation efficiency control
Sayano-Shushenskaya HPP named after P.S. Neporozhny	- Cleaning sanitary restriction zone of water reservoir from wood - Cleaning shores of water saving reservoir of SSHPP at running levels of the sanitary zone - Water conservation measures in Maynskaya reservoir
The Kamskaya HPP	- Cleaning of intake grills - Replacement of water drain gates - Renovation of water discharge systems for channel dam - Capital construction of reinforced concrete slope protection of water discharge channel - Current repair (shore protection) of HS headrace - Repair of boards of upper slope of a channel dam
The Zagorskaya PSPP	- Instrumental measuring of industrial emissions, measuring noise level at sanitary protection zones - Disposal of used fluorescent lamps and industrial and household waste - Organization of regular cleaning of the territory with mechanization of cleaning works as much as possible
The Novosibirskaya HPP	- Reconstruction of hydraulic unit No.5 (hydroturbine replacement) - Arrangement of «oBEREGay» environmental action
The Cheboksarskaya HPP	- Toxicological study of waste waters - Quality monitoring for river water in headrace and tailrace Cheboksarskaya HPP - External inspection of oil-filled equipment - Monitoring the condition of transformer oil collection, cleaning of oil vessels when they are full - Replacement of polyurethane filters to clean discharge waters - Cleaning of clarifier from remaining residuals, replacement of filtering material, pumping oil products from oil well - Submission of daylight lamps containing mercury for demercurization - Collection and utilization of hazardous wastes for deactivation (oily rags, oil sludge, etc.)
The Kuban Cascade of HPPs	No activities were arranged for the reduction of discharge of drain, sewage waters into the water body, reduction of hazardous (polluting) substances to the atmosphere, reduction of negative impact of industrial and household wastes on the environment.

The Karachaevo-Cherkessia Branch	- Monitoring open water condition - Compensation of damage to fish farm from Zelenchukskaya HPP operation by releasing trout fish juveniles to KCR rivers - Replacement of oil VMT circuit-breakers with SF6 ones
The Bureyskaya HPP	- Disposal of lamps and devices containing mercury - Arrangement of «oBEREGay» action - Emergency rescue activities to eliminate spills of oil products
The Dagestan Branch	- Performing activities focused on the shaping of the branch image as socially responsible, environmentally sound (action «oBEREGay» - cleaning the shores of Chirkeyskoye and Irganayskoye water storage reservoirs from debris - Development of technical reports for the extension of limits for waste placement. - Collection of hard household and industrial wastes - Development of projects of allowable emission rates for Maginskaya, Amsarskaya and Arakulskaya SHPPs - Development of projects of waste generation limits and their placement at Maginskaya, Amsarskaya and Arakulskaya SHPPs - Cleaning of water area at Irganayskoye water storage reservoir (intake house, water basin) from debris - Reconstruction of water treatment facilities of Chirkeyskaya and Miatlinskaya HPP -Reconstruction of intake screen with installation of device for automated cleaning of water intake reservoir of Gunibskaya HPP
The Northern Ossetian Branch	- Instrumental measuring at the border of sanitary protection zones
The Kabardino-Balkarian Branch	- Development of projects of waste generation limits - Monitoring MPE standards for pollutants in the atmospheric air and at the border of the sanitary protection zone (- Submission of fluorescent lamps for demercurization
PJSC Kolymaenergo	- Special hydrometeorological support - Water bacteriological analysis - Quality control for sewage, drain waters being discharged to the water body, quality of waters in the water body - Cleaning of drainage system from oil products - Enforcement of MPE (TAE) standards in respect with measured concentrations in the atmospheric air at control stations - Collection and pickup of fluorescent lamps and used batteries - Disposal of 3rd and 4th class wastes - Cleaning of power canal and intake screens from wood - Development of Project of sanitary protection zone - Preventive maintenance at water treatment plants. - Replacement of filter bed - Fulfillment of Plan for the reduction of discharge for the period from 15.08.2014 to 15.08.2015 (mitigation of organic impurities – reduction of COD and BOD) - Drinking water study / radiological safety - Regular cleaning at the territory included into the water conservation area of the river Kolyma - Special hydrometeorological support - Development of Project of allowable emission rates and microorganisms to the water body and waste generation limits
JC Geoterm	- Quality control in terms of discharged sewage waters - Cleaning of digestion tanks for water treatment plants/household discharge - Cleaning of sanitary protection zone from debris, metal scrap - Development of MPE projects of pollutants into the atmosphere - Baseline environmental studies of river Falshivaya
JC Pauzhetskaya GeoES	- Development of allowable emission rates with the discharge of sewage waters of PGeoES into the art of Pauzhetka river - Hydrological and morphometrical measuring for river Pauzhetka - Handover of wastes containing oil products collected at PGeoES to specialized companies for deactivation
PJSC KamHEK	- Maintenance of car fleet - Observance of regulations for industrial and household waste handling of 1-5 hazard class - Cleaning of canals and adjacent structures - Comprehensive environmental monitoring
OJSC Boguchanskaya HPP	- Removal of floating wood from dam area - Monitoring of water quality in the lower and upper races - Collection of wastes at the territory of water conservation area river Angara with subsequent pickup - Keeping ready workforce and means to render services for oil products spill localization - Fish conservation actions (construction of fish protection structures, monitoring according to the program) - Getting approval from Rosprirodnadzor for Krasnoyarsk Territory for the discharge of pollutants along with sewage drain waters

About implementation of conservation actions in RAO ES of the East see Annex 8.

4.2.2. ENVIRONMENTAL IMPACT OF OPERATING EQUIPMENT AND STRUCTURES

ATMOSPHERIC AIR PROTECTION. EMISSIONS G4-EN21

RusHydro Group companies generate electric energy using renewable sources of energy, with minimal impact on the environment, rational use of natural resources, maintenance and restoration of ecosystems. In the course of water storage reservoir operation there are no critical emissions of carbon dioxide (in the volumes that would intensify greenhouse effect). In the first years after water storage reservoir is established, there is an increased emission of CO_2 due to the decomposition of flooded organic matter: plants, organic debris, humus. Later the situation gets more stable. Bottom sedimentsof water reservoirs conserve carbon and prevent its entry to the atmosphere. Organic debris that get into the water reservoir may decompose there, but here water reservoirs are similar to usual rivers and lakes. Scientific studies[41] deny presumptions about active discharge of carbon dioxide from water reservoirs.

Emissions to the atmosphere are conditioned by operation of cars and machinery and works that provide operational condition of equipment (regeneration of oil, operation of batteries, welding works, mechanical processing of metals, etc.) All Group companies regularly perform activities to control emissions. According to the monitoring data, the amount of emissions in 2015 did not exceed specified admissible limit values.

Global climate change and environmental responsibility[42] G4-EN15

Basic activities performed at HPP included in RusHydro Group do not result in greenhouse gas emissions.

At the end of 2015 PJSC RusHydro supported the initiative to combine efforts of Russian business and reduce environmental impact and prevent climate changes by entering the program «Russian partnership for climate conservation» and signing Statement of Russian business in terms of negotiations and adoption of new climate agreement at the 21st conference of UN Framework Convention on Climate Change. This initiative was an additional step focused on the adoption of new climate agreement at the 21st conference of UN FCCC. In accordance with the executive order of the Government of the Russian Federation dated April 14, 2016 No. 670-r, Deputy Prime Minister A.G. Khloponin signed Paris agreement on behalf of the Russian Federation on April 22, 2016 at UN Headquarters in New York.

Starting from 2015 PJSC RusHydro reports in terms of greenhouse gas emissions to CDP (Carbon Disclosure Project). Last year the Company was assigned with climate rating CDP – 54 E; however, CDP does not take into account greenhouse gas emissions from water reservoirs.

In order to change the amount of greenhouse gas emissions from water reservoirs and to compare data for Russian HPPs with global results, Saint-Petersburg Polytechnical University by order of PJSC RusHydro performed R&D «Feasibility of parameters of PJSC RusHydro HPP water reservoirs being built and in operation in terms of greenhouse gas emission». Water reservoirs of SSHPP and Maynskaya HPP were determined as pilot facilities for the research greenhouse gas emission. The methodology for emission assessment was determined in accordance with the Guide of International Association of Hydraulic Power Engineering, data for the emissions of greenhouse gases from water reservoirs of HPP in Canada of the same age were taken for comparison.

The research showed that in average methane streams and much lower than in most water reservoirs of HPP in Canada. Average value of carbon dioxide streams was close to those values from water reservoirs of HPP in Canada of the same age. Comparison of carbon intensity of greenhouse gases from water reservoirs of SSHPP and Maynskaya HPP with those from natural lakes of similar trophic state showed that they are close.

More material impact on air pollution is caused by TPP, respective indicators are given more detailed in the Report for RAO ES of the East Holding.

RAO ES East Subgroup indicators in terms of atmospheric air protection

Each affiliate has permits and regulatory documents that include permissible emissions and permit for emissions obtained in accordance with the established procedure to perform emissions.

Once in five years all Holding affiliates make an inventory for the emissions of pollutants to the atmosphere.

Direct emissions of greenhouse gases (scope 1) G4-EN15

Emissions of greenhouse gases are calculated in accordance with the Decree of the Ministry of Natural Resources of Russia dated 30.06.2016 No. 300 and using RD 153-34.0-02.318-2001 «Methodical guidelines for the calculation of gross emissions of carbon dioxide into the atmosphere from TPP boilers and boiler houses» and inventory data of Carbon Trust. Amount of emissions of greenhouse gases are determined on the basis of data for specific facility, taking into account facility fuel balance.

For more details on the table «Direct emissions of greenhouse gases (scope 1)» see Annex 5.

Reduction of emissions of greenhouse gases G4-EN19

At the moment a Program for the development of RES of RAO ES of the East Holding in being implemented; upon implementation results the Holding will be able to save annually 46 thousand tons of diesel fuel and replace output of diesel power plants in isolated areas. It will also help reduce emissions of greenhouse gases, which in this case amounts to 104,880 tons.

Direct emissions of greenhouse gases of RAO ES of the East enterprises

Type of emission, thousand tons	2013	2014	2015	2015/2014, %
Total emissions	33,100.0	33,434.6	36,182.3	8.2
Including:				
from gas output	9,382.4	10,121.4	10,453.8	3.3
from oil fuel output	638.5	693.7	670.3	-3.4
from solid fuel output	23,079.0	22,788.2	25,197.8	10.6

The intensity of emissions of greenhouse gases of RAO ES of the East G4-EN18.
CO_2 intensity equivalents are determined by the relation of emissions of CO_2 equivalents, tons, to electric energy generation, million kWh, and heat supply, thousand Gcal. For information about emissions of RAO ES of the East enterprises see Annex 6.

Indirect energy emissions of greenhouse gases (scope 2) G4-EN16
RAO ES of the East Holding does not keep track of indirect energy emissions of greenhouse gases.
Other indirect emissions of greenhouse gases (scope 3) G4-EN17
RAO ES of the East Holding does not keep track of indirect emissions of greenhouse gases.

Ozone-damaging emissions G4-EN20

There are no ozone-damaging emissions. Equipment that contains ozone-damaging substances is operated at JC DGC facilities in accordance with stipulated rules and regulations.

WATER MANAGEMENT AND WATER PROTECTION ACTIVITIES G4-EN9

The Company is one of the primary water consumers in the system of water management complex of the Russian Federation; it performs its activities in the most regions of the country.

Starting from 2013 the Company publishes information about hydrologic situation at HPP of RusHydro Holding companies at the special portal – Informer on the level of water reservoirs of RusHydro (www.rushydro.ru/hydrology/informer/).

G4-DMA Water body management and their protection and provision of environmental safety are the responsibility of federal authorities. Rules and procedure of operation of water bodies as well as regulations for maximum permissible harmful impacts on water bodies in the course of operation of hydro systems are specified by the Ministry of Natural Resources of the Russian Federation and its regional and basin water management boards.

All water bodies impacted by our Group activities are operated in strict compliance with Russian legislation and water use agreements and Decisions on the granting of water bodies for use. All permits are timely arranged and approved with respective supervisory authorities. Water intake from water bodies by PJSC RusHydro does not impact significantly on water sources.

Most RAO ES of the East companies also do not impact significantly on water sources as total amount of water taken by the affiliates is less than 5 % of the water body amount. Holding affiliates do not take water from sources referred to protected areas. Sources from which the water is taken are not valuable from the point of view of biological diversity. An exception is water intake by JC Chukotenergo at water reservoir of Anadyr - water intake amounts to 1,710.3 thousand or 24 % of the total amount of water body – 7.8 million m^3.

Information about basic water protection activities of 2015[43]

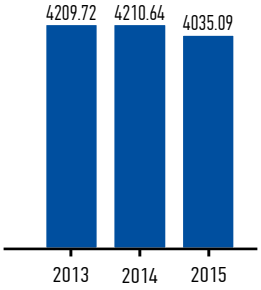
Shore protection and/or repair works have been arranged in five PJSC RusHydro branches. Moreover, number of branches performed works for:

- repair of erosion-prevention hydraulic structures,
- repair of regulation structures,
- regulation of clearing for water body bottom dredging,
- clearing of reaches of channels, canals, etc.

In 2015 the amount of water taken in general by RusHydro Group remained the same, 64,252 million m3 (in 2014 the amount was 64,530 million m3). See information for total amount of taken water with a breakdown by sources G4-EN8 in Annex 3.

G4-EN22 See total amount of discharge of sewage waters specifying the quality of sewage waters, receiving facility and treatment methods in Annex 4.

Total amount of repeatedly used by PJSC RAO ES East, million m^3 G4- EN10



WASTE MANAGEMENT G4-EN25

Production and consumer wastes are generated in the course of operating activities of RusHydro Group enterprises. Primarily there are wastes of hazard class IV and V, they are generated during reconstruction, repair works and maintenance of equipment at facilities. RusHydro Group companies[44] do not transport wastes by their own efforts. Generated wastes are transferred on a contractual basis to specialized organizations that have licenses for the right to collect and handle the wastes.

To learn about the approach of RAO ES of the East Holding to waste handling see Report about corporate social liability and sustainable development of PJSC RAO ES of the East for 2015.

Materials with high and low content of PCD[45] in equipment are not contained and not applied in the course of operational processes.

Total amount of wastes broken down by hazard class, tons G4-EN23

Вид выбросов, тыс. тонн	2014	2015	change, %
RAO Energy Systems of the East Holding			
Wastes Hazard Class I and II	51.30	39.10	-19.40
Wastes Hazard Class III, IV and V	43,726,159.70	27,694,388.90	-28.00
Total	43,726,211.00	27,694,428.00	-28.10
PJSC RusHydro			
Wastes Hazard Class I and II	24.70	14.22	-42.44
Wastes Hazard Class III, IV and V	34,699.20	30,964.61	-10.76
Total	34,723.80	30,978.82	-10.79

Total amount and volume of material spills G4-EN24
In 2015 there were no emergency (material) spills of chemicals, oils, or fuel at RAO ES of the East Holding facilities.
When there is a technology violation in terms of repair works at power stations(or after accidents), oil from transformers may appear at the ground. To prevent oil spill in the course of its replacement or in case of emergency situation , special vessels are built – oil catchers. Prevention of spills and contact of transformer oil with ground depends on the condition of oil catcher and all mineral oil facilities (oil pipelines, catch basins, etc.). Therefore there is continuous monitoring of mineral oil facilities condition at RAO ES of the East Holding facilities. Upon inspection results decisions are taken about allocating money for the repair (reconstruction) of mineral oil systems and devices.

4.2.3. INTERNATIONAL COOPERATION IN THE FIELD OF ENVIRONMENTAL PROTECTION

G4-27

RusHydro actively supports the efforts of the project «Mainstreaming Biodiversity Conservation into Russia's Energy Sector Policies and Operations», supported by the UN Development Program, the Global Environment Fund and the Ministry of Natural Resources and Ecology of the Russian Federation (hereinafter — the UNDP Project). The Project is a platform for interaction with a wide range of external stakeholders. Joint work is being conducted in the following areas:

- biodiversity conservation;
- hydropower sustainable development;
- development of guidance documents to improve the regulatory and legal framework for biodiversity conservation and compliance of hydropower projects with the sustainable development criteria.
- In 2015, PJSC RusHydro continued its membership in international industry associations, such as the Center for Energy Advancement through Technological Innovation (CEATI), the International Hydropower Association (IHA) and the International Commission on Large Dams (ICOLD), interacting with the international community for safe, innovative and sustainable development of hydropower.

The initiatives listed below are examples of interaction and international cooperation in the field of ecological safety and environmental protection in 2015.

The company also contributes to the promotion of sustainable development principles in the Russian Federation, facilitating the implementation of the methodology for the assessment of compliance of hydropower projects with the Hydropower Sustainability Assessment Protocol as an official regulatory and legal act on the territory of the Russian Federation.
PJSC RusHydro, together with Hydropower of Russia Non-Commercial Partnership and the Analytical Center under the Government of the Russian Federation, with the support of the UNDP Project, organized the International Conference «Sustainable Development and Hydropower. Exchange of experiences», held in Moscow in December 2015. The aim of the conference was to exchange experiences on the practical application of the sustainable development principles in the hydropower industry.
The conference was attended by representatives of the International Hydropower Association (IHA), the scientific communities of Brazil and France, the state legislative bodies of the Russian Federation, and the leading specialists of research and design institutes.

UNDP BIODIVERSITY CONSERVATION PROJECT

As part of the UNDP Project, the Collection of Innovative Biodiversity Preservation Solutions for the Hydropower Sector was prepared with the participation of PJSC RusHydro.

The Collection is a unique paper that generalizes and systematizes international experience in the field of biodiversity conservation for the hydropower sector, provides practical guidelines for making environmental decisions for designers, ecologists at operated HPP, authorities, and other stakeholders. The experience of cooperation between PJSC RusHydro and the UNDP Project in the compilation of the Collection is a positive example of cooperation between PJSC RusHydro with stakeholders in the development of corporate policy, taking into account environmental factors and risks.

The Company also developed Guidelines on Compliance Assurance of Hydropower Projects with the Sustainable Development Criteria.

PJSC RusHydro is a party to the quadripartite Agreement on Cooperation in the Conservation of Biodiversity in the Amur Region, which was signed with the participation of the UNDP Project between JSC Nizhne-Bureyskaya HPP, the Ministry of Natural Resources of the Amur Region, and the Department for the Protection, Control and Regulation of the Use of Fauna Objects of the Amur Region and Their Habitat.

Under this Agreement, a complex of environmental compensation measures is being implemented in the construction of the Nizhne-Bureyskaya HPP, and field research is being carried out in the flooding zone of Nizhne-Zeyskaya HPP in the Amur Region.

The creation of a protected natural area as a measure to offset the negative impact from the creation of the hydropower system was the first step in the joint work with the UNDP Project. In April 2015, the Bureysky Natural Park with an area of 132 thousand hectares was established on the shores of the water reservoir. The creation of the Bureysky Natural Park was the basic step that enabled the implementation of other targeted measures aimed to minimize the impact on the most vulnerable species of flora and fauna. In order to monitor the effects of the construction, as well as to determine the effectiveness of environmental action, PJSC RusHydro is implementing a social and ecological monitoring program on the territory of the Natural Park and in adjacent areas. The monitoring results show that the action taken ensures biodiversity conservation and minimizes the risks of possible adverse effects.

Measures to preserve the population of ungulate animals

To minimize the impact on ungulates, more than 25 feeding stations have been arranged in the entire territory of the Natural Park. The feeding stations are located in the depths of the Natural Park, away from the reservoir, and are distributed in the form of a belt in the central zone of the Park. The feeding stations are equipped with automatic surveillance cameras.

Measures to preserve the bird fauna

Measures to minimize the impact from the creation of the water reservoir are aimed to maintain the populations of the two representatives of the bird fauna, namely the mandarin duck, listed in the Red Book of Endangered Species of the Russian Federation, and the oriental white stork.

To maintain the population of the mandarin duck, about 100 artificial hollow nests have been built above the level of the reservoir design marks.

To minimize the possible negative impact on the population of the Oriental white stork, artificial nest supports have been installed, and the crowns of more than 25 trees, suitable for the breeding of the species, have been pruned.

Measures to preserve plants

In order to preserve rare and endemic plants, they were transplanted into new habitats in the areas above the projected flooding zone.

4.2.4. PRESERVATION OF BIOLOGICAL RESOURCES. ACTIVITIES OF RAO ES OF THE EAST HOLDING AIMED AT BIODIVERSITY CONSERVATION

G4-DMA, G4-EN11, G4-EN26

Hydro-technical facilities of PJSC RusHydro are not located in protected natural areas. There are a large number of protected natural areas in the territory where RAO ES of the East Holding carries out its operations. Therefore, one of the most important tasks for the Holding is to preserve the biodiversity of birds, aquatic biological resources, and other wildlife.

Ownership, volume, and biodiversity value of water bodies and related habitats, significantly affected by water discharged by the organization and surface runoff from its territory G4-EN26

	SUBSIDIARY	Body of water**	Volume of water in the body of water, or the average effluxion of water in the river, million cubic meters	Value in terms of biodiversity*
1	PJSC Kamchatskenergo	The Avacha Bay	3800	Highest category
		The Khalaktyrka River	-	Highest category
		Lake Khalaktyrskoye	11	Highest category
		Lake Sypuchka	-	Highest category
2	JSC KSEN	The Bystraya River	43.2	Category 1
3	PJSC Magadanenergo	The Magadanka River	127.5	Highest category
		The Kamenushka River	37.9	Category 1
		The Miaundja	37.9	Highest category
4	JSC Sakhalinenergo	The Gulf of Patience in the Okhotsk Sea	211,250	Highest category
5	PJSC Yakutskenergo	The Lena River	515,610	Highest category
		The Viliuy River	21,290	Highest category
6	JSC Chukotenergo	The Kazachka River	22	Category 2
		Okhotnichye Lake	0.25	Category 2
		The Chaunskaya Bay	-	Category 1
7	JSC Far-Eastern Power Generating Company	The Kivdinskoye reservoir	9.6	Category 1
		The Kontrovod River	-	Highest category
		Unnamed creek, which flows into the Knevichanka River	-	Highest category
		The Promezhutochnaya Bay	-	Highest category
		The Obiasneniya River	-	Category 1
		The Lozovy Kliuch Creek	-	Category 1
		The Partizanskaya River	-	Category 1
		The Rudka Creek	-	Category 2
		The reservoir on the Olongoro River	43.2	Category 1
		The Semyonovsky Creek	-	Category 2
		The Bezymianny Creek	-	Category 2
		The Amnunakta River	-	Category 1
		The Amur Channel	-	Highest category
		The Amur River	-	Highest category
		Khorpy Lake	-	Highest category
		The Galbon Channel (the Stary Amur)	-	Highest category
		The Zapadnaya Bay	-	Highest category
		The Nante Creek	-	Highest category
		The Pravaya Berezovaya River	-	Category 2
		The Chernaya River	-	Category 2
		The Polezhayevka Creek	-	Category 2
		The Gnilaya Pad' Creek	-	Category 2
		The Malaya Sita River	-	Category 1

8	JSC Teploenergoservis	The Viliuy River	72,400	Highest category
		The Yana River	29,297	Highest category
		The Aldan River	154,683	Highest category
		The Indigirka River	14,002	Highest category
		The Allah-Yun' River	5,550	Highest category
		The Nera River	3,658	Highest category

* Categories (Highest Category, Category 1, Category 2)
** None of the bodies of water is a protected natural territory.

CURRENT STRATEGIES FOR THE PRESERVATION OF BIODIVERSITY OF WATER BODIES AFFECTED BY RUSHYDRO GROUP COMPANIES G4-EN13

Due to the nature of its business, the Group has always paid special attention to the preservation and restoration of fish stocks of the rivers. In order to restore and enhance fish populations in the water bodies used by RusHydro, annual voluntary actions are held to stock rivers and HPP reservoirs with fish.

Fish-stocking actions in 2015

PJSC RusHydro

- 10,000 fingerlings of the sterlet, an especially valuable species of fish, listed in the RF Red Book of Endangered Species, were released into the Cheboksary Reservoir in the Chuvash Republic.
- More than 70 thousand fingerlings of the trout were released into the Kuban River and the Teberda River in Karachaevo-Cherkessia.
- 6,000 of fingerlings of the Amur sturgeon, a rare and very valuable kind of the sturgeon listed in the RF Red Book of Endangered Species, were released into the Zeya River in Amur Region.

PJSC RAO ES of the East

Being aware of its responsibility for the conservation of the biodiversity of water bodies, PJSC RAO ES of the East has been implementing relevant environmental measures for many years already. The water intake facilities of the Holding's subsidiary are equipped with fish protection devices.

PJSC Kamchatskenergo

Design and repair works on overhead lines, passing near or across the Kamchatka River, are coordinated with the Kamchatka Branch of the Pacific Research Institute of Fisheries and Oceanography in order to calculate damage to the fishery. Based on the calculation of damage to the fishery, PJSC Kamchatskenergo pays for fish hatchery work and the release of fingerlings into the rivers of Kamchatka Territory, in accordance with the contracts on the artificial reproduction of aquatic biological resources, concluded with the North-Eastern Territorial Department of the Federal Agency for Fishery.

JSC KSEN

The operations of the Bystrinskaya Small Hydro Power Plant No. 4 (SHPP-4) of JSC Kamchatka South Electric Networks related to water intake and support dike restoration and dismantling may have a negative impact on aquatic biological resources. SHPP-4 is located on the Bystraya River, which is classified as a highest fishery category river. In the course of work execution, the surface water of the Bystraya River is not polluted. All works are coordinated with the Federal Agency for Fishery. Every year, based on the calculation of damage to the fishery, JSC KSEN purchases fingerlings from Sevvostrybvod Federal State Budgetary Institution and releases them into the rivers of Kamchatka Territory, in accordance with the contracts on the artificial reproduction of aquatic biological resources, concluded with the North-Eastern Territorial Department of the Federal Agency for Fishery.

PJSC Yakutskenergo

To ensure optimal conditions for the spawning and development of young fish in the territory where the E.N. Batenchuk Cascade of Viliuyskiye HPP is located, PJSC Yakutskenergo maintains the water in the reservoir at the same level, close to the flood-control storage level, during the summer and autumn period. Releases of floodwater through the Cascade of Viliuyskiye HPP are carried out upon a relevant decision of the Lena River Basin Water Management Board.

MEASURES TO PRESERVE BIRD POPULATIONS TAKEN BY RAO ES OF THE EAST HOLDING

During the design, construction and operation of overhead lines, measures are taken to avoid deaths of birds and other wildlife from collisions and electric shock upon contact with the wires, poles and other elements of electrical installations.

The subsidiaries regularly carry out activities to prevent bird deaths, such as:

- monitoring of hazardous areas on a monthly basis through a visual inspection of power transmission lines;
- removal of nests from the equipment and sealing the portals of power substations;
- replacement of bare AC wires by self-supporting insulated wires;
- construction of wire frames and artificial platforms on newly identified nesting areas.

To reduce the danger to birds posed by 6-10 kV power lines in 2016–2017, it is planned:

- To equip intermediate and anchor supports in areas, approved by the Department of Hunting, where high-voltage lines are located, with special bird protection devices;
- To stop using the most dangerous type of supports — reinforced concrete supports with pin insulators, or use them with bird protection devices during the design and construction (reconstruction) of 6–10 kV power transmission lines.

Transformer substations on power transmission lines, their components and operating mechanisms are equipped with fences and covers that prevent accidental penetration of animals into the territory of the substation and their getting trapped in these units and mechanisms.

Total number of species listed in the IUCN Red List and the national conservation list of species with habitats in the areas affected by the organization's operations, broken down by level of extinction risk G4-EN14

Habitats of protected plants do not overlap with the areas of activity of JSC Far-Eastern Power Generating Company, PJSC Kamchatskenergo, JSC Kamchatka South Electric Networks, PJSC Magadanenergo, and JSC Chukotenergo.
The activities of PJSC Mobile Energy, PJSC Yakutskenergo, and JSC Sakhalinenergo do not pose a threat to protected species of animals and plants.
The activity of JSC FEDC has an impact on the endangered species listed in the Red Book of the Russian Federation and the IUCN Red List – 96, Appendix 1 of CITES, Appendices of the bilateral agreements concluded by Russia with Japan, the Republic of Korea and the DPRK on the protection of migratory birds – the Oriental white stork. Today, the population of the Oriental white stork comprises approximately 3,000 individuals.

DESCRIPTION OF SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS AND SERVICES ON BIODIVERSITY IN PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE THE PROTECTED AREAS G4-EN12

The activities of the subsidiaries of PJSC RAO ES of the East have no significant impact on the biodiversity of the protected areas and areas of high biodiversity value outside of their boundaries due to either the absence of production sites in these areas, or the creation of optimal conditions in these areas, necessary for the protection of species, their populations and groups of species, or environmental natural objects.

On the territory of Yakutia, the list of feathered protected objects of the Resource Reserve includes 24 species of birds, of which 5 species are permanent residents of the area. In order to prevent bird deaths, PJSC Yakutskenergo equips power transmission lines with special bird protection devices, and in a number of areas power lines are arranged in the form of self-supporting insulated wires.

Transformer substations on power lines, their components and operating mechanisms are equipped with fences and covers, which prevent animals from penetrating into the territory of the substation and getting trapped in these units and mechanisms.

Preserved or restored habitats G4-EN13

Name	Total subsidiaries	JSC Far-Eastern Power Generating Company	PJSC Magadanenergo	JSC Chukotenergo	PJSC Sakhalinenergo	JSC Sakhalin SDPP-2
Available as of 1/1/2015						
Total disturbed land, ha	6,674.26	5,936.22	272.00	171.40	257.64	37.00
including				0.00	0.00	0.00
Processed disturbed land, ha	179.41	83.39	51.00	4.80	3.22	37.00
Stored topsoil, thousand m^3	97,721.48	287.48	0.00	0.00	0.00	97,434.00
Data for 2015						
Total disturbed land, ha	130.36	88.40	0.00	4.96	0.00	37.00
Total processed disturbed land, ha	37.00	0.00	0.00	0.00	0.00	37.00
Total re-soiled land, ha	0.64	0.00	0.00	0.00	0.00	0.64
Available as of 12/31/2015						
Total disturbed land, ha	6,803.98	6,024.62	272.00	176.36	257.64	37.00
Total processed land, ha	142.41	83.39	51.00	4.80	3.22	0.00
Stored topsoil, thousand m^3	97,721.48	287.48	0	0.00	0.00	9.743
Area location		FEFD	-	-	Sakhalin Region	Sakhalin Island

4.2.5. RUSHYDRO SCIENTIFIC AND DESIGN COMPLEX: ENVIRONMENTAL SECURITY AND SUSTAINABLE DEVELOPMENT

G4-DMA (formerly – EU8)

RusHydro uses the resources of the Scientific and Design Complex (SDC) to develop and implement environmentally sound technologies in hydropower engineering to reduce industrial impact on the environment, environmental safety of hydro units and conservation of biodiversity in the area affected by hydro power plants of the Holding. The developments of the institutes are implemented at all stages of the life cycle of hydro projects, namely survey work, design, construction, and operation.

RusHydro believes that the mission of the Design Complex is to ensure the sustainable development of hydropower, to efficiently use water resources, to create conditions for ensuring the reliability of UES, and to more widely use renewable energy sources for the benefit of shareholders and society.

More than a dozen large and small HPPs are being built based on the designs and technologies developed by the institutes. The institutes carry out comprehensive engineering and development works to validate the projects of various energy, hydro and water facilities, and participate in the designing of hydro power plants in Russia and abroad.

SCIENTIFIC AND TECHNICAL COUNCIL OF PJSC RUSHYDRO

In PJSC RusHydro, there is a permanent collegiate body of experts of the Company – the Scientific and Technical Council (STC), which provides, within its competence, expert support in the process of formation and implementation of the Technical Policy at all stages of the life cycle of the production complexes.

In order to ensure environmental safety in the formation of new technical solutions, the Reservoirs and Environmental Protection Section has been created in the framework of STC. During the year, the Section members, including external experts involved, consider various issues and projects in the field of environmental safety.

4.3. RESEARCH AND DEVELOPMENT WORK IN THE FIELD OF ECOLOGY

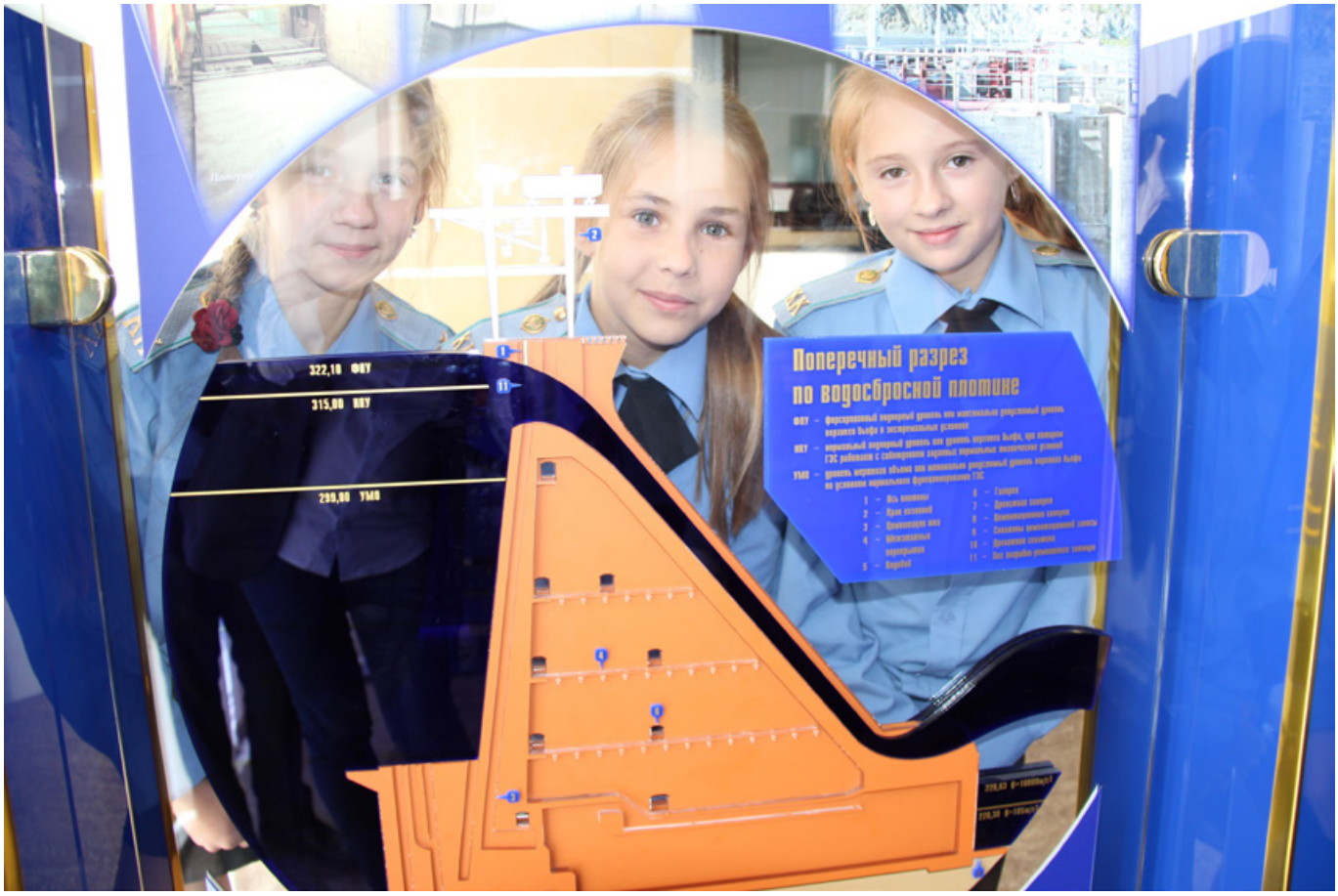
As part of the R&D Program, the Company implements both technological projects, aimed to improve production performance indicators, to increase reliability and safety of hydraulic structures and equipment, to develop advanced construction technologies, to use new materials and structures, as well as environmental projects, designed to reduce the potential negative impact on the environment and improve the ecological situation in river basins.

Key environmental projects

Project	Project description
Testing of the pilot model of a hydraulic unit that allows fish to pass through the hydraulic conduit	The kinds of impact (environmental aspects) of hydraulic units of various types on the environment have been analyzed and systematized. The current state of the Russian and international regulatory and legal documentation regulating the level and nature of impact has been analyzed. Based on the analysis results, a system of criteria for impact level assessment and a generalized methodology for assessing the environmental safety of various types of hydraulic units have been developed, as well as proposals regarding the technical requirements for the supply of hydraulic units for the facilities of PJSC RusHydro have been prepared. Trial calculations of the environmental safety of hydraulic turbines (hydraulic units) operated at several HPPs of PJSC RusHydro have been made, and the design of the orthogonal hydraulic unit has been improved and tested.
Increasing environmental efficiency of HPP with hydraulic units that allow fish to pass through the hydraulic conduit	A set of interrelated and mutually supportive measures and structures designed to ensure the safety of aquatic biological resources has been developed to improve the situation with fishery in the HPP reservoirs.
Development of effective methods to protect the flow channel of HPP from the formation of river zebra mussels	Express information has been collected regarding the prevention of zebra mussels biological obstacles formation at the facilities of PJSC RusHydro. An assessment has been made of the effectiveness of the measures carried out at these facilities and the scope of accompanying financial costs. A complex of elements of HPP equipment and structures that require protection from zebra mussels biological obstacles formation has been defined. A set of proposals regarding the development of effective measures has been prepared and used as a basis for the development of the program of further research, aimed at the creation of new environmentally sound methods of zebra mussels formation prevention (or upgrading of existing ones). Two new kinds of anti-mussel coating have been developed, in particular the multi-layer composite coating and repellent chemical-biocidal coating. Comprehensive laboratory experiments were conducted to determine the technical characteristics of various options of new coatings, their relative toxicity, and repellent properties. The testing of the developed anti-mussel coatings was carried out at the Rybinskaya HPP and the Uglichskaya HPP.
Development of constructive and technological solutions for additional flooding of the Akhtuba River to optimize idle discharges at the Volzhskaya HPP and increase electricity generation	During the period of high water, increased discharges of water through the Lower Volga hydro units are made to irrigate the lower reaches of the Volga River and thus protect the environment, agriculture and fisheries, which negatively affects the amount of power generation. To solve this problem, PJSC RusHydro carries out a research project titled "The Development of Design and Technological Solutions for the Additional Flooding of the Akhtuba River to optimize idle discharges at the Volzhskaya HPP and Increase Electricity Generation", the results of which will serve as a substantiation for measures aimed at improving the environmental situation in the delta of the Volga River. The research provides for the mathematical modeling of the flooding of the Volga-Akhtuba flood plain through an additional structure being part of the left-bank dam of the Volzhskaya HPP, and the simulation results will be confirmed by field observations; it will be determined what water discharge rate is necessary to provide a similar flooding of the Volga-Akhtuba flood plain as compared with the executed idle discharges through the discharge structures; also pre-project technical documentation and feasibility study of the option proposed for the construction of a structure for the flooding of the Akhtuba River and technical measures for the Volga-Akhtuba canal will be developed.

05

SOCIAL RESPONSIBILITY



5.1. HUMAN RESOURCE DEVELOPMENT

5.1.1. HUMAN RESOURCE POLICY

G4-DMA

RusHydro Group employs a team of professionals working at dozens of power plants in the Russian Federation and abroad.

The Company's HR Policy is aimed at the provision of RusHydro Group with highly qualified personnel, whose experience allows to implement the Company's Strategy. Much attention is paid to personnel motivation, material and moral incentives, as well as to social support.

As of December 31, 2015, the number of RusHydro Group employees, including the employees of PJSC RAO ES East and its subsidiaries, was 71,273 people (at the assets both in Russia and abroad).

As of December 31, 2015, the payroll number of employees of RAO ES East Subgroup was 51,229 people.

Number of employees by the regions of the Russian Federation as of December 31, 2015 G4-9 and G4-10

RF Federal District	Number of employees, persons
Far Eastern Federal District	53,698
Volga Federal District	4,660
Central Federal District	3,632
Siberian Federal District	3,356
North Caucasian Federal District	3,282
Northwestern Federal District	1,104
Southern Federal District	671
Ural Federal District	320

Number of personnel outside the Russian Federation as of December 31, 2015 G4-9 and G4-10

RF Federal District	Number of employees, persons
Republic of Armenia	417
Republic of Tajikistan	133

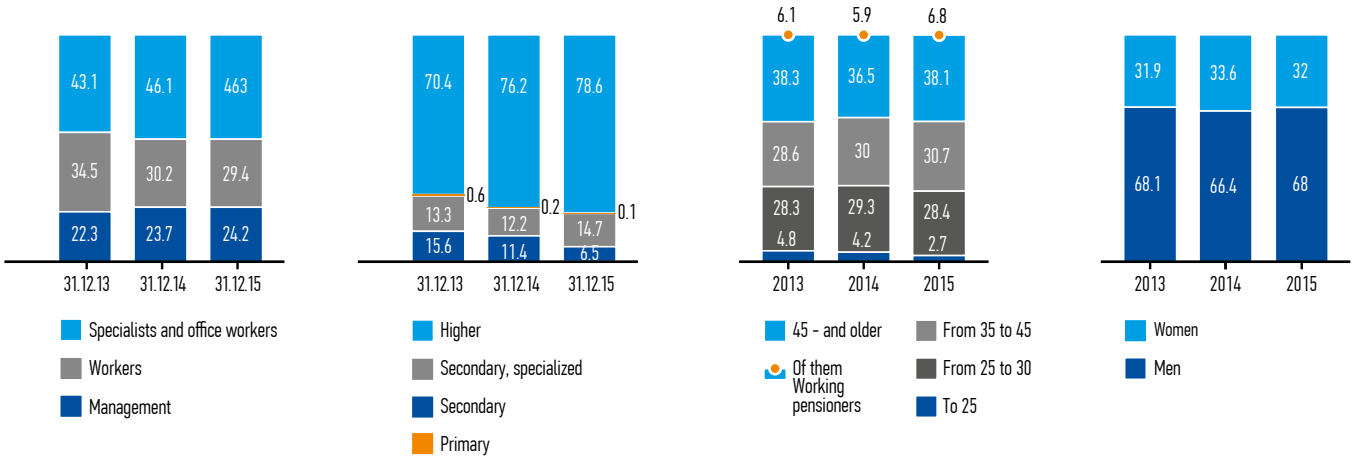
PERSONNEL CHARACTERISTICS G4-LA12

Over the past three years, the personnel structure has remained stable with decreasing average age and an increasing share of highly skilled workers.

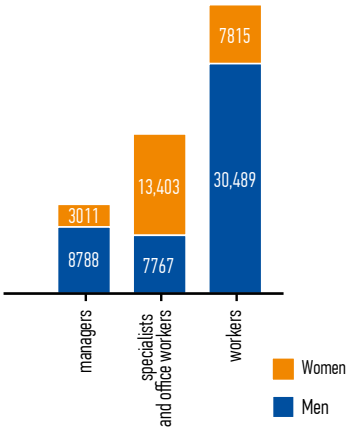
In recent years, there has been a tendency to an increase in the proportion of specialists and office workers, and a reduction in the proportion of workers. This is due to the activities aimed at upgrading the efficiency of branches, strengthening security, and improving the reliability of power facilities.

The improvement of the production process and the implementation of the HPP technical re-equipment program have led to increased qualification requirements for employees. In this regard, the Company carries out a policy to attract specialists with university degrees in relevant areas, including university graduates who have signed partnership agreements. By the end of 2015, the proportion of employees with higher education had increased from 76.2 to 78.6%.

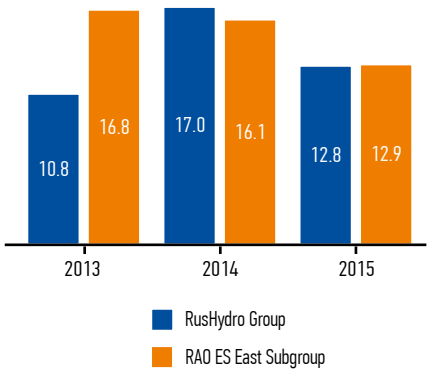
Personnel structure of PJSC RusHydro by category, by education, by age, by gender, %



Number of RusHydro Group employees by gender and category[46] as of 31 December 2015, persons



Employee turnover ratio at PJSC RusHydro and RAO East Subgroup, %



PERSONNEL MANAGEMENT

Recruitment

The staff for all positions at RusHydro Group, including senior positions, is selected on a competitive basis. This allows the Company to employ qualified professionals, who best meet the requirements for the vacant positions. All job candidates, regardless of gender, have equal opportunities to be employed for a particular position, taking into account their qualifications. The vast majority of participants of the competitive procedures are local residents, therefore, no special procedures are required for hiring them to work in the Company.

Methods of feedback and personnel impact on the Company management

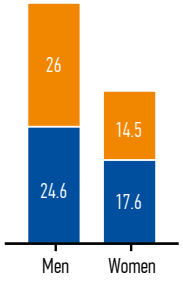
G4-DMA, G4-57 and G4-58 In order to increase the efficiency of interaction between personnel and management, as well as between employees of different subsidiaries, an intra-corporate portal and forum (www.blog.rushydro.ru) operates as part of the corporate website. The portal regularly publishes news, regulatory and administrative documents of the Company, contains reference information, as well as information about the work of the whole Group.

Public reception rooms and the Confidential Helpline — a dedicated communication channel for feedback — have been created at the enterprises of the Holding to give personnel an opportunity to get in contact with the management bodies, to provide employees with information and consultation, as well as for the management to get feedback from employees. Meetings and discussions between the management of PJSC RusHydro and trade union leaders are held in the event of signing new collective agreements or amending those in effect at the request of either party.

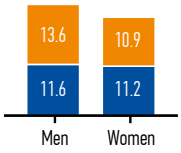
Employee assessment

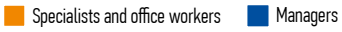
Company personnel are assessed on a regular basis. The performance assessment includes professional, business and personal qualities of employees and their performance indicators. All managers, specialists and office workers of the Company, regardless of gender, are assessed once every three years.

Percentage of PJSC RusHydro employees whose performance and career growth were assessed in 2015, by gender and by category, % of the total number of employees G4-LA11*



Percentage of RAO ES of the East Holding employees whose performance and career growth were assessed in 2015, by gender and by category, % of the total number of employees G4-LA11*



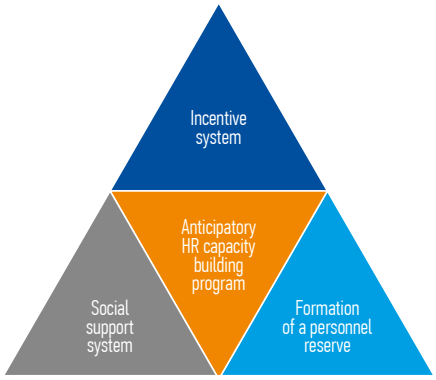


* Performance assessment is not carried out for the category "workers".

5.1.2. MEASURES TO ENSURE THE AVAILABILITY OF QUALIFIED PERSONNEL

G4-DMA (formerly — EU14) In order to achieve its strategic goals, the Company implements the Program for Advanced HR Development, creates a workforce capacity, an incentive and social support system. These measures allow the Company to apply and retain qualified personnel.

Measures to ensure the availability of qualified personnel



PRO-ACTIVE HR DEVELOPMENT PROGRAM

PJSC RusHydro's concept of pro-active HR development «From the New School to the Workplace», being implemented by the Company since 2010, defines the HR Policy, including forecast on staffing of RusHydro Group with employees with the required qualifications.

The Company's Corporate Elevator system, facilitates training professionals in the area of hydropower generation beginning with school, providing them with broad career opportunities and professional development at each stage.

The system aims to attract and support future specialists from school up till their employment at the enterprises of RusHydro Holding, to increase the prestige of the profession, and to preserve dynasties of hydropower professionals.

In the regions of its presence, the Company opens training and production information centers to support the Corporate Elevator system. The centers allow to make an early career choice by schoolchildren, develop and select future specialists for the enterprises of RusHydro, and to ensure interaction with the basic university training centers in the regions of the Company's presence.

In the reporting year, the Sayano-Shushensky Training and Production Information and Innovation Center of PJSC RusHydro was opened in Cheremushki settlement, Republic of Khakassia. The Company also plans to open similar centers at the Volzhskaya HPP and the Cascade of Kubanskiye HPPs in 2016–2017.

PERSONNEL TRAINING G4-DMA G4-LA10

Training and development of employees of PJSC RusHydro and the member companies of RusHydro Group help to improve the skills in their professional areas, and rotate personnel to create workforce capacity.

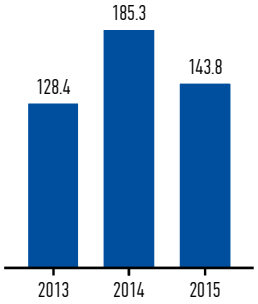
In 2015, the Company completed the training of the next talent pool of young professionals, 35% of them were promoted, and 77% of the projects prepared by these specialists are used by the Company. Also, in the reporting year, the employees were trained to apply for key positions in the divisions managed by the Chief Engineer in the Company's branches.

A series of seminars dedicated to «Industrial and Technical Training for Employees of the Operational Service» with the participation of the Company's leading experts were held for employees of 18 branches of PJSC RusHydro. The training is essential for implementation of the Comprehensive Modernisation Program of PJSC RusHydro generating facilities, and creation of an integrated approach of operating staff to production processesorganization . The issues related to the organization of the operational maintenance of equipment (switching over, emergency response, transfer to a certain mode, getting work permits for teams) were discussed during the training. 892 persons completed the training programs.

Main forms of training

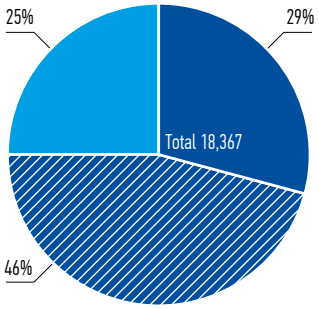
Form	Interval
Skills upgrading	Not less than once every three years.
Professional education and training	In accordance with the requirements of supervisory authorities, in case it is necessary to get a new profession.
Professional retraining	Held in connection with the production necessity to perform a new kind of professional activity or to obtain additional qualifications with a view to training the personnel reserve.
Corporate training	Held if it is necessary to fulfill Company-specific tasks.
Internal production and technical training	Annually.
Short-term training programs (workshops, conferences, forums)	Annually. The content depends on production needs.
Distance learning	Annually. The content depends on production needs.

Expenditure of PJSC RusHydro for HR development, million rubles



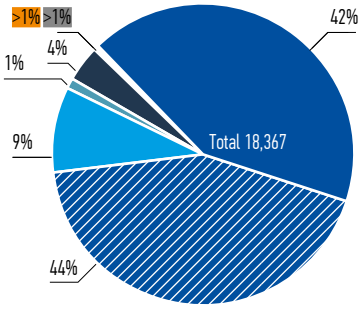
* Including the costs of holding the All-Russian competition of HPP operating personnel, organized every two years.

G4-LA10 Professional training of PJSC RusHydro personnel in 2015, by category



- Managers
- Specialists
- Workers

by training area



- Normative
- Technological and regulatory training necessary for the performance of official duties
- Organizational and managerial training
- Project-based learning
- Corporate standards training
- Higher education
- Sideline

In 2015 PJSC RAO ES of the East organized 17 corporate seminars (most of which were held in Khabarovsk and Vladivostok), which were attended by 655 employees of the Holding.

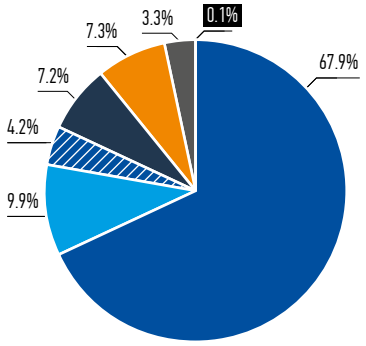
In the companies of RAO ES East Subgroup, 21,712 employees were trained in 2015 (over 40% of total number of staff), and training costs amounted to 121,750 thousand rubles.

NEW LEARNING MECHANISMS

In 2015, corporate simulators were put into operation to practice electrical switching and equipment control at the 17 major HPPs. The simulators feature computer modeling of the operation modes of equipment installed at HPPs, including control processes. The simulators were developed in accordance with the wiring diagrams of HPPs with maximum similarity to real control panels, relay protection, and cabinets of technological systems, switchgear and drives. Due to this, it is possible to practice, as close to reality as possible, the skills and sequence of performing actions by operating staff to ensure safe and reliable operation of HPP. Similar simulators will be developed for other HPPs, too.

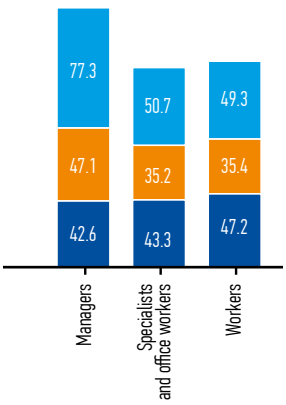
As part of the development of promising areas of production personnel training, in 2015 an automated system was created to train and test the knowledge of operating personnel in the area of identifying deviations

Structure of employee training at RAO ES East Subgroup, by form of training

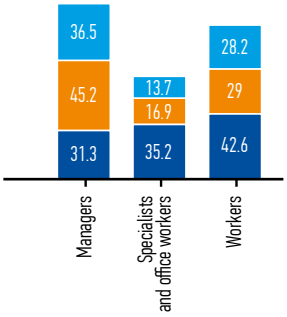


- Skills upgrading and professional training
- Seminars and conferences
- Distance learning
- Getting a second profession
- Professional competitions
- Higher education and MBA
- Secondary professional

Average hours of training per employee at PJSC RusHydro per year by category, hours/person. G4-LA9



Average hours of training per employee at RAO ES of the East Holding per year, broken down by category, hours/person. G4-LA9



2015 2014 2013

from the normative and technical documentation. The system can be used to evaluate employees' knowledge while they are watching computer videos showing the typical actions of operating personnel, such as equipment inspections, actions in emergency situations, and work with the equipment, performed with certain errors. For training purposes, the system also has videos showing the same typical actions performed correctly.

In 2015, the Company began to implement the key project in the field of simulator training — the creation of a training ground for personnel of the services of HPP process control systems. This will be a unique training ground, located on the territory of the Volzhskaya HPP and the Volzhsky Training Center of the Corporate University of Hydropower, where real equipment of relay protection and automation based on microprocessor hardware components and electromechanical devices of relay protection and automation of generator, line and substation equipment will be installed.

PREPARATION OF THE PERSONNEL RESERVE

G4-DMA As part of the Pro-active HR Capacity Building Program, a functional talent pool from among prospective employees under 30 years of has been built in the Company. Specialists who have successfully passed the qualifying competitive selection take a training course at the Corporate University of Hydropower. The Company's young professionals are expected to participate, along with university students and graduate students, in the work on R&D projects.

The training program for the Personnel Reserve includes four training modules with the involvement of leading professionals of the energy industry, project sessions, and internships. Based on the results of training, an individual development and career growth plan is developed for each of the reservists, and decisions are made to appoint them to vacant higher positions, or include them in project teams.

In 2015, the first stream of Personnel Reserve included 81 people. The training of the second stream, which included 27 participants, started in December 2015.

The members of the Personnel Reserve also participate in the International Innovation Forum of Young Energy and Industry Specialists «Forsage» (in 2011–2015, 105 people took part in the Forum). In 2015, the working group comprising representatives of various companies, including PJSC RusHydro, which worked on the project to develop the hydro power potential of the Far East, was announced the winner based on the results of the assessment by the expert committee. The project to optimize the operation of HPPs, which was also presented by the Company's specialists, won the second prize.

The reporting year saw the approval of the modular structure of the training program for personnel reserve for key positions in the divisions subordinated to the Chief Engineer in the Company's branches of PJSC RusHydro.

Employee training at RAO ES of the East Holding

To improve the professional level of employees and to attract young specialists, the member companies of RAO ES of the East Holding annually finance targeted training of students under programs of higher and secondary vocational education, and invite students to have production and pre-graduation practice. In addition, a number of the companies' employees are members of university examination boards and / or participate in the implementation of educational programs.

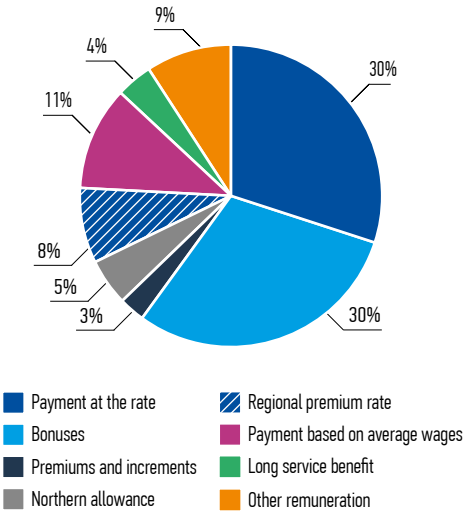
In 2015, 198 people were trained under programs of higher professional education, financed by the Holding companies. The funds spent to finance higher education amounted to 6,766.2 thousand rubles.

To prepare young professionals of the most in-demand specialties for the Holding, PSC RAO ES of the East and educational institutions have signed agreements on cooperation. In 2015, PJSC Yakutskenergo and the Ministry of Professional Education, Staff Training and Deployment of the Republic of Sakha (Yakutia) signed an agreement on the development of strategic partnership.

EMPLOYEE INCENTIVE SYSTEM

G4-DMA The Company pays much attention to employee motivation — material and moral incentives, as well as social support of workers.

For information about employee social support measures, see Section 5.2.1.



5.1.3. OCCUPATIONAL SAFETY AND HEALTH

RUSHYDRO GROUP'S LABOUR PROTECTION POLICY

RusHydro Group's priority is to protect life and health of employees during their work. The Group's Technical Policy defines the requirements for an integrated system of production process safety management, which includes, among others, the Occupational Safety Management subsystem. A number of RusHydro Group companies have implemented industrial safety and occupational safety management systems.

The main objectives in the field of occupational safety are as follows:

- to preserve life and health of employees in the course of their employment;
- to prevent occupational injuries and diseases;
- to teach employees the fundamentals of safe behavior in the workplace and develop their hazard prevention skills;
- to constantly improve working conditions.
- In order to achieve these goals in the implementation of all kinds of business operations, the Company has undertaken to ensure the priority of preserving life and health of employees over the results of production activities, and made the following commitments:
- to comply with legislative and other normative legal acts of the Russian Federation in the field of occupational safety;
- to insure employees against industrial accidents and occupational diseases;
- to teach employees the occupational safety rules and check their knowledge of occupational safety requirements;
- to conduct, in a timely manner, a special assessment of workplaces in terms of working conditions;
- to control of the state of working conditions in the workplace;
- to provide employees with the necessary personal protection equipment, serviceable tools, devices and means of production, as well as to control their correct application by employees;
- to control compliance with occupational safety requirements at the Group's assets;
- to implement an incentive system that encourages employees to unconditionally observe occupational safety requirements;
- to identify, assess and mitigate risks in the field of occupational safety;
- to use advanced technologies that ensure safe working conditions in the workplace;
- to provide financial and logistical resources necessary for the implementation of the Group's approach in the field of occupational safety;
- to ensure effective functioning and continuous improvement of occupational safety management system.

Allocation of responsibility for addressing issues related to work organization, occupational health and industrial safety

Works/activities	Responsibilities of PJSC RusHydro
Management of activities to ensure occupational safety at RusHydro hydropower facilities, as well as the organization and control of occupational safety measures implementation in the Company, including in terms of preventive activities to minimize production risks and preserve the health of employees	Member of the Board, First Deputy General Director — Chief Engineer
Development of measures to ensure occupational safety, health and industrial safety, and control of their execution	Industrial Safety and Occupational Safety Department
Implementation of measures to ensure occupational safety and health, and industrial safety directly at the Group's hydropower facilities	Services for occupational safety and production control of the branches and subsidiaries

LABOUR PROTECTION OF EMPLOYEES G4-DMA (FORMERLY — EU16), G4-EU18

In RusHydro, the work with personnel is carried out in accordance with the Rules of Work with Personnel in Organizations of the Electric Power Industry of the Russian Federation, approved by Order No. 49 of the Ministry of Energy of Russia, dated 19 February 2000, and the Procedure for Work with Personnel in PJSC RusHydro.

The Company does not keep any special records of this indicator for the employees of contractors and subcontractors, since, according to Russian law, the responsibility for training in the field of occupational safety rests with the employer. However, safety briefing is conducted for all contractor and subcontractor employees.

Coverage of occupational safety and health topics in formal agreements with trade unions

G4-LA8 In all member companies of RusHydro Group, where the interests of employees are represented by trade union organizations, employers and trade unions have concluded collective agreements, which contain a mandatory section on occupational safety and health, and assurance of industrial safety of employees.

In 2015, the Company carried out the following work:

- introductory training for employees in new positions, with internship and training in the workplace;
- employee skills upgrading, verification of employees' knowledge of occupational safety rules, rules of technical operation, fire safety rules, and industrial safety rules;
- emergency and fire drills;
- walk-rounds and employee workplace inspections in order to identify violations and deviations from the requirements of the effective rules, regulations, instructions, and standards;
- professional skills competitions among personnel;
- strengthening of technical and technological monitoring, industrial control in the field of occupational safety for working teams of contractors of RusHydro branches:
- monthly Occupational Safety and Fire Safety Days;
- mandatory medical examinations of employees engaged in works with harmful and hazardous production factors;
- production control over compliance with sanitary regulations and the implementation of sanitary and anti-epidemic measures;
- preparation of materials on occupational safety and their placement in special rooms or on the walls of offices in the structural units; acquisition of relevant stands, simulators, visual aids, and training programs;
- organization of attendance of sports complexes and swimming pools by employees; organization of employee treatment at spas and resorts;
- provision of employees with overalls, special footwear, personal protection equipment, as well as the organization of storage, care, repair and replacement of the above-mentioned means;
- analysis of reviews of injuries at enterprises of electric power industry of the Russian Federation;
- special assessment of working conditions, implementation of action plans for improvement and enhancement of working conditions based on the results of a special assessment of working conditions.

OCCUPATIONAL DISEASES AND OCCUPATIONAL INJURIES G4-LA6

In 2015, there were five accidents at enterprises of RusHydro Group (in 2014 — eight accidents). In total, 538 work days were lost due to work-related injuries[47]. The frequency rate of general injuries was 0.214[48].

An employee of the Cascade of Kubanskiye HPP received a serious injury; type of incident — traffic accident. Accident cause: driving in the traffic lane, not designated for oncoming traffic, in violation of the traffic rules. The injured employee was not guilty of causing the accident.

There were no cases of occupational diseases in 2015 (just like in 2014).

Rates of industrial injuries at RAO ES East Subgroup

In 2015, the total number of accidents at work decreased by 13.6% as compared with 2014 (by 40.6% as compared with 2013).

In order to prevent occupational injuries, the Holding implemented the Working Conditions Improvement and Enhancement Program for 2013–2015. Weeks of increased attention to the issues of compliance with safety regulations at work in electrical installations are held on a quarterly basis. All subsidiaries have issued administrative and regulatory documents establishing personal responsibility of structural units heads at all levels to observe safety requirements by subordinate employees.

Workplace accident

	2013			2014			2015		
	Total (number of injured)	including fatal	Partial injury rate	Total (number of injured)	including fatal	Partial injury rate	Total (number of injured)	including fatal	Partial injury rate
RAO ES of the East Holding	31	8	0,617	22	3	0,431	19	1	0,390

WORKING CONDITIONS ASSESSMENT

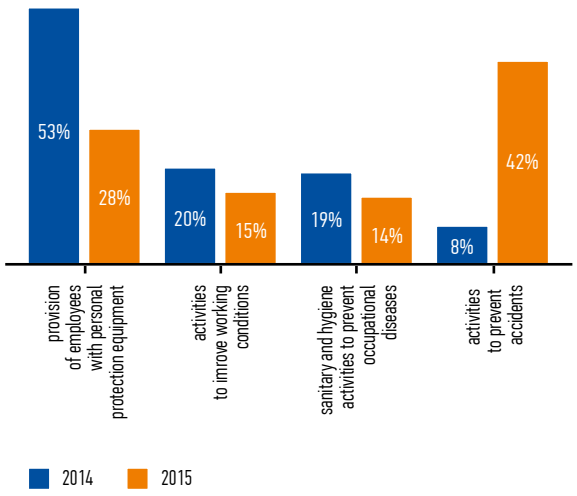
G4-DMA G4-LA7 According to the results of workplace assessment, the number of employees working at workplaces that do not comply with occupational safety and health requirements (Class 3 of working conditions) amounted to 1,526 people (in 2014 the figure was 2,991) at PJSC RusHydro, while at RAO ES East Subgroup such indicator for the reporting year is 26,118.

There are no Class 4 hazardous workplaces (employees engaged in professional activity related to a high risk of injury or occupational diseases) at RusHydro Group.

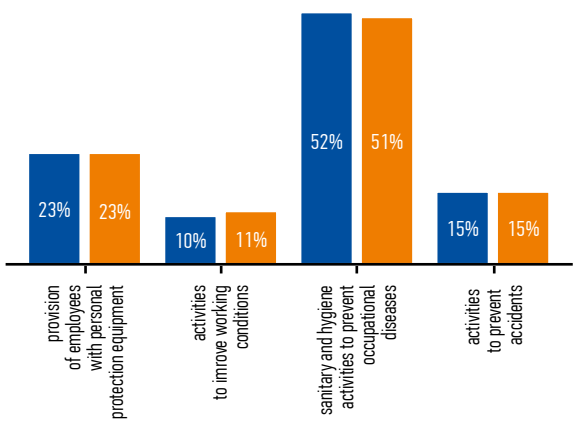
LABOUR PROTECTION COSTS

In 2015, RusHydro labour protection costs amounted to 325.5 million rubles, two times higher than in 2014 (155.3 million rubles)[49]. Total costs for implementation of labour protection activities of RAO ES East Subgroup amounted to 1,570.9 million rubles, 17% higher than in 2014 (1,346.4 million rubles.).

Structure of labour protection costs at RusHydro



Structure of labour protection costs of RAO ES East Subgroup



5.2. SOCIAL POLICY

G4-56 и G4-15

In its social policy, PJSC RusHydro aims to follow international standards and best practices in terms of human rights, labor relations, environment, anti-corruption, and stakeholder engagement.

The Company follows the provisions of the Guidance on Social Responsibility (International Standard ISO 26000) and the general principles of the UN Global Compact (UNGC Corporate Sustainability) in terms of human rights, labor relations, environment protection, and anti-corruption.

PJSC RusHydro shares and implements the principle of «systemic dialog based on mutual respect of interests, values, attitudes and differences of key stakeholders», set by the Social Charter of Russian business. RusHydro has been a member of this organization since 2013.

Documents regulating social policy issues:
- Social Policy of PJSC RusHydro;
- Collective agreement of the branches of PJSC RusHydro for 2014–2016;
- Concept of Anticipatory HR Capacity Building;
- Regulation on the non-state provision of employees;
- Regulation on Corporate Assistance and Corporate Support to Improve the Living Conditions of Employees;
- Regulation on the Provision of Health Resort and Spa Treatment, Recreational Leisure and Tourism for Employees.

The goals of the Social Policy are:

- to develop RF government projects and implement the Company's social responsibility;
- to develop practices of mutual accountability and social partnership;
- to increase the attractiveness of PJSC RusHydro as an employer in order to apply and retain the best specialists.

The objectives of the Social Policy are:

- to create an institutional environment for attracting and retaining young specialists;
- to build high employee commitment to the goals and principles of PJSC RusHydro;
- to improve labor relations, taking into account the interests of the employer, employees, shareholders, and the state.

The objectives of the Social Policy are:

- to create an institutional environment for attracting and retaining young specialists;
- to build high employee commitment to the goals and principles of PJSC RusHydro;
- to improve labor relations, taking into account the interests of the employer, employees, shareholders, and the state.

The Social Policy is implemented in the following basic areas:

- youth policy;
- demographic policy;
- health care;
- housing policy;
- pension system development;
- contribution to the development of social institutions.

5.2.1. SOCIAL SUPPORT G4-DMA

VOLUNTARY MEDICAL INSURANCE AND INSURANCE AGAINST ACCIDENTS AND DISEASES

G4-DMA Every year PJSC RusHydro concludes annual contracts for voluntary medical insurance and insurance against accidents and illnesses in order to expand and improve the list of available medical services. This program covers 100% of the Company employees. The Company assists employees in the acquisition of voluntary medical insurance policies for the members of their families at favorable prices.

All Company employees are insured against accidents and illnesses. The insurance cover is valid 24 hours a day worldwide.

In 2015, as part of the Healthy Generation Program, Company employees wishing to undergo rehabilitation treatment received packages for recreation at specialized institutions of the Crimean Federal District.

NON-GOVERNMENTAL RETIREMENT PLANS G4-EC3

RusHydro Group is interested in the development of non-governmental retirement plans (NRP) for its employees. Providing people with a decent income after retirement allows the Company to predict and manage its needs for employees with specific skills, to plan the replacement of vacant positions in a timely manner, and to solve the problems of team rejuvenation.

G4-LA2 RusHydro Group provides benefits to employees who work full-time in all significant areas of activity, in particular:
- life insurance;
- compensation for disability/invalidity;
- vmaternity/paternity leave.

The guarantees and privileges, included in the collective agreement, are applicable to all employees who have concluded an employment contract with the Company, regardless of the conditions of employment (full-time employment, temporary or part-time employment).

The retirement plans implemented in the Company are designed to finance the retirement savings of various target groups of employees. The Supporting Retirement Plan is designed for employees with substantial industry experience, who have received state and industry awards.

The parity retirement plans, comprising the greatest number of participants, allow employees to participate independently in the formation of their own retirement savings; in addition, the employee's contribution is doubled by the Company. In the Co-financing Retirement Plan, the Company is a third party and, together with the employee and the state, co-finances employees' retirement funds.

More than 50% of employees participate in various non-state retirement plans of PJSC RusHydro. In RAO ES of the East Holding, the number of participants of the parity retirement plan amounted to about 14% of the employees of the Holding at the end of the reporting year.

The Company's partner in the non-state retirement plans is JSC Non-State Pension Fund of the Electro Energy Industry, which has been registered in the Register of Private Pension Funds — participants of the system that guarantees the rights of insured persons, which adds the participants of the Company's retirement plans confidence in the safety of their retirement savings.

IMPROVEMENT OF EMPLOYEES' LIVING CONDITIONS

PJSC RusHydro continues to implement the program to improve living conditions of the Company's employees. Young specialists under the age of 30 who do not have their own housing, professionals who were invited to work at the branch and in this connection moved from another area, and highly qualified specialists have the priority right to participate in the program.

The main form of corporate support to improve the living conditions is compensation of expenses related to the payment of interest on the mortgage to the bank, and housing rental costs. In exceptional cases, operating staff of the branches, which are of particular value to the Company, can receive target interest-free loans for up to 10 years to improve their housing conditions.

In addition, all Company employees are provided with corporate assistance in improving their living conditions in the form of arranging interaction between the employees and the credit, real estate and insurance companies on more favorable terms than the market ones (e.g. a low interest mortgage, a shorter time to review the application, and favorable insurance rates).

In 2015, more than 250 Company employees received compensation for the interest paid on the mortgage and housing rental costs.

COLLECTIVE AGREEMENT G4-LA4, G4-DMA, G4-11

Of 35 subsidiaries of PJSC RusHydro,[50] 21 have concluded collective agreements, which cover 100% of the employees of these companies. Collective agreements have also been concluded in all subsidiaries of PJSC RAO ES East Subgroup. They include all of the employees of these companies, except senior executive officers. For details, see Appendix 10.

Obligations regarding remuneration and incentives, fringe benefits, guarantees, and compensations for the CEOs of subsidiaries comply with the procedure established by local regulations of the subsidiaries and/or employment

Human rights G4-HR1, G4-HR4 and G4-DMA
The basic approach taken by RusHydro Group in the field of human rights is to fulfill all legal requirements of the Russian Federation. The Group does not conduct its activities and does not enter into investment agreements in areas with a high risk of human rights violations. RusHydro Group guarantees its employees respect for their rights to work, to rest, to financial support in old age and in case of disability. These rights are exercised in accordance with the requirements of the Labor Code of the Russian Federation.
Employees of RusHydro Holding's member companies are able to fully exercise their right to freedom of association. There are trade unions, which have been organized and operate freely in most companies of RusHydro Holding.

contracts with the CEOs.

In the reporting period, all of the Company's subsidiaries had effective collective agreements, concluded in January 2014, which governed the provision of social benefits and guarantees: organization of voluntary medical insurance, private retirement plans, improvement of employees' living conditions, payments connected with the registration of marriage, the birth of a child, child care allowance for children aged under three years, compensation of the costs of keeping children in preschool educational institutions, etc.

The standard minimum period to notify employees of upcoming significant changes in RusHydro Group's activities, which can significantly affect their interests, is not less than two months (see Article 180 of the RF Labor Code). These changes include, among other things, dismissal in the case of liquidation of organization or headcount reduction.

RusHydro Group implements the following programs: the Families and Motherhood Support Program, the Health Care and Healthy Lifestyle Promotion Program, the Program of Health Resort and Spa Treatment and Recreation of Employees and Their Family Members, and the Program of Social and Professional Adaptation of Children Brought up in Orphanages.

The Collective Agreement provides for significant benefits for those who wish to become foster parents or guardians. In accordance with the Social Policy and the Program of Social and Professional Adaptation of Children Brought up in Orphanages, employees who have adopted children, become foster parents or guardians are entitled to benefits and incentive payments.

5.3. CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT OF THE REGIONS

SOCIAL PARTNERSHIP IN THE REGIONS G4-37, G4-SO1, G4-DMA

The key principle of social activity of RusHydro in the regions of its presence (location of its assets) is to build strong relationships with all stakeholders, including regional authorities.

This principle is implemented through social and economic partnership in the regions. Relationships are built taking into account mutual interests, through sponsorships and charitable initiatives. Such relationships are based on agreements on social and economic cooperation, which are signed every year. Decisions to approve agreements on cooperation are coordinated by governance bodies.

The areas of partnership under these agreements are determined by the objectives of social development of the territory and the principles of corporate social responsibility of the Company.

RusHydro participates in addressing issues related to the employment of local population, fiscal capacity, construction and financing of social infrastructure, improvement of towns, support of education and health care, development of culture and sports, care for veterans and the disabled, implementation of technical measures to reduce the impact on the environment, and provision of assistance to victims of natural disasters or other catastrophes.

RusHydro is one of the significant taxpayers in the Russian Federation regions.

Taxes paid to the budgets of different levels in 2015, million rubles

	Federal	Regional	Local	Total
RusHydro Holding	37,727.06	16,789.7	763.94	43,231.85

Structural Units Having Significant Actual or Potential Negative Impact on Local Communities G4-SO2, G4-SO11

There are no structural units in RAO ES of the East Holding that have significant actual or potential impact on local communities, associated with the activities of the Company.

In 2015, neither the executive authorities nor the population made complaints about the activity of PJSC RAO ES of the East.

RESTORATION AND COMPREHENSIVE MODERNISATION OF THE SAYANO-SHUSHENSKAYA HPP

In 2015, a series of measures were taken at the Sayano-Shushenskaya HPP in order to improve the reliability and operational efficiency. One of them was the modernisation of the automatic reliability system installed at SSHPP, conducted jointly by PJSC RusHydro and PJSC Federal Grid Company of UES. The new equipment greatly simplifies data processing, gives a more accurate picture of each site in the power system, and is characterized by a high response speed. It allows to quickly restore the stable operation of the power system, improve the reliability of its operation, and make the management process more efficient. As a result of modernisation of the automatic reliability system , and commissioning of the second high-voltage Abakanskaya-Itatskaya transmission line, the maximum capacity output of SSHPP increased from 4,400 to 5,100 MW.

Another important event in 2015 was the commissioning of a new system for group regulation of active capacity of hydro units of SSHPP. Its main advantage (compared to the one used previously) is the increase in the overall plant operation safety due to automatic control, load balancing between the hydraulic units, and compliance with all factory restrictions on operation modes.

In addition, in 2015 the reconstruction of the automated system of upper level control continued at the Sayano-Shushenskaya HPP as part of the Comprehensive Modernisation Program of PJSC RusHydro. This system is a hardware and software complex that integrates and controls the plant equipment operation and control systems, analyzes and provides information about its state in a convenient form, and keeps an archive of all incoming information.

Currently, the reservoir of the Sayano-Shushenskaya HPP[51] is being drawdowned in accordance with schedule. Water is sluiced into the downstream pound lock of HPP through the operating hydro units. The hydraulic structures (HS) of the Sayano-Shushenskaya HPP and the Maynskaya HPP are in normal working condition at low temperatures. HS monitoring service specialists of HPP continuously monitor changes in the diagnostic indicators of displacement, tilt, filtration costs, and concrete strains. All monitored parameters are within acceptable values.

5.3.1. CONSTRUCTION PROJECTS IN RUSSIA AND ABROAD

SMALL HPP G4-EC8

Small HPP (SHPP) significantly increase the reliability of power supply of remote regions; in addition, their construction and operation creates new jobs. The construction of small HPP on the mountain rivers can be a trigger for social and economic development of the North Caucasus region due to the creation of additional jobs and tax deductions.

Implementation of SHPP investment projects: the Zaragizhskaya HPP

The Zaragizhskaya HPP is the third stage of the Nizhne-Chereksky Cascade. Its specific feature is the absence of a head structure, which reduces the design costs and excludes the flooding of land. The Cascade of the Nizhne-Cherekskiye HPP is located in a densely populated area with a developed industry and agriculture of Kabardino-Balkaria. The commissioning of the Zaragizhskaya HPP will allow reaching the total annual output of the Cascade HPPs up to 700 million kWh, which is about 50% of electricity consumed by the republic.

GEOTHERMAL ENERGY

NP Market Council Association has recognized RusHydro's two geothermal power plants — the Mutnovskaya Geothermal Power Plant (50 MW) and the Verkhne-Mutnovskaya Geothermal Power Plant (12 MW) — as qualified generating facilities that operate using renewable energy sources (RES). The Mutnovsky Geothermal Power Plants have become the most powerful in the register of qualified RES facilities.

Geothermal power industry is currently not included in the RES generation support system in the wholesale and retail markets, which restains its further development in Russia. The potential capacity of the explored geothermal fields in Kamchatka territory is more than 1,500 MW of electrical power. The construction projects of power units using secondary steam with a capacity of 13 MW and the second stage of the Mutnovsky Geothermal Power Plant with a capacity of 50 MW have been elaborated to the greatest degree.

INTERNATIONAL COOPERATION AND LONG-TERM FUTURE PROJECTS OF RUSHYDRO GROUP G4-6

RusHydro Group continues to focus on the development of international partnerships, aimed to attract investment to RusHydro's projects, innovative technologies and equipment, as well as to expand the Company's presence in foreign markets, taking into account the unique long-term experience in the areas of design, construction and operation of energy facilities. This involves bilateral cooperation with foreign electric power, design, engineering, and power engineering companies.

As part of its foreign economic activity, PJSC RusHydro regularly takes part in the work of the intergovernmental commissions on trade and economic, as well as scientific and technical cooperation between Russia and other countries, followed by the establishment of working contacts with foreign business partners. Also, RusHydro is a member of the Energy Working Group under the auspices of the Ministry of Energy of the Russian Federation.

The Sevan-Hrazdan Cascade of HPP in Armenia

PJSC RusHydro owns CJSC International Energy Corporation (JSC IEC). The asset portfolio of JSC IEC includes seven hydro power plants of the Sevan-Hrazdan Cascade with the installed capacity of 561 MW, located on the Hrazdan River.

JSC IEC is one of the main electricity producers in Armenia. The plants use the natural flow of the Hrazdan River, as well as irrigation water releases from Lake Sevan. The industrial and technological potential of the Cascade is 500 million kWh, which is about 10% of the Republic of Armenia consumption. The hydro power plants perform the function of circadian regulation of the power system and the emergency reserve.

Currently, JSC IEC is implementing the program of modernisation of the whole Sevan-Hrazdan Cascade HPP.

The Verkhne-Narynsky Cascade of HPPs in Kyrgyzstan

From 2013, RusHydro Group implemented the Russian-Kyrgyz intergovernmental agreement on the construction and operation of the Verkhne-Narynsky Cascade of HPP of 20 September 2012, one of the largest infrastructure projects in Central Asia.

Due to denunciation of the intergovernmental agreement on the construction and operation of the Verkhne-

Narynsky Cascade of HPPs, the design and construction works have been stopped, and currently work is being done to receive compensation for the costs incurred by PJSC RusHydro and to transfer 50% of PJSC RusHydro's stake in PJSC Verkhne-Narynskiye HPP to the ownership of the Kyrgyz party.

Development of HPP projects in the Russian Federation with the participation of Chinese companies

PJSC RusHydro is negotiating with the Chinese companies PowerChina and China Three Gorges Corporation on the construction of small hydro power plants (SHPP) and pumped-storage power plants in the territory of Russia, as well as anti-flood hydro power plants on the tributaries of the Amur River in the Far East. These projects involve using a new format of cooperation with Chinese companies and attracting Chinese investment to the Russian economy.

Construction of HPP in the Far East

In 2015, PJSC RusHydro and China Three Gorges signed a supplementary agreement to the basic terms and conditions of the Shareholder Agreement, and an agreement on the establishment of a joint venture, providing for the establishment of a joint venture to operate the Nizhne-Bureyskaya HPP.

Construction of the Leningradskaya PSPP

In 2015, PJSC RusHydro and PowerChina signed a supplementary Agreement on Cooperation in the field of pumped storage power plants, providing for cooperation in the field of investment, design, construction, operation and technological development of hydropower facilities on the territory of Russia, as well as an assessment of technical and economic parameters of the Leningradskaya PSPP project.

The Leningradskaya PSPP with a capacity of 1,560 MW is a future project of RusHydro, which is not currently included in the investment program of the Company. The partners plan to locate the new PSPP on the Shapsha River in Leningrad Region. The plant is intended to cover the energy deficit arising in the interconnected power systems (IPS) of the North-West during peak and semi-peak hours of consumption.

PowerChina has made a comprehensive technical and economic assessment of project documentation for the LenPSPP and is preparing a preliminary conclusion on the project.

In late 2015, PJSC RusHydro and PowerChina discussed the approaches to calculating the cost-effectiveness and technical feasibility of the project. Based on the results of the discussion and taking into account the agreed criteria, PowerChina specialists are recalculating the financial model of the project, as well as preparing proposals to optimize the technical solutions.

Cooperation between PJSC RusHydro and K-water

In 2015, PJSC RusHydro and K-water, South Korea signed a Memorandum of Understanding providing for cooperation in the field of research, technological exchange, engineering and investment in the area of modernisation and reconstruction of power generating capacities, as well as in the field of integrated water resources management.

PJSC RusHydro and K-water signed a Cooperation Agreement, aimed at the development of cooperation in joint research on the construction of new power plants on the territory of the Republic of Dagestan, in the definition of joint cooperation projects in the field of hydropower and water resources management in the Far East, including the Primorsky Territory, as well as in technological exchanges.

Cooperation between PJSC RusHydro and Abeinsa Business Development S.A.

In 2015, PJSC RusHydro and Abeinsa Business Development S.A., Spain signed a Memorandum of Understanding, providing for cooperation in joint studies and research, engineering and investment in the construction, modernisation and reconstruction of power generating capacities.

Cooperation between PJSC RusHydro and Union Electrica

Within the framework of the Memorandum of Understanding, signed during the visit of RF President to Cuba in 2014, PJSC RusHydro and the Cuban company Union Electrica studied the possibility of cooperation in the construction of small hydro power plants on the territory of the Republic of Cuba.

Cooperation on projects of equipment production localization

In 2015 PJSC RusHydro interacted with Voith Hydro and GE Renewable Energy (formerly Alstom Hydro) on projects of localization of the production of hydropower equipment in the Russian Federation, as well as the use of this equipment in the modernisation of RusHydro hydro power plants.

In addition, as part of the comprehensive modernisation of RusHydro's assets in the field of thermal power generation in the Far East of Russia, work is conducted to expand partnerships with foreign companies.

Cooperation with Komai Haltec Inc.

In the reporting year, RAO ES of the East Holding and the Japanese company Komai Haltec Inc. signed a Memorandum of Understanding, providing for the organization of work to explore the possibility of production of wind power plants or their individual elements on the territory of the Russian Far East.

Komai Haltec equipment has been successfully used in the wind energy complex in Ust-Kamchatsk. The work of the complex will increase the reliability of power supply for the isolated village, and will annually save more than 550 tons of diesel fuel.

5.3.2. PROGRAM FOR THE CONSTRUCTION OF NEW THERMAL GENERATION FACILITIES IN THE FAR EAST

G4-EC4, G4-DMA (formerly — EU23)

RusHydro's most important investment project is the construction of four priority projects in the Far East as part of the execution of the Decree of the RF President «On Further Development of PJSC RusHydro — Federal Hydro-Generation Company». RusHydro launched the project in 2013.

The main objective of the Program of Long-Term Energy Development of DFO is to maintain a reliable and safe supply of energy to existing consumers; therefore, most of the activities of the Program are aimed at the replacement of the generating facilities, the assurance of security, and the improved efficiency and reliability of power supply.

The new facility construction projects are financed from the budgetary funds, designated for the development of the energy industry in the Far East. For these purposes, in accordance with the Presidential Decree, the government

allocated 50 billion rubles to increase the capital of PJSC RusHydro.

One of the major tasks for the years 2013–2017 is to implement the projects for the construction of electric power facilities on the territory of the Far Eastern Federal District (FEFD) listed below.

Characteristics of the projects in the Far East

Project	Designation	Amount of funding in 2015, mln rubles, VAT included
2nd stage of the Blagoveshchenskaya CCHP	The purpose of the construction is to cover the deficit and to meet the future demand for heat energy, to improve the reliability of power supply and to cover the uneven part of the East IPS electric load schedules.	2,499
1st stage of the Sakhalinskaya SDPP-2	The new SDPP will help to replace the retiring Sakhalinskaya SDPP, as well as to increase the efficiency of the Sakhalin energy system.	9,615
CHPP in Sovetskaya Gavan	The CHPP is being built to replace the retiring capacities of the Mayskaya HPP and to ensure the growing demand for electricity in the Port Special Economic Zone in Sovetskaya Gavan.	3,628
1st stage of the Yakutskaya SDPP-2	The project provides for the replacement of the retiring capacities of the Yakutskaya SDPP, the assurance of consumption growth and improvement of energy supply reliability.	7,423

The implementation of these projects is the first stage of the Program of Long-Term Energy Development of DFO, aimed at replacing the retiring power generation capacities and the development of the infrastructure of the decentralized energy supply sector.

The works on the construction of the above facilities are performed in accordance with the approved time schedules. In 2015, the following works were executed:

- commissioning of the electrical and thermal power capacities of the Blagoveshchenskaya CCHP (2nd stage);
- delivery and installation of the main equipment under the Yakutskaya SCHPP-2 construction project (1st stage);
- transfer of the main equipment to the general contractor for installation under the construction project of CHPP in Sovetskaya Gavan;
- large-scale construction and contracting of suppliers of basic equipment under the Sakhalinskaya CHPP-2 construction project (1st stage).

SIGNIFICANT INDIRECT ECONOMIC IMPACTS G4-EC8

The main projected macroeconomic effects of the implementation of investment in the electric power industry of the Far East for the IPS regions of the East by 2025 are as follows[52]:

- total increase in the gross regional product (GRP) of the Far Eastern Federal District (FEFD);
- additional revenues from taxes, including income tax on energy companies of FEFD and tax revenues from related industries (mechanical engineering);
- population employment growth, ensured through the creation of new jobs in industries such as construction, operation of energy facilities, and machine building.

5.4. CHARITY

5.4.1. CHARITY AND SPONSORSHIP ACTIVITIES OF PJSC RUSHYDRO

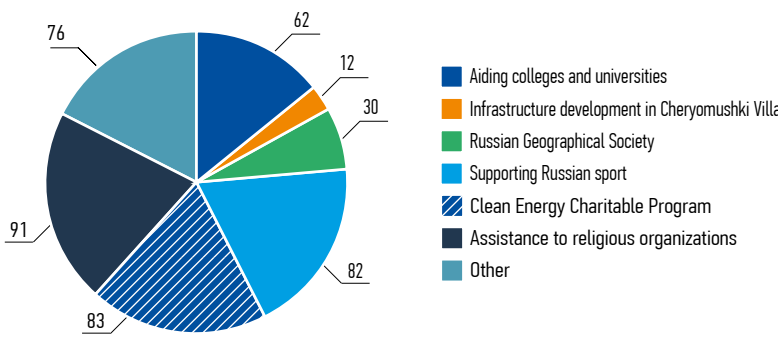
PJSC RusHydro carries out charitable activities, guided by the Concept of Charity and Sponsorship Activities of the Company, its subsidiaries and affiliates, and the Regulations on Charity and Sponsorship Activities. Philanthropic assistance is provided in the following areas:

- provision of assistance to low-income categories of citizens, the disabled, and pensioners;
- provision of assistance to children's organizations and institutions;
- provision of assistance to medical institutions and health care organizations;
- promotion of restoration of Russian historical and architectural monuments;
- development of culture, education, science and sport.

Every year PJSC RusHydro develops the annual Charity and Sponsorship Program and submits it to the Board of Directors for review and approval.

In 2015, the total amount of funds spent on the implementation of the Charity Program amounted to 435.9 million rubles, including 376.7 million rubles through the executive bodies.

Structure of expenditure for charity in 2015, million rubles



In the reporting year, PJSC RusHydro continued to implement the Clean Energy Comprehensive Long-Term Charitable Program, whose main goal is to build a favorable social environment in all regions where the Company's hydropower plants are located, and to create conditions necessary for social adaptation and development, learning and professional training of the younger generation.

Major charitable initiatives G4-EC7

Areas of assistance	Projects/initiatives
Support for higher educational institutions	Financial support for educational institutions: - Moscow State University of Civil Engineering; Peter the Great St. Petersburg Polytechnical University; Moscow Power Engineering Institute and its branch in Volzhsky; Sayano-Shushensky branch of the Siberian Federal University; St. Tikhon's Orthodox University.
Infrastructure development in Cheryomushki Village	The program of comprehensive infrastructure development of Cheryomushki, aimed at the renovation and modernisation of social facilities of the village, has been completed. In 2015, a Training and Production Information and Innovation Center was built and fully equipped with modern facilities in Cheryomushki. In addition, the Company assisted in the organization of the repair and partial re-equipment of «Malysh» (The Kid) and «Schelkunchik» (The Nutcracker) kindergartens in Cheryomushki.
Provision of support to the Russian Geographical Society	Formation of the grant fund for the study of natural disasters and rare species of animals, as well as financing the publishing activity, and organizing ecological and geographical expeditions.
Promotion of the development of Russian sports	Provision of support to the RF Whitewater Federation, the RF Practical Shooting Federation, the Russian Union of Martial Arts, and other organizations.
Clean Energy Long-Term Comprehensive Program	The Clean Energy Program is being implemented in the following areas: assistance to orphanages and boarding schools, charitable environmental projects, provision of support to children's sport and educational projects in the regions of the Company's operations. The Company is also implementing federal projects, such as: - the Ecological Trails project to organize, in cooperation with the nature reserves, hiking trails and improve recreation areas; 14 ecological hiking trails were opened in the 12 regions of the Company's presence, including five in the reporting year; - the Born by Energy campaign, designated to equip with modern diagnostic and rehabilitation equipment the maternity hospitals and maternity departments of hospitals in the cities where the Company's facilities are located; - the children's book «From the Mast to the Keel» was published in collaboration with the Detgiz State Children Publishing House.
Financial assistance to religious organizations	Financing the construction of the Temple of the Holy Prince Alexander Nevsky in Khoroshevo (Moscow) and provision of support to the Sretensky Stavropegial Monastery.
Other	- In 2015, the Company provided support to the following charity funds: the Galchonok, the Shag Vmeste (Step Together), which provide assistance to children with cerebral palsy; the Faith Foundation for Hospices, the Regional Public Organization of the Disabled «Center for Humanitarian Programs», and the Foundation «Illustrated Books for Little Blind Children». - The Company organized and held events dedicated to the 70th anniversary of the Victory in the Great Patriotic War.

CHARITABLE INITIATIVES OF RAO ES OF THE EAST HOLDING

Being a socially responsible company, RAO ES of the East Holding is actively involved in the economic and social life of the regions of the Far Eastern Federal District.

On the territory of the Far Eastern Federal District, charitable and sponsorship activities are carried out by PJSC DEK, JSC Dalnevostochnaya Generating Company, JSC Dalnevostochnaya Grid Distribution company, PJSC Yakutskenergo, PJSC Magadanenergo, JSC Sakhaenergo, JSC Teploenergoservis, and JSC Kamchatka South Electric Networks.

In 2015, the total funds allocated for charitable activities amounted to about 460 million rubles. The major part of the funds were used to support sports programs, the development of children's and youth's sport, and to provide assistance to people from disadvantaged social groups. Also in 2015, the Company continued to provide charitable assistance aimed at the elimination of the damage caused to the agriculture of Amur Region by the 2013 flood.

*Charity program of PJSC RusHydro for 2016**

Area	Amount, million rubles
Long-term projects	85.00
The Clean Energy Program	136.08
Other programs and initiatives	176.4
Total amount	397.50

* The program can be adjusted during the year following the reporting year.

5.4.2. VOLUNTEERING

In addition to the implementation of the charity program, PJSC RusHydro develops corporate volunteering by supporting individual involvement of employees in various social projects. In recent years, the Company has regularly organized charity events with the purpose of raising funds for the needy, fairs with the participation of charitable foundations, and Donor Days. In 2015, the amount of donations made by only the employees of the executive bodies of PJSC RusHydro amounted to more than 930 thousand rubles.

RAO ES of the East Holding also supported volunteer projects in 2015.

Employees of PJSC DEC and JSC Dalnevostochnaya Generating Company made a commitment to support seven orphanages located in Primorye, Amur Region, Khabarovsk Territory and the Jewish Autonomous Region. Employees help children who have been left without parental care, organize joint activities, raise funds to improve the living conditions in the orphanages. Personal involvement of personnel helps not only to perform a good deed for society, but also to build HR capacity for the long term, since the companies' employees tell the children about the professions in the energy sector, conduct trainings and excursions, and use their personal examples to demonstrate the high attractiveness of the electricity sector as a place of employment.

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ASSURANCES

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF PUBLIC JOINT-STOCK COMPANY FEDERAL HYDRO GENERATING COMPANY (RISC RUSHYDRO)

Introduction

We have been engaged by the directors of PJSC RusHydro to provide limited assurance* on the selected information described below and included in the Report on Sustainable Development and Corporate Social Responsibility of PJSC RusHydro and its selected subsidiaries eRusHydro Group**) for the year ended 31 December 2015. The selected subsidiaries are listed in the reporting scope of the Report on Sustainable Development and Corporate Social Responsibility of RusHydro Group.

Selected Wornotion

We assessed the qualitative and quantitative information that is disclosed in the Report on Sustainable Development and Corporate Social Responsibility of RusHydro Group and included in the Tables of the Global Reporting Initiative (the «GRI Tables 2015») for standard disclosures in environmental, worldorce, safety and socio-economic areas in the reporting scope of the Report on Sustainable Development and Corporate Social Responsibility {the «selected information'). The scope of our limited assurance procedures was limited to selected information for the year ended 31 December 2015.

Reporting Criteria

We assessed the selected information using the Global Reporting Initiative ('OR!») Sustainability Reporting Framework: including version 04 of the Sustainability Reporting Guidelines and GRI Electric Utilities Sector Supplement (collectively, GRI 04). We believethat these criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of PJSC RusHydro

The directors of RISC RusHydro are responsible for:

- designing, implementing and maintaining internal systems, processes and controls over information relevant to the preparation of the Report on Sustainable Development and Corporate Social Responsibility that is free from material misstatement, whether due to fraud or error;
- establishing objective reporting criteria for preparing the selected information;
- measuring RusHydro Group's performance based on the reporting criteria; and
- the accuracy, completeness and presentation of the information in the Report on Sustainable Development and Corporate Social Responsibility and selected information.

Our Responsibilities

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the selected information is not stated, in all material respects, in accordance with the reporting criteria. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance engagements other than audits or reviews of historical financial information. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance on the selected information. This report, including our conclusions, has been prepared solely for the directors of PJSC RusHydro to assist the directors in reporting on RusHydro Group sustainability performance and activities. We permit this report to be disclosed in the Report on Sustainable Development and Corporate Social Responsibility of RusHydro Group for the year ended 31 December 2015, to enable the directors to show that as part of their governance responsibilities they have obtained an independent limited assurance report in connection with the selected information. To the fullest extent permitted by law, we do not accept or assume responsthility to anyone other than the directors of PJSC RusHydro for our work or this report except where terms are expressly agreed and our prior consent in writing is obtained.

Our hidependence and Qualify Control'

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies International Standard on Quality Control i and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work Done

Our procedures included:

- enquiries of Rusliydro Group management;
- interviews of personnel responsible for sustainability reporting and data collection (interviews were held in Moscow);
- analysis of the relevant policies anclbasic reporting principles and gaining anunderstanding of the design of the key structures, systems, processes and controls for managing, recording and reporting the selected information
- limited substantive testing of the selected information on a selectivebasis to verify that data hadbeen appropriately measured, recorded, collated and reported; and
- reviewing the selected information for compliance of the disclosures with the requirements of GRI G4.

Reportnig and Measurement Methodologies

There are no globally recognised and established practices for evaluating and measuring the selected information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The reporting criteria used as a basis of RusHydro Group sustainability reporting should therefore be read in conjunction with the selected information and associated statements reported on PJSC Rusilydro's website***.

Lintited Assurance Conclusion

As a result of our procedures:

- nothing has come to our attention that causes us to believe that the selected information for the year ended 3i December 2 015 has not been prepared. in all material respects. in acc ordance with the requirements of GRI G4; and
- nothing has come to our attention that causes us to believe that the selected information does not meet the «Core» requirements of GRI G4.

AO «Pricewaterhouse Coopers Audit».
Moscow, Russia 12 August 2016

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* Assurance. defined by the International Auditing and Assurance Standards Board (IAASB), gives the user confidence about the subject matter assessed against the reporting criteria. Reasonable assurance gives more confidence than limited assurance. as a limited assurance enpgernent is substantially less in scope in relation to both the assessment of risks of material misstatement and the procedures performed in response to the assessed risks. The term «assurance.' hereafter is not used as defined in the Federal Law №307-FZ of 30.12.2008 «On Auditing Activities» (edition of 03.07.2015).

** The term «RusHydro Group» in this Report relates only to RJSC RusHydro and its selected subsidiaries included in the Report on Sustainable Development and Corporate social Responsibility and is not equivalent to the similar term used in the Consolidated IFRS financial statements.

*** The maintenance and integrity of the PJSC RusHydro website is the respansiltlity of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsildity for any differences between the selected information ma which the assurance report was issued or the assurance report that was issued and the information presented on the PJSC RusHydro website.

OPINION OF THE NON-FINANCIAL REPORTING COUNCIL OF THE RUSSIAN UNION OF INDUSTRIALISTS AND ENTREPRENEURS REGARDING RUSHYDRO CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT IN 2015 WITH A VIEW TO PUBLIC REASSURANCE

Non-financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs (RUIE) (hereinafter - the Council), established in accordance with the resolution of the Administrative Office (Resolution dated 28.06.2007), considered the initiative of PJSC «RusHydro» (hereinafter - the Company, Holding Group, «RusHydro») RusHydro Group report on corporate social responsibility and sustainability for the year of 2015 (hereinafter - the Report).

The company appealed to the RUIE with a request to organize the Council's public endorsement, which forms an opinion on the relevance and completeness of the disclosure statement in the non-financial information about the company's achievements from the perspective of the Social Charter of the Russian business, containing the principles of business practices.

Dureng the period from 18 July to 1 August 2016 the Council members studied the Report's content presented by «RusHydro» and made the present Judgment, in accordance with the Regulations of public certification of corporate non-financial reports, approved by the Board.

The Council members have the necessary competence in the field of corporate responsibility, sustainable development and non-financial reporting, they work in compliance with the ethical requirements of independence and objectivity of the evaluations, express their personal expert's opinion and not the opinion of organizations they represent.

The report was assessed based on the following criteria for completeness and relevance of the information contained therein:

Information is considered relevant as it reflects the activity of RusHydro Group as for the principles of responsible business practices implementation disclosed in the Social Charter of Russian Business (www.rspp.ru).

Completeness implies that the company specifies its operations in the Report- values and strategic guidelines, underlying systems and management structure, key achievements and results of operations, principles of interaction with stakeholders.

The Company's use of international reporting system is taken into consideration in the framework of public certification proceedings. However, confirmation of compliance with the reports of international reporting systems is beyond the scope of this Opinion.

«RusHydro» shall be liable for the information and statements contained in the Report. The reliability of the evidence contained in the report is not a matter of public endorsement.

This Opinion is made for PJSC «RusHydro», the Company may use this Opinion as for its internal purposes and for the purpose of communications with stakeholders by publishing it without any changes.

CONCLUSIONS

In terms of the analysis of the Report, as well as public information on the official corporate website of the Company, and collective discussion of the results of an independent Report assessment, drawn by the RUIE Council members on non-financial reporting, the Council confirms the following:

RusHydro Group's Report on Corporate Social Responsibility and Sustainability for the year of 2015 contains essential information on key aspects of responsible business practices in accordance with the principles of the Social Charter of the Russian business, and completely enough discloses information about the Company's activities in these areas.

The RUIE Council's recommendations on the basis of public certification report of the Company for 2014 are reflected in the Report for 2015. The information volume is extended with a view to the corporate responsibility of management and sustainable development, the plans' description supplemented by quantitative indicators, the environmental theme is fully reflected. The Council's recommendations made in previous reports are also taken into account with regard to expanded reporting boundaries due to information on REH Energy Systems of the East.

The Company's report for 2015 contains important information regarding the following aspects of responsible business practices:

As for economic freedom and responsibility. The report provides information on the financial, economic and industrial performance of RusHydro Group, including new power plants selection methods. The report shows the extent and role of companies in the industry and the economy as the largest electricity producer in Russia. The information on the Group's strategy, including in relation to the objectives of sustainable development, the mission and values, as well as long-term program development for 2015-2019 years, reporting year the coming year priorities. It is reported on the implementation of the comprehensive modernization program, strengthening of its orientation to import substitution of equipment in the reporting year. The report describes RusHydro projects aimed at improving the reliability and safety of hydraulic structures, major investment projects, investment program results and plans in this area. It includes information about the Program of innovative development projects in this area, important in the context of sustainable development, as well as information on cooperation with research centers and development institutes, including in the framework of the Renewable Energy Technology Platform. It also includes information on the Company's structure, corporate governance bodies, characterized by a risk management system, multi-level system of internal control. The report covers industrial safety management, quality management at the stages of design and construction of hydraulic structures. The report contains information on approaches to the sustainable development management, corporate documents, regulating the activity in this area. It is reported on the procedures and mechanisms for compliance with business ethics created by the Company, the relevant corporate regulations, including the Code of Conduct, anti-corruption policy. It is stated that the Company observes the principles of the Social Charter of the Russian Business and Anti-Corruption Charter of the Russian Business.

As for business partnership. The report provides information on the business partnership practice, the mechanisms used, and the main directions of the Company's interaction with key stakeholders. It reported on the efforts on updating the Corporate Governance Code, taking into account the specifics of RusHydro, which should contribute to the development of relations with shareholders, ensuring equal conditions and rights. The report discloses data on the implementation of dividend policy. It reported on cooperation with government agencies and authorities on a wide range of electric power development, socio-economic development of regions and other issues within the relevant cooperation agreements. The report provides information on activities for the benefit of electricity consumers on the basis of uniform corporate standards of customer service, used by regional power distribution companies of the Group,

as well as customer loyalty improvement program. The report includes information about RusHydro initiatives aimed at promoting a dialogue between suppliers and consumers of electricity and housing services («Credible Partner» campaign). It also describes the organization issues of the procurement system, the implementation of appropriate comprehensive program, including the participation of representatives of small and medium-sized businesses. The report contains information about the development of human resource capacity, system of continuous training of workers, measures to ensure the protection and safety, development of social partnership, corporate social policy. Besides, it provides broader international links with energy production companies, company's participation in international and Russian business - associations for the safe and sustainable development of hydropower, cooperation with scientific and educational institutions.

As for human rights. The report claims that RusHydro seeks to follow the international standards and best practices in the field of human rights, comply with the requirements of the legislation of the Russian Federation. It is reported that the company guarantees to respect its employees' right to work, to rest, the right to financial security in old age and in case of disability. The data on social guarantees system operating in the Company, as well as the observance of the employees' rights to freedom of association through participation in trade union activities, collective bargaining. The report also addresses the issues of compliance with consumer rights.

As for environmental conservation. The report informs that the Company has approved and implemented the «Environmental Policy» within the majority of business processes, which aims to improve the environmental safety of existing and emerging power generation facilities. It is reported about the projects of modernization and reconstruction of power plants. The report contains information on measures taken to reduce the negative impact on the environment and the results obtained, for the most part the data is specified separately on PJSC «RusHydro» and REH Energy Systems of the East. It also describes the approaches to the management of environmental impact at all stages of the life cycle of the Company's facilities, including the introduction of a number of RusHydro Group Environmental Management System (EMS). It is noted that REH Energy Systems of the East continues to implement the integrated management system in the field of environmental protection, occupational health and safety. The data in the dynamics of the Company's activities for environmental costs, which are presented for each of the branches of the Company, including REH Energy Systems of the East. The report provides information on reducing the negative impact in comparison with the year 2014 in terms of pollutants, greenhouse gas emissions from the use of fuel oil, reducing the production of waste generation volume due to its recycling. The report contains information on water consumption, including reusable. It also covers measures for the conservation of biodiversity. RepThe reports indicates that the long-term program of energy conservation and energy efficiency for the year of 2015 has been approved, describes the measures taken in this area, results and plans. It describes, in particular, pilot projects of RusHydro for the development of low power energy sources and renewable energy sources. It covers international cooperation of RusHydro, its interaction with the various stakeholders in terms of environmental protection and energy saving.

As for the Company's share local community development. The report contains information on the Company's participation in the development of the Russian regions, the Company's contribution to their economy and social sphere. It is reported that RusHydro seeks to build partnerships with stakeholders, including through the conclusion of agreements with regional authorities on cooperation in the field of socio-economic development of the regions. It highlights the contribution of the Company to the strengthening of their economic potential by means the implementation of investment projects, creating jobs, tax revenues, and infrastructure development. The expanded form is a corresponding activity of REH Energy Systems of the East. The report provides information on social investment and philanthropic activities of the Group, which is regulated by the «Regulations on charity and sponsorship.» It presents data on volumes of the Company's social investments, realized in the reporting period, activities and programs in the field of education, health, culture, sports, support of certain categories of population, assistance in emergencies. It is reported on the implementation of «Clean Energy» long-term comprehensive charity program, which is a network enterprise project, carried out independently by its branches, subsidiaries and affiliates in each region. The report includes information on the development of corporate volunteering, the Company employees participation support in various social development projects.

Final provisions

Generally RusHydro Group Report for 2015 reflects the values, strategic objectives, organization of the activities to achieve them, describes Company management system, discloses information on the priorities in the field of corporate social responsibility and sustainable development, highlights achievements in 2015, results as well as the practice of stakeholder engagement. The report contains a large number of indicators on economic, environmental and social aspects of operations. For the first time the Company's non-financial report includes information regarding REH Energy Systems of the East., which provides a more comprehensive coverage of RusHydro Group.

The report was prepared using the recommendations of the Sustainability Reporting Guidelines (GRI G4), as well as the energy industry protocol GRI, which ensures continuity of data and comparability with other companies in the country and abroad. The disclosed material topics are identified using the procedures described in the report .

RusHydro Group report on Corporate Social Responsibility and Sustainable Development Report 2015 is the eighth corporate non-financial report that reflects the sequence in the development process of public accountability, promotion of the company's information transparency.

RECOMMENDATIONS

Noting the advantages of RusHydro Group Report on Corporate Social Responsibility and Sustainable Development Report for the year of 2015, the Council drew the Company's attention to a number of significant stakeholder issues and the importance of full disclosure of information, recommending to consider it in the next reporting cycle.

The Council notes that the recommendations made on the analysis of previous reports RusHydro remain relevant and may be used in the further practice of the Company's financial statements.

It is further recommended to fully disclose the Company's contributions to the implementation of the current energy strategy, to show the connection of its own strategic objectives and the results achieved with the key parameters of the state strategy, to reflect participation in the formation of a new state energy strategy for the period of up to 2035, the guidelines that define its orientation, as well as the potential role and prospects of the Company itself. In the context of sustainable development, such information appears significant, given the scale of the activities of RusHydro, the impact on the development of industry and the economy as a whole.

It should be noted that the performance indicators, their dynamics should be accompanied by comments, without being limited to stating the facts. This will strengthen the analytical component of the report, ensure better understanding of the processes occurring in the Company and will enable to evaluate the results of the reporting period. In particular, this refers to information that characterizes the work of personnel, labor protection and environment.

It seems that in the future it would be advisable to make fuller use of the accumulated experience of the Company reporting and extend the time period for which the quantitative indicators are presented in dynamics. It is also recommended to include specific indicators, along with the absolute ones, describing the impact on the environment.

Noting the more detailed information in the Report regarding the environmental aspects, the specifics of the environmental impacts of hydropower and hydro energy assessment, generating energy from the water flow should be further described in greater detail.

Given the relevance of the responsibility in the supply chain, the scale of the Company's interaction with a variety of suppliers and contractors, as well as the high importance of ensuring the reliability and safety of hydraulic facilities, it would be useful to better represent the issues related to this topic. This may include requirements to contractors in relation to health and safety, environmental responsibility, anti-corruption practices and mechanisms of cooperation with them. It should be noted that the G4 Guidelines, used in the Company's report preparation, puts an emphasis on the supply chain.

The report contains a number of important messages, information that should be disclosed in detail. Thus it describes a public technological and price audit of several projects of RusHydro Group in accordance with the Directive of the Russian Government. Given the high social and economic value of the Company's projects, it is recommended to highlight key results of such audits in the next reporting cycle.

The same applies to information on the implementation of projects within the technological platform «Advanced technologies for renewable energy.» Information on the key results achieved by RusHydro in this area seems significant, its coverage will enhance information transparency of the Company in accordance with the expectations of stakeholders.

It is still recommended to provide more details on the selection criteria as for the social projects funded by the Company, the performance evaluation criteria for RusHydro charity projects.

The RUIE Non-Financial Reporting Council's assesses the report positively, supporting the Company's commitment to the principles of responsible business practices and noting the sequence in the development of the reporting process, and hereby confirms that the RusHydro Group's corporate social responsibility and sustainable development report has successfully completed public certification in 2015.

Chairman of the
RUIE Non-Financial Reporting Council
F.T. Prokopov

Deputy Chairman of the
RUIE Non-Financial Reporting Council
E.N. Feoktistova

GLOSSARY

Renewable energy sources	Sources based on continuous or recurring processes in nature, as well as the life cycle of flora and fauna and the life of human society, that do not imply use of fossil fuels (oil, gas, coal and uranium) with limited reserves. They include solar energy; wind energy; energy of water (including wastewater energy), except where the use of such energy at pumped-storage power stations; tidal power; wave energy of water bodies, including ponds, rivers, seas, oceans; geothermal energy, using natural underground heat media, low-grade thermal energy of the earth, air, water, using special heat media; biomass, which includes growing special plants for energy production, including trees, production and consumption waste, except for waste generated in the use of hydrocarbons and fuel; biogas; gas released by production and consumption waste waste disposal sites; gas generated in coal mines.
Hydro power plant	A power plant as an engineering and production facility comprising hydraulic structures and equipment that convert mechanical energy of water into electrical energy. For the purposes of this Report, small HPPs and PSPPs fall within this category, except as otherwise specified.
Hydropower facilities	All existing and proposed facilities and facilities under construction that fall within the category of renewable energy sources facilities, i.e. HPPs, PSPPs, and tidal power plants.
Long-lived greenhouse gases resulting from human activities	They include carbon dioxide, methane, nitrous oxide, CFC-12 and CFC-11. These five major gases account for approximately 96% of the radiation effects on the environment caused by LLGHG.
Unified Energy System of Russia	It consists of 69 regional energy systems, which, in turn, are grouped into seven interconnected power systems (IPSs): IPS East, IPS Siberia, IPS Urals, IPS Middle Volga, IPS South, IPS Centre, and IPS Northwest. All power systems are synchronized, i.e. operate simultaneously.
HPP/PSPP hydropower complex lifecycle	A sequence of HPP/PSPP hydropower complex operation phases, i.e. initiation, design, construction, operation, decommissioning.
PJSC RusHydro Investment Program	The set of investment projects presented as a list of capital investment projects into fixed assets, their main characteristics and the amount of financing amounts, which is made for one year or for some other time period and is based on the local regulatory documents of PJSC RusHydro.
Condition index	The equipment condition index is an integral characteristic of the equipment technical condition, which allows to cumulatively compare the relative level of physical ageing and obsolescence, need for repair and reliability of various groups of similar equipment. The index is expressed in percent, and its value can range from 0 to 100.
Smart Grid	An automated system that can track and distribute streams of electrical power to achieve maximum efficiency in the use of such power.
Executive bodies	Permanent executive bodies, as well as officials (employees) and RusHydro's business units that are not the Company's subsidiaries (representative offices).
Large and medium hydropower facilities	Hydropower generating assets with installed capacity of more than 30 MW.
Small HPPs	Hydropower generating assets with installed capacity of less than 30 MW.
Interconnected power system	A set of several power system of the same operation mode and with common dispatching control.
RES facilities	The facilities using renewable energy sources, including hydropower facilities with unit installed capacity of less than 25 MW, and facilities using wind, tidal, geothermal and solar energy.
Boguchansky Energy and Metallurgical Complex Project	An investment project of PJSC RusHydro and UC RUSAL aimed at establishing Boguchansk Energy and Metallurgical Association, including completing construction of the Boguchanskaya HPP and building an aluminum smelter.
Production complex	A set of the Company's power generating assets grouped by the type of the operating process.
T+2 System	Within the T+2 system, transactions are settled on the second day after the transaction, which gives investors the advantage of no rollover during the night cycle.

Engineering complex	A set of RusHydro's subsidiaries grouped by the type of their activities. It is supplementary to the production complex. Engineering complexes include: the R&D Complex, Design Complex, Construction & Installation Complex, Repair Complex, and Information Technology Complex.
Specific fuel consumption	The ratio between the fuel consumption (per unit of distance of time) and the power or thrust output. This factor is used to describe the fuel efficiency, among other things.
Installed capacity	Total rated actual power of generators in the Company's power plants.
Coal Handling And Preparation Plant	Thermal power plant that produces not only electricity but also heat, release to consumers in the form of steam and hot water.
Electric power complex	The electric power complex UES of Russia includes about 700 power plants with capacity of5+ MW.

LIST OF ABBREVIATIONS

PJSC RusHydro, Company	PJSC Federal Hydro-Generating Company RusHydro, including its executive bodies and branches.
RusHydro, RusHydro Group	PJSC RusHydro and its subsidiaries. The full list is given at the web-site: www.rushydro.ru/company/structure
Group	PJSC RusHydro and its subsidiaries. The list is given in the Section "Report Boundaries"
PJSC RAO ES of the East	PJSC RAO Energy Systems of the East
PJSC RAO ES of the East Holding	PJSC RAO ES of the East, including its controlled companies
AGS	Automated gauging station
EPFMS	Electric Power Fiscal Metering System
BSMB	Basin Water Management Board
RES	Renewable energy sources
OHL	Overhead line
GRP	Gross regional product
WWI	Waterworks system
PSPP	Pumped-storage power plant
GIS	Geographic information systems
HS	Hydraulic structures
HPP	Hydro power plant
CHPP	Coal Handling And Preparation Plant
LLGHG	Long-lived greenhouse gases resulting from human activities
LTDP	Long-Term Development Program of RusHydro Group
FEFD	Far Eastern Federal District
DPP	Diesel power plant
UES	Unified Energy System of Russia (UES of Russia)
IMS	Integrated Management System
I&C	Instrumentation and control
KPI	Key performance indicators
PL	Power lines
SHPP	Small HPPs
R&D	Research and development
NGO	Non-profit organization
EIA	Environmental Impact Assessment

HPF	Hazardous production facilities
SWYD	Switchyard
WMEP	Wholesale market for electricity and power
IPS	Interconnected power system
D&SW	Design and survey works
CMP	Comprehensive Modernisation Program
REM	Retail electricity market
RMEP	Retail market for electricity and power
BoD	Board of Directors of PJSC RusHydro
SSIW	Self-supporting insulated wires
C&IW	Construction and installation works
SSHPP	Sayano-Shushenskaya HPP named after P.S. Neporozhniy
TR&O	Technical re-equipment and overhaul
FEC	Fuel and energy complex
SFC	Specific fuel consumption

Units of measurement

GW	Gigawatt is the unit of measurement of electrical power (1 GW equals 1000 MW).
Gcal	Gigacalorie is the unit of measurement for thermal energy.
Gcal·hr	Gigacalorie/hour is the unit of measurement for heating capacity.
kW·h	Kilowatt hour is the unit of measurement for generated electrical power.
MW	Megawatt is the unit of measurement for electrical power.

FEEDBACK QUESTIONNAIRE

Dear reader, You have read the Report on Sustainable Development of RusHydro Group, intended for a wide range of stakeholders. The opinion of the readers — those for whom the Report was compiled — is of great importance to us. We would be grateful if you will contribute to the improved quality of the Group's future reporting by filling in the questionnaire.

You can send the completed questionnaire to the postal address: 7 Malaya Dmitrovka Str., Moscow, 127006 or by fax: +7 (495) 225-37-37 (marked «For the Corporate Governance and Property Management Department»), or by e-mail to corpupr@rushydro.ru.

1. 1. Please rate the Report according to the criterion «Relevance and completeness of reporting information»:

☐ Excellent ☐ Good ☐ Satisfactory ☐ Unsatisfactory

2. 2. Have you received the necessary information about the Company from the Report?

☐ Yes ☐ No ☐ Other (comments)

3. Please name the sections of the Report that were most meaningful and useful to you:

4. What topics do you think should be included in the next report:

5. Your recommendations and additional comments:

6. Please specify the group of stakeholders you belong to:

☐ Employee of RusHydro Gro
☐ areholder/Investor
☐ Customer/consumer (a subject of the retail market
☐ epresentatives of government authorities
☐ Representative of a professional association and/or NP
☐ Representative of local communities in the regions of the Group's presence
☐ Representative of the med
☐ Representative of a university and another educational institution
☐ Business partner/contractor/supplier
☐ Other (specify) _____

GENERAL INFORMATION

Full company name in English	Public Joint-Stock Company «Federal Hydro-Generating Company – RusHydro» G4-3 and G4-7
Abbreviated company name in English	PJSC «RusHydro»
OGRN (Primary State Registration Number)	1042401810494
TIN (Taxpayer Identification Number)	2460066195
Industrial Enterprise Classification Code	246601001
OKPO (Russian Business and Organization Classification Code)	75782411
OKVED (Russian Classification of Economic Activities)	40.10.12
Office location in Moscow:	7 Malaya Dmitrovka Str., Moscow, 127006 51 Arkhitector Vlasov Str., Moscow, 117393
Mailing address:	7 Malaya Dmitrovka Str., Moscow, 127006 G4-5
Phone:	+7 (800) 333-8000
Fax:	+7 (495) 225-3737
E-mail	office@rushydro.ru
Website:	www.rushydro.ru

CATEGORY: ECONOMIC

APPENDIX 1

Installed capacity by primary energy source and control mode G4-EU1

Installed capacity of generating facilities by primary energy source		
Name	**Installed capacity, MW**	
	RusHydro Group	**including PJSC RusHydro**
Total installed capacity of power generation, including broken down by primary energy source:	38,652	24,881.3
- water resources	30,309.4	24,881.3
- coal	6,121.3	0
- natural gas	1,801.3	0
- other	366.4	0
Installed capacity of generating facilities by control mode and/or geographical region		
Control mode/geographical region	**Installed capacity, MW**	
	RusHydro Group,	**including PJSC RusHydro**
WMEP/RMEP/regulated tariffs/Far East	13,495.2	3,340.0
WMEP/RMEP/regulated tariffs and free-of-control prices/Center	11,582.3	11,580.6
WMEP/RMEP/regulated tariffs and free-of-control prices/South and the North Caucasus	3,337.9	2,774.7
WMEP/RMEP/regulated tariffs and free-of-control prices/Siberia	10,183.0	7,186.0

Net energy production by energy source and control mode G4-EU2

Net energy produced by primary energy source		
Name	**Net electricity supply (RusHydro Group), GW/h**	**Heat supply RAO ES of the East Holding, GJ**
Total amount of energy produced, including broken down by primary energy source:	122,213.4	95,379,483.47
- water resources	94,168.7	
- coal	28,044.7	95,379 483.47
- natural gas		
Net energy produced broken down by control mode		
Control mode/geographical region	**Net electricity supply (RusHydro Group), GW/h**	**Heat supply RAO ES of the East Holding, GJ**
WMEP/RMEP/regulated tariffs and free-of-control prices/Center	42,309.0	95,379 483.47
WMEP/RMEP/regulated tariffs and free-of-control prices/South and the North Caucasus	37,451.0	
WMEP/RMEP/regulated tariffs and free-of-control prices/Siberia	6,935.5	
WMEP/RMEP/regulated tariffs and free-of-control prices/Siberia	35,518.0	

APPENDIX 2

*G4-EU10 Available capacity (MW) in the long term for RusHydro Group**

	2015	2016	2017	2018	2019	2020
Available capacity of HPP as of December — total, MW, including	27,798.61	27,864.51	28,245.51	29,342.21	29,745.21	29,823.71

* Data are cumulative, taking into account the commissioning of capacities, except for RAO ES of the East Holding.

Planned capacity (MW) in accordance with the projected demand for thermal energy in the long term G4-EU10 for RAO ES of the East Holding

	2016	2017	2018	2019	2020	Итого 2015-2020
	Planned commissioning of heat-generating capacities					
MW	143.62	20.94	3.03	6.23	6.38	183.19
Gcal/hr	449.81	317.42	1.08	23.18	0.86	796.66
	Replacement of generating facilities					
MW	2.07	66.97	51.86	3.38	4.84	132.14
Gcal/hr	4.17	0.00	0.00	0.00	0.00	7.01
	Capacity gain					
MW	141.61	-46.03	-48.83	2.85	1.55	51.05
Gcal/hr	445.64	317.42	1.08	23.18	0.86	789.65

CATEGORY: ENVIRONMENTAL

APPENDIX 3

G4-EN8 Total amount of water intake by source, thousand m³ /hour

Water supply sources	RusHydro Group**,			including PJSC RusHydro			RAO ES of the East Holding		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Total amount of water intake from the sources, including from:	64,252	64,530	65,865	29 161	27 648	28,545	699,394	709,253	711,384
surface water bodies, including wetlands, rivers, lakes, etc.	62 768	62,977	64,371	28 783	27 213	28,126	566,880	584,420	593,371
groundwater bodies, including rainwater collected and stored by the organization	545	616	531	47	101	55	40,288	35,354.40	28,131
municipal water supply systems, including wastewater of another company	333	313	364	331	313	364	92,226	89,479.30	89,865
from other water supply systems*	606	621	599	0	21	0	0	0	0

* In 2015, 605.71 thousand cubic meters were received from other water supply systems by RusHydro Group — intake of geothermal steam by OJSC Pauzhetskaya GeoPP for electricity generation from thermal power networks, under Agreement No. 4 dated 24 April 2006, concluded with Kamchatburgeotermiya State Unitary Enterprise.
** Except RAO ES of the East Holding.

APPENDIX 4

G4-EN22 Total amount of discharge with the receiving entity specified, thousand cubic meters m³/hour

Receiving entity	RusHydro Group*,			including PJSC RusHydro			RAO ES of the East Holding		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
body of water	74,766	77,957	66,448	35,978	37,117	29,323	512,453	525,862	511,231
terrain relief	116	36	163	116	36	63	4,238	4,037	4,279
filtration beds	0	0	0	0	0	0	0	0	0
underground horizons	0	0	0	0	0	0	22	308	257
storage reservoir	8	0	0	8	0	0	0	0	0
Total	74,890	77,993	66,611	36,102	37,153	29,386	516,713	530,207	515,767

* Except RAO ES of the East Holding

APPENDIX 5

Direct greenhouse gas emissions by RAO ES of the East Holding (coverage area 1)

Item No.	Indicator	2014	2015	Actual 2015 compared with 2014, %
	Total			
1	CO_2 emissions, tons	33,434,632.3	36,182,305.5	8.2
2	N_2O emissions in CO_2 equivalent, tons	113,782.9	125,283.1	10.1
3	CH_4 emissions in CO_2 equivalent, tons	12,493.5	14,433.5	14.5
	Total emissions	**33,560,908.6**	**36,322,022.2**	**15.5**
Including:				
caused by the use of gas		10,121,404.8	10,453,851.7	3.3
caused by the use of oil fuel		693,731.2	670,338.1	-3.4
caused by the use of solid fuel		22,788,244.7	25,197,832.3	10.6

APPENDIX 6

G4-EN18 Intensity of greenhouse gas emissions by RAO ES of the East Holding

Indicator	2014	2015	2015/2014 ratio, %
Specific CO_2 emissions associated with the generation of electricity, equivalent tons	712.13	790.50	11.01
Specific CO_2 emissions associated with the supply of electricity, equivalent tons	360.91	372.24	3.14

* Generation excluding the Cascade of Viliuyskiye HPP (2,235,953 million kWh) and solar batteries (0.022 million kW), since HPP and solar batteries do not produce polluting substances.

APPENDIX 7

G4-EN29 Monetary value of material fines and total number of non-monetary sanctions imposed for noncompliance with environmental laws and regulations (thousand rubles)

	RusHydro Group*	PJSC RusHydro	RAO ES of the East Holding
Charges for allowable emissions (discharges) of pollutants (disposal of industrial and consumption waste)	6,312.0	4156.42	85,707.02
Charges for excess emissions (discharges) of pollutants (disposal of production and consumption waste)	6,239.2	1709.26	41,181.29
Charges for allowable and excessive emissions (discharges) of pollutants (disposal of production and consumption waste)	12,551.1	5865.68	126,888.31
Funds (claims) and fines charged to compensate for the damage caused by the violation of environmental laws	430	**430**	1,624
Total	**25,532.3**	**12161.4**	**255,400.61**

* Except for RAO ES of the East Holding

G4-EN31 General environmental protection expenditure of PJSC RusHydro and RAO ES of the East Holding

	RusHydro Group*	PJSC RusHydro	RAO ES of the East Holding
Current environmental protection expenditure, total, thousand rubles	**112,657.0**	**42,710.0**	**787,757.37**
including for:			
air protection and the prevention of climate change	21,896.8	506.8	251,128.83
collection and treatment of sewage	52,838.8	7549.8	41,998.79
waste management	3,295.7	2166.7	261,040.77
protection and rehabilitation of land, surface and underground waters	20,359.3	20222.3	7,453.53
protection of the environment from noise, vibration, and other types of physical impact	250.0	250	0.00
conservation of biodiversity and protection of natural areas	0.00	0.00	0.00
radiation safety of the environment	0.00	0.00	0.00
research and development activities to reduce negative human impacts on the environment	2,611.1	2,611.09	0.00
other activities in the field of environmental protection	11,413.3	9403.3	2,651.90
Costs of major repairs of capital assets for environmental protection	40,804.0	40804.0	500,750.79
Payments for environmental protection services	464,146.4	85629.2	-**
Total	**617,607.4**	**169143.2**	**1288508.16**

* Except for RAO ES of the East Holding.
**Data on the category «payments for environmental protection services» for RAO ES of the East Holding were not presented.

APPENDIX 8

Environmental action implementation at RAO ES of the East Holding

JSC Far-Eastern Power Generating Company	- With a view to the safe handling of ash and slag waste, work was carried out to build a new ash dump of the Partisanskaya SDPP and raise the dam of the ash dump at the Artemovskaya CCHP; - In order to reduce solid pollutant emissions into the atmosphere, boiler No. 13 of the Khabarovskaya CHPP-1 was converted to the use of natural gas;.
JSC Dalnevostochnaya Grid Distribution Company	- Technical inspections of vehicles to control exhaust gas; - Repair, reconstruction, placement of oil receivers under power transformers; - Monitoring of underground water wells — full, partial, chemical, bacteriological analyses; - Instrumental control of emissions in the atmosphere, discharges of pollutants from rain and snow runoff, industrial and domestic waste water; - Industrial ecological monitoring; - Training in the field of the environmental management system; - Certification for compliance with the international standard of ISO 14001:2004 series; - Elimination of the use of asbestos-containing materials.

PJSC Magadanenergo

Activity	Effect, results
Repair of ash collectors of the boiler unit at plant No. 34 of the Arkagalinskaya SDPP	Reduction of emissions in the atmosphere after the implementation of the activity — 3 tons
Repair of ash collectors of the boiler units at plants No. 1, 2, 5, 6, 7 of the Magadanskaya CCHP	Reduction of emissions into the atmosphere after the implementation of the activity — by 20 tons.
Repair of aeration tank – sediment reservoir No. 3 of the Arkagalinskaya SDPP	Reduction in the amount of pollutants in wastewater
Cleaning oil traps in the high-pressure sections, medium-pressure sections, and the oil and mazut handling equipment of the Magadanskaya CCHP	Assurance of the design efficiency
Chemical control of the work of treatment facilities in the high-pressure sections, medium-pressure sections, and the oil and mazut handling equipment of the Magadanskaya CCHP	Monitoring the quality of wastewater discharged into water bodies

The main objectives of PJSC Magadanenergo for 2016 are presented in the document «Program for Reaching Goals in the Field of Environmental Protection for 2016» developed for the branches of PJSC Magadanenergo.

PJSC Mobile Energy

- Implementation of projects for the construction of two wind power plants with a total capacity of 450 kW in Novikovo village, and two wind power plants with a total capacity of 600 kW in Ust-Kamchatsk;
- Transfer of waste to specialized organizations for placement, use and disposal;
- Installation of dust collectors on 2 tool grinders;
- Repairs and inspections of heating and water supply;
- Measurement of concentrations of pollutants in industrial emissions by sources;
- Training of managers and employees involved in management decisions affecting the environment, under the programs of environmental safety assurance and hazardous waste management;
- Laboratory control of wastewater quality;
- Development of the project of maximum permissible emissions.

PJSC Kamchatskenergo

- Conducting instrumental measurement of pollutant emissions from stationary sources (chimney);
- Verification of the gas analyzer;
- Implementation of production laboratory control of the qualitative composition of waste water discharges;
- Regular observation of the water body and its water protection zone in the area of water use, as part of the Regular Observations Program;
- Monitoring the effectiveness of the treatment facilities. Carrying out preventive and, if necessary, repair work on the relevant components of wastewater treatment plants;
- Production control aimed at the prevention of littering of the territory;
- Implementation of production control and maintenance of sites and places of reception and storage of petroleum products in proper condition;
- Monitoring the slurry tank (monitoring of groundwater pollution through the network of observation wells);
- Management of industrial activity for the collection, use, decontamination, transportation and disposal of hazardous waste.

JSC Sakhalinenergo

After completion of the project «Modernisation of the Yuzhno-Sakhalinskaya CCHP-1 with the transfer of boilers of Plants No. 1-5 to the combustion of natural gas» (2011–2013), there was a fundamental change in the fuel balance at OJSC Sakhalinenergo. This was the reason for a significant change in the quantity and, more importantly, qualitative composition of industrial emissions.

The reduced consumption of water and wastewater by Sakhalinenergo was due to the reduction of the capacity of the Sakhalinskaya SDPP through the redistribution of the load on the Yuzhno-Sakhalinskaya CCHP-1, which uses a system of circulating water use in its production activity, as well as due to lower volumes of feeding the city's heat supply system.

As a result of the transition of Separate Subdivision South Sakhalin SDPP-1 from coal to gas consumption, the volume of ash and slag waste formation decreases every year. In addition, it is worth noting another measure aimed at protecting the environment and reducing the negative impact on it — the sale of ash and slag waste to third parties-customers for further use.

Timely removal and disposal of hazard classes I-IV waste, formed during the production activities of the Company, the collection and accumulation of which were carried out in specially designated areas and facilities, in accordance with the requirements of environmental legislation, are ensured through the contracts concluded with specialized organizations, which helps reduce the negative impact on the environment.

JSC Chukotenergo	- Current and capital repairs of BKZ 160-100 boilers, cleaning of I and II industrial waste water tube bundles of the network; - Ensuring density of turbine vacuum system at Plants No. 1, 2; - Cleaning the pipe system of turbine condensers at Plants No. 1, 2; - Cleaning oil traps; - Monitoring the quality of wastewater; - Inventory and testing of dust extraction plants; - Repairing the KA2 ash collector; - Revision and repair of the oil collector of the standby diesel electric power plant; - Maintenance of the sanitary protection zone at Lake Okhotnichye.
JSC KSEN	Completion of the installation of soot-treatment equipment (cyclones) at coal boilers in Nikolskoye village.
PJSC Yakutskenergo	- Development of normative documents in the field of environmental protection; - Repair of burner devices GTE-45-3, GT-770-35-2; - Repair of a section of the fan cooling tower; - Transfer of sewage and waste water to water and sewage utilities; - Carrying out environmental monitoring; - Transfer of waste to specialized enterprises for disposal, use and (or) disinfection; - Replacement of oil circuit breakers with vacuum ones; - Replacement of wire with self-supporting insulated wire (SSIW); - Conducting environmental training for employees.
JSC Teploenergoservis	- Installation of cyclones in boilers at the Ust-Yansky, Ust-Maysky and Aldan branches; - Execution of design and survey works for the reconstruction and modernisation of the sewage treatment facilities in Chernyshevsky of the Viliuy Branch.
JSC Sakhaenergo	JSC Sakhaenergo organizes activities for the use of waste oils to produce thermal energy at the diesel power plant in Tiksi and Sangar using KVSh boilers. It is planned to use approximately 0.1 tonnes of waste oil for the generation of heat energy annually: Solar power plants were put into operation: - SPP – 40 kW in Betenkes village, Verkhoyansk Ulus; - SPP – 40 kW in Yunkiur village, Verkhoyansk Ulus; - SPP – 10 kW in Stolby village, Verkhoyansk Ulus; - SPP – 20 kW in Uluu village, Aldan Ulus. Wind power stations (WPS): WPS – 40 kW, Bykov Cape, Bulunsky Ulus.

CATEGORY: SOCIAL

APPENDIX 9

G4-10. Payroll number of employees by gender and category

	Men		Women		Total
	Number, people	Proportion, %	Number, people	Proportion, %	Number, people
Managers	8,788	12.3	3,011	4.2	11,799
Specialists and office workers	7,767	10.9	13,403	18.8	21,170
Workers	30,489	42.8	7,815	11.0	38,304
Total	**47,044**	**66.0**	**24,229**	**34.0**	**71,273**

APPENDIX 10

G4-11 Proportion of RusHydro Group employees covered by collective agreements, %

№ п/п	Name	Payroll number of employees covered by collective agreements as of 31 December 2015, persons	Proportion of employees covered by collective agreements, %	Note
	PJSC RusHydro			
1	Branch of PJSC RusHydro — the Bureyskaya HPP	323	100	The Company's obligations regarding remuneration and incentives, fringe benefits, guarantees, and compensations for the director and deputy directors of the branch are fulfilled in accordance with the procedure established by local regulations of the Company and/or employment contracts concluded with employees of this job category.
2	Branch of PJSC RusHydro — the Volzhskaya HPP	304	100	
3	Branch of PJSC RusHydro — the Votkinskaya HPP	202	100	
4	Branch of PJSC RusHydro — the Dagestan Branch	720	100	
5	Branch of PJSC RusHydro — the Zhigulevskaya HPP	279	100	
6	Branch of PJSC RusHydro — the Zeyskaya HPP	321	100	
7	Branch of PJSC RusHydro — the Zagorskaya HPP	326	100	
8	Branch of PJSC RusHydro — the Kamskaya HPP	168	100	
9	Branch of PJSC RusHydro — the Kabardino-Balkarian Branch	261	100	
10	Branch of PJSC RusHydro — the Cascade of Verkhnevolzhsky HPP	142	100	
11	Branch of PJSC RusHydro — the Cascade of Kubanskiye HPP	351	100	
12	Branch of PJSC RusHydro — the Karachay-Cherkessia Branch	172	100	
13	Branch of PJSC RusHydro — the Nizhegorodskaya HPP	144	100	
14	Branch of PJSC RusHydro — the Novosibirskaya HPP	172	100	
15	Branch of PJSC RusHydro — the Saratovskaya HPP	217	100	

16	Branch of PJSC RusHydro — the North Ossetian Branch	194	100	The Company's obligations regarding remuneration and incentives, fringe benefits, guarantees, and compensations for the director and deputy directors of the branch are fulfilled in accordance with the procedure established by local regulations of the Company and/or employment contracts concluded with employees of this job category.
17	Branch of PJSC RusHydro — the Sayano-Shushenskaya HPP named after P.S. Neporozhny.	497	100	
18	Branch of PJSC RusHydro — the Cheboksarskaya HPP	205	100	
19	Branch of PJSC RusHydro — Corporate University of Hydropower	0	0	There is no collective agreement (remuneration, the provision of social benefits and guarantees is regulated by local regulatory acts)
20	Executive administration	0	0	

№ п/п	Name	Payroll number of employees covered by collective agreements as of 31 December 2015, persons	Proportion of employees covered by collective agreements, %	Note
	Subsidiary of RusHydro			
1	JSC Hydroremont VCC	3305	100	
2	JSC Pauzhetskaya GeoPP	70	100	
3	JSC RESK	437	100	
4	JSC ChirkeyGESstroy	910	100	
5	JSC Boguchanskaya HPP	620	100	
6	CJSC Upper-Naryn HPPs		0	There is no collective agreement (remuneration, the provision of social benefits and guarantees is regulated by local regulatory acts)
7	JSC Vedeneyev VNIIG	533	100	
8	JSC Geoterm	287	100	
9	JSC Zaramagskye HPPs		0	There is no collective agreement (remuneration, the provision of social benefits and guarantees is regulated by local regulatory acts)
10	JSC Hydroproject Institute		0	
11	JSC KamHEK	98	100	
12	PJSC Kamchatskenergo	4 730	100	
13	JSC Kolymaenergo	682	100	
14	PJSC Krasnoyarskenergosbyt	1630	100	
15	JSC Lengidroproject	704	100	
16	LLC SHPP of the Stavropol Region and KCR		0	There is no collective agreement (remuneration, the provision of social benefits and guarantees is regulated by local regulatory acts)
17	JSC SHPP of KBR		0	
18	LLC Montazhenergo	210	100	
19	CJSC MEK		0	There is no collective agreement (remuneration, the provision of social benefits and guarantees is regulated by local regulatory acts)
20	JSC Nizhne-Bureyskaya HPP		0	
21	JSC NIIES	327	100	
22	LLC Energy Supply Company of Bashkortostan	1184	100	
23	JSC Ust-Srednekanskaya HPP	29	100	
24	JSC SC SSHPP	161	100	
25	JSC Chuvashskaya Power Supply Company	436	100	

26	JSC ESK RusHydro		0	There is no collective agreement (remuneration, the provision of social benefits and guarantees is regulated by local regulatory acts)
27	JSC Zagorskaya PSPP-2	76	100	
28	JSC ESCO UES		0	There is no collective agreement (remuneration, the provision of social benefits and guarantees is regulated by local regulatory acts)
29	JSC MOSOBLHYDROPROJECT		0	
30	JSC Sulaksky HydroCascade	51	100	
31	JSC CHPP in Sovetskaya Gavan		0	There is no collective agreement (remuneration, the provision of social benefits and guarantees is regulated by local regulatory acts)
32	JSC Blagoveshchenskaya CHPP		0	
33	JSC Yakutskaya SDPP-2		0	
34	JSC Sakhalin SDPP-2		0	
35	RAO ES of the East Holding (including the companies of the subgroup of RAO ES of the East Holding)	51,161	100	
	Total	**67,641**	**100**	Of 35 subsidiaries, 21 have concluded collective agreements, which cover 100% of the employees of these subsidiaries. Obligations of the subsidiaries regarding remuneration and incentives, fringe benefits, guarantees, and compensations for the CEOs are fulfilled by the subsidiaries in accordance with the procedure established by local regulations of the subsidiaries and/or employment contracts concluded with the CEOs.

PRODUCTION CATEGORY

APPENDIX 11

Implementation of technical re-equipment and reconstruction program by the branches of PJSC RusHydro, disbursement of funds under the business plan, thousand rubles, VAT exclusive

№	Branch/subsidiary	Business plan	Fact	% of performance
1	The Volzhskaya HPP	3,899,169	4,128,562	106
2	The Votkinskaya HPP	260,955	243,042	93
3	The Zhigulevskaya HPP	4,920,833	6,328,225	129
4	The Kamskaya HPP	800,526	693,722	87
5	The Cascade of Verkhnevolzhsky HPP	711,340	712,523	100
6	The Nizhegorodskaya HPP	628,191	453,309	72
7	The Saratovskaya HPP	7,241,215	6,499,166	90
8	The Cheboksarskaya HPP	935,382	946,620	101
9	The Sayano-Shushenskaya HPP	661,647	652,334	98
10	The Bureyskaya HPP	161,584	230,249	142
11	The Zeyskaya HPP	481,785	398,072	83
12	The Novosibirskaya HPP	1,114,506	2,182,683	196
13	The Cascade of Kubanskiye HPP	1,309,913	354,183	27
14	The Dagestan Branch	1,117,719	796,922	71
15	The Karachaevo-Cherkessia Branch	314,638	304,753	86
16	The Kabardino-Balkaria Branch	464,158	381,594	82
17	The North Ossetian Branch	356,857	280,124	78
18	The Zagorskaya PSPP	532,256	469,492	88
19	The Corporate University of Hydropower	13,261	8,617	421
20	Executive bodies of PJSC RusHydro	1,962,322	385,641	20
	Total for PJSC RusHydro	27,888,257	26,449,831	95

APPENDIX 12

Distribution of accidents broken down by kind of equipment at PJSC RusHydro

Classification of kinds of equipment	2014	2015	Dynamics 2015-2014
3.3.1. Boiler equipment	-	-	-
3.3.2. Turbine equipment	21	20	-1
3.3.3. Auxiliary heating mechanical equipment	-	-	-
3.3.4. Electrical equipment of power plants of 110 kV and more	23	22	-1
3.3.5. Electrical equipment of power plants, boilers and heating networks 6–35 kV	7	3	-4
3.3.6. Gas equipment	-	-	-
3.3.7. Generators and synchronous compensators	11	18	+7
3.3.8. Hydraulic structures and equipment	-	-	-
3.3.9. Buildings and structures of an energy facility	-	-	-
3.3.10. Power lines of 110 kV and more	3	3	0
3.3.11. Power lines of 6–35 kV	3		-3
3.3.12. Electrical equipment of transformer and other substations, distribution stations of 110 kV and more	10	9	-1
3.3.13. Electrical equipment of transformer and other substations, distribution stations of 6–35 kV	-	-	-
3.3.14. Transformers (auto-transformers) and shunt reactors of 110 kV and more	11	7	-4
3.3.15. Relay protection, emergency and mode automation devices	21	18	-3
3.3.16. Thermal automation and measuring devices	-	-	-
3.3.17. Main pipelines of heating networks	-	-	-
3.3.18. Dispatching and technological controls	3	2	-1
3.3.19. Power equipment control systems	19	26	+7
3.3.20. Other equipment	-	-	-

Distribution of accidents due to PJSC RusHydro's organizational caused

Classification signs of organizational causes of accidents	2014	2015	Dynamics 2015-2014
3.4.1. Erroneous or improper actions of operating personnel and (or) dispatching personnel	8	6	-2
3.4.2. Erroneous or improper actions (or inaction) of personnel of the organization's services/structural units	8	9	+1
3.4.3. Erroneous or improper actions of contracted personnel	14	9	-5
3.4.4. Erroneous or improper actions of the organization's own maintenance or commissioning personnel	3	1	-2
3.4.5. Erroneous or improper actions (or inaction) of management personnel	4	0	-4
3.4.6. Poor quality of production instructions or job descriptions, other local regulatory acts or documents of the organization	4	9	+5
3.4.7. Failure to meet the deadlines, failure to perform the maintenance or repair of equipment and devices in the required volumes	4	10	+6
3.4.8. Impact of unauthorized persons and organizations that are not involved in the process	1	1	0
3.4.9. Excessive parameters of natural phenomena impact on the project conditions	-	-	-
3.4.10. Impact of recurring natural disasters	3	3	0
3.4.11. Defects (drawbacks) of the project, design, manufacture, installation	63	69	+6
3.4.12. Unidentified causes	9	7	-2
3.4.13. Unclassified causes	29	27	-2

APPENDIX 13

Main technical re-equipment and overhaul works of PJSC RusHydro branches in 2015

The Volzhskaya HPP	- The hydraulic turbine of Plant No. 13 of type PL587-VB-930 (115 MW) was replaced with a new hydraulic turbine of type PL30/877-B-930 (125.5 MW). A unit with a capacity of 125.5 MW was put into operation. - The hydraulic turbine of Plant No. 6 was modernized with replacement with PL30/877-V-930 (MW 125.5). Installation work is under way; commissioning is scheduled for 2016. - The generator of Plant No. 12 of type SV2-1500/200-88 was replaced with a new generator of type SV-1488/200-88 UHL4 (G12). A unit with a capacity of 125.5 MW was put into operation. - The generator of Plant No. 13 of type SV2-1500/200-88 was replaced with a new generator of type SV-1488/200-88 UHL4 (G13). A unit with a capacity of 125.5 MW was put into operation. - The generator of Plant No. 9 of type SV2-1500/200-88 was replaced with a new generator of type SV-1488/200-88 UHL4 (G9). A unit with a capacity of 125.5 MW was put into operation.
The Votkinskaya HPP	- Complete replacement of hydraulic units was carried out at Plants No. 1-10. Delivery of equipment and installation is scheduled for 2016. - The excitation system of hydraulic units was modernized at Plants No. 1-10. - The equipment of the excitation systems for hydro generators of Plants No. 1 and 8 was delivered, constructed, installed and commissioned. - A secure technological parameters registration system was implemented. Design work and supply of equipment were carried out. Commissioning of equipment is scheduled for 2016. - Reconstruction of the SWYD 110 kV, SWYD 220 kV control system was carried out with the creation of an information-managed complex as part of microprocessor-based connection protection. C&IW and commissioning[53] of Automated Control System and Relay Protection and Automation[54] of all connections of SWYD 220 were performed, and the equipment was put into operation. - Modernisation of safety equipment was carried out. Equipment for a comprehensive information security management system was delivered; the equipment was put into operation.
The Kamskaya HPP	- The hydraulic turbine of Plant No. 4 was modernized and the runner chamber and the turbine were replaced. The hydraulic turbine was replaced with a new type PL20-V-500 turbine, produced by OJSC Turboatom. The unit was put into operation. - A new turbine cover and a regulating ring of the distributor for a hydraulic unit of Plant No. 1 were manufactured and used to replace the old ones. - Replacement of the hydro-mechanical equipment of HPP is under way; construction and installation works have been executed, and equipment has been delivered in the planned volume. - The relay protection, control panel, etc. are being replaced with a microprocessor ACS SWYD system control complex. - The relay protection, controls, process automation, and control panel are being replaced with microprocessor ACS system of hydraulic units at Plants No. 1, 4, 12, 14.
The Zhigulevskaya HPP	- Hydraulic turbine No. 12 was replaced with a new hydraulic turbine of type PL_ PL-30/877-V-930. A unit with a nominal capacity of 129 MW and maximum capacity at maximum water head of 145 MW was put into operation under a warranty. - Hydraulic turbine No. 14 was replaced with a new hydraulic turbine of type PL_ PL-30/877-V-930. A unit with a nominal capacity of 129 MW and maximum capacity at maximum water head of 145 MW was put into operation under a warranty. - Hydraulic turbine No. 17 was replaced with a new hydraulic turbine of type PL_ PL-30/877-V-930. A unit with a nominal capacity 129 MW and maximum capacity at maximum water head of 145 MW was put into operation under a warranty. - Modernisation of the hydraulic turbine at Plant No. 7 with the replacement with a hydraulic turbine of type PL_ PL-30/877-V-930 started. Installation work is under way; commissioning is scheduled for 2016. - Modernisation of the hydraulic turbine at Plant No. 13 with the replacement with hydraulic turbine of type PL_ PL-30/877-V-930 started. Installation work is under way; commissioning is scheduled for 2016. - Modernisation of the hydraulic turbine at Plant No. 16 with the replacement with hydraulic turbine of type PL_ PL-30/877-V-930 started on 06 January 2015. Installation work is under way; commissioning is scheduled for 2016. - Modernisation of hydro-generators at Plants No. 12, 14, 17 with the replacement of worn out steel rotor structures (sleeve, spokes, rim, generator shaft). Generators with a capacity of 120 MW were put into operation. - Modernisation of hydro-generators at Plants No. 7, 13, 16 with the replacement of worn out steel rotor designs (sleeve, spokes, rim, generator shaft). Installation work is under way; commissioning is scheduled for 2016.

The Cascade of Verkhnevolzhsky HPP	- Reconstruction of hydro-mechanical and lifting equipment at the Rybinskaya and Uglichskaya HPP. Replacement of GA No. 1 trash screens at the Uglichskaya HPP, and supply of GA No. 6 trash screen equipment to the Rybinskaya HPP, and GA No. 1 trash screen equipment to the Uglichskaya HPP. Completion of work is scheduled for 2016. - Reconstruction of SWYD 220 kV with the replacement of 220kV cell electrical equipment, with installation of a relay cabinet in Relay Protection and Automation, Automated Process Control System of the substation, and turnkey connection of AT-1, AT-2 auto-transformers with the development of working documentation at the Rybinskaya HPP. Installation, commissioning and putting into operation of AT-1 and AT-2 auto-transformers, cells No. 2, 3, 4, 5, 7, 8, 9, 10 of 220 kV, 110 kV SWYD. Works on landscaping the outdoor territory of SWYD and installation of bedding and concrete surfacing on the 220 kV SWYP internal road. Completion of work is scheduled for 2016. - Replacement of single-phase transformers with bearing capacity of 2T-4T at the Rybinskaya HPP by three-phase transformers with a capacity of 80,000 kW with the supply of 4 transformers. Automated Process Control System equipment was supplied. The works to strengthen the columns, replace the aerial crossing across the Sheksna River, install a protection circuit and lightning protector, assemble and install electrical equipment, install an automatic fire extinguishing system, install an oily water discharge system, as well as civil works at the transformer site, commissioning and putting into operation of 3T and 4T transformers were completed.
The Saratovskaya HPP	- A turbine and hydrogenerator No. 24 were replaced with a new water turbine of type TKV00 vertical Kaplan (Voith Hydro) and generator of type 1DH 7337-3WE33-Z (Voith Hydro). A unit with a capacity of 11.78 MW was put into operation. - Hydraulic turbine No. 10 was replaced with a new hydraulic turbine of type TKV00 vertical Kaplan (Voith Hydro). A unit with a capacity of 66 MW was put into operation. - Hydraulic turbine No. 14 was replaced with a new hydraulic turbine of type TKV00 vertical Kaplan (Voith Hydro). A unit with a capacity of 66 MW was put into operation. - Hydraulic turbine No. 8 was replaced with a new hydraulic turbine of type TKV00 vertical Kaplan (Voith Hydro). Installation work is under way; commissioning is scheduled for 2016. - Hydraulic turbine No. 4 was replaced with a new hydraulic turbine of type TKV00 vertical Kaplan (Voith Hydro). Disassembly work is under way; commissioning is scheduled for 2016. - Reconstruction of equipment of 9T power unit was carried out along with the replacement of the unit transformer.
The Cheboksarskaya HPP	- Reconstruction of the hydroelectric generating unit of Plant 2 with the replacement of the stator and tachometer was completed, and reconstruction of No. 2 impeller blade rotating mechanism was carried out at the manufacturing factory. The hydroelectric generating unit was put into full-scale commercial operation. - Reconstruction of the hydroelectric generating unit of Plant 10 with the replacement of the stator and tachometer was completed, and reconstruction of No. 10 impeller blade rotating mechanism was carried out at the manufacturing factory. The hydroelectric generating unit was put into full-scale commercial operation. - The works to reconstruct the hydroelectric generating units with complete disassembly of the rotation mechanism are under way, including the reconstruction of the impeller blade rotating mechanism at the manufacturing factory and replacement of stators of hydroelectric generating units No. 5, 13, 17. The deadline for the completion of works on the hydroelectric generating units of Plants No. 13, 5 is 2016, and the hydroelectric generating units No. 17 — in 2017. - Work on installation of mechanical protection from acceleration was completed, and the completion of the turbine electrohydraulic controls was carried out.
The Zeyskaya HPP	- Work to install a monorail beam was completed. - Reconstruction of the ventilation systems of warehouse No. 6 was carried out. - The construction and delivery of «carts» to explore the flow channel of the hydroelectric generating unit and the spillway were completed.
The Sayano-Shushenskaya HPP named after P.S. Neporozhny	- The project of complex reconstruction of the Maynskiy Hydro Complex was developed. - Project of reconstruction of the Sayano-Shushenskaya HPP with the replacement of upper level. - Supply of direct current lead to SSHPP — 25,866,370.00. - Construction of the top level of the automation system at SSHPP (stage 1). - Supply, construction and installation work to replace block transformers ORC of cooling systems and isolators at SSHPP. - Design and reconstruction of the building of the Borus Hotel.
The Zagorskaya PSPP	- Reverse thrust bearings of the hydraulic unit No. 3 were reconstructed. - A complex of works to transfer the existing 500 kV connections of the Zagorskaya PSPP to the general GIS of 500 kV. - Construction of cable tunnels and laying power cables of 500 kV was completed, cable boxes of the indoor and outdoor installation were mounted, a new grounding circuit of 500 kVa was installed. Auxiliary equipment, a cable tunnel ventilation system, an automatic fire extinguishing system, a system for the monitoring of cable lines temperature were installed. Autonomous adjustment of relay protection and automation cabinets, integrated two-way adjustment during the physical transfer of overhead lines were carried out. Comprehensive testing of SF6 GIS with the operating voltage of 500 kV was carried out. - The RNDZ-500 type disconnectors were replaced with S2DAT AREVA: RT-1 in 2011, RT-4 in 2012, RT-2 in 2013, RT-5 in 2014. In 2015, the PT-3 disconnector was replaced. It is planned to complete the project in 2016. - The work to equip the water intake source equipment with a source of uninterruptible power supply (diesel generator).

The Bureyskaya HPP	- Modernisation of hydraulic turbine No. 4 through the installation of a stabilizing device. Advance payment for the manufacture of a stabilizing device was made. Delivery of the equipment is expected in December 2016, and its installation — in 2017.
The Cascade of Kubanskiye HPP	- The design work on the comprehensive reconstruction and modernisation of the Cascade Kubanskiye HPP is under way. - Work to install the GRAM system at three units of HPP-2 of the Kurshavskaya Group of HPP was completed. - An idle spillway of the Egorlykskaya HPP was constructed, and the tower spillway of the Egorlykskaya HPP with the exhaust channel was decommissioned.
The Novosibirskaya HPP	- The hydraulic turbine of Plant No. 5 was replaced with a new hydraulic turbine of type PL30-V-800. A unit with a capacity of 65.5 MW was put into operation. - The modernisation of the hydroelectric generating unit of Plant No. 4 with replacement of the hydraulic turbine began in August 2015. Installation work is under way; commissioning is scheduled for June 2016. - Work to reconstruct the water discharge dam in the area of the variable level of the tail race continued.
The Dagestan Branch	- The reconstruction of hydroelectric generating unit No. 1 at the Miatlinskaya HPP with the replacement of the impeller and hydraulic turbine cover, and replacement of the bus section breaker and ACS of the hydroelectric generating unit. - The reconstruction of the thrust bearings of hydro turbines No. 1, 2 at the Irganayskaya HPP was completed (the transition from the hydraulic thrust bearings to hard ones). - The reconstruction of the covers over the span of the hydraulic units at the Irganayskaya HPP was completed. - An automatic seismic network was created at HPP of the Dagestan branch. - The restoration and reconstruction of the Irganayskaya HPP is under way, and work completion is scheduled for 2016. - Work is being carried out to replace the high-voltage bushings of the power transformers at the Chirkeyskaya HPP with upgraded ones.
The North Ossetian Branch	- A design of a comprehensive reconstruction of the Ezminskaya, Gizeldonskaya, Dzhaudzhkauskaya and Bekanskaya HPPs of the branch is being developed. - Work is being carried out to replace the excitation systems of the hydro-generators at the Gizeldonskaya, Dzhaudzhkauskaya and Bekanskaya HPPs. Work was completed on hydraulic units No. 1, 2 at the Gizeldonskaya HPP (replacement of the PBA-62 controllers with STS-VE-200-100-2.5-D22A00-UHL4-0,IR23), No. 1, 3 at the Dzhaudzhkauskaya HPP (replacement of the shunt resistors with STS -VE-200-100-2.5-D22A00-UHL4-0,IR23), No. 2 of the Bekanskaya HPP (replacement of the shunt resistors with STS-VE-200-100-2.5-D22A00-UHL4-0,IP23). - A canal is being constructed to bypass the headworks of the Ezminskaya HPP with the installation of an additional settler, and a bypass canal of the GU of the Gizeldonskaya HPP is being built with the restoration of the reservoir to the design dimensions.
The Karachaevo-Cherkessia Branch	- The installation and adjustment of the main and auxiliary equipment of 110 kV GIS of type ELK 04, produced by LLC ABB, including relay protection systems, MKPA emergency control systems, produced by Prosoft Systems, GIS-110 ACS, AIISKUE, was completed. GIS-110 of type ELK 04 was put into operation. - The 110 kV bushings of power transformers TDC-125,000/110 at Plant No. 1 and Plant No. 2 of type GTTB-60-110/800 were replaced with BRIT-R-90-110-500/800, produced by LCC ABB. - The operational DC system was reconstructed, SCHPT80.220-A-24/1-UHL4 panel boards and operational current distribution control boards, produced by Elektrokontsept, were installed. - Under the agreement for the creation of the HPP Complex Automated Operation System, equipment was delivered, and construction, installation and commissioning work was carried out in accordance with the schedule for the following stages: «Automation of shutters control and monitoring the state of hydraulic structures», «Creation of the 10 kV switchgear assembly technical account system», «Creation of a system to control and monitor power transformers and an auxiliary transformer.» - Work to create a Secure Process Parameters Registration System (black box) was completed. - Voltage measuring transformers of type ZNOL 0.6-15 U3 (20 pcs.) were replaced with the supplied type UGE 17.5 D2 L3 voltage measuring transformers (20 pcs).
The Kabardino-Balkaria Branch	- The hydraulic turbine of Plant No. 1, 2, 3 at the Baksanskaya hydroelectric power station was modernized, with the reconstruction of the system of water supply to the shaft sealing of the hydraulic turbines. The equipment was put into operation. - The excitation system of hydraulic generator No. 3 of HPP-3 was modernized. The equipment was put into operation. - The power transformer of HHP-3 was replaced (with the development of a reference design). Delivery of the equipment was expected in January 2016, and its installation — in February 2016. - The stator coil of hydrogenerator No. 3 was replaced at HPP-3, with Class F insulation in accordance with GOST 8865-93 before the restoration, and Class F insulation in accordance with GOST 8865-93 after restoration. The following works were performed: dismantling of the stator coil, preparation of active stator iron for laying the coil, assembly of stator coil, binding, assembly in accordance with the diagram, filling the stator slots with PC-11 compound, painting, baking (drying), and measurement of insulation resistance. - Work was carried out to create subsystems to control hydroelectric generating units and auxiliary equipment of AHPP HGU ACS. The equipment was put into operation.

APPENDIX 14

The Company's opinion regarding the recommendations of the stakeholders expressed on 26 July 2016 at the Public Dialogue of the Draft Report on the Sustainable Development and Corporate Social Responsibility of RusHydro Group for 2015

№	Recommendations/suggestions made by stakeholders	Consideration of stakeholders' recommendations, and obligations taken by the Company
1	To provide information on the correlation between the Strategy of the Company and the Draft Energy Strategy of Russia for the period until 2035, and to clarify the Company's role in the process of drafting the Energy Strategy of Russia.	This taken into account in the preparation of this report and will be taken into account in the preparation of the report for 2016
2	To increase the number of analytic comments on the sustainable development indicators and their dynamics (to pay special attention to the indicators provided in the section on personnel).	This will be considered in the development of the concept of the report for 2016
3	To provide more information about social risk management (it would be useful to use the ISO 31000 standard to find out about the structure of description).	This will be considered in the development of the concept of the report for 2016
4	To take into account current global and national agenda in determining the material aspects of the Report (to make an initial list of topics).	It will be taken into account when carrying out the procedure for determining the material aspects of the report for 2016
5	To structure information and figures in the Report by region and branch/power plant of the Company.	This will be considered in the development of the concept of the report for 2016
6	To reflect the specific features of the environmental impact of the Company as a hydro-generating organization in the Report more fully.	This will be considered in the development of the concept of the report for 2016
7	To disclose energy efficiency indicators, which are more significant and representative of the Company, broken down by the plant (e.g. "the ratio of power generation to flow pass in a given year, taking into account the height of the dam").	This will be considered in the development of the concept of the report for 2016
8	To resume interaction with environmental NGOs, suspended in 2015. In particular, to continue the project for the development of renewable energy and small hydropower plants, biodiversity conservation (written proposals regarding the development of cooperation and the creation of an information system to support the formation of an effective market of autonomous RES in Russia and the CIS were submitted to A.V. Kazachenkov at the hearings.	Accepted for the consideration of the possibility of including in the Company's business operations plan
9	To add comments to the section of the Report dedicated to key events: specify why these events are significant.	Taken into account in the section "Key Events" of this Report
10	Include a brief summary of the entire document at the beginning of the Report, as well as a brief summary of each chapter at the beginning of each chapter.	This will be considered in the development of the concept of the report for 2016
11	The Ministry would like to read the first versions of the report for 2016 when they are ready at the end of this year.	It is planned to prepare the report for 2016 earlier. The Draft Report will be sent to the RF Ministry of Energy
12	To add information on the sale of energy by RusHydro Group and its impact on sustainable development in the following reporting cycles, and to present a forecast calculation of possible consequences of the sale of the Group's power selling companies (in case such a decision is made).	This will be considered in the development of the concept of the report for 2016
13	To structure reporting information to a greater degree, to improve the consistency and coherence of the presentation of information within the sections of the Report.	This will be taken into account in the preparation of the report for 2016
14	To describe the difference between the old corporate governance system and the improved one in more detail in the Report.	This will be taken into account in the preparation of the report for 2016
15	To present the main key performance indicators of RusHydro's subsidiaries and affiliates in the Report.	This will be considered in the development of the concept of the report for 2016
16	To present an assessment of the work of the Company's Board of Directors in the Report, or to specify a link to the annual report on it.	The suggestion has been taken into account in Section 1.4.2 "Corporate Governance Bodies" of this Report

17	The activities, aimed at biodiversity conservation, implemented by the UNDP/GEF Project — the RF Ministry of Natural Resources together with PJSC RusHydro and described in the Report, are of great importance and are recognized as good practice. It is proposed to single out in this Report (and all future reports) a separate section titled "Biodiversity Conservation" to generalize information about the activities carried out by the Holding, in particular, to describe the activities carried out in conjunction with the UNDP/GEF Project — the RF Ministry of Natural Resources. The inclusion of such a section in the Report corresponds to the world reporting practices of foreign hydropower companies.	This will be considered in the development of the concept of the report for 2016
18	Due to the fact that activities aimed at biodiversity conservation in 2015–2016 were carried out mainly at the expense of the UNDP/GEF Project — the RF Ministry of Natural Resources, it is suggested that while developing the Program of activities that ensure the implementation of the provisions of PJSC RusHydro's Environmental Policy for 2016–2017, special attention be given to measures aimed at the conservation of biodiversity, based on the experience gained and best approaches, which have been developed in cooperation with the UNDP/GEF Project — the RF Ministry of Natural Resources.	Accepted for the consideration of the possibility of including in the Company's business operations plan
19	Since the Company implements a large number of environmentally-focused activities at its facilities (e.g. in its branches in the North Caucasus, and other branches, mentioned in the report made by B.B. Bogush), it is suggested that a sub-section "Biodiversity Conservation" be created on the Company's website, which would accumulate information about the Company's environmental activities, environmental monitoring results, the experience of supporting especially protected natural areas and species, about the Collection of Innovative Solutions to Conserve Biodiversity in the Hydropower Sector, etc. This complies with the common world practice used by environmentally responsible companies, and facilitates the search for environmental information.	Accepted for considering the possibility of including in the Company's business operations plan
20	In the last four reports on CSR and sustainable development of RusHydro Group, there is information that the Company supports the Methods of Hydropower Projects Evaluation for Meeting Agreed Sustainability Standards. It appears that the Company has gained sufficient experience to begin to use the Methods for internal needs and intra-corporate assessments of its facilities, which would allow the Company to plan activities to improve the production processes, as well as activities related to the social and environmental policy more accurately and with a reference to international practices.	Accepted for the consideration of the possibility of including in the Company's business operations plan
21	On page 12 of the Draft Report, there is a graph of power generation. It is desirable that the names of relevant subsidiaries and affiliates referred to in the column "others" be specified.	Taken into consideration
22	It is proposed to consider continuing work at the Methods of Hydropower Projects Evaluation for Meeting Agreed Sustainability Standards in the organization of internal assessment of the Company's facilities.	This will be considered in the development of the concept of the report for 2016
23	The Report (e.g. on page 15) presents different ways of understanding RES — as small-scale power generation (up to 25 MW) and major HPPs of the Company. It is necessary to define the concept of RES used, and to bring the text of the Report in accordance with it (it is recommended to consider RES as small-scale power generation).	Taken into consideration. In this Report, RES is used to denote both major HPPs and small-scale power generation (up to 25 MW).
24	To describe in detail the impact of large dams on the environment, in particular, to provide information and indicators both for the head race and the tail race.	It will also be taken into account in the preparation of the report for 2016 by introducing two separate categories of RES — one for major HPP and another for small-scale power generation (up to 25 MW).
25	To make a comment in the Report (including, with respect to environmental impacts of the Company) on the dynamics of heat production, since power generation at HPP is decreasing, and heat production is increasing.	This will be considered in the development of the concept of the report for 2016
26	To include in the Report data on traditional environmental indicators (such as SOx, NOx emissions).	This will be considered in the development of the concept of the report for 2016
27	To provide specific environmental indicators further in the Report (in particular, regarding pollutant emissions) per unit of power production so that readers will get a clear idea of trends in the Company's development.	Covered in Appendix 5 "Direct Greenhouse Gas Emissions by RAO ES of the East Holding (Coverage Area 1)"
28	To present more detailed information on the certification according to ISO 14000 standard, as well as the Company's further plans pertaining to the development of an environmental management system within the Group.	This will be taken into account in the preparation of the report for 2016
29	It is advisable to provide examples of feedback on sustainable development from stakeholders in the reporting period (e.g. quotes) in the Report.	This will be considered in the development of the concept of the report for 2016

30	To present more detailed information on the dynamics and targets for technical and performance indicators of RAO ES of the East Holding (production of electricity, loss of heat and energy, the use of different types of fuel, reduction of pollutant emissions).	Taken into consideration. This Report contains the table "Registration of stakeholder recommendations and the Company's obligations regarding the registration of stakeholder recommendations".
31	It is recommended to describe the Company's relationships with universities more specifically in the Report. It is necessary to specify more clearly (possibly in a special supplement) which of the Company's projects involved universities that have concluded agreements with PJSC RusHydro. Otherwise, it seems that the Company's charitable activity in respect of universities is much higher in monetary terms than the value of the scientific and technological projects these universities are involved in.	This will be taken into account in the preparation of the report for 2016
32	It might be useful to note that the use of the Company's charitable funds by universities made it possible for their representatives to participate in national and international scientific events.	This will be taken into account in the preparation of the report for 2016
33	It is desirable to develop a general strategy and objectives of the Company's interaction with universities and to reflect this information in the Report.	The proposal has been submitted to relevant structural units.
34	To structure information and to include analytical comments in the sections of the Report.	This will be taken into account in the preparation of the report for 2016
35	To pay more attention to the interests of the Company's major stakeholders — shareholders and investors — in the Report.	Information for shareholders is presented in more detail in the annual report, which is referred to in this Report. This will also be taken into account in the preparation of the report for 2016
36	To pay special attention in the Report to the issue of social risk management, in particular to the management of social risks related to the negative attitude of the community to the consequences of launching new projects for the construction of hydropower plants in specific areas for the population (e.g. those listed on the website plotinam.net site).	This will be considered in the development of the concept of the report for 2016
37	To provide more detailed information about the plans and results of RAO ES of the East Holding regarding the reduction of greenhouse gas emissions.	It has partly been taken into account in this Report: the results for 2015 are presented in Appendix 5. This will also be taken into account in the preparation of the report for 2016
38	To send the Report prepared by the Company to the Supreme Environmental Council of the Committee for Natural Resources, Environment and Ecology at the RF State Duma.	This Report will be sent to the Supreme Environmental Council of the Committee on Natural Resources, Environment and Ecology at the State Duma

FOOTNOTES

1 The Report has been registered in the GRI Sustainability Disclosure Database atwww.database.globalreporting.org.

2 Throughout the Report, the Group may also be called RusHydro or RusHydro Holding: PJSC RusHydro and its subsidiaries. A full list and structure of the RusHydro assets are available on the website: www.rushydro.ru/company/structure.

3 The Russian Classification of Economic Activities.

4 The assurance of independent auditor ise presented on page 116.

5 The RSPP's Non-financial Reporting Council's opinion and the recommendations for improving the reporting quality are presented on page 117. During the current reporting period, the Company has tried to take into account the RSPP experts' recommendations, received following the public assurance of the 2014 non-financial statements of the RusHydro Group.

6 http://www.rushydro.ru/upload/iblock/5a6/KSO-RusGidro-za-2014.pdf

7 Rating 8 has been awarded to 4 Russian companies: PJSC RusHydro, OJSC MMK, AKF Sistema OJSC, and TransContainer PJSC.

8 Key financial indicators are given in accordance with IFRS. In breakdowns of some charts, the «others» category is used, which includes the following subsidiaries of PJSC RAO ES of the East: PJSC Kolymaenergo (Kolymskaya HPP), JSC Ust-Srednekanskaya HPP, JSC Geoterm, JSC Pauzhetskaya GeoPP, CJSC MEK (the Republic of Armenia), PJSC KamGEK, JSC Boguchanskaya HPP.

9 The rest 25% stand for fuel generation.

10 Installed capacity broken down by energy sources and control mode (G4-EU1), Net generation broken down by energy sources and control mode (G4-EU2) and Planned throughput against expected demand for electricity at long-term, broken down by energy sources and control mode (G4-EU10), see Appendices 1 and 2.

11 Source: Company data, PJSC RusHydro.

12 Minutes of the Boards of Directors dated June 8, 2016, No.238

13 The Long-Term Development Program of the RusHydro Group was approved by the Board of Directors of PJSC RusHydro on November 20, 2014 (Minutes No. 206 dated November 21, 2014) as amended by the Board of Directors of PJSC RusHydro (Minutes No. 212 dated April 3, 2015 and Minutes No. 218 dated June 22, 2015). For more information about the Long-Term Development Program of the RusHydro Group, see PJSC RusHydro 2015 Annual Report.

14 For more details on the implementation of the Priorities, see PJSC RusHydro 2015 Annual Report in the «Implementation of the Company's Strategy» Section.

15 Information on the number of meetings of the Management and the Board of Directors, the agendas of meetings and the decisions taken, the system of remuneration of the members of the Board of Directors and the Management, and the subsidiaries management system is presented in PJSC RusHydro 2015 Annual Report: www.rushydro.ru/investors/reports/. Please, visit this page to see the key events in the field of corporate governance and organisational development that took place in the reporting year.

16 See Section 3.3.2 R&D and Research Activities for Sustainable Development.

17 Fuel and energy resources.

18 For more details about corporate governance, including the activities and conditions of operation of the Board of directors and the committees reporting to the Board of Directors, see the 2015 Annual Report of PJSC RusHydro.

19 http://www.rushydro.ru/corporate/regulations_and_docs/

20 For more information about the assessment of operational efficiency of the Board of Directors, see the 2015 Annual Report of PJSC RusHydro.

21 For more details about corporate governance, including the characteristics of the BoD composition, see the 2015 Annual Report of PJSC RusHydro..

22 It is provided in the Corporate Governance Code of PJSC RusHydro that in exceptional cases the Board of Directors may recognize a candidate (BoD member) as an independent member, despite he/she has any relation with the Company, a significant shareholder of the Company, a significant counterparty or competitor of the Company, if such relatedness does not affect the ability of the responsible individual to make independent, objective and honest judgments. Following this recommendation of the Corporate Governance Code of PJSC RusHydro, The Board of Directors recognized M.S. Bystrov, the BoD member, as an independent member.

23 With regard to the criterion «represents a significant shareholder», the UK Corporate Governance Code of RusHydro has the following attitude: despite the fact that the BoD members – V.V. Pivovarov and S.N. Ivanov – are nominated for the block of shares owned by the Russian Federation, they are not a party to any agreements with the Russian Federation, the subject of which a special voting procedure would be in accordance with the instructions / directives of the Russian Federation. Moreover, the Russian Federation nominated these candidates as independent members. This approach is supported by ISS. M.S. Bystrov was nominated for a minority stake. However, ISS did not recognize him as an independent member. The UK Corporate governance Code contains no definition of the «material business relationship». The Company considers that M.S. Bystrov meets the criterion.

24 http://www.rushydro.ru/upload/iblock/ae2/Godovoj-otchet-2015.pdf

25 For the Table with a list of LTDP KPIs, see the 2015 Annual Report of PSC RusHydro in Section «Key Performance Indicators».

26 Surveying of the property to be insured.

27 Federal Law No. 35-FZ dated March 26, 2003 "On the Power Generating Industry", Federal Law No. 117-FZ dated July 21, 1997 "On the Safety of hydraulic structures", Federal Law No. 116-FZ dated July 21, 1997 "On the Industrial Safety of Hazardous Production Facilities". The full list of regulatory legal and other acts and regulatory and technical documents in the field of industrial and environmental safety, the safety of electrical and thermal installations and networks, the safety of hydraulic structures, industrial safety, construction safety in construction, as well as in the area of operation and maintenance of hydraulic structures and equipment of power facilities is available at: www.rushydro.ru/sustainable_development/safety/library/.

28 For more information about the power supply reliability, see Section 2.4.3 «Repair Production Program» and Section 5.3.2 «Program for the Construction of New Thermal Power Generation Facilities in the Far East».

29 where 100 % is a perfect condition.

30 See Provision at: http://www.rushydro.ru/activity/invest/pricing_audit/standart/

31 Urban Planning Code and Decree of the Government of the Russian Federation No. 468 dated 21.06.2010 «About the procedure for carrying out construction supervision when implementing construction, reconstruction and major repair of objects of capital construction».

32 It is calculated as income/loss from operating activities without taking into account insurance indemnity, depreciation of fixed assets and intangible assets, depreciation of fixed assets, loss from amortization of intangible assets,loss from impairment of plant, property and equipment,, loss from impairmentof subsidiaries' goodwill, loss from impairmentof financial assets available for sale, accounts receivable, long-term bills, loss from fixed asset retirement, loss from revision of net asset value of an affiliate purchased solely for the purpose of subsequent resale, income related to the reduction of post-employment benefits and reduction of retirement benefit plan and other non-cash items of operating income and expenses.

33 Learn more about LTDP in section 1 «Strategic View» or in RusHydro Group annual report for 2015.

34 http://www.rushydro.ru/activity/invest/

35 Comprehensive Program for the Prevention of Wrongful Acts by Employee is approved by the Company Order No. 659 dated 26.07.2012.

36 Except for RAO Energy Systems East companies.

37 Automated technological process control system.

38 Learn more about innovative development program in PJSC RusHydro annual report for 2015.

39 New edition of Environmental Policy is approved on 07.04.2016.

40 See PJSC RAO ES of the East Environmental Policy at www.rao-esv.ru/upload/medialibrary/9f2/ekologicheskaya_politika.pdf

41 It goes about R&D performed by Saint-Petersburg Polytechnical University by order of PJSC RusHydro named «Feasibility of parameters of PJSC RusHydro HPP water reservoirs being built and in operation in terms of greenhouse gas emission». More details about the research will be provided in the article below.

42 RusHydro Group supports decisions of Paris conference COP21(Conferences of the Parties) 2015 about the adoption of efforts by the global society to reduce emissions of greenhouse gases and Decision of the Government of the Russian Federation concerning the reduction of emissions from 25 to 20 % by 2030 (as compared to 1990).

43 See methods for the management of drainage basins and reservoirs for comprehensive use by RAO ES of the East Holding in the Report about corporate social liability and sustainable development of PJSC RAO ES of the East for 2015.

44 except for RAO Energy Systems of the East companies.

45 Poly chlorinated diphenyls are persistent organic pollutions.

46 For details, see Appendix 9.

47 Lost work days mean days of disability of the victims of accidents when they were unable to work.

48 Except for RAO ES of the East Holding.

49 The increase in occupational safety expenditure at PJSC RusHydro was due to changes in the accounting system at the Volzhskaya HPP.

50 Except for RAO ES of the East Holding.

51 Reduction of water reserves in the reservoir during the time interval when the water outflow from the reservoir exceeds the inflow.

52 According to the data of preliminary calculations.

53 Commissioning works.

54 Automated Control System and Relay Protection and Automation.

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