

Regulation on the Assessment of the Activities of the Board of Directors and Board of Director Committees of RusHydro

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TERMS AND ABBREVIATIONS

- Company - RusHydro.
- Board of Directors - Board of Directors of the Company.
- Committee - Committee of the Board of Directors.
- Corporate Secretary - Corporate secretary of RusHydro.

1. General Provisions

1.1. This Regulation was developed in accordance with the laws of the Russian Federation, Articles of Association of RusHydro ("Company"), Regulation on the Convocation and Holding of Meetings of the Board of Directors¹, Code of Corporate Governance², Code of Corporate Governance of the Company³, UK Corporate Governance Code and G20/OECD Corporate Governance Principles⁴.

1.2. This Regulation determines the goals and regulates the procedure for the assessment of the activities of the Board of Directors of the Company and its committees.

1.3. This Regulation shall be approved, amended, and recognized as void under a resolution of the Board of Directors of RusHydro, by recommendation of the HR and Compensation (Nomination) Committee of the Board of Directors of RusHydro.

¹ - Approved by Resolution of the Annual General Meeting of Shareholders of the Company (Minutes No. 17 dated June 28, 2018).

² - Approved by the Board of Directors of the Bank of Russia on March 21, 2014.

³ - Approved by resolution of the Board of Directors of the Company (Minutes No. 218 dated June 22, 2015) (with amendments approved by Resolutions of the RusHydro Board of Directors (Minutes No. 239 dated June 23, 2016; No. 263 dated December 28, 2017)).

⁴ - OECD (2016), G20/OECD Corporate Governance Principles, OECD Publishing, Paris.
<http://dx.doi.org/10.1787/9789264252035-ru>

2. Assessment Goals.

2.1. The activities of the Board of Directors are assessed to determine the efficiency of the operations of the Board of Directors, as well as the compliance of such operations with the Company's development needs, and also enhance the operational efficiency of the Board of Directors and identify areas of potential improvement.

2.2. The assessment of activities helps to:

- increase the role of the Board of Directors in the achievement of the Company's successful development goals
- determine the optimality and balance of the structure and composition of the Board of Directors and its committees to achieve the Company's strategic goals and tasks
- determine the level of participation of the members of the Board of Directors in the implementation of the Company's strategy and achievement of its main goals
- determine the efficiency of the activities of members of the Board of Directors (autonomy, teamwork, personal participation)
- identify the factors reducing the efficiency of the activities of the Board of Directors
- develop proposals to improve the activities of the Board of Directors and its committees
- determine the need for advanced training of the members of the Board of Directors
- develop approaches to the formation and configuration of future compositions of the Board of Directors.

3. Assessment Subjects and Areas.

3.1. The assessment subjects are:

- the Board of Directors as a management body
- the Committees of the Board of Directors
- the Chairman of the Board of Directors
- the Senior Independent Director
- the members of the Board of Directors (individual assessment)
- the Corporate Secretary

3.2. Assessment areas of the activities of the Board of Directors:

- the Board of Directors:
 - Composition and structure
 - Role of the Board of Directors
 - Work procedures of the Board of Directors
- Committees of the Board of Directors
 - Composition and structure of Committees
 - Efficiency of the activities of Committees in their areas of competence
 - Work procedures of Committees
- Chairman of the Board of Directors:
 - Coordination of the activities of the Board of Directors, decision-making efficiency and monitoring of the fulfillment of resolutions
 - Resolution of disputes and conflicts of interest
 - Interaction with shareholders and management
- Senior Independent Director:
 - Assistance to the Chairman of the Board of Directors and the Chairman of the Management Board/Director General in interactions with shareholders
 - Assistance to the Chairman of the Board of Directors in the resolution and settlement of disputes and conflicts of interest
 - Interaction with investors and analysts
 - Coordination of independent director activities.
- Members of the Board of Directors:
 - Competence
 - Professional and personal qualities
 - Participation in the activities of the Board of Directors

4. Assessment Methods and Procedures

4.1. The activities of the Board of Directors are assessed annually based on performance for the corporate year.

The assessment method and term are determined by the HR and Compensation (Nomination) Committee of the Board of Directors.

Assessments are carried out by the Corporate Secretary and the HR and Compensation (Nomination) Committee of the Board of Directors.

The Corporate Secretary ensures support of the Assessment procedure, including the timely preparation of materials for the submission of the necessary questions for consideration to the HR and Compensation (Nomination) Committee of the Board of Directors and Board of Directors, organization of meetings, sending and collection of completed forms, generalization of results, and drafting Assessment Reports for submission to the HR and Compensation (Nomination) Committee and Board of Directors.

4.2. The following methods are used to assess the activities of the Board of Directors:

- Internal assessment (self-assessment)
- External independent assessment (by an external advisor).

4.3. Internal assessment (self-assessment) of the activities of the Board of Directors.

4.3.1. Self-assessment of the activities of the Board of Directors for the corporate year is carried out using the following instruments:

- form to be completed by each member of the Board of Directors (Survey)
- Analysis of the performance of the Board of Directors and its Committees based on objective criteria

4.3.1.1. Survey.

The structure of the Survey and the content of questions for self-assessment of the activities of the Board of Directors are determined by the self-assessment criteria used.

a) The efficiency of the Board of Directors as a whole shall be assessed according to the following main criteria in the survey:

- efficiency of the Composition of the Board of Directors: optimal number of members of the Board of Directors, optimal share of independent directors; presence of duly qualified, skilled and experienced directors
- efficiency of the performance by the Board of Directors of its key functions, and its role in the successful development of the Company: formal assignment and actual performance of functions falling within the competence of the Board of Directors according to the applicable standards and advanced practices, efficient cooperation with the Company's stakeholders
- efficiency of the procedures of the Board of Directors: regular meetings, including by personal attendance; quality discussion on issues of the competence of the

Board of Directors, transparent and efficient decision-making procedures, timely provision of proper materials and information to members of the Board of Directors, efficient performance of Corporate Secretary functions

б) The efficiency of the Committees of the Board of Directors shall be assessed according to the following main criteria to the extent of the survey:

- optimal structure of Committees of the Board of Directors
- effectiveness of the composition of each Committee: optimal number of members of the Committee, optimal share of independent directors; presence of duly qualified, skilled and experienced directors
- effectiveness of each Committee performing the key functions assigned to it and its role in the successful development of the Company, the formalization and actual performance of functions falling within the competence of the Committee in accordance with applicable standards and best practices
- effectiveness of the procedures of each Committee: regular meetings, including by personal attendance, quality discussion on the competence of the Committee, timely provision of proper materials and information to Committee members, regular and proper reporting on the activities of the Committee to the Board of Directors.

в) The effectiveness of the Chairman of the Board of Directors shall be assessed to the extent of the survey as regards the effectiveness of performing the functions assigned to them.

г) The efficiency of the Senior Independent Director shall be assessed to the extent of the survey as regards the effectiveness of performing the functions assigned to them.

д) When completing the Questionnaire, the members of the Board of Directors shall express their opinion on each question by selecting one or several of the suggested answers, or providing a detailed answer to open-ended questions. The members of the Board of Directors are encouraged to provide detailed written comments and/or recommendations on the issues under analysis.

е) Members of the Board of Directors shall send the completed Questionnaires to the Corporate Secretary for self-assessment, and to an external consultant for external assessment.

ж) The Questionnaires completed by members of the Board of Directors shall constitute confidential information not subject to disclosure either within or outside the Company. The results of the survey (answers and comments) of the members of the Board of Directors shall be included in the Report in aggregate and anonymously (i.e., without referring to specific members of the Board of Directors as a source of information).

з) If the members of the Board of Directors so choose, the survey may be conducted anonymously (without specifying respondent names).

и) The self-assessment Questionnaire of the Board of Directors' activities shall be sent by the Corporate Secretary of the Company to each member of the Board of Directors no later than 30 calendar days before the end of the corporate year.

к) Members of the Board of Directors shall complete and submit the Questionnaires to the Corporate Secretary to summarize the results.

4.3.1.2. Analysis of the performance of the Board of Directors and its Committees based on objective criteria

In addition to the survey, the Corporate Secretary shall assess the efficiency of the Board of Directors and its Committees based on the following objective criteria:

- the status of implementation of recommendations based on the performance evaluation of the Board of Directors for the previous period
- the share of independent directors on the Board of Directors and each Committee
- the number of meetings of the Board of Directors and each Committee held within the given period, including the number of meetings of the Board of Directors and each Committee held by personal attendance
- individual attendance at the meetings of the Board of Directors and each Committee, including by personal attendance
- integrity of the planned activities of the Board of Directors and each Committee (in the context of including all issues subject to regular consideration by the Board of Directors and each Committee in the plans according to recommendations of the Corporate Governance Code approved by the Bank of Russia)
- actual performance of the planned activities of the Board of Directors and each Committee
- analysis of statistics and reasons for protest voting ("against", "abstained") on the agenda items of the Board of Directors
- areas of non-compliance (partial non-compliance) with the provisions of the Corporate Governance Code approved by the Bank of Russia regarding the composition and activities of the Board of Directors, Committees of the Board of Directors and the Corporate Secretary, explaining the reasons for non-compliance

b) The sources of information for assessing the performance of the Board of Directors based on objective criteria shall be as follows:

- the Articles of Association and by-laws of the Company governing the activities of the Board of Directors, its Committees and the Corporate Secretary
- minutes of the General Meeting of Shareholders at which decisions were made to elect members of the Board of Directors and relevant materials thereto
- program of works, agendas and minutes of meetings of the Board of Directors.

4.3.2. By decision of the Human Resources and Remuneration Committee of the Board of Directors, and other methods and tools for conducting self-assessments of the activities of the Board of Directors may be applied⁵.

4.3.3. The Corporate Secretary shall, based on data from the Survey and Analysis of the performance of the Board of Directors and its Committees based on objective criteria, as well as the information obtained from other tools and methods if such were used in accordance with Clause 4.3.2 hereof, prepare a report on the results of the self-assessment of the performance of the Board of Directors and submit it for consideration

⁵ - Interviewing the members of the Board of Directors, interviewing external respondents (management, shareholders), etc.

by the Human Resources and Remuneration Committee, which shall recommend it for consideration by the Board of Directors of the Company.

4.4. External independent assessment (by an external advisor).

4.4.1. An external independent assessment (by engaging an external advisor) shall be carried out at least once every three years.

4.4.2. The terms of reference (assignment) for an external advisor to conduct an external independent assessment shall be approved by the Human Resources and Remuneration Committee under the Board of Directors and should contain the following requirements:

- taking into account the results of previous assessments of the Board of Directors when conducting external independent assessments

- external independent assessment with due regard to these Regulations

- preparing a report on the results of the external independent assessment of the activities of the Board of Directors, including:

- Analysis of each assessment dimension in terms of strengths, areas for improvement, and controversial issues regarding which the opinions of members of the Board of Directors vary significantly, including issues on which the members of the Board of Directors protest voted (voted "against" or "abstained").

- Comparative analysis of the practices of the Board of Directors with the best Russian and international practices, including an analysis of the attendance by members of the Board of Directors of meetings of the Board of Directors and Committees under the Board of Directors for the periods under consideration.

- Practical decisions and recommendations to improve the effectiveness of the Board of Directors.

4.4.3. The external advisor shall be approved by the Board of Directors of the Company based on the recommendation of the Human Resources and Remuneration Committee under the Board of Directors prepared with regard to the provisions of Federal Law No. 223-FZ dated July 18, 2011 "On the Procurement of Goods, Works, and Services by Certain Types of Legal Entities"⁶ and the LR(I) of the Company establishing the procedure for conducting procurement procedures in the Company.

4.4.4. The approach to and plan for conducting an external independent assessment of the Company's Board of Directors shall be developed by the external advisor independently and approved by the Human Resources and Remuneration Committee.

⁶- in the event of the amendment/termination of Federal Law No. 223-FZ dated July 18, 2011 "On the Procurement of Goods, Works, and Services by Certain Types of Legal Entities," the rules effective as of the date the Company conducts procurement procedures for engaging an external advisor shall be applied.

5. Review of the assessment results and disclosure of information about the assessment of the performance of the Board of Directors.

5.1. The report on the assessment results (self-assessment, external assessment) shall be pre-reviewed by the Human Resources and Remuneration Committee under the Board of Directors, with subsequent submission for consideration to the Company's Board of Directors.

5.2. Based on the results of the assessment, the Corporate Secretary shall draw up an action plan to improve the performance of the Board of Directors, which shall be reviewed by the Human Resources and Remuneration Committee under the Board of Directors.

5.3. After the report on the assessment results has been reviewed by the Board of Directors of the Company, a summary of assessment results shall be prepared and included in the Company's Annual Report.

Such information shall contain data about the timing, form of the Assessment and their consideration at a meeting of the Board of Directors, along with information about the key findings of the Assessment.