

Preliminarily approved

under Resolution of the Board of Directors

of PJSC “Lenenergo”, May 17, 2019

Minutes No. 41 of May 20, 2019

Approved

by Resolution of the General Meeting

of PJSC “Lenenergo” \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_2019

Minutes No. \_\_\_\_ of \_\_\_\_\_\_\_\_\_\_2019

Annual Report

of Public Joint-Stock Company “Lenenergo”

for 2018

*(Signed)*

A.V. Ryumin

CEO

PJSC “Lenenergo”

*(Signed)*

G.V. Kuznetsova

Chief Accountant

PJSC “Lenenergo”

Saint Petersburg

2019

[**SECTION 1. COMPANY OVERVIEW** 4](#_Toc95855273)

[1.1. **General Information. Description of Assets and Key Metrics**. 4](#_Toc95855274)

[**1.2.** **Structure and Geography of the Company’s Operations** 9](#_Toc95855275)

[**1.3.** **Key Milestones of the Reporting Period** 10](#_Toc95855276)

[**SECTION 2. STRATEGIC DEVELOPMENT PRIORITIES** 15](#_Toc95855277)

[**2.1** **Market Overview** 15](#_Toc95855278)

[**2.2** **The Company’s Mission and Strategic Development Priorities** 22](#_Toc95855279)

[**2.3** **Report of the Board of Directors on Development in the Company’s Priority Areas:** 23](#_Toc95855280)

[**2.4** **Key Performance Indicators** 23](#_Toc95855281)

[**2.5** **Customer Engagement** 25](#_Toc95855282)

[**2.6** **Business Model** 27](#_Toc95855283)

[**SECTION 3. PERFORMANCE** 30](#_Toc95855284)

[**3.1.** **Tariff Regulation** 30](#_Toc95855285)

[**3.2.** **Operational Performance** 35](#_Toc95855286)

[**3.2.1. Electricity Distribution Services** 35](#_Toc95855287)

[**3.2.2. Sales of Grid Connection Services and Breakdown of Connected Capacity** 46](#_Toc95855288)

[**3.3. Financial Performance** 56](#_Toc95855289)

[**3.4.** **Investments** 61](#_Toc95855290)

[**3.5.** **Consolidation of Electric Grid Assets** 80](#_Toc95855291)

[**3.6.** **Technical Upgrading, Development, and Innovation** 85](#_Toc95855292)

[**3.6.1.** **The Company’s Technical Policy** 85](#_Toc95855293)

[**3.6.2.** **Innovation and R&D** 97](#_Toc95855294)

[**3.6.3.** **Information technologies and telecommunications** 105](#_Toc95855295)

[**3.6.4.** **Reliability and Repairs** 106](#_Toc95855296)

[**SECTION 4. CORPORATE GOVERNANCE** 110](#_Toc95855297)

[**4.1.** **Corporate Governance** 110](#_Toc95855298)

[**4.2.** **Risk Management** 158](#_Toc95855299)

[**4.3.** **Securities** 181](#_Toc95855300)

[**SECTION 5. SUSTAINABLE DEVELOPMENT** 191](#_Toc95855301)

[**5.1.** **Human Resources Management** 191](#_Toc95855302)

[**5.2.** **Environmental Policy** 203](#_Toc95855303)

[**5.3.** **Procurement** 207](#_Toc95855304)

[**5.4.** **Management systems** 211](#_Toc95855305)

[**5.5.** **Public relations** 212](#_Toc95855306)

[**SECTION 6. APPENDICES** 219](#_Toc95855307)

**SECTION 1. COMPANY OVERVIEW**

* 1. **General Information. Assets and Key Metrics**.

Public Joint Stock Company “Lenenergo” is one of the largest distribution grid companies of Russia. PJSC “Lenenergo” provides electricity distribution services to wholesale and retail electricity market players in the Leningrad Region and Saint Petersburg.

PJSC “Lenenergo” was founded in line with Executive Orders of the Russian President Nos. 992 (of August 14, 1992), 923 (of August 15, 1992), 1334 (of November 05, 1992), and registered by Resolution No. 2518 of the Registration Chamber of the Saint Petersburg Administration of January 22, 1993. The Company is the legal successor of the Lenenergo State Enterprise of Power Industry and Electrification.

Core operations of the Company include:

* Rendering electric power transmission services and other services inseparably connected with electricity supply to consumers;
* Connecting power receiving devices (power plants) of legal entities and individuals to power grids.

In accordance with the Resolution of the Federal Energy Commission of Russia No. 127/8 of December 19, 1997, PJSC “Lenenergo” is included in the Register of Natural Monopolies Regulated and Monitored by the Government under Section I *Electricity and (or) Heat Transmission and Distribution Services*.

Tariffs for the services rendered by the Company are set by the government via regional regulators based on a decision by the Federal Antimonopoly Service.

Today, PJSC “Lenenergo” serves a large market of Saint Petersburg and the Leningrad Region with a total area of 85.3 thousand sq km and a population of 7.2 million people (4.9 per cent of the country’s population).

The area of Saint Petersburg is 1.4 thousand sq km.

The area of the Leningrad Region: 83.9 thousand sq km.

The region’s population: 7.2 million people.

% of Russia’s population: 4.9%

The average headcount for 2018 was 7,109 employees (for the Group: 8,178.7 people).

**Company Background:**

1886

On July 16, 1886, Emperor Alexander III approved the Charter of the Electric Lighting Company established by Carl Siemens. This day ushered in the beginning of the “electric” era and is considered to be the foundation date of PJSC “Lenenergo”.

1917

On December 16 (29), 1917 the Society of 1886 was nationalized.

1926

On December 19, 1926, the Volkhovskaya Hydro Power Plant was put into operation, the country’s first and most powerful hydro power plant at that time.

1932

In 1932, after a number of transformations and name changes, the enterprise was renamed Lenenergo, the name it carries to this day.

1933

On December 19, 1933, the Nizhne-Svirskaya Hydro Power Plant, the world’s first power plant built on floating Devonian clays, was put into operation. Energy from the hydro power plant was transmitted to the Chesmenskaya substation in Leningrad via a 240 km long 220 kV power line.

1941–1945

For Lenenergo, the war years and the siege of Leningrad are a separate page in the history of the power industry of Saint Petersburg. Over 1,500 power workers died defending the besieged city or maintaining the operation of the power system.

1942

In the winter of 1942, employees of Lenenergo laid four 10 kV cable lines to the besieged Leningrad. Over 100 km long, this cable was later known as the “cable of life” because it was thanks to this unique technical solution that the power blockade was broken and Leningrad survived.

1949

During the Great Patriotic War, Lenenergo suffered considerable damage, having lost 2/3 of its power system capacity. But already in 1949, thanks to the power engineers’ selfless efforts, the capacity and electricity output reached their pre-war levels.

1964

28 regional Selenergo agriculture energy operating divisions were reorganized into eight power grid divisions of Lenenergo.

1965

From 1965, the company began to build its backbone 330 kV power grid. Vostochnaya, Chudovo, and Yuzhnaya substations and 330 kV lines were put into operation.

1992

In 1992, OJSC “Lenenergo”, was established through privatization.

2000

From 2000 to 2005, five new backbone 110 kV substations were built within the Saint Petersburg power system, more than 120 km of heat supply grids and tens of thousands kilometers of electric grids were reconstructed.

2005

OJSC “Lenenergo” was reorganized through spin-off of the following companies: OJSC “Saint Petersburg Power Generating Company”; OJSC “North-West Power Management Company”; OJSC “Saint Petersburg Power Sales Company”; and OJSC “Saint Petersburg Power Transmission Networks”.

2008

The city of Saint Petersburg acquired a blocking stake in the Company.

2010

As part of its efforts to build a unified power grid company, OJSC “Lenenergo” acquired CJSC “Tsarskoye Selo Energy Company" (96.95% in the authorized capital) and CJSC “Kurortenergo” (98.13% in the authorized capital).

2011

From January 1, 2011. OJSC “Lenenergo” adopted the RAB (Regulatory Asset Base) model – a new system of long-term tariff regulation

focusing on attracting investments in expanding and modernizing infrastructure.

2012

The Agency for Strategic Initiatives selected OJSC “Lenenergo” as a partner for implementing the road map for the Improving the Accessibility of Energy infrastructure project. As part of the project, OJSC “Lenenergo” served as a platform to test the mechanisms for upgrading the grid connection system to be further rolled out nationwide.

2014

Establishment of Federal Testing Center, PJSC, the country’s first center focused on testing high-voltage equipment.

In December 2014, a Training Complex was launched at the village of Tervolovo, Gatchinsky District, which comprises a training building with 12 specialized classrooms and two year-round training facilities, a 0.4, 10, 35, and 110 kV grid testing facility, and a 110/35/10 kV substation testing facility.

2015

PJSC “Lenenergo” consolidated the largest players in the power transmission market of Saint Petersburg and the Leningrad Region: JSC “Saint Petersburg Power Grid”, and OJSC “Petrodvorets Electric Company”.

2016

The region’s largest program for grid connection of customers to power grids was implemented. A unified center for grid asset operation was built in the region.

**Coverage**

PJSC “Lenenergo” is a regional distribution grid company. PJSC “Lenenergo” operates in two constituent entities of the Russian Federation: Saint Petersburg and the Leningrad Region, each having its own regulation.

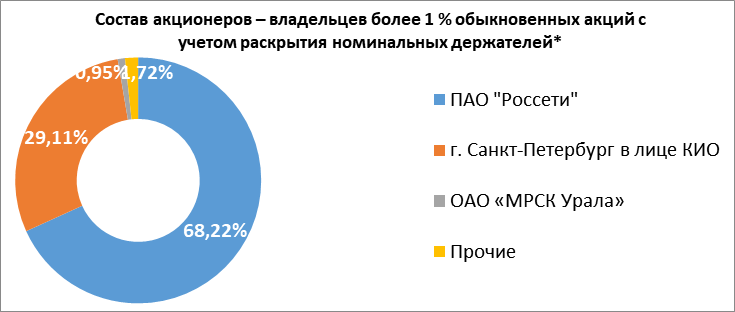
Currently, PJSC “Lenenergo” is the largest grid company in the area. Along with PJSC “Lenenergo”, electricity distribution and consumer connection services in Saint Petersburg and the Leningrad Region are provided by:

* Electricity Transmission Grid Company of North-West, a branch of “FGC UES”, PJSC
* Leningrad Regional Management Electric Grid Company (LOESK), JSC
* A number of related grid companies, whose areas of responsibility are outlined in resolutions of the governments of respective constituent entities of the Russian Federation.

**Equity structure**

Structure of shareholders owning more than 1% of ordinary shares, including disclosure of nominal holders\*

**Shareholders owning more than 1% of ordinary stocks (nominal holders taken into account)\***



 PJSC “Rosseti”

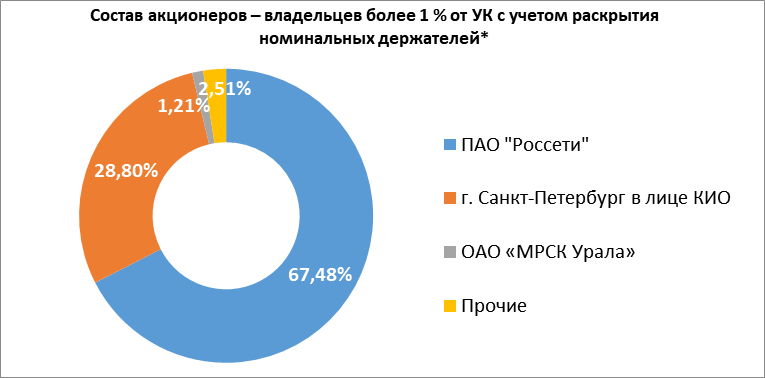
 Saint Petersburg represented by the Property Relations Committee

 IDGC of Urals, OJSC

 Other

Structure of shareholders owning more than 1% of the authorized capital, including disclosure of nominal holders\*

**Structure of shareholders owning more than 1% of ordinary shares, including disclosure of nominal holders\***



 PJSC “Rosseti”

 Saint Petersburg represented by the Property Relations Committee

 IDGC of Urals, OJSC

 Other

Shareholding structure, % of the authorized capital as at the last record date, May 14, 2018 (before the Annual General Meeting of June 8, 2018), including disclosure of the nominal holder.

**Listing and market capitalization**

Ordinary and preference shares in PJSC “Lenenergo” are included in the Level 3 quotation list.

| Title | Security code | Quotation list | Trading start |
| --- | --- | --- | --- |
| Ordinary shares | LSNG | Level 3 | July 16, 2003 |
| Type A preference shares | LSNGP | Level 3 | July 16, 2003 |

Market capitalization as at December 31, 2018 – RUB 53,682 million

Credit rating

As at December 31, 2018:

| **Agency** | **International rating** | **Date of assignment/**  **Valid until** | **Outlook** |
| --- | --- | --- | --- |
| Moody’s Investors Service | Ba1 | December 7, 2017 | Stable |
| ACRA | АА+ | April 11, 2018 | Stable |

In April 2018, the ACRA rating agency assigned an AA+ credit rating to PJSC “Lenenergo”, with a stable outlook.

**Event after the reporting date:**

On March 26, 2019, ACRA upgraded Lenenergo’s credit rating to AAA(RU) with a stable outlook, which is the highest rating on ACRA’s scale

Key performance indicators of the Company for five years

| **Indicator** | **UoM** | **2014** | **2015** | **2016** | **2017** | **2018** | **2018 vs. 2017, % (unless otherwise specified below)** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Electricity distribution services | million kWh | 28,680 | 28,249 | 29,007 | 29,669 | 30,560 | +3.0% |
| Power losses | % | 11.06% | 12.23% | 11.53% | 12.05% | 11.71% | – 0.35 p.p. |
| Connected capacity | MW | 679 | 380 | 725 | 1,607 | 1,033 | -35.7% |
| Revenue from product sales, including: | RUB million | 44,722 | 43,727 | 61,260 | 74,682 | 76,450 | +2.4% |
| from electricity distribution services | RUB million | 36,261 | 40,684 | 54,437 | 60,600 | 68,807 | +13.5% |
| from grid connection services | RUB million | 8,249 | 2,865 | 6,485 | 13,377 | 7,066 | -47.2% |
| from other activities | RUB million | 212 | 177 | 338 | 705 | 577 | -18.2% |
| Cost of goods sold, selling and administrative expenses | RUB million | 39,257 | 44,071 | 49,296 | 54,023 | 57,450 | +6.3% |
| Profit from sales | RUB million | 5,466 | -344 | 11,965 | 20,659 | 19,000 | -8.0% |
| Profit before tax | RUB million | -8,793 | -6,529 | 10,214 | 16,717 | 13,678 | – RUB 3,039 million |
| Net profit | RUB million | -7,968 | -5,916 | 7,561 | 12,561 | 10,386 | – RUB 2,175 million |
| ROE\*\* | % | -10.78% | -6.40% | 6.45% | 9.94% | 7.65% | – 2.28 p.p. |
| EBITDA\*\*\* | RUB million | 11,551 | 7,325 | 21,661 | 28,531 | 26,328 | -7.7% |
| EBITDA margin | % | 25.83% | 16.75% | 35.36% | 38.20% | 34.44% | – 3.77 p.p. |
| Leverage (equity to debt) | - | 0.77 | 1.39 | 1.79 | 1.78 | 1.86 | + 0.08 p. |
| Net debt\*\*\*\* | % | 45,546 | 10,172 | 24,302 | 34,501 | 29,016 | -15.9% |
| Net Debt/EBITDA | - | 3.94 | 1.39 | 1.12 | 1.21 | 1.10 | + -0.11 p. |

Notes:

\* Data for 2014–2018 are shown in line with the annual RAS financial statements, subject to retrospective recognition of data

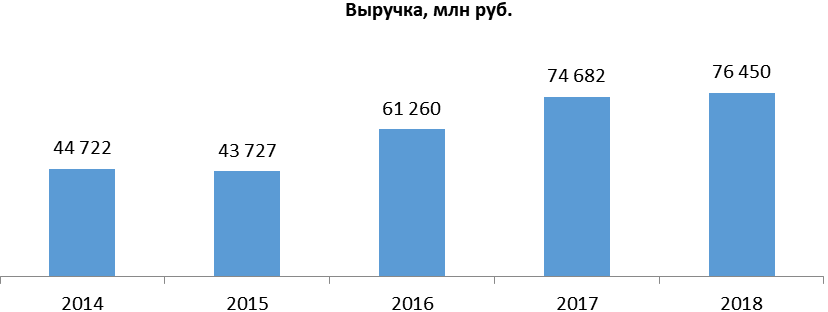
\*\* ROE (return on equity) was calculated according to the following formula:

ROE = (Net Profit/ Average Equity)\*100% = [line 2400 F. 2 / ((line 1300 F. 1 report + line 1300 F. 1 baseline) / 2))\*100%

\*\*\* EBITDA is shown less net provision for impairment of debt financial investments (2014–2018A)

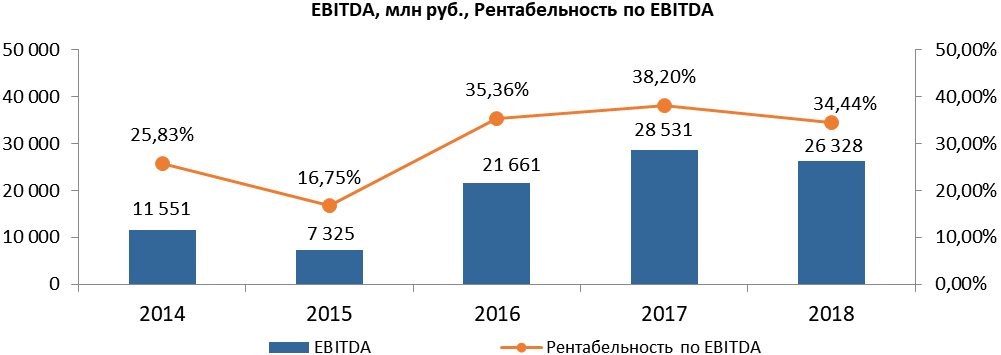
\*\*\*\* Net Debt is calculated as the sum of non-current and current loans and borrowings (balance sheet lines 1410 and 1510), including outstanding interest, less cash (balance sheet line 1250) and short-term financial investments (balance sheet line 1240).

**Revenue, RUB million**



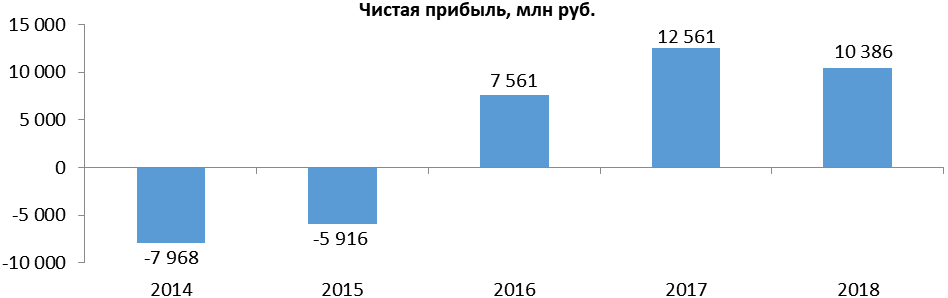
\* Data for 2014–2018 are shown in line with the annual RAS financial statements of the Company, subject to retrospective recognition of data

**EBITDA, RUB million, EBITDA margin**



EBITDA margin

\* EBITDA (under RAS) is shown less net provision for impairment of debt financial investments (2014–2018A)



Net profit, RUB million

\* Data for 2014–2018 are shown in line with the annual RAS financial statements of the Company, subject to retrospective recognition of data

Changes in assets in 2014–2018\*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Indicator | UoM | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 vs. 2017, % |
| Installed capacity | MVA | 23,951 | 24,321 | 24,977 | 26,677 | 27,956 | 4.8 |
| Overhead lines (0.4–110 kV circuits) | km | 41,832 | 42,270 | 43,347 | 44,398 | 45,571 | 2.6 |
| Cable lines (0.4–110 kV circuits) | km | 21,567 | 22,144 | 22,497 | 23,160 | 23,832 | 2.9 |
| 35–110 kV substations | Units | 379 | 386 | 386 | 396 | 396 | 0 |
| 6–35 kV transformer substations | Units | 16,233 | 16,564 | 17,778 | 18,479 | 19,442 | 5.2 |

\* including trust management

* 1. **Structure and Geography of the Company’s Operations**

As at December 31, 2018, Lenenergo Group included the following branches:

| Branch | OL by circuit | OL by route | CL | MVA | **Number** |
| --- | --- | --- | --- | --- | --- |
| Vyborgskiye Power Grid | 9,369.16 | 8,516 | 431 | 2,169 | 635 |
| Gatchinskiye Power Grid | 8,093 | 7,441 | 313 | 2,246 | 590 |
| Cable Grid | 61 | 61 | 20,221 | 8,296 | 1,727 |
| Kingiseppskiye Power Grid | 8,276 | 7,767 | 63 | 1,324 | 524 |
| Saint Petersburg High Voltage Power Grid | 1,847 | 1,134 | 622 | 10,943 | 1,061 |
| Novoladozhskiye Power Grid | 7,185 | 6,676 | 233 | 1,071 | 613 |
| Prigorodniye Power Grid | 5,194 | 5,194 | 1,897 | 1,107 | 770 |
| Tikhvinskiye Power Grid | 5,187 | 4,928 | 48 | 649 | 368 |
| Directorate of Facilities under Construction |  |  |  |  | 81 |
| Energoouchet\* |  |  |  |  |  |

\* Not operating

As at December 31, 2018, Lenenergo Group included the following legal entities:

1. **Joint Stock Company** “**Kurortenergo”**

Share of PJSC “Lenenergo”: 98.13% (99.75% in JSC).

Core operations:

* Electricity transmission and distribution services
* Grid connection
* Street lighting

1. **Joint Stock Company “Lenenergospetsremont”**

Share of PJSC “Lenenergo”: 100%

Core operations:

* Construction, installation, and FEED engineering services for consumers of the Kurortny District of Saint Petersburg.

1. **Joint Stock Company “Energy Service Company Lenenergo”**

Share of PJSC “Lenenergo”: 100%

Core operations:

* Face-to-face and remote customer service: Call Center, Customer Service Center;
* Surveys of the consumers’ electrical installations;
* Implementation of commercial projects;
* Detecting and addressing non-contractual electricity consumption.

1. **Joint Stock Company “Tsarskoye Selo Energy Company”**

Share of PJSC “Lenenergo”: 96.95% (98.93% in JSC).

Core operations:

* Electricity transmission and distribution services
* Grid connection
* Street lighting

1. **Joint Stock Company “Saint Petersburg Power Grid”\***

Share of PJSC “Lenenergo”: 100%

1. **Joint Stock Company\*” Petrodvorets Power Grid”**

Share of PJSC “Lenenergo”: 60.1% (80.1% in JSC).

\* Apart of the business consolidation by PJSC “Lenenergo” of its subsidiaries and affiliates, the power grid assets of these subsidiaries and affiliates were leased to PJSC “Lenenergo” for performing operational functions, while the management and operational staff were transferred to PJSC “Lenenergo”.

* 1. **Key Milestones of the Reporting Period**

**January**

**- On January 12, 2018**, Pavel Livinsky presented the new CEO of Lenenergo, Andrey Ryumin, to the Company’s team.

Lenenergo’s Board of Directors unanimously elected him as the new head of the electric grid company.

- PJSC “Lenenergo” took part in the ceremony held to mark the 74th anniversary of the full lifting of the siege of Leningrad

Power engineers, headed by the Company’s CEO Andrey Ryumin, laid flowers at the monument to Motherland and the memorial plaque commemorating the feats of workers of the power industry buried at Piskarevskoye Cemetery.

**February**

- Lenenergo took part in the Russian Investment Forum in Sochi.

A delegation of PJSC “Lenenergo”, headed by its CEO Andrey Ryumin, took part in the events held at the Territory of Russian Grids congress and exhibition venue. The discussion focused on the outlooks and global trends in the development of modern smart energy solutions.

- Governor of the Leningrad Region Alexander Drozdenko visited the 110 kV Luga substation after its upgrade.

Alexander Drozdenko and Andrey Ryumin, CEO of PJSC “Lenenergo”, inspected the equipment of the key power source of the Luzhsky District after its retrofitting. The facility’s capacity increased by more than one and a half times, from 80 to 126 MVA. PJSC “Lenenergo” built a new 35 kV switchgear and fully retrofitted a 110 kV outdoor switchgear.

**- On February 5, 2018**, at the Extraordinary General Meeting of Lenenergo's shareholders, new members of the Company’s Board of Directors were elected.

- Pavel Livinsky, CEO of PJSC “Rossetti”, held a meeting with the current and former employees of the Company as well as with and the Council of Young Talents of PJSC “Lenenergo”, at which he outlined the key objectives of the Group, i.e. ensuring the reliability of electricity supply and the need to roll out geolocation solutions across the electric grid industry.

**March**

**- On March 28, 2018**, PJSC “Lenenergo” received the Made in Russia award for its project: Application of Underground Transformer Substations in a Constrained Urban Environment.

The first underground transformer substation was installed in late 2016 in the Admiralteysky District of Saint Petersburg. The pilot project used a cluster-based approach to infrastructure upgrade of the electric power facilities through the use of smart compact solutions that fit into the urban architecture.

- PJSC “Lenenergo” conducted a series of drills in the run-up to the presidential election in Russia.

More than 70 crews of PJSC “Lenenergo” were involved in large-scale drills designed to check the preparedness of the electric power grid industry of Saint Petersburg and the Leningrad Region to ensure reliable operation during the Russian presidential election.

- As part of the delegation of PJSC “Rossetti”, representatives of Lenenergo and MOESK took part in a conference on improving the business climate, best practices and reforms in Shanghai.

The event was organized by the Chinese Ministry of Finance together with the World Bank’s team. Lenenergo and MOESK, as authors of best practices, were invited by the World Bank to present their achievements.

**April**

- PJSC “Lenenergo” organized a round table on grid connection at the Russian International Energy Forum. At a round table on Affordable Connection: Experience and Outlooks, experts discussed potential improvements to the grid connection process.

- Heads of PJSC “Rossetti” and PJSC “Lenenergo” discussed with the Governor of Saint Petersburg the development of the region's electric grid industry

At a working meeting, they summed up the performance of the regional distribution grid industry over the past heat deficit period and discussed its further development. Georgy Poltavchenko praised the performance of the power industry during peak loads and expressed his gratitude for the reliable electricity supply to consumers despite challenging weather.

**On April 4, 2018,** the Russian Minister of Energy delivered ministerial awards to employees of PJSC “Lenenergo”.

The awardees included representatives of the Company’s branches: Cable Grid and Novoladozhskiye Power Grid. The award ceremony was held at the State Kremlin Palace in Moscow.

- **On April 23, 2018**, PJSC “Lenenergo” made a public presentation of its development plans for the coming years. The Saint Petersburg Center for Import Substitution and Localization held a public discussion of the patterns and programs for perspective development of the electricity industry of Saint Petersburg for 2018–2022 and the draft amendments to the investment program of PJSC “Lenenergo”.

**May**

**On May 24, 2018,** PJSC “Lenenergo” and the Severo-Zapadny Bank of Sberbank signed a strategic cooperation agreement.

The parties expressed their intention to build a long-term and mutually beneficial strategic partnership, including through a program for digitization of electric grid facilities. The agreement was signed as part of the Saint Petersburg International Economic Forum.

- **On May 24, 2018**, PJSC “Lenenergo” and Gazprombank signed a strategic cooperation agreement at the Saint Petersburg International Economic Forum. The document provides for building a long-term partnership, enhancing cooperation, and developing comprehensive banking services for the company.

- PJSC “Lenenergo” held a large-scale drill in the run-up for the FIFA World Cup.

The drill included interaction between employees and hands-on procedures to be followed by them at the Krestovskaya 110 kV substation, which supplies electricity to the Saint-Petersburg stadium, with electricity supply set up for the hotel, training ground, and other facilities.

- Pavel Livinsky, CEO of PJSC “Rossetti”, visited the Customer Service Center of PJSC “Lenenergo”.

During the meeting, Andrei Ryumin told Pavel Livinsky about the work of the Customer Service Center, which helped Lenenergo increase the availability of its electric grid infrastructure, optimize, and significantly simplify the grid connection procedure.

- The modernization of Lenenergo’s grid connection procedure had a positive impact on the position of Saint Petersburg and the Leningrad Region, which moved 13 positions up in the national investment climate rating compiled by the Agency for Strategic Initiatives, from the 17th to the 4th place, while the Leningrad Region improved its position by eight positions, from the 20th to the 12th place. This breakthrough has been achieved, among other things, through the Company’s efforts to simplify the grid connection procedure. Experts have praised PJSC “Lenenergo” for improved grid connection performance across its operating regions.

**June**

- PJSC “Lenenergo” provided the capacity for the construction of the new stage of the Maly Drama Theater.

- The Annual General Meeting of PJSC “Lenenergo” was held **on June 8, 2018.** Pavel Livinsky, CEO of PJSC “Rossetti”, was elected Chairman of the Company’s Board of Directors.

The Annual General Meeting also refreshed the composition of the Company’s Board of Directors and Internal Audit Commission, and approved the payout of RUB 2.4 billion in dividends for 2017.

**July**

- PJSC “Lenenergo” ensured reliable electricity supply to facilities involved in the events of the FIFA World Cup.

Since June 2018, 94 emergency crews on 99 vehicles were on duty at PJSC “Lenenergo” on a 24/7 basis. In particular, 27 emergency crews were serving the Saint Petersburg stadium. The grid company’s highly coordinated efforts helped ensure the energy system’s reliability during the World Cup.

**August**

- Employees of PJSC “Lenenergo” won in several categories of the qualifying round of the Young Specialists Professional Skills Championship of PJSC “Rossetti” based on WorldSkills’s methodology.

- Nationwide drills of power engineers were completed in Daghestan.

During the closing ceremony, employees of PJSC “Lenenergo” were awarded certificates of honor and letters of acknowledgement from the leadership of the Republic and PJSC “Rossetti”.

**September**

- PJSC “Lenenergo” launched the Reliable People photo exhibition dedicated to energy industry workers at Bolshaya Morskaya Street.

- **On September 19, 2018**, PJSC “Lenenergo” held an opening ceremony to launch a large-scale drill for its power engineers.

The drill program provided for involving specialists from all branches of the Company to work at the Kingiseppsky, Luzhsky, Slantsevsky, and Volosovsky Districts. A total of more than 800 people and 64 vehicles were involved in the drill.

**October**

- **On October 1, 2018**, new equipment was put into operation at the Krasny Treugolnik substation of PJSC “Lenenergo”.

The first phase of the substation’s upgrade was completed, with the facility now operating at 110 kV, which significantly increased the reliability of electricity supply to consumers.

- PJSC “Lenenergo” participated in the Russian Energy Week.

Andrey Ryumin, the Company’s CEO, took part in the open meeting on Digitization of Grids in Practice: Ways and Solutions, and Igor Kuzmin, Deputy CEO – Chief Engineer of the Company, discussed the effects of the electric grid digitization at a meeting with Chief Engineers of electric grid companies.

- PJSC “Lenenergo” won the contest for The Best HR Technologies of Saint Petersburg in the Best HR Technology in HR Management category. The winning project of the Company was titled Employee’s Online Account.

- A new career guidance project with the Natural Science Lyceum of Peter the Great Saint Petersburg Polytechnic University was launched.

The project provides for establishing industry-oriented educational groups at the Lyceum for students who plan to work at an electric grid company.

- PJSC “Lenenergo” held a citywide training drill for addressing process faults at electric grid facilities of Saint Petersburg involving all resource supplying organizations of the city.

**November**

- PJSC “Lenenergo” received a certificate of readiness for the 2018/-2019 heating season.

The Company was assigned the maximum readiness index of 1.

- The Council of Young Specialists of PJSC “Lenenergo” was included in the Youth Council of the Electricity Industry of the Russian Ministry of Energy.

- At the 3rd Forum of Working Youth, Alexander Beglov, Acting Governor of Saint Petersburg, delivered letters of gratitude to the Company’s employee dynasties.

-The Electric Grid Connection metric of the Russian Federation was recognized by the World Bank Group's Doing Business rating as the best global practice. Experts confirmed the successfulness and effectiveness of all reforms previously announced at the Russian electricity supply industry and aimed at simplifying the grid connection process. The practices of PJSC “Lenenergo” and “MOESK”, PJSC are rolled out in other countries to scale their successful experience.

- As part of an investment team of the Leningrad Region, specialists of PJSC “Lenenergo” held a series of meetings with the business community of the Region (cities of Gatchina, Sosnovy Bor, etc.).

Specific steps to improve the investment climate in the Leningrad Region were discussed at off-site meetings, in particular grid connection, which is supervised by the National Rating.

**December**

- **On December 21, 2018**, PJSC “Lenenergo” launched the Leningrad Region’s first-ever automated electric grid district based on the facilities of the Vsevolozhsky Electric Grid District

The commissioning ceremony was attended by Governor of the Leningrad Region Alexander Drozdenko. The pilot project is part of the Company’s program for digital transformation of controls and processes of electric grids and substations.

- **On December 21, 2018**, PJSC “Lenenergo” completed a large-scale drill of power engineers in the Leningrad Region.

The Company’s management summed up the results of the three-month performance by its employees, while specialists who distinguished themselves during the drill were awarded certificates of acknowledgement from PJSC “Lenenergo” and the Government of the Leningrad Region.

- PJSC “Lenenergo” upgraded the online accounts of its customers. The innovations allow customers to connect to Lenenergo’s electric grids by using the functionality of their online accounts, without visiting to the customer service center. For ease of use, the interface of the online account was updated, including convenient navigation tools, a calculator to estimate the cost of the procedure, and other functions added to the interface.

- PJSC “Lenenergo” held a Farmer’s Day..

Together with the Association of Farmers and Farmer Cooperatives, the Company organized a meeting between representatives of the Company and farmers of the Leningrad Region. The participants discussed relevant matters related to grid connection, the lack of engineering corridors, as well as developed solutions for grid connection on a case-by-case basis.

**2019**

**January**

- **On January 18, 2019** Pavel Livinsky, CEO of Rossetti, held a meeting of the electric grid industry headquarters on addressing the consequences of a snow storm in the Leningrad Region.

- **On January 25, 2019**, a historical peak of electricity consumption was recorded in Saint Petersburg and the Leningrad Region.

At 11:00 a.m., electricity consumption in the city and the Region reached 7,719 MW. The peak loads did not affect the reliability of electricity supply to consumers.

**February**

- A workshop on grid connection was organized by Lenenergo.

The Company’s specialists responsible for grid connection, and employees of the Customer Service Center discussed the implementation of the Electric Grid Connection target model as part of a program to accelerate infrastructure connection as well as shared best practices implemented at Lenenergo.

- Management of PJSC “Lenenergo” took part in the Russian Investment Forum in Sochi as part of Rossetti Group’s delegation.

One of the key platforms of the forum was the Rossetti Territory, where Pavel Livinsky, CEO of PJSC “Rossetti”, presented the Digital Transformation 2030 concept.

**March**

- **On March 22, 2019,** PJSC “Lenenergo” received a diploma of the winner of the Made in Russia contest for its project *Reinforced Concrete Supports of 110 kV Overhead Lines from Centrifuged Sectional*i*zed Poles*..

**SECTION 2. STRATEGIC DEVELOPMENT PRIORITIES**

* 1. **Market Overview**

**Macroeconomic situation in Russia**

A competent stabilization policy of recent years helped the country overcome the worst phase of the crisis, address the threat to financial stability, and create conditions for renewed economic growth and lower inflation in Russia.

In 2018, inflation remained at a relevantly low level. The task of maintaining a low inflationary pressure in the economy was supported by a moderately tight monetary policy that ensured that interest rates were at a level that made savings more attractive, increased appetite for debt and, accordingly, boosted consumer and investment demand that were in line with supply expansion capabilities.

The impact of external conditions on the economy in 2018 was ambiguous. On the one hand, higher global oil prices supported the growth of the Russian economy. On the other hand, they put an upward pressure on domestic prices for petroleum products and, consequently, on consumer prices in general.

At the same time, the domestic economic situation remained generally positive during 2018. The Russian economy continued to grow at a rate consistent with its long-term potential; meanwhile, economic growth was not accompanied with a growing excessive inflationary pressure. Consumer demand was supported by expanded lending while households' ruble deposits continued to grow. Consumer demand was also supported by growing salaries. Amid the ongoing conservative budget policy and the continued budget consolidation strategy, the increase in government expenses remained restrained.

The increase in domestic and external demand supported the economic growth. In line with the second estimate of GDP based on data from the Federal State Statistics Service, the index of GDP physical volume in 2018 was 102.3%, while for 2017 it was 101.6%.

Meanwhile, the economy’s output is close to its maximum potential, as indicated, among other things, by the labor and capital utilization rates. Unemployment remains low, close to natural levels, i.e. the economy is functioning at a full employment level.

Along the continued low inflation rates, Russia’s economic development will be promoted in the longer term by measures taken to support financial stability and sustainability in the financial sector and the payment system. Structural policy measures, subject to continued public financial stability, will be decisive for strengthening the foundation for sustainable growth, diversification of the Russian economy, and for reducing its exposure to external factors.

In 2019, mainly during in its first half, a number of constraints will moderately slow down the growth of domestic demand. These include an increase in VAT, a slowdown in the growth of the economy’s proceeds from exports as a result of a gradual decline in oil prices, as well as a certain slowdown in the growth of lending amidst a moderately tight monetary policy of the Bank of Russia and the revised market expectations regarding the speed of transition to a neutral policy.

**Russia’s macroeconomic performance in 2017–2018, %1**

| **Indicators** | **2018 vs. 2017,%** |
| --- | --- |
| Real accrued wages2 | 106.8% |
| Real disposable cash income2 | 100.3% |
| Industrial goods producer price index3 | 111.7% |
| Consumer price index3 | 104.3% |
| Imports**4** | 104.6% |
| Exports**4** | 125.6% |
| Retail turnover | 102.6% |
| Agriculture output | 99.4% |
| Investments in fixed capital5 | 104.3% |
| Industrial output (index) | 102.9% |
| GDP**6** | 102.3% |

Notes to the table:

1) The key economic and social welfare metrics for Russia are as reported at the website of the Russian Federal Statistics Service (Rosstat) at http://www.gks.ru, including in the Social Welfare and Economic Conditions in Russia report posted at the website.

2) The Real Wages (actual average monthly payroll) and Real Expendable Income figures for 2018 are as monitored by the Russian Federal Statistics Service (reported in the Social Welfare and Economic Conditions in Russia report).

3) The Industrial Producer Price Index and Consumer Price Index figures are stated as y-o-y percentage (%) as of December 2018. The Industrial Producer Price Index figure stated covers the following sectors: Mineral Extraction; Manufacturing; Power, Gas and Steam Supply and Air Conditioning; Water Supply, Drainage, Waste Management and Disposal, and Pollution Response.

In annualized terms, the y-o-y figures as of January-December 2018 were:

- 111.9% (Industrial Producer Price Index);

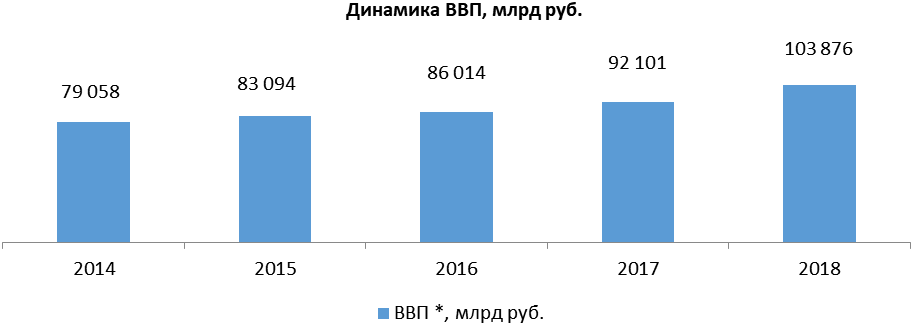
- 102.9% (Consumer Price Index (CPI)). For information: the CPI y-o-y figure for 2017 was 103,7%.

4) The Imports and Exports lines show the y-o-y percentages for January-December 2018 calculated based on actual prices as reported by the Bank of Russia based on the balance of payments as of February 11, 2019.

5) The Capital Investments line shows the y-o-y percentage for January-December 2018 based on the Rosstat’s current data. The data for 2017 were updated based on annual reports and final investment volumes calculations that are not directly observable pursuant to the Guidelines for Assessing, Updating and Publishing the Statistical Data for Construction and Capital Investments approved by Rosstat’s Order No. 544 of September 26, 2016);

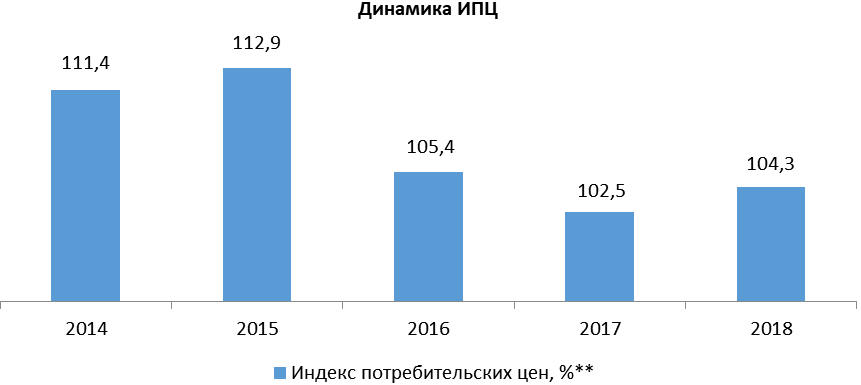
6) The GDP volume is shown as a y-o-y percentage based on the second calculation of the GDP as reported by the Russian Federal Statistics Service (The GDP price deflator for 2018 versus 2017 was 110.3%).

Changes in GDP, RUB billion



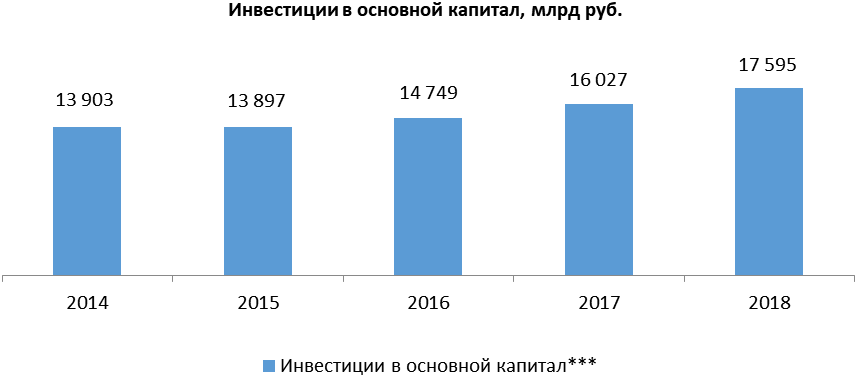
■ GDP,\* RUB billion

Changes in CPI



■ Consumer price index, %\*\*

Investments in fixed assets, RUB billion



■ Investments in fixed assets\*\*\*

\* GDP is shown in the current (market) prices, RUB billion, for 2018 – in line with the second estimate of GDP based on the data from the Federal State Statistics Service. GDP data starting from 2014 were revised in March 2019, are not comparable with the 2011–2014 data published earlier, and are shown in line with the data from the National Accounts section of the official website of the Federal State Statistics Service.

\*\* CPI in the chart is shown in line with data from the analytical tables published on the official website of the Federal State Statistics Service at <http://www.gks.ru/>, as at December year-on-year (in %).

\*\*\* Information on investments in fixed capital is shown in line with the data of the Federal State Statistics Service; and for 2018, in line with the real-time data for 12M 2018. Data for 2017 are adjusted based on annual reports and final assessments of investments not captured by direct statistical methods.

**Electricity Market**

**Structure of the Russian electricity industry**

The electricity industry is a backbone industry of the Russian economy, which accounts for a significant share of GDP. Changes in electricity demand directly depend on Russia’s economic growth rate and heavily correlate with GDP.

The unified energy system (UES) of Russia comprises 70 regional energy systems, which in turn form seven unified energy systems (East, Siberia, Urals, Middle Volga, South, Center, and North-West). Russia also has a number of standalone energy systems (Taimyr, Kamchatka, Sakhalin, Magadan, Chukotka, as well as the energy systems of Yakutia, the Republic of Crimea, and Sevastopol). The UES of Russia power systems are connected by 220–500 kV+ high-voltage interconnection power lines and operate synchronously.

Today’s Russian electricity industry includes about 805 power plants with a capacity of over 5 MW, which make up the Unified Energy System.

**Electricity Market Players**

The value chain in the electricity industry is broken down into the following elements: generation, transmission, distribution, sales, dispatching services, and maintenance. Since 2008, the grid, distribution, and dispatch functions have been controlled by the government; with both private and state-owned companies operating in the generation and sales markets.

Generating companies are engaged in electricity and heat generation. The largest players include PJSC Inter RAO, LLC Gazprom Energoholding, PJSC RusHydro, JSC Concern Rosenergoatom, JSC Eurosibenergo, PJSC Enel Russia, PJSC Unipro, PJSC Fortum, PJSC Quadra, and PJSC “OGK-2”.

Distribution companies distribute electricity through the Unified National Electric Grid and provide grid connection services to consumers. As a natural monopoly, the major operator, PJSC “Rossetti”, brings together interregional distribution grids (IDGCs) and FGC UES, PJSC ([www.rosseti.ru](http://www.rosseti.ru))

Dispatch control in the electric power industry is exercised solely by System Operator of the United Power System, JSC and its regional branches. [www.so-ups.ru](http://www.so-ups.ru)

Sales companies sell electricity generated or purchased by them to consumers.

The wholesale and retail electricity markets are operated and monitored by the Association Nonprofit Partnership Council for Organizing Efficient System of Trading at Wholesale and Retail Electricity and Capacity Market (Association NP Market Council). [www.np-sr.ru](http://www.np-sr.ru)

**Electricity Market Model**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| \\Energo\le\DKU\Investor Relations\ОБЯЗАТЕЛЬНОЕ РАСКРЫТИЕ\Обязательные к раскрытию Эмитентами ЦБ\годовой отчёт\ГО_18\Согласование ПАО Россети\Новый рисунок.bmp | | | | |
| ELECTRICITY GENERATION | | TRANSMISSION AND DISTRIBUTION | | SALES |
|  | |  | |  |
| NUCLEAR POWER PLANTS | HYDRO POWER PLANTS | PJSC “ROSSETI” | | END CONSUMERS |
|  |  |  |  |  |
| **Rosenergoatom, JSC**  Generation of electricity (capacity) at power | **RusHydro, PJSC10**  Generation of electricity (capacity) at hydro power plants | **“FGC UES”, PJSC** | **Interregional Distribution Grid Companies (IDGCs)** | **Industrial consumers and households** |
| Backbone high-voltage grids (220+ V) | Transmission/distribution of electricity via territorial electric grids |  |
|  |  |  |  |  |
| TPPs | | Electricity distribution via the grids of the United National Electric Grid | IDGCs include **PJSC “Lenenergo”** |  |
| **TGC10**  Territorial generating companies | **OGC10**  Heat generating companies operating in the wholesale market |  |
|  | ALLIED GRID ORGANIZATIONS |  |
|  |  |  |  |  |
| RETAIL MARKET GENERATION | |  |  |  |
|  |  |  |  |  |
| **RAO ES EAST, PJSC** | | | |  |

Federal Law No. 36-FZ *On the Operation of the Electricity Industry and Amendments to Certain Legislative Acts of the Russian Federation with Regard to the Enactment of the Federal Law On the Electricity Industry*, of March 26, 2003, prohibits combining electricity transmission and dispatching (markets qualified as “natural monopolies”) with electricity generation and sales (markets qualified as “competitive”) by one legal entity or a group of affiliates within the same pricing zone of the wholesale market.

**Key Indicators of Russia’s Electricity Industry**

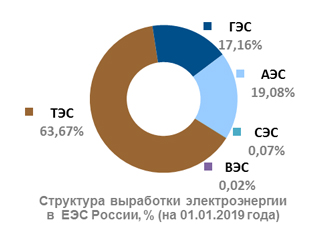
As at December 31, 2018, the total installed capacity of the country’s power plants was 243.2 GW, up 0.1% year-on-year.

The increase in the installed capacity of the UES of Russia’s power plants due to the commissioning of new, as well as the modernization of the existing generating equipment of power plants totaled 5.1 GW. A total of 4.8 GW of new capacity was commissioned in 2018 at power plants of the UES of Russia, including the power plants of industrial enterprises. 1.9 GW of inefficient and obsolete generating equipment was decommissioned.

In 2018, the installed capacity of the fleet of operating power plants had the following structure by generation type: thermal power plants 63.7%, hydro power plants 17.2%, nuclear power plants -19.2 %, wind 0.02%, and solar 0.07%.

Every year, all power plants in the country generate about one trillion kWh of electricity. 1,070.9 billion kWh of electricity was generated in 2018, up 1.6% year-on-year.

**Installed capacity of the UES of Russia’s power plants as at the end of 2018, %[[1]](#footnote-1)**



**Wind**

**Solar**

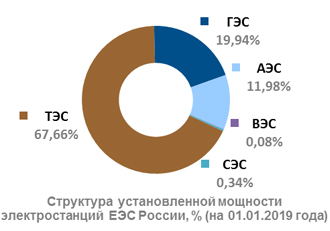
**NPPs**

**HPPs**

**TPPs**

**Electricity generation breakdown within the UES of Russia, % (as at January 1, 2019)**

**Electricity generation by type of the UES of Russia’s power plants as at the end of 2018, %[[2]](#footnote-2)**



**Wind**

**Solar**

**NPPs**

**HPPs**

**TPPs**

**Installed capacity breakdown within the UES of Russia by power plant type, % (as at January 1, 2019)**

**The integrated energy system of Saint Petersburg and the Leningrad Region**

The energy systems of Saint Petersburg and the Leningrad Region are part of an integrated energy system of the North-West, serving as the basis of the Leningrad Regional Dispatching Administration.

The energy system of the Northwest combines eight energy systems located across ten constituent entities of the Russian Federation in the Northwestern Federal District: Saint Petersburg, the Murmansk, Kaliningrad, Leningrad, Novgorod, Pskov, and Arkhangelsk Regions, the Republics of Karelia and Komi, and the Nenets Autonomous District.

The installed capacity of the power plants of Saint Petersburg’s and the Leningrad Region’ energy systems totals 13,096.6 MW.

The electricity system of Saint Petersburg and the Leningrad Region consists of 638 110–750 kV power transmission lines with a total length of 12,498.7 km, and 386 transformer substations with a total installed capacity of 50,430.2 MVA.

In 2017, power plants of Saint Petersburg’s and the Leningrad Region’s energy systems generated 65.1 billion kWh of electricity, while electricity consumption in the area was 47.0 billion kWh.

**The Company’s operating regions**

Companies of Lenenergo Group serve Saint Petersburg and the Leningrad Region.

The key highlights of the social and economic development in the operating regions of PJSC “Lenenergo” in 2018 are shown in the table below:

| Indicator | Saint Petersburg | Leningrad Region |
| --- | --- | --- |
| Consumer price index |  |  |
| Year-on-year change for December 2018, % | 103.9 | 104.0 |
| For reference: Year-on-year change for December 2017, % | 103.7 | 102.7 |
| Industrial output |  |  |
| Year-on-year change for 12M 2018, % | 105.0 | 104.9 |
| For reference: Year-on-year change for 12M 2017, % | 105.5 | 100.2 |
| Change in real cash income |  |  |
| Year-on-year change for 12M 2018, %\*\* | 98.3 | 100.9 |
| For reference: Year-on-year change for 12M 2017, %\*\* | 99.3 | 100.2 |
| Performance against the consolidated budget for 2018 \*\*\*, RUB billion, including | 9.8 | 14.7 |
| Income in 2018 (year-on-year growth, %) | 589.5 (112.9%) | 168.8 (126.1%) |
| Expenses in 2018 (year-on-year growth, %) | 579.7 (102.6%) | 154.1 (108.1%) |
| State debt of the entity as at December 31, 2018, RUB billion (year-on-year growth in 2018, %) | 30.1 (86.4%) | 3.5 (88.4%) |
| Foreign trade turnover (goods)\*\*\*\*, USD million (for 12M 2018), including | 49,198 (110.1%) | 11,225 (121.5%) |
| Exports\*\*\*\* (year-on-year growth for 12M 2018, %) | 26,452 (121.2%) | 7,109 (125.7%) |
| Imports\*\*\*\* (year-on-year growth for 12M 2017, %) | 22,746 (99.5%) | 4,116 (114.8%) |
| Investments in fixed capital for 12M 2018, RUB billion (year-on-year growth, %)\*\*\*\*\* | 747.4 (104.3%) | 466.9 (126.8%) |
| Homes commissioned, total area in thousands sq m (year-on-year growth in 2018, %) | 3,950.3 (111.7%) | 2,643.3 (100.7%) |

\*The table contains data from the Federal State Statistics Service of the Russian Federation (<http://www.gks.ru>), including the Department of the Federal State Statistics Service for Saint Petersburg and the Leningrad Region (Petrostat before January 1, 2017 <http://petrostat.gks.ru>), the Finance Committee of Saint Petersburg, the Official Portal of the Administrations of the Leningrad Region (<http://lenobl.ru/finance)>) and Saint Petersburg (<http://www.gov.spb.ru>), and data from the Ministry of Economic Development of the Russian Federation (<http://www.economy.gov.ru>), including data from operational statistical reporting at the time of preparing this report.

The methodology for determining the majority of indicators is published on the official website of the Department of the Federal State Statistics Service for Saint Petersburg and the Leningrad Region <http://petrostat.gks.ru>

Information about changes in the indicators shown in the table in percent, including those shown in the table in brackets (*growth* rates), is given in accordance with the methodology used by the Federal State Statistics Service using the formula below: ***Indicator for the reporting period/indicator for the baseline period \*100***

\*\* Information shown is in line with the *Social and Economic Situation in Saint Petersburg in January–December 2018*, *Social and Economic Situation in the Leningrad Region in January–December 2018*, and *Summary of the Social and Economic Situation in Saint Petersburg and the Leningrad Region* *in January 2019* reports of the Department of the Federal State Statistics Service for Saint Petersburg and the Leningrad Region. Data for 2017 were updated by Rosstat in accordance with the annual calculations of cash income and expenses for 2017 (Letter No. KL-06-1/5567-TO of November 26, 2018).

\*\*\* Information on performance against the consolidated budget of Saint Petersburg and the Leningrad Region is shown based on the real-time data from the Federal Treasury for 12M 2018 in accordance with the information contained in the *Social and Economic Situation in the Northwestern Federal District in 2018* statistical compilation (<http://www.gks.ru>) and according to the report on performance against the consolidated budget of the relevant constituent of the Russian Federation as at January 1, 2019 of the Finance Committee of the Leningrad Region.

\*\*\*\* Foreign trade turnover (including exports and imports and their changes in percent) are shown for 12M 2018 based on the real-time data of the Department of the Federal State Statistics Service for Saint Petersburg and the Leningrad Region, in accordance with the *Social and Economic Situation in Saint Petersburg in January 2019* and *Social and Economic Situation in the Leningrad Region in January 2019* reports.

\*\*\*\*\* The information is in line with the *Investments in Fixed Capital by Constituent Entities of the Russian Federation in January–December 2018* analytical tables on the official website of the Federal State Statistics Service for January–December 2018 (including the update on investments at the federal level for previous periods, which are not captured by direct statistical methods).

Since the business of PJSC “Lenenergo” directly depend on the economic situation in the country as a whole and in the operating regions of the Company in particular, the situation in the regional economy is an integral element of its strategic development.

Improvements across a number of economic metrics and parameters in the Company’s operating regions generally have a positive impact on the operation and performance of PJSC “Lenenergo”.

**Position of the Company in the Industry**

There are three tiers of grid companies in the Russian electricity industry.

Tier 1:

A federal grid company with 220+ kV grids, operating throughout the Russian Federation

Tier 2:

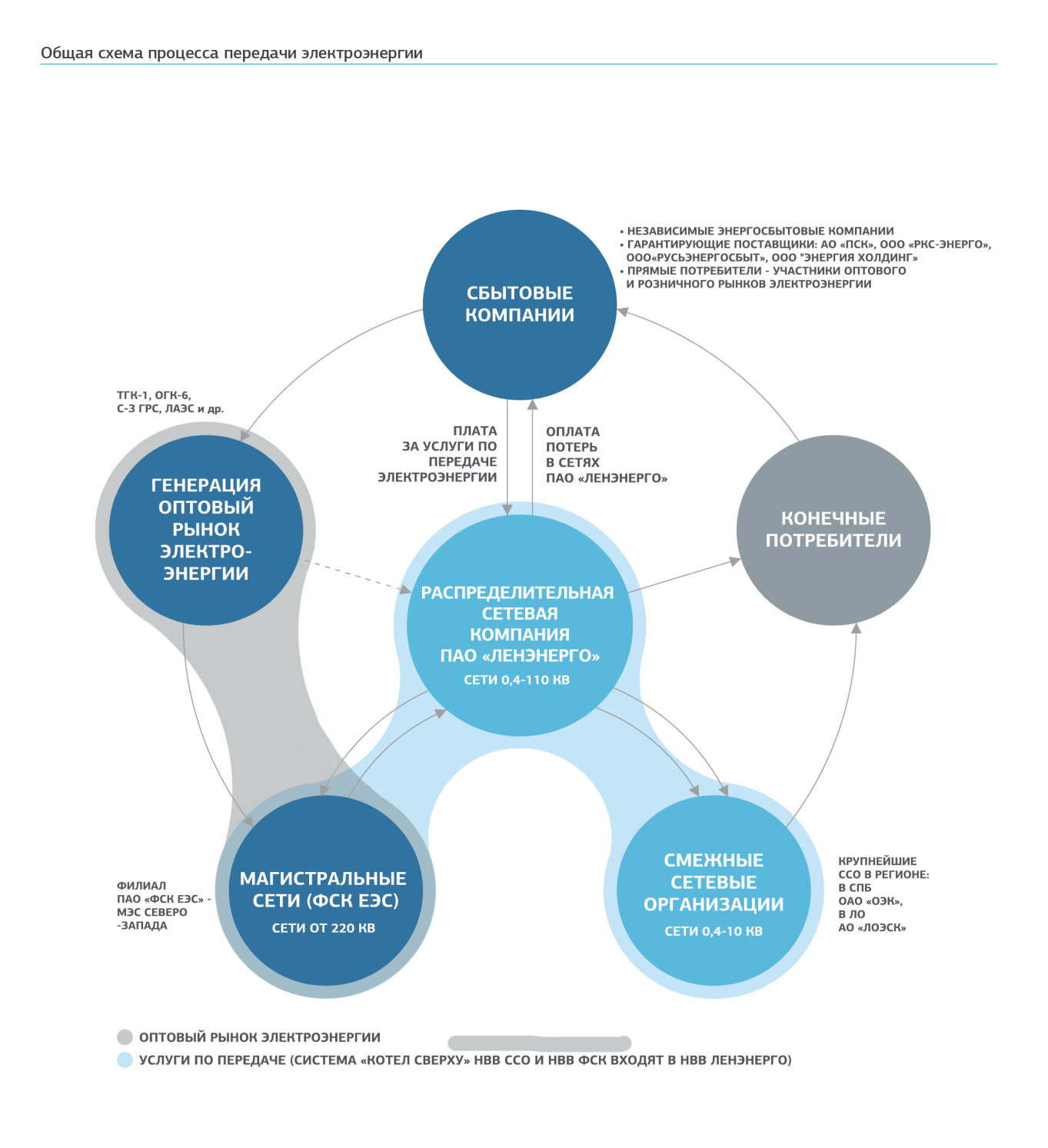
Regional distribution grid companies, which were set up after the AO-energo reform. These organizations own 110-0.4 kV grids and provide services in certain constituent entities of the Russian Federation

Tier 3:

Local grids (TGOs), which own mostly 0.4-10 kV grids

PJSC “Lenenergo” operates at the second tier of the electricity system, being the main grid company in two regions with separate tariff regulation, i.e. Saint Petersburg and the Leningrad Region.

**Map of Operational Flows**



**WHOLESALE ELECTRICITY MARKET**

**DISTRIBUTION SERVICES (TOP-DOWN SYSTEM, MRR OF ALLIED GRID ORGANIZATIONS AND MRR OF FGCS ARE PART OF MRR OF LENENERGO**

**MAJOR ALLIED GRID ORGANIZATIONS, UNECO, JSC IN SAINT PETERSBURG, LOESK, JSC IN THE LENINGRAD REGION**

**ELECTRICITY TRANSMISSION GRID COMPANY OF NORTH-WEST, A BRANCH OF “FGC UES”, PJSC**

ELECTRICITY

ELECTRICITY

ELECTRICITY

ELECTRICITY

FEE FOR ELECTRICITY DISTRIBUTION SERVICES

FEE FOR ELECTRICITY DISTRIBUTION SERVICES

ELECTRICITY

ELECTRICITY

**PAYMENT FOR NETWORK LOSSES OF PJSC “LENENERGO”**

**FEE FOR ELECTRICITY DISTRIBUTION SERVICES**

ELECTRICITY FEE

TGC-1, OGK-6, NW distribution grids, Leningrad NPP, etc.

ELECTRICITY ACQUISITION

* INDEPENDENT ENERGY RETAILERS
* GUARANTEEING SUPPLIERS PSK, JSC, RKS-ENERGO, LLC, RUS-ENEERGOSBYT, LLC, ENERGIYA-HOLDING, LLC,
* DIRECT CONSUMERS PARTICIPATING IN THE WHOLESALE AND RETAIL ELECTRICITY MARKETS

The major generating companies in Saint Petersburg and the Leningrad Region include: TGC-1, PJSC; Leningradskaya NPP; OGK-6, PJSC; S-3 GRES, etc.

Electricity is supplied to grids of PJSC “Lenenergo” from Electricity Transmission Grid Company of North-West (a branch of “FGC UES”, PJSC) and directly from generating companies. Electricity transmission services are provided to guaranteeing suppliers, independent energy retailers, and direct consumers operating in the wholesale electricity market. Major consumers include the following power sales companies: Petersburg Power Sales Company, JSC (75.7%), RUSENERGOSBYT, LLC (6.5%), RKS-Energo, LLC (7.9%).

To meet its obligations to supply electricity to consumers in the region, Lenenergo Group uses the services of 27 related grid organizations. The largest TGO in the Company’s operating region is LOESK, JSC operating in the Leningrad Region.

**Market share of PJSC “LENENERGO”**

The share of Lenenergo’s electricity distribution in the total electricity consumption by internal consumers of energy retailers operating in Saint Petersburg and the Leningrad Region, including consumers directly connected to electricity facilities of generating companies, for the last three years is shown below:

– 2016 70.0 %.

– 2017 72.6%.

– 2018 81.9%.

The increase in the share of electricity distribution by PJSC “Lenenergo” in the electricity services market is due to the signing of contracts for the lease of electric grid equipment of JSC “Saint Petersburg Power Grid” and JSC “Petrodvorets Electric Company”, and, as a consequence, a decrease in the supply to grids of territorial related organizations connected to Lenenergo’s grids and the increase in the share of end consumers.

Taking into account net supply of electricity to end consumers by subsidiaries and affiliates of PJSC “Lenenergo” (Kurortenergo, PJSC, Tsarskoye Selo Energy Company, PJSC, and JSC “Saint Petersburg Power Grid”), the share of Lenenergo Group in the electricity services market is as follows:

– 2016 78.10 %.

– 2017 80.49 %.

– 2018 89.38 %.

* 1. **The Company’s Mission and Strategic Development Priorities**

The mission of the Company is to ensure reliable and uninterrupted supply of high-quality and green electricity to consumers while meeting the mounting demand for electricity and capacity.

The industry’s development areas are outlined in the Strategy for the Development of the Electric Grid Sector of the Russian Federation, as approved by Directive No. 511-r of the Government of the Russian Federation, of April 3, 2014.

In accordance with the Strategy, the key goal (mission) of the electric grid sector is to ensure a reliable, high-quality, and affordable energy supply to consumers in the Russian Federation on a long-term basis. The industry’s strategy is aimed at organizing a grid infrastructure that is as effective as possible and meets global standards. At the same time, electricity transmission/distribution tariffs should ensure an acceptable level of electricity costs for the Russian economy and the industry’s investment appeal through an adequate return on capital.

At the same time, electricity transmission/distribution tariffs should ensure an acceptable level of electricity costs for the Russian economy and the industry’s investment appeal through an adequate return on capital.

The strategic priorities of PJSC “Lenenergo” are aligned with the development strategy of the electric grid industry of the Russian Federation:

* ensuring reliable, high-quality, and affordable electricity supply to consumers;
* building and developing electric grid infrastructure that meets the needs of the relevant operating region;
* ensuring highly effective organization, operations, and investments
* unlocking the Company’s R&D and innovation potential, and contributing to the innovative development of the electricity industry;
* enhancing the Company’s investment case and profile while improving engagements with all stakeholders.

In its operations, PJSC “Lenenergo” seeks to meet the interests of all stakeholders, including related grid organizations, employees, consumers, public authorities, and the investment community.

Priorities of PJSC “Lenenergo” aimed at meeting the interests of key stakeholders:

* **Consumers.**

Building a framework for reliable measurement of electricity supply quality and reliability against international standards, increasing responsibility for achieving quality and reliability targets. Achieving high utilization of commissioned capacities through better demand management, revised closing criteria for electricity supply centers, and a phased-in approach to construction.

* **Investment community.**

Retaining the RAB (regulatory asset base) tariff regulation, making the process of pricing and preparing investment programs more transparent.

* **Staff.**

Professional growth, including training and knowledge sharing. Enhancing the focus on achieving KPIs. Effective performance appraisal and promotion of best employees.

* **Related grid organizations.**

Ensuring the coordinated development of the region’s electricity industry. Implementing a single technical policy for stage-by-stage construction.

* **Public authorities.**

Meeting the needs of the economy of Saint-Petersburg and the Leningrad Region for new grid connections.

**Development outlooks of PJSC “Lenenergo”:**

- Increasing the Company’s shareholders value through return on investments by increasing effectiveness and profitability of Lenenergo’s business processes;

- Increasing the share in the electricity market of Saint Petersburg and the Leningrad Region through consolidation of electric grid assets, as well as through effective competition for customers;

- Enhancing the investment case and transparency of the Company’s operations, as well as building up financial, social, intellectual, and other types of capital.

* 1. **Report of the Board of Directors on Promoting the Company’s Priority Areas**

According to the Articles of Association of PJSC “Lenenergo”, the competence of the Board of Directors includes the determination of the Company’s priority business areas. Information on the Company’s progress in these areas is annually submitted to the Company’s General Meeting in the form of an annual report.

On November 15, 2018, Lenenergo’s Board of Directors determined (Minutes No.13 of November 16, 2018) determined that another priority area would be to organize the necessary activities and ensure the performance of transactions for replacing outdoor lighting facilities owned by companies of Lenenergo Group for electric grid facilities owned by the city of Saint Petersburg.

Importantly, during the reporting period, one of the key objectives included the implementation of the updated Plan for development of the System for Managing Production Assets of PJSC “Lenenergo” to 2019, which provides for improvements to maintenance and repair cost accounting , as well as automation of processes related to the assessment of the technical condition of facilities that are to be renovated in order to maximize the effectiveness of the new technical upgrade and renovation program.

The document was reviewed and approved by the Board of Directors of PJSC “Lenenergo” on October 10, 2018 (Minutes No. 9 of October 12, 2018).

The Company is focused on achieving its key business objectives as detailed in the Company’s Articles of Association, namely: maintaining the effective operation of electric grid facilities, and ensuring reliable energy supply to consumers.

At the same time, financial and economic performance and grid connection affordability remain a priority for PJSC “Lenenergo”. Achieving these objectives will help PJSC “Lenenergo” become one of the most attractive investment targets in the market, as well as balance the interests of electricity suppliers and consumers across its operating regions: the Leningrad Region and Saint Petersburg.

* 1. **Key Performance Indicators**

Achievement of the Company’s priority development goals is measured using a system of key performance indicators (KPI) applied at the Company.

The system of key performance indicators of the Company’s CEO is based on:

- Article 15.45 of the Company’s Articles of Association;

- Resolution of the Company’s Board of Directors of July 14, 2017 (Minutes No. 31 of April 19, 2017) on Item No. 2 *On approval of a Methodology for calculating and evaluating the CEO’s performance against KPIs*.

In line with the above resolution of the Company’s Board of Directors, the following list of KPIs with the following target values has been set for 2018:

QUARTERLY PERFORMANCE:

| Indicators | Results achieved in 2017 | 2018 target | Results achieved in 2018 |
| --- | --- | --- | --- |
| Consolidated EBITDA | 1 quarter ≥ 0  2 quarter ≥ 0  3 quarter ≥ 0  4 quarter ≥ 5.3% | For Q1, 1H, and 9M 2018 ≥ 0; for 12 M 2018 ≥ 3.0%  For the full year ≥ 3.0%. | 1 quarter ≥ 0  2 quarter ≥ 0 |
| Consolidated Net Debt/EBITDA | 1 quarter ≤ 3.0  2 quarter ≤ 3.0  3 quarter ≤ 3.0  4 quarter ≤ 3.0 | Q1, 2, 3, 4 ≤ 3,0 | 1 quarter ≤ 3.0  2 quarter ≤ 3.0 |
| Implementation of an action plan to reduce receivables of the Company’s subsidiaries and affiliates | 1 quarter ≥ 100.0%  2 quarter ≥ 100.0%  3 quarter ≥ 100.0%  4 quarter ≥ 100.0% | ≤ 100.0% | 1 quarter ≥ 100.0%  2 quarter ≥ 100.0% |
| No increase in major accidents | Q1 – No increase  Q2 – No increase  Q3 – No increase  Q4 – No increase | No increase | Q1 – No increase  Q2 – No increase |
| No increase in the number of persons injured in accidents | Q1 – No increase  Q2 – An increase  Q3 – No increase  Q4 – An increase | No increase | Q1 – No increase  Q2 – No increase |

ANNUAL PERFORMANCE:

| Structure | Results achieved in 2017 | 2018 target |
| --- | --- | --- |
| Consolidated net cash flow | – RUB 7,526.6 million | ≥ – RUB 1,792.7 million |
| Decrease in per unit operating (costs) | 11.0% | ≥ 2.0% |
| Increase of electric grid equipment capacity utilization | Achieved | Achieved |
| Electricity losses | 11.47% | ≤ 11.51% |
| Decrease in per unit investment costs | 0.87 | ≤ 1.00 |
| Increase in labor productivity | 5.54% | ≥ 2.00% |
| Innovation effectiveness | 93% | ≤ 90% |
| Performance against the commissioning schedule | 62% | ≤ 90% |
| Performance against grid connection timelines | 1.1 | ≤ 1.1 |
| Achievement of the service reliability level | 0.61 | ≤ 1.00 |

The actual performance data for Q3 and Q4 2018 and for 12M 2018, subject to the dates and procedure for preparing the reports that served as the source for calculating such data, were not summarized and approved by the Company’s Board of Directors.

In 2018, in order to avoid discrepancies in the interpretation of the Methodology and to prevent unjustified reputational risks for the Company, Clause 1.7. of the Methodology was amended regarding the interpretation of when a target should be viewed as met subject to objective grounds (Minutes No. 42 of June 6, 2018).

A comparison of 2018 data against 2017 data is given in the tables below.

The system of key performance indicators applied by the Company is interrelated with the size of the variable part of management remuneration: a specific weight set for each indicator is applied to the amount of bonuses to be paid, with quarterly and annual bonuses paid for achieving relevant KPIs.

* 1. **Customer Engagement**

1. **Description of customer relations guidelines**

The main principles of customer relations include ensuring better availability of grid connection procedures and customer focus achieved through a centralized customer service system.

The Centralized Customer Service System standard was approved by resolution of the Board of Directors (Minutes No. 13 of December 19, 2011), with the updated version approved by the Board of Directors (Minutes No. 39 of June 19, 2015), as well as by Order No. 404 of Lenenergo, of September 10, 2015.

The centralized service system includes:

* sufficient awareness of consumers about the Company and services;
* physical accessibility and comfortable face-to-face customer journey;
* convenient and prompt remote and interactive service;
* qualified service;
* transparent business processes of customer service;
* fair and prompt review of customer complaints.

The above principles aim to maximize customer satisfaction with our services. The centralized customer service system is implemented through:

* continuously developing new and updating existing information, including on the Company’s official website;
* expanding customer relations channels by engaging with Multi-Functional Centers (MFC) that provide state and municipal services;
* improving the Company’s online services;
* regularly holding workshops for the Customer Service Center’s employees to improve their knowledge and skills;
* monitoring the quality of service and assessing customer satisfaction;
* implementing of a system to process all complaints received by PJSC “Lenenergo”.

1. **Key customer service formats and methods**

The Company engages with its customers both face-to-face and remotely.

In Saint Petersburg, face-to-face services are provided via the Customer Service Center, while in the Leningrad Region face-to-face services are provided via local Customer Service Centers and via Multi-Functional Centers (MFC) that provide state and municipal services.

In Saint Petersburg, face-to-face services are provided via the Customer Service Center, while in the Leningrad Region face-to-face services are provided via local Customer Service Centers and via Multi-Functional Centers (MFC) that provide state and municipal services.

* Lenenergo’s customer online account;
* Electric grid services portal of PJSC “Rosseti”;
* Portal of the unified construction sector system.

Lenenergo’s Customer Online Account (COA) is a full-featured online reception with the functionality of the Customer Service Center. COA services allow the user to go through the entire procedure of grid connection remotely:

* get an online consultation;
* submit an application;
* track the processing of the application;
* receive notifications on changes in the status of the application and readiness of documents;
* receive a grid connection contract and sign it with an electronic digital signature;
* make the payment under the contract;
* notify the grid organization of the fulfillment of technical specifications.

1. **Measures implemented in the reporting period and planned for the next period.**
   1. **Measures aimed at improving the quality of face-to-face customer service, including the opening of new and renovation of existing customer service offices.**

To improve the quality of face-to-face customer service in the reporting period, training workshops were held on a regular basis for the employees of the Customer Service Center; new functionality was introduced to record all oral complaints during face-to-face contacts, which enabled the Company to optimize its timely handling of complaints.

In addition, in 2018, to improve physical accessibility and customer convenience, 24 MFCs started accepting applications in Boksitogorsk, Vsevolozhsk, Volosovo, Volkhov, Vyborg, Gatchina, Kingisepp, Kirishi, Kirovsk, Kommunar, Lodeynoye Polye, Luga, Nikolskoye, Pikalevo, Podporozhye, Priozersk, Roshchino, Sertolovo, Slantsy, Sosnovo, Sosnovy Bor, Telman, Tikhvin, and Tosno.

In 2019, the number of MFCs accepting applications for connection to grids of PJSC “Lenenergo” will be increased. In total, the Company is planning to cooperate with 30 centers.

Also, going forward, the Company will introduce a customer service quality assessment system using tablets installed in service windows of customer service centers.

* 1. **Development and upgrade of the service contact center’s equipment.**

During the reporting period, the functionality of the contact center was supplemented with the processing of complaints and requests filed in writing (automated data management system) and from the *Our Saint Petersburg* Portal. In addition, the list of topics of requests managed via KIDO TP (Follow-Up of Performance against Contractual Obligations for Grid Connection) was expanded, making it possible to register complaints on quality. Templates of standard responses to consumer requests on various topics were developed (in accordance with Order No. 527 of November 11, 2018).

Equipment was also partially replaced due to wear and tear.

In 2019, the Company is planning to expand the staff of its contact center to process requests submitted via the city portal, purchase additional telephone equipment and CRM software for auto-detection of incoming call numbers, and for speech recognition and synthesis.

* 1. **Improving the quality and accessibility of the Company’s services, including the launch of new interactive and online services.**

During the reporting period the Lenenergo customer online account was upgraded by increasing the data processing and delivery speed, improving navigation, introducing functions for saving a request template and filing an unlimited number of requests via the same account, adding an online customer messenger, and organizing the receipt and registration of online requests. In addition, the grid connection system was integrated with the portal of the Unified Construction Inspections System and the State Services portal, which enables customers to file requests from these websites.

Going forward, the Company is planning to:

* launch a mobile application based on the customer online account on the AIOS and Android platforms;
* use tablets at Service Centers near the reception windows for customers to indicate the location of their power receiving devices at the stage of filing applications;
* launch a GIS system in order to reduce design and construction timelines under grid connection applications;
* launch automatic assignment and delivery of online account numbers for payment of consumed electricity by customers who have entered into a grid connection agreement;
* reduce the time for grid connection to 45 days in order to improve the accessibility and quality of services provided to customers covered by the Target Model program.
  1. **Improving consumer confidence, including holding roundtable discussions with consumers, and establishing the Company’s Consumer Councils.**

In 2018, round tables, public receptions, meetups, and webinars were held on a regular basis to raise awareness and increase consumer loyalty on matters related to the implementation of the grid connection procedure, addressing non-contractual consumption, and advising small- and medium-sized businesses on grid connection.

Going forward, these activities will be complemented by monthly participation in meetings held at the Business Environment Improvement Task Force.

* 1. **Improving transparency and openness of the Company’s activities.**

Customers are informed about existing connection opportunities, and information concerning grid connection at all stages of the procedure is disclosed, via Customer Online Accounts on the Company’s official website and through face-to-face and remote customer support services, including via the unified contact center number (8 800 700 1471).

In addition, all Customer Service Centers offer handouts with guidelines and have information stands in accordance with the requirements for organizing customer service offices approved by Order No. 186 of the Russian Ministry of Energy *On Uniform Quality Standards for Customer Service Offered by Grid Companies to Their Customers*, of April 15, 2014. The sufficiency of consumer awareness is assessed through telephone surveys and personal interviews with visitors of customer service centers.

1. **Assessing performance against the approved service reliability and quality metrics for the reporting period.**

As part of the customer-oriented customer service policy and development of an integrated service system, the Company worked on improving the quality of its face-to-face customer service, connected new MFC-based customer engagement channels, made a decision to expand the contact center’s staff, upgraded and launched an updated customer online account, integrated the grid connection system with portals of State Services and the Unified Construction Inspection System, and held roundtables and meetings with small- and medium-sized businesses.

The actual service quality metrics describe the Company’s core activities (grid connection and electricity distribution) and are calculated based on the Calculation Methodology approved by the Russian Ministry of Energy, No. 1256 of November 29, 2016. Service quality metrics are calculated based on the total number of requests from service consumers (service applications and contracts, requests for reference information, etc.). Quality service targets for long-term regulation period are approved by the executive authorities of constituent entities of the Russian Federation. Service targets set by regulators for 2018 are deemed to have been achieved, which is a result of the implementation of our customer-oriented approach.

* 1. **Business Model**

The activities of PJSC “Lenenergo” have a strong social focus: we help millions of people in our operating region communicate, share, create, learn, and grow. We realize that demonstrating stable positive financial performance is not enough for long-term value creation. Consumers for whom we work expect us to continuously improve the quality and reliability of our services, which directly impact the quality of their daily lives.

|  |  |  |  |
| --- | --- | --- | --- |
| **Basis for value creation** | **What we do** | | **Creating stakeholder value**  **(Group 2018 IFRS financial performance)** |
| **Stability and sustainability driver**  PJSC “Lenenergo” is a socially oriented infrastructure company.  By ensuring the reliability of electricity supply, the Company performs a socially significant function and is therefore monitored and supported by the government and municipal authorities. The Company’s Board of Directors includes representatives of major shareholders: the state-owned company PJSC “Rosseti”, and the City of Saint Petersburg, as well as a representative of the Russian Ministry of Energy.  **Our key advantages**   1. Position of a natural monopoly in the steadily developing market of Saint Petersburg and the Leningrad Region. 2. Diversified consumer base, including large-scale industry, small- and medium-sized businesses, and households. 3. Implementation of a large-scale long-term investment program to ensure growth and development. 4. Highly qualified, experienced, and trained staff. 5. Stable financial position and availability of financial resources.   Our solid reputation as a reliable borrower is confirmed by Moody’s long-term credit rating of Ba1 (stable outlook). | Our core businesses (electricity distribution and grid connection) are regulated by the government. The Federal Antimonopoly Service and Regional Energy Commissions for Saint Petersburg and the Leningrad Region, respectively, set tariffs and quality standards for services provided by us to protect consumer interests.  IFRS revenue by type of operating activities for 2018, RUB billion. | | **A. Consumers**  The Company ensures timely connection and high-quality uninterrupted electricity supply  Net power output – 30,560 million kWh  Connected capacity – 1,033 MW  **B. Staff**  The Company maintains its status of a reliable and stable employer offering convenient working conditions, a decent salary, and a benefit package.    Employee compensation expenses – RUB 8,328 million.  **C. Shareholders, investment community**  Our effective corporate governance system is designed to balance the interests for all shareholders, including protection of minority shareholders’ rights and guarantee repayment to creditors.  Interest paid on borrowings – RUB 2,382 million  Dividends paid – RUB 2,420 million.  **C. Governmental authorities and the operating region**  While being a major employer and taxpayer, the Company also continuously develops its grid infrastructure to meet the social and industrial needs of its operating region.  Increase in capacity:     |  | | --- | | MVA – 958 | | Km – 1,464 |     Paid profit tax – RUB 3,466 million  Employed by Group companies  1,215 employees  **E. Members of the regional energy system**  The Company effectively engages with all participants in the regional energy system, based on principles of mutual respect, in order to maximize mutually beneficial economic relations and guarantee well-coordinated work for the benefit of consumers.  Electricity distribution costs (payments to related grid organizations and “FGC UES”, PJSC) – RUB 18,745 million.  **F. Trade payables**  The Company established itself as an honest and reliable partner aiming to build transparent, long-term, and mutually beneficial relations.  Purchases made  995  The total amount of purchases  – RUB 32,818 million, including VAT |
| **Electricity distribution** | **Grid connection** |
| Electricity is supplied to grids of PJSC “Lenenergo” from FGC UES and generating companies. The Company then distributes electricity to guaranteeing suppliers, independent energy retailers, and direct consumers operating in the wholesale electricity market.  **How we generate profit**  Almost all of our electricity distribution revenues are generated on a top-down basis. Under this pattern, payments collected by sales companies are transferred to the higher-level territorial grid organization (PJSC “Lenenergo”), which settles accounts with the lower-level territorial grid companies and “FGC UES”, PJSC. | The Company connects new consumers to its electric grids on receipt of their applications, technical specifications developed and agreed by the parties, and a relevant agreement signed between the parties.  **How we generate profit**  Grid connection revenue is an unstable source of income due to the impossibility of accurate planning, which is due to frequent changes in the plans of customers driven by changes in external economic conditions, their financial situation, etc.  The fee for grid connection for a particular customer is only assessed for those activities that are provided for under the issued technical specifications for grid connection.  The fee does not include expenses related to the development of existing infrastructure (construction of electricity supply sources, development of the electric grid).  These expenses are accounted for in the target investment program, the implementation of which is funded with proceeds from electricity distribution. |
| \* Other revenue mainly includes revenue from repair and maintenance services, property rental, and revenue from subsidiaries, which includes maintenance and repair services, street lighting maintenance, electrical installation, and design and survey operations. | |

**SECTION 3. PERFORMANCE**

1. **Tariff Regulation**

**Electricity distribution services**

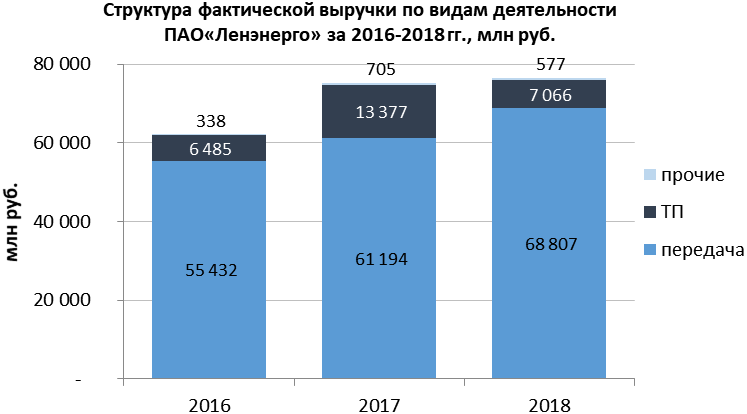
In accordance with Order No.487-e/4 of the Federal Tariff Service of Russia of December 28, 2010, from January 1, 2011, the industry transitioned to RAB-based long-term tariff regulation for electricity transmission/distribution services.

In pursuance of Resolution No.1178 of the Government of the Russian Federation of December 29, 2011, the previously approved parameters of long-term tariff regulation for PJSC “Lenenergo” were revised.

Order No. 1335/17 of the Federal Antimonopoly Service of Russia of October 10, 2017 approved the parameters for extending the first long-term regulation period for PJSC “Lenenergo” until 2020.

Actual revenue by type of operations of PJSC “Lenenergo” in 2016–2018,

RUB million



■ Other

■ Grid connection

■ Distribution

**RUB million**

\* Revenue from electricity distribution is shown net of load losses

In 2018, revenue of PJSC “Lenenergo” increased by RUB 1,174 million, including:

- Grid connection revenue for 2018 totaled RUB 7,066 million, which is lower than in 2017 by RUB 6,311 million, because the Company met more obligations than planned in 2017, the Company also closed a large volume of property contracts as a result of engaging with customers on offsetting mutual obligations, and implemented large agreements previously signed by subsidiaries and affiliates of PJSC “Lenenergo”.

- In 2018, electricity distribution revenue exceeded the figure of 2017 by RUB 7,613 million due to the increase in tariff rates in accordance with the tariff decisions of regulatory authorities (+9% increase in the average tariff for electricity distribution services), as well as an increase in the volume of net supply of electricity to consumers by 1,592 million kWh (+5% year-on-year).

**Analysis of the approved net supply of electricity by constituent entity of the Russian Federation, million kWh**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Branch** | **2016** | **2017** | **2018** | **2018 vs. 2017, %** |
|
| Saint Petersburg | 18,255 | 17,903 | 19,004 | 6% |
| Leningrad Region | 12,163 | 12,385 | 12,876 | 4% |
| **Total for PJSC “Lenenergo”** | **30,418** | **30,288** | **31,880** | **5%** |
| Growth, % | 3% | 0% | 5% |  |

**Analysis of changes in the approved average tariff\* for electricity distribution by constituent entity of the Russian Federation, kopecks/kWh**

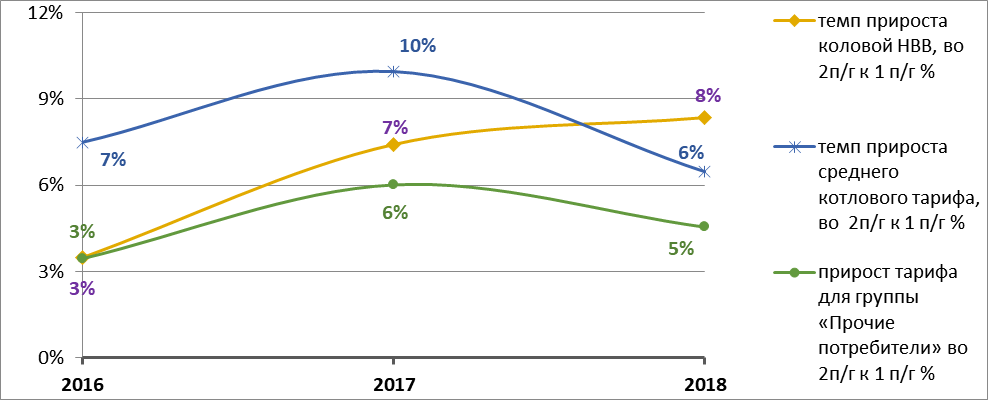
|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Branch** | **2016** | **2017** | **2018** | **2018 vs. 2017, %** |
|
| Saint Petersburg | 209.58 | 224.88 | 240.22 | 7% |
| Leningrad Region | 168.18 | 177.91 | 201.25 | 13% |
| **Total for PJSC “Lenenergo”** | **193.03** | **205.68** | **224.48** | **9%** |
| Growth, % | 20% | 7% | 9% |  |

\* The approved average tariff for electricity distribution services is calculated as the ratio of the required gross revenue for each year to net supply in general (taking into account the net supply to the “other consumers” and “households” groups).

Changes in tariffs in 2018 in Saint Petersburg were driven by a decision of the Tariffs Committee of Saint Petersburg outlined in its Directive No. 276-r of December 27, 2017 regarding amendments to Directive No. 625-r of the Tariffs Committee of Saint Petersburg of December 30, 2014, which set unified (pool) tariffs for electricity distribution via grids of Saint Petersburg to other consumers (Annex No. 3 to the Directive), as well as to households and equivalent categories of consumers (Annex No. 4 to the Directive) for 2018.

Changes in tariffs in 2018 in the Leningrad Region were driven by Order 659-p of the Tariffs and Pricing Policy Committee of the Leningrad Region of December 27, 2017 regarding amendments to Order No. 535-p of the Tariffs and Pricing Policy Committee of the Leningrad Region of December 30, 2015, which set unified (pool) tariffs for electricity distribution via grids of the Leningrad Region to other consumers (Annex No. 1 to the Order), as well as to households and equivalent categories of consumers (Annex No. 2 to the Order) for 2018.

**Saint Petersburg**

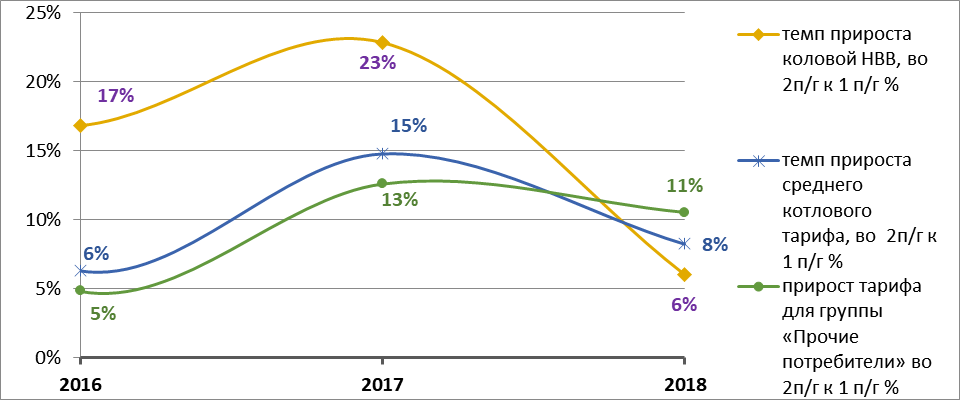


Growth rate for Other Consumers in 2H vs 1H, %

Growth rate of the average pool tariff in 2H vs 1H, %

Growth rate of the pool-based MRR, in 2H vs 1H, %

**Leningrad Region**



Growth rate for Other Consumers in 2H vs 1H, %

Growth rate of the average pool tariff in 2H vs 1H, %

Growth rate of the pool-based MRR, in 2H vs 1H, %

Detailed information on tariffs established for electricity distribution in the Company’s operating regions for 2018 and 2019 is provided in Appendix 6.5.

**Changes in approved minimum regulated revenue for electricity distribution services in 2016–2018, RUB million:**

| **Branch** | **2016** | | **2017** | | **2018** | | **2018 vs. 2017, %** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **own** |  | **own** |  | **own** |  | **own** |
| Saint Petersburg | 38,260 | 22,057 | 40,260 | 23,963 | 45,653 | 31,166 | 13% | 30% |
| Leningrad Region | 20,456 | 7,734 | 22,035 | 8,664 | 25,912 | 11,667 | 18% | 35% |
| **Total for PJSC “Lenenergo”** | **58,716** | **29,791** | **62,296** | **32,626** | **71,565** | **42,834** | **15%** | **31%** |

In 2018, the approved minimum regulated revenue of PJSC “Lenenergo” increased year-on-year:

1. For Saint Petersburg by RUB 5,392 million (up 13%):

- by RUB 2,915 million as a result of a 7% increase in the electricity distribution tariff;

- by RUB 2,477 million due to a year-on-year increase in the approved net supply of electricity in 2018 by 1,101 million kWh. (up 6%).

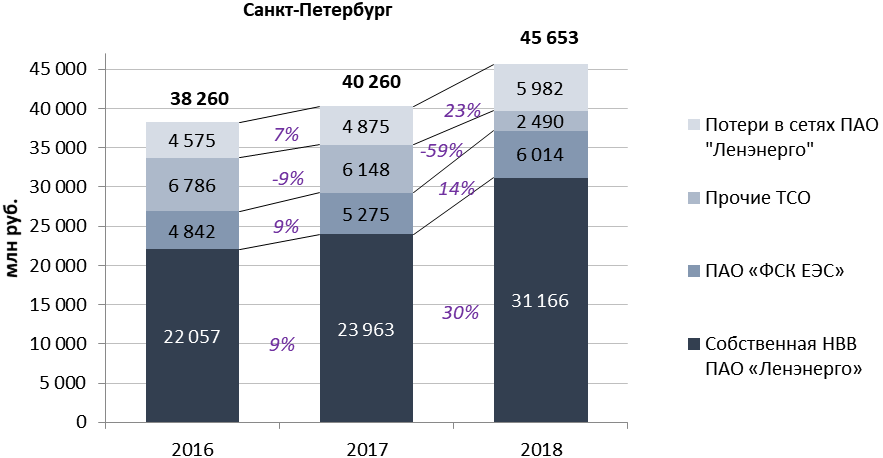
2. for the Leningrad Region by RUB 3,877 million (up 18%):

- by RUB 3,004 million as a result of a 13% increase in the electricity distribution tariff;

- by RUB 873 million due to a year-on-year increase in the approved net supply of electricity in 2018 by 491 million kWh. (an increase of 4%).

Changes in the breakdown of approved revenue from electricity distribution services in 2016–2018, RUB million

Saint Petersburg



■ Grid losses of PJSC “Lenenergo”

■ Other TGOs

■ “FGC UES”, PJSC

■ Own MRR of PJSC “Lenenergo”

**RUB million**

Year-on-year changes in the approved minimum regulated revenue of PJSC “Lenenergo” for Saint Petersburg in 2018 (up by RUB 5,392 million or 13%) were driven by the following factors:

1. The Company’s own MRR for 2018 was increased year-on-year by RUB 7,204 million   
(+ 30%) due to the following factors:

1.1 When determining the own MRR of PJSC “Lenenergo” for 2017, the Tariffs Committee of Saint Petersburg applied the negative “smoothing” mechanism in the amount of RUB (–1,213) million, for 2018 the amount of “smoothing” was approved at RUB (+5,201) million: as a result, in 2018 the own MRR of PJSC “Lenenergo” increased year-on-year by RUB 6,414 million.

1.2. Increase in non-controlled expenses by RUB 2,994 million (+81%) mainly due to property lease expenses (increase by RUB 1,890 million) and profit tax (increase by RUB 836 million);

1.3. An increase of controlled expenses by RUB 822 million (+21%) due to an increase in the amount of equipment serviced and the inflation level;

1.4. A decrease in the amount of MRR adjustment for 2018 based on the actual performance for 2016 relative to the adjustment of MRR for 2017 based on the performance for 2015 by RUB 2,966 million (–41%);

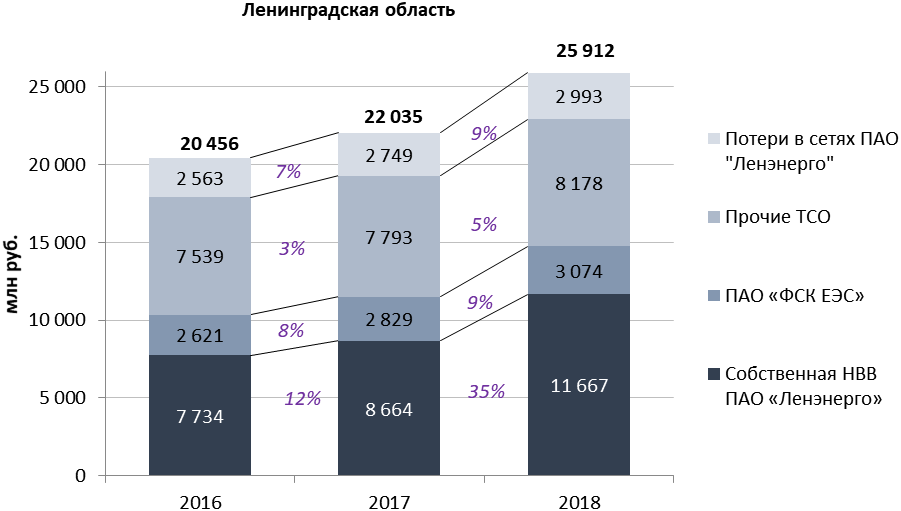
1.5. Decrease in ROE by RUB 55 million (–1%), as well as an increase in ROE by RUB 25 million (+1%) in line with the planned implementation of the investment program of PJSC “Lenenergo”.

2. Increase in service costs of “FGC UES”, PJSC by RUB 739 million (+14%) in accordance with the decision of the regulator;

3. Increase in expenses for payment of loss by RUB 1,107 million (+23%) in line with the price forecast in the Wholesale Electricity (Capacity) Market and the approved standard amount of losses;

4. Decrease in expenses for services of related grids by RUB 3,658 million (–59%) in line with the decision of the regulator (due to the signing of a contract for the operation of grid assets of JSC “Saint Petersburg Power Grid” by PJSC “Lenenergo”).

Leningrad Region



**RUB million**

■ Grid losses of PJSC “Lenenergo”

■ Other TGOs

■ “FGC UES”, PJSC

■ Own MRR of PJSC “Lenenergo”

Year-on-year changes in the approved minimum regulated revenue of PJSC “Lenenergo” for the Leningrad Region in 2018 (up by RUB 3,877 million or 18%) were driven by the following factors:

1. The Company’s own MRR for 2018 was increased year-on-year by RUB 3,003 million (+35%) due to the following factors:

1.1 When determining the own MRR of PJSC “Lenenergo” for 2017, the Tariffs Committee of the Leningrad Region applied the negative “smoothing” mechanism in the amount of RUB (–1,489) million, for 2018 the amount of “smoothing” was approved at RUB (+189) million: as a result, in 2018 the own MRR of PJSC “Lenenergo” increased year-on-year by RUB 1,678.

1.2. An increase in ROE by RUB 659 million (+28%), as well as an increase in ROE by RUB 188 million (+7%) in line with the planned implementation of the investment program of PJSC “Lenenergo”.

1.3. An increase in the amount of MRR adjustment for 2018 based on the actual performance for 2016 relative to the adjustment of MRR for 2017 based on the performance for 2015 by RUB 514 million (+606%).

1.4. Increase in non-controlled expenses by RUB 158 million (+13%) mainly due to property lease expenses (increase by RUB 99 million) and profit tax (increase by RUB 35 million);

1.5. An increase of controlled expenses by RUB 53 million (+2%) due to an increase in the amount of equipment serviced and the inflation level;

2. Increase in service costs of “FGC UES”, PJSC by RUB 246 million (+9%) in accordance with the decision of the regulator;

3. Increase in expenses for payment of loss by RUB 244 million (+9%) in line with the price forecast in the Wholesale Electricity (Capacity) Market and the approved standard amount of losses;

4. Decrease in expenses for services of related grids by RUB 385 million. (+5%) in accordance with the decision of the regulator.

**Grid connection rates**

**Grid connection fee rates set by the regulator**

Executive authorities of constituent entities of the Russian Federation responsible for state tariff regulation approved the following for 2018:

- standardized tariff rates

- rates per maximum capacity unit (RUB/kWh)

- grid connection fee rate;

From 2018, Order No. 1135/17 of the Federal Antimonopoly Service of Russia, *On approving the guidelines for determining the amount of payment for electric grid connection*, of August 29, 2017, has changed the pricing principles for grid connection fee rates. For 2018, regulators approved unified fee rates per unit of maximum capacity and standardized tariff rates for all local grids of a constituent entity of the Russian Federation based on the average actual costs for the previous three years for all TGOs in the respective region.

1. In its Directive No. 253-r of December 27, 2017, the Tariff Committee of Saint Petersburg approved the tariff rates for 2018 for electric grid connection in Saint Petersburg for all local grids, including for subsidiaries and affiliates of Lenenergo: JSC “Kurortenergo”, Tsarskoye Selo Energy Company, JSC, and JSC “Saint Petersburg Power Grid”. For 2018, the regulator approved fee rates per unit of maximum capacity at voltage levels below 35 kV and connected capacity of less than 8,900 kW with differentiation by voltage level and by connected capacity and with a cost breakdown for each activity, as well as standardized tariff rates for calculating the grid connection fee in prices applicable during the regulated period.

For 2018, in line with the Guidelines of the Federal Antimonopoly Service of Russia, a standardized tariff rate was approved for the first time for organization services in the amount of RUB 39,420 per connection.

1. Resolution No. 648-p of the Tariffs and Pricing Policy Committee of the Leningrad Region, of December 26, 2017, approved unified rates for all territorial grid companies operating in the Leningrad Region. For 2018, the regulator approved fee rates per unit of maximum capacity at voltage levels below 35 kV and connected capacity of less than 8,900 kW with differentiation by voltage level and by connected capacity and with a cost breakdown for each activity, as well as standardized tariff rates for calculating the grid connection fee in prices applicable during the regulated period.

For 2018, in line with the Guidelines of the Federal Antimonopoly Service of Russia, a standardized tariff rate was approved for the first time for organization services in the amount of RUB 31,139 per connection.

The fee per Customer applying for grid connection of power receiving devices with a maximum capacity not exceeding 15 kW inclusive (taking into account the capacity previously connected at the relevant connection point) does not exceed RUB 550, including VAT, for connection of facilities qualifying under the third reliability category (one source of electricity supply), provided that the distance from the borders of the Customer’s site to the electric grid facilities at a voltage level of up to 20 kV inclusive, to the voltage level requested by the Customer from the grid organization to which the application was submitted, does not exceed 300 meters in cities and towns and does not exceed 500 meters in rural areas.

Small- and medium-sized enterprises have the right to pay for connection of devices with a maximum capacity of up to 150 kW in installments for up to three years.

In addition, since October 1, 2017, customers with a connected capacity of up to 150 kW do not have to pay the grid company’s last mile costs.

Information on the approved grid connection tariffs for 2018–2019 is provided in Appendix 6.6. to this Report.

Lost income due to interrupted electricity consumption caused by the implementation of organizational and technical measures when connecting a group of customers that have the right to a discount to a grid of up to 15 kW are classified by regulators as non-controlled expenses in the tariffs for electricity distribution for 2018 in the following amount:

for Saint Petersburg – RUB 2,970.09 thousand

for the Leningrad Region – RUB 90,441.65 thousand

1. **Operational Performance**

### **3.2.1. Electricity Distribution Services**

Amount of electricity distribution services in 2016–2018

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Electricity supply to networks, million kWh | | | Electricity supply from grids, million kWh | | | Electricity losses, million kWh | | | Electricity losses, % | | |
|  | 2016 | 2017 | 2018 | 2016 | 2017 | 2018 | 2016 | 2017 | 2018 | 2016 | 2017 | 2018 |
|
| Lenenergo Group (including subsidiaries and affiliates) | 41,117 | 38,717 | 38,264 | 36,632 | 34,278 | 33,926 | 4,485 | 4,440 | 4,338 | 10.91% | 11.47% | 11.34% |
| PJSC  “Lenenergo” | 34,160 | 34,791 | 35,558 | 30,220 | 30,598 | 31,396 | 3,940 | 4,193 | 4,162 | 11.53% | 12.05% | 11.71% |
| Saint Petersburg | 21,484 | 21,826 | 22,204 | 18,874 | 18,999 | 19,416 | 2,610 | 2,828 | 2,788 | 12.15% | 12.95% | 12.56% |
| Leningrad Region | 12,676 | 12,965 | 13,355 | 11,346 | 11,599 | 11,981 | 1,330 | 1,366 | 1,374 | 10.49% | 10.53% | 10.29% |

In 2018, 35,558 million kWh of electricity was supplied to the Company’s grids from grids of “FGC UES”, PJSC and electricity generating companies. Of this amount, the Company distributed 31,396 million kWh of electricity to consumers and territorial grid companies. Electricity losses totaled 4,162 million kWh or 11.71% of the electricity supplied to the grid of PJSC “Lenenergo”.

**Net supply of electricity by region, million kWh**

**29,007 29,669 30,560**

In 2018, the net supply of electricity by PJSC “Lenenergo” increased by 891.6 million kWh (up 3.0%) year-on-year, including an increase in net supply for Saint Petersburg by 507.0 million kWh (2.7%) and for the Leningrad Region by 384.5 million kWh (3.5%) The increase in net supply of electricity from the grid of PJSC “Lenenergo” was due to the contract for leasing electric grid equipment of JSC “Saint Petersburg Power Grid” valid throughout 2018 (and from April 1 in 2017), the acquisition of new consumers by PJSC “Lenenergo”, who previously paid for electricity distribution to JSC “Saint Petersburg Power Grid”, as well as a year-on-year increase in consumption by households.

Last mile customers

As from January 1, 2014, the last mile mechanism was no longer applicable in Saint Petersburg and the Leningrad Region, and the amount of consumption by all facilities connected directly to the grids of “FGC UES”, PJSC was completely excluded from the amount of services provided by PJSC “Lenenergo”, the exclusion of last mile consumers did not affect the amount of electricity distribution services and revenue of PJSC “Lenenergo” between 2014 and 2018.

**Net supply of electricity by PJSC “Lenenergo” by group of its customers, million kWh**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Category | PJSC “Lenenergo” | | | | |
| 2,016 | 2,017 | 2,018 | Change 2018/2017 | |
| Industrial consumers | 7,574.35 | 9,023.78 | 7,923.26 | -1,100.51 | -14.5% |
| Transport | 758.72 | 674.53 | 624.55 | -49.98 | -6.6% |
| Agriculture | 317.86 | 290.43 | 351.41 | 60.98 | 19.2% |
| Non-industrial consumers | 4,334.16 | 4,941.64 | 7,758.45 | 2,816.80 | 65.0% |
| Public consumers | 259.75 | 253.80 | 1,805.91 | 1,552.11 | 597.5% |
| Households and equivalent consumers | 6,870.87 | 6,944.63 | 7,250.63 | 306.00 | 4.5% |
| Local grids | 10,104.78 | 8,469.19 | 5,682.10 | -2,787.09 | -27.6% |
| Total | 30,220.48 | 30,598.00 | 31,396.31 | 798.31 | 2.6% |

The increase in the share of electricity distribution by PJSC “Lenenergo” in the electricity services market is due to the signing of contracts for the lease of electric grid equipment of JSC “Saint Petersburg Power Grid” and JSC “Petrodvorets Electric Company”, and, as a consequence, a decrease in the supply to grids of territorial related organizations connected to Lenenergo’s grids and the increase in the share of end consumers.

Structure of electricity supply from networks by consumer group

Lenenergo Group (including subsidiaries and affiliates), million kWh

|  |  |
| --- | --- |
| **Lenenergo Group** | 2,018 |
|
| Industrial consumers | 8,010.12 |
| Transport | 624.55 |
| Agriculture and food industry | 351.41 |
| Non-industrial consumers | 8,126.04 |
| Public consumers | 1,867.26 |
| Households and equivalent consumers | 7,639.86 |
| Local grids | 4,777.06 |
| Total | 31,396.31 |

Electricity supply by end consumer group in 2018

In the above breakdown of electricity supply by consumer group, supply from grids of PJSC “Lenenergo” to industrial consumers has the largest share: in total 25.2% for PJSC “Lenenergo”, including 28.7% for Saint Petersburg and 25.2% for the Leningrad Region in the total consumption. Such structure of electricity consumption is due to the fact that a number of large Russian industrial enterprises with well-developed infrastructure are located in Saint Petersburg and the Leningrad Region.

Agriculture (1.1%) and state (municipal) organizations and other budget-funded consumers (2%) have the smallest shares in total electricity consumption.

The supply to TGO networks is 18.1%, while in Saint Petersburg this value stands at 9.2%, down compared to previous periods due to the signing of contracts for leasing electric grid equipment of JSC “Saint Petersburg Power Grid” and JSC “Petrodvorets Electric Company” from April 1, 2017. In the Leningrad Region, the share of TGOs is 32.6%.

The table below shows the changes in the amount of electricity distribution services by voltage level:

Amount of electricity distribution services provided by voltage level for PJSC “Lenenergo”, million kWh

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Voltage level | PJSC “Lenenergo” | | | |
| 2016 | 2017 | 2018 | Change 2018/2017 |
| Total | 29,007.37 | 29,668.70 | 30,560.29 | 891.59 |
| HV | 7,204.76 | 7,253.33 | 7,354.70 | 101.36 |
| Medium voltage 1 | 726.94 | 684.33 | 731.19 | 46.86 |
| Medium voltage 2 | 11,067.72 | 11,559.96 | 12,203.20 | 643.24 |
| LV | 10,007.95 | 10,171.08 | 10,271.20 | 100.13 |

In 2018, there was an increase in consumption at all voltage levels, which was due to stronger consumption by industrial and smaller consumers, increased consumption by households and equivalent consumers, as well as by the inclusion of consumers of JSC “Saint Petersburg Power Grid” in the net supply by PJSC “Lenenergo”.

If we analyze the structure of electricity supply by voltage level it should be noted that the greatest portion (39.9%) falls on medium voltage 2 (6–10 kV), with low voltage accounting for 33.6% and high voltage for 24.1%. The electricity supply structure by voltage is similar to that by consumer group, since the bulk of services provided to industrial consumers is priced as for high voltage, to non-industrial consumers as for medium voltage 2, and to households as for low voltage. Since 20–35 kV equipment has an insignificant share in the structure of Lenenergo’s grid equipment, medium voltage 1 has the lowest share (2.4%) in total net supply.

Electricity consumed from the PJSC “Lenenergo” grids by major consumers in 2018

|  |  |  |  |
| --- | --- | --- | --- |
| Branch | Consumer | Consumption volume, million kWh | Share in net supply, % |
|
|
| Net supply of electricity in 2018 | | 30,560.3 | 100% |
| Saint Petersburg | GUP Vodokanal | 378.1 | 1.24% |
| GUP PETERBURGSKIY METROPOLITEN | 559.0 | 1.83% |
| CJSC “Philip Morris Izhora” | 105.9 | 0.35% |
| OJSC “Admiralteyskiye Verfi” | 82.6 | 0.27% |
| PJSC “Svetlana” | 56.3 | 0.18% |
| LLC “Hyundai Motor Manufacturing Rus” | 73.6 | 0.24% |
| LLC “Nissan Manufacturing RUS” | 35.7 | 0.12% |
| Leningrad Region | LLC “Transneftbaltika” | 66.0 | 0.22% |
| CJSC “Tikhvinskiy Ferrosplavny Zavod” | 363.2 | 1.19% |
| OJSC “VLK” | 120.0 | 0.39% |
| OJSC “Saint Petersburg Cardboard and Printing Factory”(JSC “Knauf Petrobord”) | 117.7 | 0.39% |
| GUP Vodokanal | 73.4 | 0.24% |
| OJSC “ROSTERMINALUGOL” | 54.6 | 0.18% |
| LLC “NOKIAN TYRES” | 87.8 | 0.29% |
| CJSC “International Paper” | 545.8 | 1.79% |
| LLC “PG Fosforit” | 60.4 |  |
| Aleksandrov FGUP NTI | 47.3 | 0.15% |
| Total (major consumers): | | 2,827.3 | 9.25% |

The table shows electricity consumption only for major industrial consumers in Saint Petersburg and the Leningrad Region. For the two regions in total, the number of consumers with installed capacity over 670 kW is about 2,300.

**Electricity losses Energy saving and energy efficiency program.**

Electricity losses in 2016–2018

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Branch | 2016 | | 2017 | | 2018 | | Change 2018/2017 | |
| million kWh | % | million kWh | % | million kWh | % | % | p.p. |
| Saint Petersburg | 2,609.57 | 12.15% | 2,827.54 | 12.95% | 2,788.05 | 12.56% | -1.4% | -0.40% |
| Leningrad Region | 1,330.13 | 10.49% | 1,365.66 | 10.53% | 1,374.12 | 10.29% | 0.6% | -0.24% |
| PJSC “Lenenergo” | 3,939.70 | 11.53% | 4,193.20 | 12.05% | 4,162.17 | 12.56% | -0.7% | 0.50% |
| Lenenergo Group | 4,485.29 | 10.91% | 4,439.56 | 11.47% | 4,337.50 | 11.34% | -2.3% | -0.13% |

For 12M 2018A, electricity losses in the grids of PJSC “Lenenergo” totaled 4,162.2 million kWh or 11.71% of the supply to consumer networks and decreased year-on-year by 31.0 million kWh or 0.34 p.p.

Analysis of changes in the relative value of losses under comparable conditions (without including the consolidated electric grid assets of PJSC “Lenenergo”, JSC “Saint Petersburg Power Grid” and JSC “Petrodvorets Electric Company”)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** |
| **Saint Petersburg** |  |  |  |
| Electricity supply to networks | 21,483.74 | 21,826.18 | 22,203.86 |
| Capacity provided |  |  |  |
| Consolidation of electric grid assets of PJSC “Lenenergo”, JSC “Saint Petersburg Power Grid”, and JSC “Petrodvorets Electric Company” (electricity supply to networks) |  | 436.29 | 436.29 |
| Electricity supply to networks under comparable conditions | 21,483.74 | 21,389.89 | 21,767.57 |
| Consolidation of electric grid assets of PJSC “Lenenergo”, JSC “Saint Petersburg Power Grid”, and JSC “Petrodvorets Electric Company (losses) |  | 289.24 | 289.24 |
| Actual losses | 2,609.57 | 2,827.54 | 2,788.05 |
| Percentage of actual losses | 12.15% | 12.95% | 12.56% |
| Losses under comparable conditions | **2,609.57** | **2,538.30** | **2,498.81** |
| **Percentage of losses under comparable conditions** | **12.15%** | **11.87%** | **11.48%** |
| **Leningrad Region** |  |  |  |
| Electricity supply to networks | 12,676.44 | 12,965.01 | 13,354.63 |
| Capacity provided |  |  |  |
| Consolidation of electric grid assets of PJSC “Lenenergo”, JSC “Saint Petersburg Power Grid” and JSC “Petrodvorets Electric Company” (electricity supply to networks) |  |  |  |
| Electricity supply to networks under comparable conditions | 12,676.44 | 12,965.01 | 13,354.63 |
| Consolidation of electric grid assets of PJSC “Lenenergo”, JSC “Saint Petersburg Power Grid” and JSC “Petrodvorets Electric Company” (losses) |  | 5.84 | 5.84 |
| Actual losses | 1,330.13 | 1,365.66 | 1,374.12 |
| Percentage of actual losses | 10.49% | 10.53% | 10.29% |
| Losses under comparable conditions | **1,330.13** | **1,359.82** | **1,368.28** |
| **Percentage of losses under comparable conditions** | **10.49%** | **10.49%** | **10.25%** |
| **Total** |  |  |  |
| Electricity supply to networks | 34,160.18 | 34,791.20 | 35,558.49 |
| Capacity provided | - | - | - |
| Consolidation of electric grid assets of PJSC “Lenenergo”, JSC “Saint Petersburg Power Grid” and JSC “Petrodvorets Electric Company” (electricity supply to networks) |  | 436.29 | 436.29 |
| Electricity supply to networks under comparable conditions | 34,160.18 | 34,354.91 | 35,122.20 |
| Consolidation of electric grid assets of PJSC “Lenenergo”, JSC “Saint Petersburg Power Grid” and JSC “Petrodvorets Electric Company” (losses) |  | 295.08 | 295.08 |
| Actual losses | 3,939.70 | 4,193.20 | 4,162.17 |
| Percentage of actual losses | 11.53% | 12.05% | 11.71% |
| Losses under comparable conditions | **3,939.70** | **3,898.12** | **3,867.09** |
| **Percentage of losses under comparable conditions** | **11.53%** | **11.35%** | **11.01%** |

Absolute and relative changes in network losses for PJSC “Lenenergo” grids

(actual and under comparable conditions)

Considering the changes in electricity losses in the grids of PJSC “Lenenergo” in 2018 under comparable conditions, we can conclude that the amount of electricity losses in the grids of PJSC “Lenenergo” under comparable conditions (3,867.1 million kWh or 11.01% of the electricity supply to networks) was lower by 31.0 million kWh or by 0.34 p.p. compared to losses in comparable conditions for 2017 (3,898.1 million kWh or 11.35% of the electricity supply to networks).

Changes in actual electricity losses compared to targets for 2016–2018

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Indicator | 2016 | 2017\* | 2018 | 2018 (Lenenergo Group) |
| Standard losses (electricity losses covered by the tariff regulators decisions), million kWh | 3,563.6 | 3,894.1 | 4,166.7 | 4,333.5 |
| Standard losses (electricity losses covered by the tariff regulators decisions), million kWh | 10.61 | 11.57 | 11.83 | 11.69 |
| Losses under the business plan, % | ***11.89*** | ***11.31*** | ***12.05*** | ***11.51*** |
| Actual losses, % | ***11.53*** | ***12.05*** | ***11.71*** | ***11.34*** |
| Actual/plan variance, p.p. | ***-0.36*** | ***0.75*** | ***-0.34*** | ***-0.17*** |

*\* The approved business plan of PJSC “Lenenergo” for 2017 did not take into account the contract for leasing electric grid equipment signed with JSC “Saint Petersburg Power Grid”.*

Electricity losses across Lenenergo Group for 2018 totaled 11.34% of the electricity supply to networks, which is 0.17 p.p. lower than the business plan target.

**Energy Saving and Energy Efficiency.**

In 2018, energy saving and energy efficiency efforts of PJSC “Lenenergo” were organized in accordance with Federal Law No. 261-FZ of the Russian Federation, On energy saving and energy efficiency improvements and on amendments to certain legislative acts of the Russian Federation, Resolution No. 340 of the Russian Government, On the procedure for setting requirements to the energy saving and energy efficiency programs of organizations engaged in regulated activities, of May 15, 2010, Resolution No. 977 of the Russian Government, *On investment programs of electricity industry companies* of December 1, 2009 (as amended by Resolutions No. 484 of June 30, 2010 and No. 1178 of December 29, 2011, resolutions of executive authorities of constituent entities of the Russian Federation related to state regulation of tariffs with respect to organizations engaged in electricity distribution. (specify details of applicable resolutions), as well as in accordance with the Energy Saving and Energy Efficiency Program of PJSC “Lenenergo” for 2015–2019 (the “Program”), approved by Resolution No. 13 of the Board of Directors of PJSC “Lenenergo” of December 4, 2014.

In order to ensure the implementation of the Program managers were appointed at the executive arm of PJSC “Lenenergo” and at branches of PJSC “Lenenergo” in accordance with Order No. 561 of PJSC “Rosseti”, *On the organization of energy saving and energy efficiency efforts at PJSC “Rosseti”* of September 9, 2013, responsible for monitoring the implementation of the Program, with working groups set up to analyze the progress on the Program (Order No. 661 of PJSC “Lenenergo” of November 21, 2013). On July 20, 2017, the Board of Directors of PJSC “Lenenergo” (Minutes No. 5) approved a Program on Measures to Reduce Electricity Losses for the Period up to 2021.

During the reporting period, the Company’s employees underwent advanced training in energy saving and energy efficiency.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **#** | **Full name** | **Title** | **Upskilling and further education parameters** | | | | | |
| **Information on the educational organization that conducted the training (name, address, license)** | **Name and type of the training course (training, retraining, upskilling)** | **Training start date** | **Training end date** | **Education proof (diploma, certificate, etc.)** | **Information on certification and qualifications** |
|  |  |
| 1 | Ilya Povetkin | Director for Electricity Metering and Distribution Department Head | LLC “FINEX Kachestvo” | Training course on Basics and Methodology of Energy Management Due to Transition to the New Version of ISO 50001: 2018 | October 26, 2018 | October 26, 2018 | Certificate | Certified |
| 2 | Marina Barysheva | Director for Electricity Metering and Distribution Department Head | LLC “FINEX Kachestvo” | Training course on Basics and Methodology of Energy Management Due to Transition to the New Version of ISO 50001: 2018 | October 26, 2018 | October 26, 2018 | Certificate | Certified |
| 3 | Aleksandr Yuriev | Director for Electricity Metering and Distribution Department Head | LLC “FINEX Kachestvo” | Training course on Basics and Methodology of Energy Management Due to Transition to the New Version of ISO 50001: 2018 | October 26, 2018 | October 26, 2018 | Certificate | Certified |
| 4 | Igor Karpov | Chief Specialist,  the Electricity Billing Metering Control Service | LLC “FINEX Kachestvo” | Training course on Basics and Methodology of Energy Management Due to Transition to the New Version of ISO 50001: 2018 | October 26, 2018 | October 26, 2018 | Certificate | Certified |
| 5 | Aleksandr Vorobyev | Chief Specialist,  the Quality Management Service | LLC “FINEX Kachestvo” | Training course on Basics and Methodology of Energy Management Due to Transition to the New Version of ISO 50001: 2018 | October 26, 2018 | October 26, 2018 | Certificate | Certified |

This training course on *Basics and Methodology of Energy Management Due to Transition to the New Version of ISO 50001:2018* was also passed by responsible representatives of Lenenergo branches in the format of a video conference.

PJSC “Lenenergo” has not in place any energy management system certified to the GOST R ISO 500012012 national standard.

The following energy saving and energy efficiency targets were adopted under the Energy Saving and Energy Efficiency Program:

reducing electricity losses during transmission and distribution through electric grids;

reducing energy resources consumption for auxiliary needs;

installing electricity meters across the retail market in accordance with the Smart Electricity Metering Development Program included in the action plan to reduce electricity losses;

the number of LED-based lighting devices.

Planned vs actual energy efficiency performance for the reporting year.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | **Indicator** | **UoM** | **2018** | |
| **Plan** | **Actual** |
| 1 | Electricity losses | million kWh | 4,257.53 | 4,162.20 |
| RUB million, net of VAT | 10,362.36 | 8,858.28 |
| % of electricity supply to networks | 12.05 | 11.71 |
| 2 | Consumption for process needs of substations | million kWh | 37.84 | 50.97 |
| % of electricity losses | 0.89 | 1.22 |
| 3 | Total energy consumption for auxiliary needs of administrative and production buildings, including: | RUB million, net of VAT | 135.68 | 138.54 |
| thousand t.o.e. | 4.70 | 4.50 |
| 3.1. | electricity | million kWh | 24.37 | 23.96 |
| thousand t.o.e. | 2.93 | 2.88 |
| RUB million, net of VAT | 113.25 | 119.57 |
| million kWh/sq m | 0.000947 | 0.000908 |
| 3.2. | heat (building heating systems) | Gcal | 12,400.06 | 11,384.18 |
| thousand t.o.e. | 1.77 | 1.63 |
| RUB million, net of VAT | 22.42 | 18.98 |
| Gcal/m3 | 0.102 | 0.0921 |
| 4. | Total natural resources consumption for auxiliary needs of administrative and production buildings, including: | RUB million, net of VAT | 12.31 | 8.41 |
| thousand m3 | 355.39 | 232.43 |
| 4.2 | *cold water supply* | thousand m3 | 355.39 | 232.43 |
| RUB million, net of VAT | 12.31 | 8.41 |
| 5 | Total motor fuel consumption by motor and special vehicles, including: | thousand liters | 5,448.30 | 3,478.54 |
| thousand t.o.e. | 6.42 | 4.10 |
| RUB million, net of VAT | 189.00 | 122.00 |
| 5.1. | *gasoline, including:* | thousand liters | 2,907.30 | 1,864.54 |
|  |  | thousand t.o.e. | 3.29 | 2.11 |
|  |  | RUB million, net of VAT | 100.00 | 64.00 |
|  |  | thousand liters per 100 km | 29.07 | 18.65 |
| 5.2. | *diesel fuel, including:* | thousand liters | 2,541.00 | 1,614.00 |
|  |  | thousand t.o.e. | 3.13 | 1.99 |
|  |  | RUB million, net of VAT | 89.00 | 58.00 |
|  |  | thousand liters per 100 km | 25.41 | 16.14 |
| 6. | Energy-saving lighting devices, including LED-based | % | 30 | 31 |
|  | Number of lighting devices used, including: | Units | 23,200 | 23,783 |
|  | with energy saving lamps (net of LED-based) | Units | 10,000 | 10,665 |
|  | using LED-based | Units | 7,100 | 7,286 |
| 7 | Modern electricity meters in the retail market | % | 11.8**\*** | 14.8 |

\* The target (indicator) was adopted in accordance with the *Energy Efficiency and Energy Sector* *Development* State Program of the Russian Federation, approved by Resolution No. 321 of the Russian Government, of April 15, 2014.

No other energy resources were used by the Company.

The key target measures that reduce the consumption of resources for auxiliary needs include: introduction of energy-efficient lighting devices, replacement of street mercury-based lamps with LED and sodium lamps, replacement of windows with plastic or wood windows with multi-chamber insulating glass units, sealing of buildings, heat insulation of flat roofs, heat insulation of upper floor ceilings.

PJSC “Lenenergo” has in place an energy service contract to save energy and enhance energy efficiency of the lighting system at Luzhsky Electric Grid District of Kingiseppskiye Power Grid (a branch of PJSC “Lenenergo”). In fact, savings (a cumulative total for 2017–2018) reached RUB 686 thousand (net of VAT), which is equivalent to 28% of the target savings. The energy service contract is valid until the end of 2023.

In 2018, the effect from the implementation of target measures to reduce consumption of resources for auxiliary needs across the Company totaled 4.5 thousand t.o.e. (232 million liters of cold water) for a total of RUB 8.41 million vs the targeted 4.7 thousand t.o.e. (355 million liters of cold water) for a total of RUB 12 million. As a result, our energy consumption was reduced by 4.14%.

During 2017–2018, PJSC “Lenenergo” conducted an energy audit and registered Energy Certificate No. E-015/24018 as a result. The reduction in energy (electricity) consumption for auxiliary needs of administrative and production buildings was driven by a number of measures taken based on the energy audit conducted by the Company. The Company carried out routine maintenance of its buildings and structures, with the local microclimate meeting GOST 304942011 standard requirements. Heating boilers were modernized.

The reduction in the motor fuel consumption was driven by higher effectiveness of fuel consumption control for vehicles, special equipment, and construction machinery of PJSC “Lenenergo”. The Company’s vehicle fleet was equipped with a GLONASS-based geo-positioning and control system. At present, 100% vehicles are equipped with the GLONASS system.

As a result of implementing the Smart Electricity Metering Development Program in 2018, the percentage of modern electricity meters installed in the retail market reached 14.8%, which is higher than the 11.8% target.

The energy saving and energy efficiency program is mainly funded through the Company’s RUB 5,482 million investment program.

**PJSC “Lenenergo” has put in place a range of measures to reduce electricity losses as one of its top priorities.**

In 2018, the effect from measures taken to reduce electricity losses across the Company totaled 240.65 million kWh or RUB 760.76 million (in physical and value terms, respectively).

As part of the action plan to reduce electricity losses in the electric grid complex of PJSC “Lenenergo”, a range of measures was taken, including organizational and technical activities as well as a smart electricity metering development program.

The effect from organizational measures was driven by the identification of non-metered consumption of electricity. The following measures were taken as part of technical activities:

replacement of overloaded, installation and commissioning of additional power transformers at operating substations;

optimization of electric grid load through construction (renovation) of substations and transmission lines;

replacement of wires on overloaded power lines.

5.9 thousand billing metering devices and 2.3 thousand technical metering devices were installed and replaced in 2018. Installation of electricity meters reduced our electricity losses by 108.61 million kWh, RUB 270.82 million, as well as increased the metered amount of electricity distribution services by RUB 618.21 million (net of VAT) in value terms.

Measures to reduce losses are funded out of the Company’s investment program.

Key activities to reduce electricity losses taken in 2018:

|  |  |  |  |
| --- | --- | --- | --- |
| No. | Activity | Reduction of electricity losses, | |
| million kWh | |
| 2018P | 2018A |
| 1 | Reduction of asymmetrical (non-uniform) phase loading | 6.69 | 11.26 |
| 2 | Shutdown of transformers at substations with seasonal load | 1.25 | 5.17 |
| 3 | Shutdown of transformers in low-load conditions at substations with two or more transformers | 6.08 | 10.94 |
| 4 | Replacement of wires on overloaded power lines | 2.18 | 0.98 |
| 5 | Replacement of overloaded, and installation and commissioning of additional, power transformers at operating substations | 27.72 | 29.83 |
| 6 | Measures to improve billing and technical electricity metering | 105.30 | 108.61 |
| 7 | Detection of non-metered electricity consumption via raids | 145.87 | 73.86 |
|  | Total | 295.09 | 240.65 |

Electricity losses were decreased through implementing a program for upgrading electricity metering systems and addressing objectives under electricity distribution contracts. The 18% variance between the effect in physical terms and the targets was due to the adjustments to the process of assessing the effect from organizational and technical measures, which resulted in the exclusion of additional electricity meters from the calculations.

Detection of illegal electricity consumption.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Branch/IDGC | Non-metered electricity consumption | | | | Non-contractual electricity consumption | |
| Amount of detected non-metered consumption | | Amount of detected non-metered consumption included in the amount of services provided (including non-metered consumption for prior periods) | |
| million kWh | RUB million  net of VAT (the cost of electricity distribution services is shown) | million kWh | RUB million  net of VAT (the cost of electricity distribution services is shown) | million kWh | RUB million, net of VAT |
| PJSC “Lenenergo” | 24.94 | 82.31 | 24.94 | 82.31 | 75.93 | 380.18 |

In order to assess the amount of electricity distribution services, PJSC “Lenenergo” conducts periodic inspections of the respective facilities of its retail and corporate consumers. When conducting the inspections, the Company’s specialists record the readings from billing systems and visually inspect metering devices.

**3.2.2. Sales of Grid Connection Services and Breakdown of Connected Capacity**

**Grid connection services**

When organizing grid connection in the reporting period, PJSC “Lenenergo” was guided by the following legislative and regulatory documents:

1. Russian Civil Code (Article 426, Articles 779–783);
2. Federal Law No. 35-FZ, *On the Electricity Industry*, of March 26, 2003
3. Resolution No. 1178 of the Government of the Russian Federation, *On Pricing with Regard to Regulated Prices (Tariffs) in the Electricity Industry*, of December 29, 2011;
4. Order No. 209 of the FTS of Russia, *On Approval of the Guidelines for Determining the Electric Grid Connection Fee*, of September 11, 2012 (registered with the Ministry of Justice of Russia under No. 25948 on November 28, 2012);
5. Resolution No. 861 of the Russian Government, *On Approval of Rules for Non-Discriminatory Access to Electricity Distribution Services and Provision of Such Services, Rules for Non-discriminatory Access to Operational Dispatch Control Services in the Electricity Industry and Provision of Such Services, Rules for Non-discriminatory Access to the Services of the Wholesale Market Trade System Operator and Provision of Such Services, and Rules for Electric Grid Connection of Electricity Receiving Devices (Power Units) of Legal Entities and Individuals*, of December 27, 2004;
6. Order No. 1135/17 of the Federal Antimonopoly Service, *On approval of Guidelines for Determining the Fee for Electric Grid Connection*, of August 29, 2017;
7. *On establishing the fee for grid connection of electricity receiving devices with a maximum capacity not exceeding 15 kW inclusive (taking into account the capacity previously connected at the relevant connection point), standardized tariff rates, rates per unit of maximum capacity, formulas for calculating the fee for grid connection of electricity receiving devices of electricity consumers, electric grid facilities owned by grid organizations and other entities, and to electric grids of grid organizations of the Leningrad Region in the Leningrad Region for 2018*, of December 26, 2017;
8. Directive No. 253-r of the Tariffs Committee of Saint Petersburg, *On setting standardized tariff rates, rates per unit of maximum capacity, formulas for calculating the fee for electric grid connection to local grids in Saint Petersburg for 2018*, of December 27, 2017;
9. Resolution No. 977 of the Russian Government, *On investment programs of the electricity industry entities*, of October 17, 2009;
10. Resolution No. 823 of the Russian Government, *On the Electricity Industry Long-term Development Patterns and Programs*, of October 17, 2009;
11. Order No. 186 of the Russian Ministry of Energy, *On the Unified Service Quality Standards for Grid Organizations* *Servicing Their Customers*, of April 15, 2014;
12. Resolution No. 24 of the Russian Government, *On approval of disclosure standards by wholesale and retail electricity market players*, of January 21, 2004;
13. Order No. 1042 of the Russian Ministry of Energy, *On approval of the investment program of PJSC “Lenenergo” for 2016–2020*, of December 28, 2015;
14. Directive No. 1144-r of the Russian Government, *On approval of the Energy Infrastructure Accessibility Improvement road map*, of June 30, 2012 (revised on September 14, 2016).

**Sales of Grid Connection Services and Breakdown of Connected Capacity**

In 2018, PJSC “Lenenergo” completed grid connection under 30,108 contracts for 943 MW, slightly down by 7.6% year-on-year in physical terms (excluding temporarily connected facilities). The number of contracts closed in the Leningrad Region in the total amount of completed obligations totaled 74% (22,401 contracts for 532 MW).

In 2018, the amount of connected capacity remained flat year-on-year (net of connection of power generation facilities) totaling 943 MW in absolute terms.

Grid connection contracts fulfilled\*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2016 | | 2017 | | 2018 | | 2018 vs. 2017, % | |
|  | Units | MW | Units | MW | Units | MW | Units | MW |
| PJSC “Lenenergo” | 31,868 | 725 | 32,568 | 956 | 30,108\*\* | 943 | 92% | 99% |
| Saint Petersburg | 7,930 | 258 | 5,840 | 407 | 7,707 | 410 | 132% | 101% |
| Leningrad Region | 23,938 | 467 | 26,728 | 549 | 22,401 | 532 | 84% | 97% |
| Companies managed  by PJSC “Lenenergo” | 1,323 | 149 | 1,529 | 118 | 972 | 64 | 64% | 55% |

\* Net of connected power generation facilities and temporarily connected facilities (permanent grid connection).

In 2018, PJSC “Lenenergo” connected four power generation facilities with a total capacity of 90 MW.

\*\* Subject to measures taken by the grid organization, including notices of the grid organization’s readiness for grid connection, the contracts fulfilled by PJSC “Lenenergo” in 2018 totaled 51,435 (for permanent grid connection).

MW

Units

\* Net of connected power generation facilities (permanent grid connection)

The amount of connected capacity has been declining over the last three years, including in 2018 year-on-year across the 670+ kW consumers, primarily due the decrease in the connected capacity across power generation facilities.

Among other categories of customers, only the 15 –150 kW consumers demonstrated a year-on-year increase.

\*

Including connection of power generation facilities (permanent grid connection)

Major customers (670+ kW) account for more than half of connected capacity in Saint Petersburg, representing 67% of the region’s total capacity.

410

\* Net of connected power generation facilities (permanent grid connection)

“Up to 15 kW” customers account for the largest share in connected capacity in the Leningrad Region, which represents 52% of the total connected capacity in the region.

Connected capacity in the Leningrad Region in 2018 by wattage, MW (%)



532

■ up to 15 kW

■ 15-150 kW

■ 150-670 kW

■ 670+ kW

\* Net of connected power generation facilities (permanent grid connection)

In 2018, companies under the management of PJSC “Lenenergo” provided connection of 64 MW or about 7% of the connected capacity of PJSC “Lenenergo” (excluding power generation facilities).

64

\* Net of connected power generation facilities (permanent grid connection)

Construction sector facilities has the largest share among other economic sectors of Saint Petersburg in 2018 (54%).  
The connected capacity for the above categories, Including electricity, gas, and water distribution companies, accounts for 70% of total connected capacity in the region.

A comparison of the structure of Saint Petersburg’s economic sectors in 2018 and 2017 shows a 14% year-on-year increase in the specific weight of the construction industry in 2018 (from 40% to 54%), while the share of applications from electricity, gas, and water distribution companies stayed flat year-on-year (~16%).

410

\* Net of connected power generation facilities (permanent grid connection)

An analysis of the structure of the Leningrad Region’s economic sectors in 2018 shows a slowdown in the region’s construction industry, resulting in a 29.5% year-on-year decrease in the connected capacity (from 122 MW in 2017 to 86 MW in 2018). The share of retail customers’ capacity in the total capacity connected in 2018 is 51%.

532

\* Net of connected power generation facilities (permanent grid connection)

**Grid connection demand**

For 12M 2018, PJSC “Lenenergo” received 36,528 grid connection applications from consumers for a total capacity of 2,208 MW (net of temporarily connected customers and connected power generation facilities). Most applications were submitted by customers from the Leningrad Region, a total of 25,434 applications for 1,176 MW.

In 2018, PJSC “Lenenergo” signed 31,673 grid connection contracts for a total 991 MW, 70% of which were signed with customers from the Leningrad Region (permanent grid connection).

Changes in demand for grid connection \*

|  | 2016 | | 2017 | | 2018 | | | 2018 vs. 2017, % | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Units | MW | Units | MW | Units | MW | | Units | MW |
| Grid connection applications (during the relevant period) | | | | | | | | | |
| PJSC “Lenenergo” | 28,904 | 1,841 | 39,062 | 2,160 | 36,528 | 2,208 | | 94% | 102% |
| Saint Petersburg | 8,312 | 984 | 11,898 | 1,002 | 11,094 | 1,032 | | 93% | 103% |
| Leningrad Region | 20,592 | 857 | 27,164 | 1,158 | 25,434 | 1,176 | | 94% | 102% |
| Companies under management of  PJSC “Lenenergo” | 2,406 | 696 | 1,460 | 154 | 1,246 | 62 | | 85% | 40% |
| Grid connection (including carried-over applications) | | | | | | | | | |
| PJSC “Lenenergo” | 33,777 | 3,346 | 42,155 | 2,701 | 39,816 | 2,793 | | 94% | 103% |
| Saint Petersburg | 9,252 | 1,529 | 12,720 | 1,198 | 12,989 | 1,295 | | 102% | 108% |
| Leningrad Region | 24,525 | 1,817 | 29,435 | 1,503 | 26,827 | 1,499 | | 91% | 100% |
| Companies under management of PJSC “Lenenergo” | 2,635 | 716 | 1,707 | 357 | 1,310 | 69 | | 77% | 19% |
| Grid connection contracts signed | | | | | | | | | |
| PJSC “Lenenergo” | 21,022 | 713 | 29,759 | 923 | 31,673 | | 991 | 106% | 107% |
| Saint Petersburg | 5,952 | 301 | 6,496 | 404 | 9,464 | | 387 | 146% | 96% |
| Leningrad Region | 15,070 | 411 | 23,263 | 519 | 22,209 | | 604 | 95% | 116% |
| Companies under management of PJSC “Lenenergo” | 1,738 | 129 | 986 | 61 | 980 | | 39 | 99% | 65% |

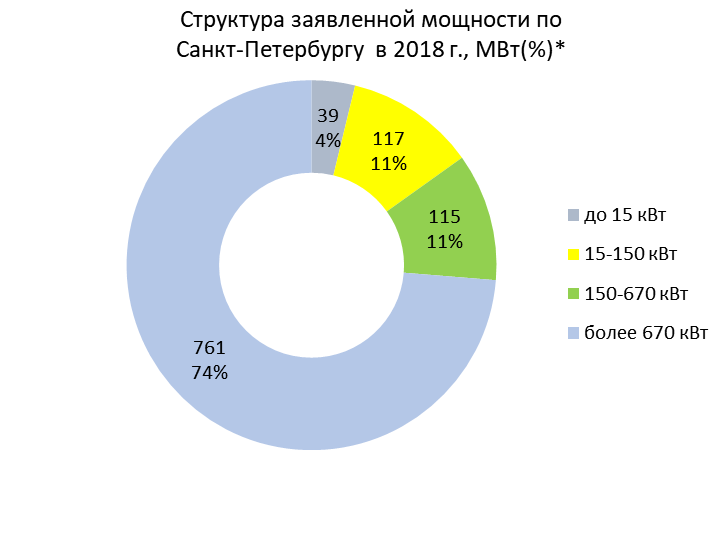
\* Net of power generation facilities (permanent grid connection).

In 2018, PJSC “Lenenergo” received 11 grid connection applications of power generation facilities for a total of 66.8 MW and signed three grid connection contracts for a total of 196.3 MW.

\* Net of connected power generation facilities (permanent grid connection)

During the reporting period, PJSC “Lenenergo” improved its ratio between the number of applications and signed contracts, hitting a record high ratio of 87% since 2016.

Breakdown of contracted capacity in Saint Petersburg in 2018, MW (%)\*



■ up to 15 kW

■ 15-150 kW

■ 150-670 kW

■ 670+ kW

1,032

\* Net of connected power generation facilities (permanent grid connection)

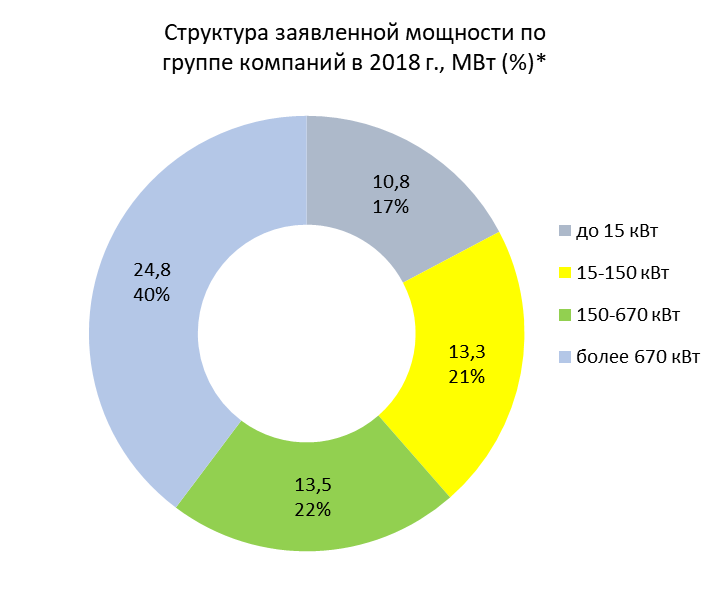
670+ kW customers provided the major contribution to the total requested capacity in Saint Petersburg and the Leningrad Region, accounting for 74% and 46% of the total demand, respectively. The 150–670 kW category was the second largest in Saint Petersburg, accounting for ~ 11% of the demand for capacity (117 MW). The “up to 15 kW” category was the second largest in the Leningrad region, accounting for ~25% (299 MW).

1,176

\* Net of connected power generation facilities (permanent grid connection)

The total capacity requested by customers across the companies under the management of PJSC “Lenenergo” was about 3% of the total demand for capacity across PJSC “Lenenergo” in 2018, amounting to 62.4 MW in absolute terms.

Breakdown of contracted capacity across the Group in 2018, MW (%)\*



62.4

■ up to 15 kW

■ 15-150 kW

■ 150-670 kW

■ 670+ kW

\* Net of connected power generation facilities (permanent grid connection)

**Performance of obligations under overdue grid connection contracts**

As at January 1, 2019, the number of overdue contracts (net of contracts for temporary grid connection and for connection of power generation facilities) amounted to 12,769 contracts for a total of 476.3 MW, which represents 49% of the total amount of outstanding obligations. Out of the above amount, the grid organization performed its obligations under 12,218 contracts, which accounts for 96% of the total amount of overdue contracts. For the remaining 551 outstanding contracts of PJSC “Lenenergo”, the Company has received notifications on the customer’s readiness for grid connection only for 43 contracts (which represents 0.1% of the amount of contracts signed by PJSC “Lenenergo” in 2018).

The reasons for overdue contracts include: problems with grid connection hindered by third parties and land owners when constructing the networks, delays in obtaining permits for passing power lines through forested areas of the State Forest Fund, etc.

Companies under management of PJSC “Lenenergo” had 469 overdue contracts for a total of 70 MW, which corresponds to 41% of the total number of active contracts of these companies as at January 1, 2019.

In order to reduce the amount of overdue contractual obligations, PJSC “Lenenergo” takes a range of measures:

1. Engagement with counterparties to accelerate the completion of grid connection, including coordination of the counterparty’s engagement with the core business units and branches of the Company;

2. Notifications and complaint management, and termination of grid connection contracts in cases where the contractor failed to fulfill its contractual obligations, including the failure to implement measures provided for in the technical specifications, and delay in paying connection fees in accordance with the Company’s organizational and administrative documents, etc.

In 2018, PJSC “Lenenergo” connected over 1 thousand government-funded facilities as well as other socially significant facilities to its grids.

Most customers in this category (more than 600 applications) are located in Saint Petersburg and include applications for connection of:

- healthcare institutions in the Frunzensky, Krasnoselsky, Vyborgsky, and other districts of the city (eight polyclinics), more than 10 standard and special childcare centers, general education schools of the Central and Pushkinsky Districts, as well as a number of facilities of high social significance: Saint Petersburg Search and Rescue Service, the Center of Social renovation of Disabled People, including Disabled Children of the Kolpinsky District *Podderzhka*, the Saint-Petersburg University of State Fire Service of EMERCOM of Russia, etc.

In the Leningrad Region such facilities included:

- Slantsevskaya Interdistrict Hospital, Bolshekolpansky Cultural, Sports, and Youth Policy Center of the Gatchinsky District, Priozersky District Police Department, Center for Logistical Support of Umpire Court Districts of the Leningrad Region, outpatient clinics and first-aid stations of the Construction Department of the Leningrad Region, *Yunost* sports complex (a stadium for 1,500 seats) of the Administration of the Priozersky Municipal District of the Leningrad Region, etc.

As part of the FIFA World Cup, the facilities of Magistral Dvukh Stolits, LLC (RTP) in the Leningrad Region used for the construction of the Moscow – Saint Petersburg high-speed highway were also connected to the Company’s grids.

**Revenue from grid connection services**

Structure of revenue from grid connection services\*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Indicator | UOM | 2016 | 2017 | 2018 | 2018 vs. 2017, % | | 2018 to 2016, % |
| **Leningrad Region** | | | | | |  |  |
| Revenue | RUB million, net of VAT | 1,300 | 1,590 | 1,098 | -31% | | -16% |
| Connected capacity\*\* | MW | 467 | 621 | 560 | -10% | | 20% |
| Average rate under the closed contracts | RUB thousand per kW | 2.8 | 2.6 | 2.0 | -23% | | -30% |
| **Saint Petersburg** | | | | | |  |  |
| Revenue | RUB million  net of VAT | 5,185 | 11,787 | 5,968 | -49% | | 15% |
| Connected capacity\*\* | MW | 258 | 985 | 472 | -52% | | 83% |
| Average rate under the closed contracts | RUB thousand per kW | 20.1 | 12.0 | 12.6 | 6% | | -37% |
| **Total for PJSC “Lenenergo”** | | | | | |  |  |
| Revenue | RUB million  (net of VAT) | 6,485 | 13,377 | 7,066 | -47% | | 9% |
| Connected capacity\*\* | MW | 725 | 1,607 | 1,033 | -36% | | 42% |
| Average rate under the closed contracts | RUB thousand per kW | 8.9 | 8.3 | 6.8 | -18% | | -24% |

\* Including connection of power generation facilities.

\*\* Permanent grid connection

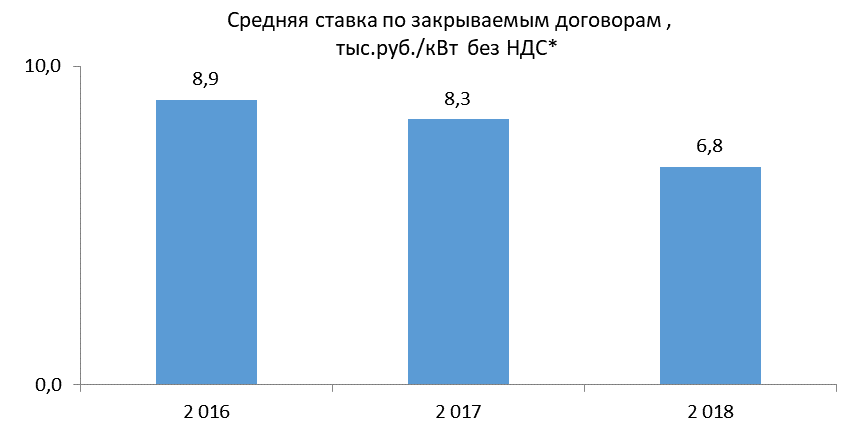
In 2018, revenue actually decreased year-on-year by RUB 6,311 million, net of VAT. The decrease was due to the fact that in the process of consolidating the assets of JSC “Saint Petersburg Power Grid” and JSC “Petrodvorets Electric Company”, some of the contracts signed by companies under the management of PJSC “Lenenergo” (subsidiaries and affiliates) were closed by PJSC “Lenenergo” in 2H 2017 for a total amount of RUB 4,273 million, net of VAT. The increase in this indicator in 2017 was due to the large number of completed grid connection contracts under a program for discharging overdue contracts launched in 2016, including as part of a program for government support for PJSC “Lenenergo”.

In 2018, connected capacity was 1,033 MW, which is less by 574 MW year-on-year. This variance was due to the fact that in 2017 PJSC “Lenenergo” closed contracts previously signed by JSC “Saint Petersburg Power Grid” and JSC “Petrodvorets Electric Company” and transferred to PJSC “Lenenergo” when consolidating the respective assets (in 2017, 123 MW of capacity was connected under contracts of subsidiaries and affiliates), and when connecting large power generation facilities (including TGC-1, JSC with 360 MW of connected capacity).

Given the unprecedentedly high level of revenue from grid connection services in 2017, exceeding the average annual value for the last five years (on average RUB 67 billion per year), a comparison of 2018 against a comparable period of 2016 was also added to the table on the structure of revenue from grid connection services.

The average rate under the closed contracts is calculated as the ratio of grid connection revenue (thousand rubles)   
to the amount of connected capacity (MW), including connection of power generation facilities and subject to all categories of contracts signed, including those signed at individual rates, etc.

The average rate under the closed contracts is calculated as the ratio of grid connection revenue (thousand rubles)   
to the amount of connected capacity (MW), including connection of power generation facilities and subject to all categories of contracts signed, including those signed at individual rates, etc.



Average rate under the closed contracts,

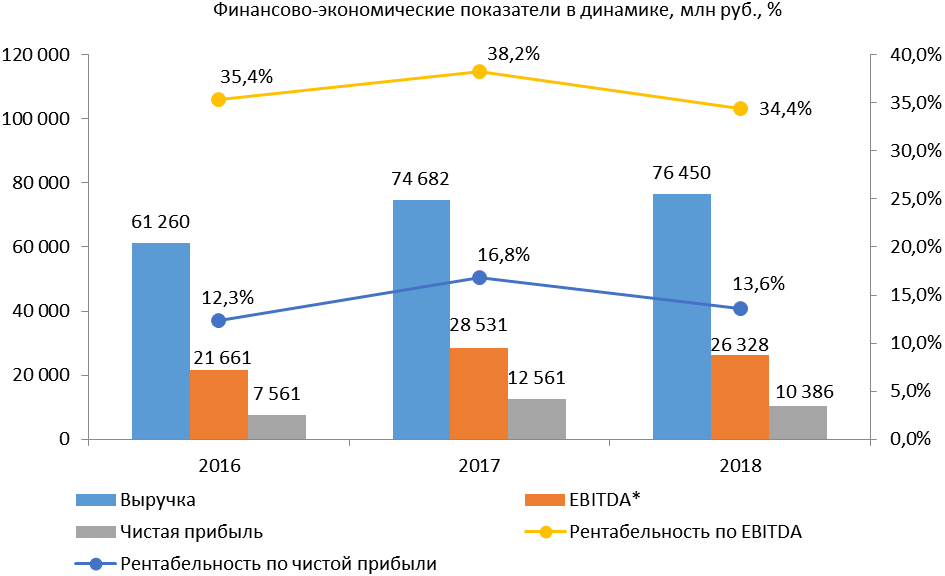
RUB thousand /kW net of VAT\*

\* Including connection of power generation facilities.

**3.3. Financial Performance**

**Financial and Economic Activities**

Financial and economic performance, RUB million, %



EBITDA\*

EBITDA margin

Revenue

Net profit

Net profit margin

Note: \* Data for 2016–2018 are shown the chart in line with the annual RAS financial statements of the Company for 2018, subject to retrospective recognition of data

EBITDA is shown less net provision for impairment of debt financial investments

In 2018, net profit of PJSC “Lenenergo” totaled RUB 10,386 million. Despite a slight year-on-year decrease in the financial results, revenue from electricity distribution increased by 14%. The financial position of the Company is stable, with leverage decreasing and the Net Debt/EBITDA ratio at a comfortable 1.10.

Financial and economic highlights, RUB million

| **No.** | **Indicator** | **2018** | **2017\*** | **2016\*** |
| --- | --- | --- | --- | --- |
| 1 | Revenue from product (services) sales, including: | 76,450 | 74,682 | 61,260 |
| 1.1 | From electricity distribution | 68,807 | 60,600 | 54,437 |
| 1.2. | From grid connection | 7,066 | 13,377 | 6,485 |
| 1.3. | From electricity distribution | 0 | 0 | 0 |
| 1.4. | From other activities | 577 | 705 | 338 |
| 2 | Costs of goods (services) sold | -57,252 | -53,917 | -49,186 |
| 3 | Gross profit | 19,198 | 20,765 | 12,074 |
| 4 | Administrative expenses | -198 | -106 | -110 |
| 5 | Selling expenses | 0 | 0 | 0 |
| 6 | Profit (loss) from sales | 19,000 | 20,659 | 11,965 |
| 7 | Interest receivable | 331 | 547 | 1,845 |
| 8 | Interest payable | -1,065 | -1,383 | -1,730 |
| 9 | Income from interests in other organizations | 1 | 1 | 1 |
| 10 | Other income | 4,091 | 5,174 | 6,779 |
| 11 | Other expenses | -8,679 | -8,281 | -8,646 |
| 12 | Profit (loss) before tax | 13,678 | 16,717 | 10,214 |
| 13 | Profit tax and other payments | -3,292 | -4,156 | -2,652 |
| 14 | Net profit (loss) | 10,386 | 12,561 | 7,561 |
| 15 | EBITDA\*\* | 26,328 | 28,531 | 21,661 |

\* Data for 2016–2017 are shown in line with the annual financial statements for 2018, subject to retrospective recognition of data

\*\* EBITDA is shown less net provision for impairment of debt financial investments (2016–2018A) using the formula below: EBITDA = Earnings Before Interest, Tax, Depreciation and Amortization less net provision for impairment of debt-based financial investments = Line 2300 f.+ | line 2330 f. 2 | + line 6514 f Explanatory Note 2.1 + line 6554 f. Explanatory Note 2.1. + line 6564 f. Explanatory Note 2.1. - Net provision for impairment of debt financial investments

**Revenue** from sales of products (services) at year-end 2018 was RUB 76,450 million, or RUB 1,768 million (2.4%) higher year-on-year. This increase was due to growth in revenue from grid distribution services, while revenue from grid connection and other activities decreased.

The increase in revenue from electricity distribution for 2018 is RUB 8,207 million, up 13.5% year-on-year, driven by

* an increase in tariff rates, taking into account the application of a mechanism for returning the “smoothing” effect with regard to the own MRR of PJSC “Lenenergo” by the Tariffs and Pricing Policy Committee of the Leningrad Region in 2018;
* inclusion of consumers from the former operation area of JSC “Saint Petersburg Power Grid” in the calculations of net supply from April 1, 2017.

In 2018, grid connection revenue in 2018 declined by RUB 6,311 million or 47.2% year-on-year.

The revenue decline was primarily driven by the abnormally high grid connection in 2017, which was significantly above the annual average for the last five years (an average of RUB 67 billion per year). The increase in this indicator in 2017 was due to the large number of completed grid connection contracts under a program for discharging overdue contracts launched in 2016, including as part of a program for government support for PJSC “Lenenergo”.

Revenue from other activities for 2018 decreased by 18.2% year-on-year (RUB 128 million), due to the changes made from April 1, 2017 in the list of facilities serviced under contracts for routine maintenance of electric grid equipment signed with JSC “Saint Petersburg Power Grid” and JSC “Petrodvorets Power Grid” due to the signing of lease agreements as part of the consolidation of these companies by PJSC “Lenenergo”.

**Cost of sales (including administrative and selling expenses)** totaled RUB 57,450 million, which is by RUB 3,427 million, or up 6.3% year-on-year.

Operational performance was influenced by the completion of the consolidation of electric grid assets of Saint Petersburg Power Grid, Saint Petersburg Power Grid’s and JSC “Petrodvorets Power Grid” through the signing of lease agreements valid from April 1, 2017 as part of streamlining business processes within Lenenergo Group.

In general, the year-on-year increase in cost of sales for 2018 was primarily driven by higher non-controllable expenses of the Company, including:

* an increase in expenses for third-party electricity purchased to offset losses due to the increase in the average tariff;
* an increase in expenses for services of “FGC UES”, PJSC for electricity distribution due to a higher maintenance tariff rate and an increase in the demand for capacity;
* an increase in depreciation on completion of the investment program in 2017–2018;
* an increase in taxes, including property tax, due to amendments to the Tax Code and legislation of constituent entities of the Russian Federation.

**Profit from sales** of PJSC “Lenenergo” for 2018 totaled RUB 19,000 million, down by RUB 1,659 million or 8.0% year-on-year (in 2017, the Company’s profit from sales was RUB 20,659 million), mainly due to the cost of sales growth rates exceeding the growth rates of revenue from sales.

**The balance of other income and expenses** (including the interest balance) for 2018 decreased by RUB 1,380 million or 35.0% due to:

a decrease in other income (driven by a decline in reversed allowances, in income from penalties for breach of contractual obligations, and in income from detected non-contractual electricity consumption);

a decrease in interest receivable (driven by a decline in interest income from depositing cash with a minimum balance requirement),

an increase in other expenses through an increase in allocations to allowances on the back of a decrease in property-related expenses, penalties, and other sanctions for breach of contractual terms, and losses of prior periods.

At the same time, there was a decrease in interest payable due to a decline in the weighted average borrowing rate as a result of the optimization of Lenenergo’s debt portfolio.

**Profit before tax** for 2018 was RUB 13,678 million, down RUB 3,039 million year-on-year (2017 profit before tax was RUB 16,717 million) driven by lower gross profit and a worse balance between other income and expenses.

The year-on-year decrease in **profit tax** for 2018 was RUB 864 million, or 20.8%,

**Net profit** for 2018 is RUB 10,386 million, down by RUB 2,175 million or 17.3% year-on-year due to lower gross profit from grid connection services.

**Operational excellence and cost reduction program**

As part of implementing item “a” of paragraph 1 in the List of Instructions of the Russian President following the meeting on improving the performance of government-owned companies held on December 9, 2014 (No. Pr3013), PJSC “Lenenergo” has developed an operational excellence and cost reduction program, approved by the Company’s Board of Directors (Minutes No. 34 of April 4, 2018). The implementation of the Program is reflected in the business plan, investment program, energy saving and energy efficiency program, innovative development program, and other target programs developed by the Company.

The Program’s performance indicators capture the targets set by the Russian Government’s Directive No. 2303p-P13 of April 16, 2015 to reduce operating expenses by at least 2%–3% annually.

Management estimates that In 2018 per unit operating expenses decreased 9.1% year-on-year. The indicator is calculated in accordance with the Guidelines for Calculating and Assessing Performance against KPIs of CEO of PJSC “Lenenergo” as approved by Resolution No. 31 of Lenenergo’s Board of Directors of April 19, 2017 (as amended, Minutes No. 42 of the Board of Directors, of June 6, 2018).

The indicators are achieved through the implementation of the Operational Excellence and Cost Reduction Program in place at the Company across the following areas:

* Improving the management of maintenance and repair of equipment, buildings, and facilities;
* improving the working capital management;
* improving the fixed assets management;
* improving the procurement and supply chain management;
* introducing advanced technologies and innovations;
* streamlining the personnel motivation and compensation system;
* improving the organizational and functional structure, and rightsizing;
* enhancing energy efficiency.

**Accounts receivable**

Analysis of changes in accounts receivable,\* RUB million

| Indicator | as at December 31, 2016 | as at December 31, 2017 | as at December  31, 2018 |
| --- | --- | --- | --- |
|  |  |  |
| **Accounts receivable, including:** | 6,966 | 7,675 | 6,425 |
| Trade receivables, including: | 3,747 | 4,487 | 4,250 |
| Electricity distribution | 2,195 | 2,651 | 2,902 |
| Bills receivable | 0 | 0 | 0 |
| Advances paid | 675 | 899 | 663 |
| Other accounts receivable | 2,544 | 2,288 | 1,512 |

\*Note: the table shows total accounts receivable (long-term and short-term, line 1230 of the balance sheet) in accordance with the Company’s financial statements for the reporting period.

The total net accounts receivable of the Company is RUB 6,425 million as at December 31, 2018, and RUB 7,675 million as at December 31, 2017. Total net accounts receivable for 12M 2018 decreased by RUB 1,250 million (16%), mainly due to a decrease in trade receivables by RUB 237 million (5%), advanced paid by RUB 237 million (26%), and other accounts receivable by RUB 776 million (34%).

Total decrease in trade receivables by RUB 237 million was due to:

* a decrease in accounts receivable for a total of RUB 563 million, including: by RUB 455 million for grid connection services (mainly due to repayment of debt owed by the largest consumers such as SPb Renovatsiya, JSC, Leader-88, LLC, and NPO Pigment, LLC); by RUB 105 million for other activities, mainly due to partial repayment of accounts receivable for maintenance of electric installations; and by RUB 3 million due to partial repayment of debt owed for detected non-contractual and non-metered electricity consumption;
* at the same time, accounts receivable increased: by RUB 251 million for debt owed to energy retailers for electricity distribution services; by RUB 19 million for performing the functions of sole executive bodies of subsidiaries and affiliates; and by RUB 56 million - for rental income.

The overall decrease in debt for advances paid by RUB 237 million was due to:

* a decrease in accounts receivable by a total of RUB 280 million, including: by RUB 102 million - for acquisition of electricity to offset network losses under the contract with Petersburg Power Sales Company, JSC; by RUB 176 million for services under expense contracts for grid connection to allied grid organizations, mainly due to the repayment of debt by Russian Railways, JSC, and South-West Thermal Power Plant, JSC; and RUB 2 million. - for other debtors;
* at the same time, accounts receivable increased with respect to other service providers by RUB 41 million, with advances paid for capital construction up by RUB 2 million (due to a decrease in bad debt provisions).

The overall decrease in other debt by RUB 776 million was driven by:

* a decrease in accounts receivable by a total of RUB 1,051 million, including: by RUB 824 million for debt owed by subsidiaries and affiliates, JSC “Saint Petersburg Power Grid”, and JSC “Petrodvorets Electric Company” for the transfer of funds to the Company under trilateral novation agreements, previously paid by the customer to the relevant subsidiaries and affiliates under grid connection contracts; by RUB 101 million for repayment of overpaid dividends to PJSC “Rosseti”; by RUB 55 million for amounts outstanding under legal proceedings; by RUB 38 million for repayment by counterparties of interest and penalties accrued under the electricity transit (transmission) restructuring agreements (income); by RUB 30 million for an overall decrease in amounts owed by non-government pension funds (at the period end, debt carried over from National Pension Fund of the Electricity Industry, JSC due to its reorganization through merger with the Non-Government Pension Fund LUKOIL-GARANT; the debt was RUB 102 million at the period start and RUB 72 million at the period end; - by RUB 3 million in penalties for breach of the rent payment schedule under income-bearing rental agreements.
* at the same time, accounts receivable increased by a total of RUB 275 million due to: an increase in overpaid taxes, mainly property tax, as well as payments to non-government extra-budgetary funds by RUB 40 million; an increase in accounts receivable by RUB 120 million in dividends owed by Registrator R.O.S.T, JSC (a counterparty); - an increase in accounts receivable by RUB 76 million owed by IDGC of Northern Caucasus, PJSC for delivery of equipment and expenses on joint drills; an increase in accounts receivable by RUB 19 million - for interest accrued under deposit contracts; an increase in accounts receivable by RUB 20 million owed by other debtors (land rent, state duty expenses, other debtors).
* The bulk of the Company’s accounts receivable (45%) come from electricity distribution services provided by the Company.

* As a result of the Company’s claim management aimed to recover overdue accounts receivable for electricity transmission services in 2018, positive court decisions were awarded for 35 court cases for a total of RUB 69.18 million of claims. There were no awards made not in favor of the Company in 2018. The share of claims awarded in favor of the Company was 100%, up 0.03 p.p. year on year (99.97% in 2017).
* As at December 31, 2018, the amount of claims enforceable under writs of execution with respect to outstanding amounts owed for electricity distribution services was RUB 959.61 million, including:
* a principal of RUB 884.03 million;
* - RUB 74.85 million of interest;
* -RUB 0.72 million of court expenses and state duties.
* As at December 31, 2018, the amount of claims enforceable under writs of execution issued in 2018 with respect to outstanding amounts owed for electricity distribution services was RUB 21.39 million, including:
* ‐ a principal of RUB 0.00 million;
* - RUB 21.00 million of interest;
* -RUB 0.39 million of court expenses and state duties.
* The amount of claims enforced under writs of execution for recovering debt for electricity transmission services in 2018 totaled RUB 62.59 million, including:
* - RUB 30.57 million transferred by the bank (debited from accounts);
* - RUB 32.01 million collected by the Russian Federal Service of Court Bailiffs.

**Accounts payable**

Analysis of changes in accounts payable,\* RUB million

| Indicator | as at  31.12.2016 | as at  31.12.2017 | as at  31.12.2018 |
| --- | --- | --- | --- |
|  |  |  |
| **Accounts payable, including:** | 29,800 | 30,279 | 29,792 |
| Trade payables | 13,303 | 12,179 | 12,172 |
| Bills payable |  |  |  |
| Advances received | 13,019 | 13,544 | 14,647 |
| Taxes and charges | 247 | 1,704 | 618 |
| Other accounts payable | 3,231 | 2,852 | 2,355 |

*\* Shown in accordance with the Company’s financial statements for the reporting period*

Total accounts payable for 2018 is down by RUB 487 million (2%) year-on-year as at December 31, 2018. Changes in total accounts payables are observed across all their components.

The decrease in trade payables is down by RUB 7 million (0.1%) year-on-year, primarily driven by:

* a decrease in debt owed to construction companies by RUB 732 million (10%) due to repayment of debt;
* a decrease in debt owed to grid organizations by RUB 322 million (13%); mainly due to the repayment of overdue debt by LOESK, JSC for RUB 290 million and JSC “Saint Petersburg Power Grid” for RUB 78 million on the back of an increase of debt owed to “FGC UES”, PJSC by RUB 37 million due to higher tariffs in the second half of 2018;
* a decrease in debt owed to repair organizations by RUB 8 million (3%);
* an increase in debt by RUB 795 million (110%) under expense property lease contracts due to consolidation of assets of subsidiaries and affiliates;
* an increase in other trade payables by RUB 267 million, mainly due to an increase in payables by RUB 78 million in VAT with respect to disagreements on electricity distribution services provided to UNECO, JSC as a counterparty, an increase in payables to suppliers of inventories by RUB 92 million, and other payables to service providers;

Advances received increased by RUB 1,103 million (8%), mainly due to an increase in advances related to grid connection by RUB 1,111 million due to the receipt of advances funds from consumers under grid connection contracts newly signed with the Company.

Outstanding taxes and charges decreased by RUB 1,086 million (64%), mainly due to a RUB 1,018 million decrease in outstanding profit tax and a RUB 72 million decrease in outstanding VAT, with a RUB 4 million increase in property tax.

Other accounts payable decreased by RUB 497 million (17%), mainly due to the repayment of restructured debt owed to “FGC UES”, PJSC for RUB 594 million and the repayment of collaterals received for RUB 164 million, while at the same time there was outstanding dividends unpaid by the registrar in the amount of RUB 120 million, an increase in outstanding legal costs by RUB 68 million, and an increase in other outstanding amounts.

Credit rating

As at December 31, 2018:

| **Agency** | **International rating** | **Date of assignment/Valid until** | **Outlook** |
| --- | --- | --- | --- |
| Moody’s Investors Service | **Ba1** | December 7, 2017 | Stable |
| ACRA | **АА+** | April 11, 2018 | Stable |

In April 2018, the ACRA rating agency assigned an AA+ credit rating to PJSC “Lenenergo”, with a stable outlook.

Event after the reporting date:

On March 26, 2019, ACRA upgraded Lenenergo’s credit rating to AAA(RU) with a stable outlook, which is the highest rating on ACRA’s scale

* 1. **Investments**

**Implementation of the investment program in 2018**

The investment program of PJSC “Lenenergo” for 2018 captures the goals and objectives of the Uniform Technical Policy in the Electricity Distribution Grid Sector and the provisions of applicable laws.

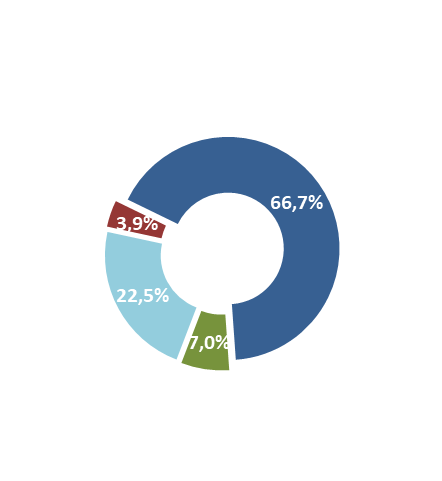
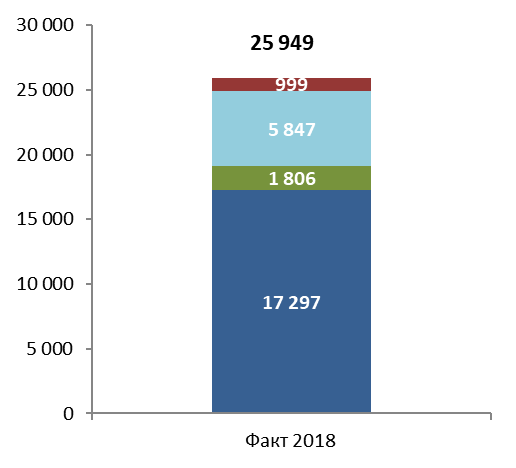
Investments are critical for the successful operation of the Company. Timely and sufficient investments increase the reliability and improve the performance of the electric grid industry, reduce network losses and operating costs, and ensure the commissioning of incremental capacity to connect new consumers, and eliminate electricity shortages.

The investment program of PJSC “Lenenergo” for 2018 was approved by Order No. 27 of the Russian Ministry of Energy of December 21, 2018 as part of the amendments to the investment program of PJSC “Lenenergo”, approved by Order No. 1042 of the Russian Ministry of Energy of December 28, 2015.

Implementation of the investment program

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Capex | Commissioned fixed assets | Financing | Commissioned capacity | | Increase in capacity | |
|  | RUB million, net of VAT | RUB million | RUB million, including VAT | MVA | km | MVA | km |
|
| **2018** |  |  |  |  |  |  |  |
| Saint Petersburg | 14,856 | 15,923 | 18,913 | 515 | 655 | 467 | 632 |
| Leningrad Region | 5,866 | 7,342 | 7,036 | 515 | 1,244 | 409 | 654 |
| Total for PJSC “Lenenergo” | 20,722 | 23,265 | 25,949 | 1,031 | 1,900 | 877 | 1,290 |
| Total for Lenenergo Group | 21,822 | 24,687 | 27,182 | 1,112 | 2,074 | 958 | 1,464 |
| **2017** |  |  |  |  |  |  |  |
| Saint Petersburg | 19,871 | 18,069 | 27,046 | 1158 | 684 | 1003 | 576 |
| Leningrad Region | 8,332 | 10,714 | 8,409 | 1171 | 1,452 | 637 | 856 |
| Total for PJSC “Lenenergo” | 28,203 | 28,783 | 35,454 | 2329 | 2,136 | 1640 | 1,432 |
| Total for Lenenergo Group | 31,600 | 30,106 | 39,255 | 2,414 | 2,265 | 1725 | 1,560 |
| **2016** |  |  |  |  |  |  |  |
| Saint Petersburg | 12,664 | 9,891 | 15,891 | 449 | 528 | 414 | 442 |
| Leningrad Region | 9,546 | 5,273 | 11,726 | 395 | 1619 | 262 | 1141 |
| Total for PJSC “Lenenergo” | 22,210 | 15,165 | 27,617 | 844 | 2147 | 676 | 1583 |
| Total for Lenenergo Group | 28,227 | 21,539 | 33,030 | 1086 | 2594 | 918 | 1995 |

**Investment program financing sources**



**Investment program financing sources, RUB million, including VAT**

\* VAT refund, follow-on offering, other

**Equity**

**Borrowings**

**Grid connection fees**

**Other\***

In 2018, key sources of capex financing at PJSC “Lenenergo” in 2018: equity (depreciation and net profit from electricity distribution), advance use of profit from grid connection, borrowings, other funds (VAT refund, repayment of accounts payable with respect to grid connection novated by JSC “Saint Petersburg Power Grid” to PJSC “Lenenergo”, settlements under contracts on compensation for infringement on property rights).

The year-on-year decrease in the scope of the investment program in 2018 is due to:

* a decrease in the amount of accepted property built by customers under grid connection contracts;
* optimization of the investment program in line with the scenario conditions and exclusion of facilities, including in connection with the termination of grid connection contracts;
* reduction in the scope of the investment program in the Leningrad Region based on regional tariff regulator’s decisions.

**CAPEX financing by key activities, RUB million, including VAT**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** |
| **Total** | 27,617 | 35,454 | 25,949 |
| Grid connection | 22,557 | 28,465 | 14,518 |
| Renovation, modernization, and technical upgrade | 4,030 | 3,338 | 4,895 |
| Investment projects conditioned by the electricity industry’s long-term development patterns and programs | 0 | 206 | 1,976 |
| Other new construction of electric grid facilities | 345 | 49 | 54 |
| Purchase of land plots for investment projects | 0.4 | 0.0 | 0.0 |
| Other investment projects | 685 | 3,396 | 4,506 |

Financing of capex by key area in 2018, RUB million, including VAT, for PJSC “Lenenergo”

An analysis of the investment program’s financing structure in 2018 shows investments in grid connection aimed at meeting the obligations under outstanding grid connection contracts have the priority over other investments.

Financing by area in the investment program for 2018 can be broken down as follows:

* Grid connection accounts for 56% of the total investment program;
* Renovation, modernization, and technical upgrading account for 19% of the total investment program;
* Investment projects conditioned by the long-term development patterns and programs for the electricity Industry account for 8% of the total investment program;
* Other investment projects-account for 17% of the total investment program; (including property under compensation agreements, equipment, and vehicles).

Priority projects of the investment program commissioned in 2018.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Project | Project purpose | Construction period, years | Commissioning date | Cost of commissioned fixed assets, RUB million | Commissioned capacity, MVA/km | Core equipment |
| Renovation of 110kV substation No. 210 Lensovetovskaya (renovation of 110kV substation No. 210 Lensovetovskaya with a transformer capacity of 32 MVA and an increase of the transformer capacity by 18 MVA to 50 MVA and conversion of the station into an indoor facility. Installation of a 110 kV mobile modular substation with a transformer capacity of 50 MVA for the renovation period) | Grid connection of customers | 2007–2018 | 31.12 2018 | 820.98 | 50 MVA | Automated process control system (APCS), reciprocating arc-suppression reactor RDMR 10/485 U1 (2 units), high-frequency damper 110 kV; VZ-630-0.5 UKhL1 (2 units), coupling capacitor 110kV4; SMPV-110/3-6.4 UHL1 (2 units), relay protection equipment (ShE 2607), 110 kV disconnector; RGNP.1a-110.II/1000 UKhL 1, 110 kV current transformer, IMB-123 TT  Phase 2: SF6-insulated factory-assembled switchgear, 110 kV, type ELK-04 – 1 set; switchgear unit a vacuum circuit breaker. 10 kV, Inom = 2,000 A, Unigear ZS1 – 4 units; bus section switch unit with a vacuum circuit breaker, 10 kV, Inom = 1,600 A; Unigear ZS1 – 4 units; a unit with a voltage transformer, with a non-linear surge protection device, 10 kV, with a 10 kV fuse, Unigear ZS1 – 8 units; a unit for connecting an auxiliary transformer with a vacuum circuit breaker, 10 kV, Inom = 1,000 A, Unigear ZS1 – 2 units; a unit connecting a diesel generator set with a vacuum circuit breaker, 10 kV, Inom = 1,000 A, Unigear ZS1 -–4 units; an outgoing section with a vacuum circuit breaker, 10 kV, Inom = 1,000 A, Unigear ZS1 –32 units; a busbar bridge, 10 kV – 2 units; an arc suppressor oil reactor with smooth current control and a built-in current transformer RDMR-860/10 UKhL1 – 4 units; a zero sequence transformer for connecting the arc suppressor TMPS-860/10 UKhL1 – 4 units; a 10 kV single-pole disconnector in the arc suppression reactor circuit. RLND-1. 1–10/400 UKhL1 – 4 units; a surge protection device for neutral grounding OPNp-110/550/56-10-III UKhL1, factory-assembled with a leakage current sensor – 2 units; a surge protection device for neutral grounding OPNp-110/550/77-10-III UKhL1, factory-assembled with a leakage current sensor – 12 units; a phase-insulated conductor, 10 kV, with cast insulation Duresca 12-2000 |
| Renovation of Substation No. 18 Krasny Treugolnik converted to 110 kV | Grid connection of customers | 2012‐-2021 | 30.09 2018 (Phase 1) | 290.27 | - | Distribution board Shch-7: Auxiliary SF6-insulated factory-assembled switchgear, metering cabinet (ShU1); metering cabinet (ShU2); Control cabinet ShERP-ASU; relay protection monitoring system; S/s 18; the station control panel building; a single-beam electric overhead crane; unit No. 1, CL-110 kV, CHPP-15; unit No. 2, CL-110 kV reserve; unit No. 3 of power transformer T-1; unit No. 4, TN-110kV; unit No. 5 SV-110kV; unit No. 6 TN-110kV; unit No. 7 of power transformer T-2; unit No. 8 SF6 FAS CL-110 kV, PS-88, a SF6 leakage system; a control cabinet ShERP-ASU; an auxiliary AC equipment; transformer T-2 TDTN 40000/11070, 110 kV No. 6257; 110 kV cable line K-127; FOCL No. 07, 107, 301, DPM-024E08-04-7.0/0.5N; an automatic DC system; a unit with a circuit breaker VD4 6 kV; a unit with a circuit breaker VD4 6 kV, an operator work station; a test switch 7XV7501-0CA00, microprocessor-based protection terminals; portable automated workstation for a relay protection engineer based on an Acer TravelMate PC |
| Construction of an indoor 110 kV Kamenka power substation with a 110 kV cable line (construction of the 110 kV Kamenka substation, with installation of power transformers 2x80 MVA, and construction of a 14.4 km 110 kV cable line) | Grid connection of customers | 2014‐-2019 | 31.12 2018  (110 kV CL from 110 kV substation No. 99 Nissan to 110 kV Kamenka substation) | 1,269.33 | 14.087 km | CL 110 kV PvPu2g 1x1200 (gzh)/300(ov)-64/110 kV-14,087 km, -1 thermal monitoring cabinet for cable lines, a protection and control cabinet for 110 kV CL, 1 three-phase multi-functional energy meter, a compact gas-insulated switch module with a cable lead-in 3AP1 DTC G – 1 set, communications networks – 1 set. |
| Construction of the 110 kV Namyv-2 substation with a 110 kV cable line (installation of power transformers with a capacity of 2x63 MVA, indicative length – 15.8 km) | Grid connection of customers, ensuring reliable electricity supply | 2013–2022 | 31.12 2018  (CL-110 kV from substation PS-14 to the 330 kV Vasileostrovskaya substation) | 1,226.35 | 14.191 km | CL-110 kV from substation PS-14 to the 330 kV Vasileostrovskaya substation, 14.191 km  Relay protection system  Temperature monitoring system |
| Work in a 110 kV network to connect the 110 kV Mys substation (construction of a 110 kV 5.5. km overhead line section from OL VLb-8 to the 110 kV Mys substation and re-equipment of 110 kV overhead lines Vb-1, Vb-2, Vb-4, Vb-7, and Vb-8, 11.27 km) | Grid connection of customers | 2017‐-2018 | 31.12 2018 | 154.73 | 21.0 km | 1 disconnector 110kV; RGP.2-110-II UKhL1, 1 disconnector 110kV; RGP.1a-110-II UKHL1, current transformer 110kV; TOGF-110 III‐0.2s/0.5/10Р/10Р/10Р‐600/5 UHL1 – 4 units, a 110 kV circuit breaker; NDKM-110 0,2/0,2/0,5/1/3R UKhL – 1 unit; a surge protection device 110kV; OPNN-P1- 110/60/10/2IV UKhL1 - 1 unit; high-frequency damper 110 kV; VZ 630-0,5 UKhL1 – 4 units, coupling capacitor 110 kV; SMAPV-1100√3-6.4 UKhL1 – 4 units, relay protection equipment |
| Expansion of the 110 kV Plodovoye substation (PS 511) with the installation of 2x25 MVA and 2\*40 MVA transformers, construction of the 35 kV Bukhta substation, and installation of 2x25 MVA transformers with approaches to 110 kV, 35 kV, 10 kV overhead lines, 2x22.1 km, 10 kV CL, 1 km. | Grid connection of customers, ensuring reliable electricity supply in the area of the Vladimirskaya Bay | 2017–2018 | 31.12 2018 | 896.98 | 130 MVA  23.6 km | 1. Distribution transformer substation (DTSS) 10 kV No. 80 (DGR-2, factory-assembled, UKRL-2 factory-assembled, a set of two units) 2. SS 511:   TDTN 40000/110/35/10‐U1‐T1, serial No. 26459, TDTN 40000/110/35/10‐U1‐T1, serial no. 26459,  Station control panel building BMZ OPU (Type 106), communication cabinet KNV-SS-1; remote control cabinet KNV-RTU560-1; a cabinet for the automated measuring and information system for electricity billing metering (AIIS KUE) KNV-P-1; a relay protection cabinet, 8 control panels; a digital emergency recorder PARMA RP 4 11; a local back-up protection cabinet Bresler-0117.020 (outdoor switchgear in zone T1), a local back-up protection cabinet Bresler-0117.020 (outdoor switchgear in zone T2) operating DC voltage system (SOPT),  10 kV indoor switchgear building (BMZ ZRU), 10 kV factory-assembled switchgear VOLGA--M, including spare parts 19 units, TS-160/10/0.4 UKhLZ TSN1 in a 10 kV indoor switchgear, TS-160/10/0.4 UKhLZ TSN2 in a 10 kV indoor switchgear,  35 kV indoor switchgear building (BMZ ZRU), 35 kV indoor switchgear VOLGA-M, including spare parts, 10 units,  35 kV indoor switchgear building (type 84), 35 kV indoor switchgear VOLGA-M, including spare parts, 12 units, disconnector ZP RGP 2-35-/1000 UKhL1 (2 units), a block with a circuit breaker and current transformers (VTt), a neutral grounding (ZON) and surge protection (OPNN) block, block RGN-1, block RGN-2 (2,820 mm), block RGN-2 (4,500 mm), OPN-P1-110/73/103III UKhL1 with a DTU current sensor, unit gantries with a lightning discharge PSL-110-Ya, TN NDKM-110 UKhL 1   1. Bukhta substation:   Station control panel building BMZ OPU (61), communication cabinet KNV-SS-2; remote control cabinet KNV-RTU560-2; a cabinet for the automated measuring and information system for electricity billing metering (AIIS KUE) KNV-B-2; a relay protection cabinet, 8 control panels; a local back-up protection cabinet Bresler-0117.020 (outdoor switchgear in zone T1), a local back-up protection cabinet Bresler-0117.020 (outdoor switchgear in zone T2), an operating DC voltage system (SOPT),  Indoor switchgear building BMZ ZRU 10 kV (type 122),  10 kV switchgear VOLGA-M including spare parts, 16 units, TS-100/10/0.4 UKhLZ, TSN1 in a 10 kV indoor switchgear, TS-100/10/0.4 UKhLZ, TSN2 in a 10 kV indoor switchgear; disconnector ZP RGP 2-35-/1000 UKhL1 - 2 units, TRDSN-25000/35/10/10-U1, T1; ТRDSN-25000/35/10/10-U1,T2; |

**Saint Petersburg**

**Renovation of 110 kV substation No. 210 Lensovetovskaya**

|  |  |
| --- | --- |
| Location: Saint Petersburg, Pushkinsky District, Lensovetovsky state farm  Implementation period: 2007–2018  Renovation scope:  Renovation of 110kV substation No. 210 Lensovetovskaya with installation of 2x25 MVA transformers |  |

Objective:

Performance of contractual obligations regarding grid connection of customers in the Pushkinsky District of Saint Petersburg.

Progress of the project:

In 2016, two 110 kV mobile modular substations with a total transformer capacity of 50 MVA were installed and put into operation to enable renovation of the substation. In 2018, the renovation of the substation was fully completed. The facility was put into operation in December 2018.

**Renovation of Substation No. 18 Krasny Treugolnik converted to 110 kV (Phase 1)**

|  |  |
| --- | --- |
| Location: Saint Petersburg, Obvodny Kanal embankment, 185  Implementation period: 2012‐-2018  Scope of construction:  Phase 1 was commissioned; the substation was converted from voltage class 35 kV to 110 kV with the construction of new 110 kV cable lead-ins from CHPP-15. |  |

Objective:

Improve the reliability of electricity supply to existing consumers: the Baltiysky Railway Station, GUP Vodokanal, Baltiyskaya Metro Station, Mariinsky Theater, Admiralty Shipyard, FGUP Gozznak, Conservatory, Stepan Razin Plant, Central Post Office (Glavpochtamt), polyclinics, industrial enterprises and population

Progress of the project:

The work on the first phase of renovation was fully completed in 2018.

Works on Phase 2 and Phase 3 of the renovation project are ongoing.

**Construction of the 110 kV Kamenka substation – Phase 1 (110 kV CL, 110 kV substation No. 99 Nissan – 110 kV Kamenka substation)**

|  |  |
| --- | --- |
| Location: Saint Petersburg  Primorsky District, Parashyutnaya Street, site 39  Implementation period: 2014‐-2018  Scope of construction:  Installation of a 7.043 km double-circuit 110 kV CL towards 110 kV substation No. 99 Nissan – 110 kV Kamenka substation, installation of a 110 kV linear compact gas-insulated switch module with cable lead-in 3AP1 DTC G, works related to relay protection, communications, a measuring and information system for electricity billing metering AIIS KUE, and a CL monitoring system. | WhatsApp Image 2019-03-25 at 15.24.30(17) |

Objective:

Grid connection for consumers in the Primorsky District of Saint Petersburg, such as:   
LSR. Nedvizhimost – Severo-Zapad, CJSC, Ioffe Institute,

RosStroi Construction Corporation, JSC, SETL INVEST, LLC, Almazov National Medical Research Center,

TIN Group, LLC.

Progress of the project:

In 2018, Phase 1of the construction project was commissioned, including: installation of a 7.043 km double-circuit 110 kV CL-110 kV cable line between SS 110 kV Nissan – SS 110 kV Kamenka substation, installation of a 110 kV linear compact gas-insulated switch module with cable lead-in 3AP1 DTC G, works related to relay protection, communications, a measuring and information system for electricity billing metering AIIS KUE, and a CL monitoring system.

**Construction of a 110 kV substation Namyv-2" with a 110 kV cable line – Phase 1 (CL-110 kV from substation PS-14 to the 330 kV Vasileostrovskaya substation)**

|  |  |
| --- | --- |
| Location Saint Petersburg,  Vasileostrovsky District  Implementation period: 2013‐-2018  Scope of construction:  Construction of CL-110 kV from substation PS-14 to the 330 kV Vasileostrovskaya substation, 14.191 km, relay protection system, and a temperature monitoring system. | D:\РАБОТА\САНКТ-ПЕТЕРБУРГ\ОБЪЕКТЫ\Заходы КЛ 110 кВ на ПС Намыв-2\ФОТО ОБЪЕКТА\2018\Май\08.05.2018 Попов муфты МУ6; МУ 5; МУ 4; . Котлованы от МУ 6 до МУ3\IMG_5677.JPG |

Objective:

Increase reliability of electricity supply to existing consumers in the Vasileostrovsky District of Saint Petersburg, increase electricity transit and connection of new consumers

Progress of the project:

In 2018, 14.191 km of the CL-110 kV cable line was laid from PS-14 to the 330 kV Vasileostrovskaya substation. Relay protection and temperature monitoring systems were installed.

**Leningrad Region**

**Construction of a 110 kV overhead line section from the VLb-8 overhead line to the 110kV Mys substation**

|  |  |
| --- | --- |
| Location Leningrad Region,  Vyborgsky District  Implementation period: 2017–2018  Renovation scope:  Construction of a 5.5 km 110kV overhead line section from the VLb-8 overhead line to the 110kV Mys substation and re-equipment of the 110kV overhead lines Vb1, Vb2, Vb4, Vb7, and Vb8 km, with a total length of 11.27 km, installation of a new switchgear unit at the PS-26 substation, replacement of a current transformer at Svetogorskaya HPP. |  |

Objective:

Grid connection of the 110 kV Mys substation under a contract with Gazprom-Invest, PJSC based on an application of January 15, 2016, No. 16601 (contract No. OD-6950-16/601-E-16 of July 5, 2016)

Progress of the project:

All work was completed in December 2018. The facility was put into operation in December 2018.

**Expansion of the 110 kV Plodovoye substation (substation 511)**

**with the construction of the 35 kV Bukhta substation with approaches to the 35 kV power line**

|  |  |
| --- | --- |
| Location Leningrad region, Priozersky district, village of Vladimirovka,  Vladimirovskaya Bay  Implementation period: 2017–2018  Renovation scope:  Expansion of the 110 kV Plodovoye substation (PS 511) with the installation of 2x25 MVA and 2\*40 MVA transformers, construction of the 35 kV Bukhta substation, and installation of 2x25 MVA transformers with approaches to 110 kV, 35 kV, 10 kV overhead lines | \\NB-ZVEREV-A\Users\zverev.ap\Desktop\Рабочая\Презентация по итогам 2018 года\Фото Коневец\WhatsApp Image 2019-01-18 at 17.48.48(2).jpeg |

Objective:

Performance of contractual obligations for grid connection of the Konevetsky Rozhdestvo-Bogorodichny Monastery (Konevets Island)

Progress of the project:

100% of the scope was completed in December 2018. The facility was put into operation in December 2018.

**The 2018 investment program outcomes**

Information on the results achieved in 2018 through the implementation of the investment program in accordance with Order No. 27 of the Russian Ministry of Energy of December 21, 2018:

* the transformer substation utilization rate in 2018 was 26.6% (load measured in December 2018. was 4,346.88 MVA, and installed capacity 16,368.6 MVA); for 2017: 25.0% (load measured in December 2017: 3,999.17 MVA, installed capacity 15,978.6 MVA).
* the estimated change in the share of net supply of electricity, which is made using electricity metering devices included in the data collection and transfer system was 0.35% (net supply of electricity in 2017 was 700 thousand kWh, in 2018 – 30,560 thousand kWh);
* the estimated change in the average duration of interruptions in electricity supply to consumers (∆PSAIDI) in 2018 was: -0.0132160888;
* the estimated change in the average frequency of interruptions in electricity supply to consumers (∆PSAIDI) in 2018 was: -0.0024027708;
* the amount of fulfilled grid connection obligations of the grid organization in 2018 decreased by 7.5% year-on-year to 30,112 contracts (32,574 in 2017);
* in 2018, the maximum capacity of connected electricity consumers (1,606,654 kW) decreased by 35.7% year-on-year to 1,032,528 kW, including:
* power generation facilities - 89,898 kW;
* electric grid facilities owned by other grid organizations – 104,405.5 kW.

**Long-term investment program**

The long-term investment program of PJSC “Lenenergo” for 2018–2020 was approved by Order No. 27 of the Russian Ministry of Energy of December 21, 2018, *On approval of amendments to the investment program of PJSC “Lenenergo”, approved by Order No. 1042 of the Russian Ministry of Energy of December 28, 2015*.

The key objectives of the Company’s investment program are:

* Ensuring the renovation of the Company’s grid assets;
* Performing the grid connection obligations, including to consumers of Saint Petersburg and the Leningrad Region;
* Implementing innovative projects and energy efficiency programs;
* Creating the technological infrastructure for the operation of a competitive electricity and capacity market.

**Changes in Key Parameters of the Long-Term Investment Program**

|  |  |  |
| --- | --- | --- |
|  | 2019P | 2020P |
| **Saint Petersburg** |  |  |
| Capex, RUB million, net of VAT | 22,551 | 8,722 |
| Financing, RUB million, including VAT | 22,958 | 13,223 |
| Fixed assets commissioned, RUB million | 28,192 | 11,080 |
| Commissioned transformer capacity, MVA | 1,771 | 1,073 |
| Commissioned distribution lines, km | 589 | 129 |
| **Leningrad Region** |  |  |
| Capex, RUB million, net of VAT | 4,248 | 3,346 |
| Financing, RUB million, including VAT | 5,338 | 4,148 |
| Fixed assets commissioned, RUB million | 4,918 | 3,883 |
| Commissioned transformer capacity, MVA | 342 | 211 |
| Commissioned distribution lines, km | 460 | 453 |
| **Total for PJSC “Lenenergo”** |  |  |
| Capex, RUB million, net of VAT | 26,799 | 12,068 |
| Financing, RUB million, including VAT | 28,296 | 17,371 |
| Fixed assets commissioned, RUB million | 33,110 | 14,963 |
| Commissioned transformer capacity, MVA | 2,112 | 1,284 |
| Commissioned distribution lines, km | 1,048 | 582 |
| **Total for Lenenergo Group** | - | - |
| Capex, RUB million, net of VAT | 27,502 | 12,068 |
| Financing, RUB million, including VAT | 29,218 | 17,371 |
| Fixed assets commissioned, RUB million | 34,483 | 14,963 |
| Commissioned transformer capacity, MVA | 2,141 | 1,284 |
| Commissioned distribution lines, km | 1,160 | 582 |

In line with the approved investment program for 2019–2020, capex financing totaled RUB 45,667 million, including VAT.

As a result of the implementation of the investment program in 2019–2020, the increase in fixed assets will be RUB 48 billion, with transformer capacity additionally increased by 3,396 MVA, and the length of distribution lines up by 1,630 km, which will result in increased distribution capacity, a lower accident rate, a higher reliability of the energy system and will support better grid connection of consumers.

**Capital construction quality management**

The Company verifies the compliance of completed work with design documents, requirements of technical regulations, results of engineering surveys, requirements of urban planning for a land plot with a construction project underway, renovation, and capital construction in accordance with the requirements of Article 53 of the Urban Planning Code of the Russian Federation, subject to Resolution No. 468 of the Russian Government, *On the procedure for construction inspection during construction, renovation, and overhaul of capital construction facilities*, of June 21, 2010.

In line with orders of the Company’s branches, relevant persons were appointed responsible for construction inspection, as well as employees in charge of construction inspection at specific facilities across Electric Grid Districts, subsidiaries, and dependent companies.

The construction inspection procedure in the Company provides for construction inspection being performed both by Company employees in line with regulatory documents and job descriptions (Type B) and by independent contractors under outsourced construction inspection contracts (Type A).

For this purpose, a standard construction inspection contract was developed and, with the participation of Rosseti experts, standard guidelines for preparing and conducting tenders were developed.

**The Company’s construction inspection resources**

As at December 31, 2018, 240 employees of PJSC “Lenenergo”, its branches, subsidiaries, and dependent companies were trained under the *Construction Inspection and State Construction Inspection during the Construction of Electricity Industry and Electric Grid Facilities* program, including 191 employees who were assigned the responsibility for specific facilities by corporate orders.

In order to organize construction inspection and comply with instructions of PJSC “Rosseti”, the Company has issued orders and adopted regulations aimed at building and embedding mechanisms that regulate construction through construction inspection. As part of organizational measures taken to ensure construction inspection at PJSC “Lenenergo”, the following procedural documents were developed:

1. Procedure for construction inspection at the Company’s electric grid facilities (Order No. 33 of February 4, 2016 and Order No. 101 of March 16, 2016);
2. Standard procedure for keeping as-built and acceptance documentation (Order No. 35 of February 4, 2016);
3. Guidelines for validating and accepting the scope and quality of construction and installation work (Order No. 105 of May 16, 2016);
4. Procedure for approval of as-built documentation and completion reports as per Forms KS-2, KS-3 (Order No. 458 of August 24, 2017);
5. On approval of the Regulations on the Organization and Implementation of Acceptance Control of Products Used for the Construction of Electric Grid Facilities of PJSC “Lenenergo” (Order No. 399 of July 26, 2017);
6. On approval of the Standard Construction Inspection Contract (Order No. 102 of March 2, 2017);

The Company has determined the units responsible for the organization and implementation of construction inspection. In 2018, construction inspection was provided by 191 construction inspection specialists of the Company.

**Executive arm of PJSC “Lenenergo”**

- **Department for Construction and Renovation of Facilities in Saint Petersburg**. **Head** – Roman Tsvetkov, Deputy Director for Capital Construction, Head of the Department for Construction and Renovation of Facilities in Saint Petersburg. 18 employees were trained, with construction inspection functions assigned to them by a corporate order: - Order No. 328 of June 16, 2017, *On exercising construction inspection over construction and renovation of 0.4–10 kV grid facilities in Saint Petersburg under grid connection contracts to grids of Lenenergo*, Regulations on the Department, and job descriptions of the employees.

**-Department for Construction Inspection.**

Head – Anton Mezhevalov, Head of the Construction Inspection Department. The Department has 10 employees in total, all them trained in construction inspection. The Department’s activities are governed by the Company’s documents, Regulations on the Department, and job descriptions of the Department’s employees.

**- Department of Construction and Renovation for the Leningrad Region.** Head – Aleksandr Makarov, Deputy Director for Capital Construction, Head of the Department for Construction and Renovation for the Leningrad Region. The Department has 8 employees in total, all of them trained.

**Branches of PJSC “Lenenergo”**

The Company has seven branches, with organization and implementation of construction inspection assigned to construction inspection units and employees of operation services (foremen of Electric Grid Districts):

**Cable network**

Capital Construction Unit. The Unit has a total of 13 employees, all of them trained in construction inspection. The function of organizing and implementing construction inspection is assigned by Order No. 13 of January 22, 2018.

**Prigorodniye Power Grid**

Capital Construction Unit. The Unit has a total of 14 employees, all of them trained in construction inspection. The function of organizing and implementing construction inspection is assigned by Order No. 170 of April 8, 2016.

**Gatchinskiye Power Grid**

Capital Construction Unit. The Unit has a total of 18 employees, all of them trained in construction inspection. The function of organizing and implementing construction inspection is assigned by Order No. 159 of April 8, 2016.

**Kingiseppskiye Power Grid**

Capital Construction Unit. The Unit has a total of 18 employees, all of them trained in construction inspection. The function of organization and implementation of construction inspection is assigned by order No. 1010 of November 4, 2016.

**Tikhvinskiye Power Grid**

Capital Construction Unit. The Unit has a total of 6 employees, four of them trained in construction inspection. The function of organizing and implementing construction inspection is assigned by Order No. 323 of April 4, 2016.

**Vyborgskiye Power Grid**

Capital Construction Unit. The Unit has a total of 33 employees, all of them trained in construction inspection. The function of organizing and implementing construction inspection is assigned by Order No. 372 of May 19, 2016.

**Novo-Ladozhskiye Power Grid**

Capital Construction Unit. The Unit has a total of 11 employees, all of them trained in construction inspection. The function of organizing and implementing construction inspection is assigned by Order No. 85 of March 21, 2016 and No. 86 of March 22, 2016.

**Directorate of Facilities under Construction (a branch of PJSC “Lenenergo”)**

Department for Construction in Saint Petersburg (Head: M.O. Rudy) for the Leningrad Region. (Ye.S. Gashkova) The Unit has a total of 19 employees, 16 of them trained in construction inspection. The function of organizing and implementing construction inspection is assigned by individual orders:

|  |
| --- |
| Order 10 of February 22, 2018, *On temporary assignment of construction inspection functions for the110 kV Shushary substation project*; |
| Order No. 11 of February 22, 2018, *On assignment of construction inspection functions at Substation No. 124*; |
| Order No. 12 of February 27, 2018, *On assignment of construction inspection functions at Substation No. 190*; |
| Order No. 13 of February 27, 2018, *On assignment of construction inspection functions at Substation No. 190* *2VVR and GPS-190 4VVR*; |
| Order No. 20 of April 10, 2018, *On assignment of construction inspection functions at Sat the 220kV Kupchinskaya substation*; |
| Order No. 21 of April 12, 2018; Order No. 34 of May 15, 2018; Order No. 53 of May 12, 2018; Order No. 57 of July 31, 2018. |
| Order No. 63 of August 21, 2018; Order No. 64 of August 21, 2018; Order No. 69 of August 30, 2018; Order No. 74 of September 12, 2018; |
| Order No. 77 of September 24, 2018; Order No. 80 of October 4, 2018; Order No. 88 of October 25, 2018; |
| Order No. 101 of November 29, 2018; Order No. 102 of November 29, 2018; Order 111 of December 12, 2018; Order No. 115 of December 18, 2018. |

Construction inspection specialists are also assigned to supervise specific facilities.

**Saint Petersburg High Voltage Network.**

Capital Construction Unit. The Unit has a total of 30 employees, all of them trained in construction inspection. The function of organizing and implementing construction inspection is assigned by Order No. 133 of April 19, 2016.

Fig. 13. Breakdown of employees responsible for construction inspection at branches of PJSC “Lenenergo”, persons

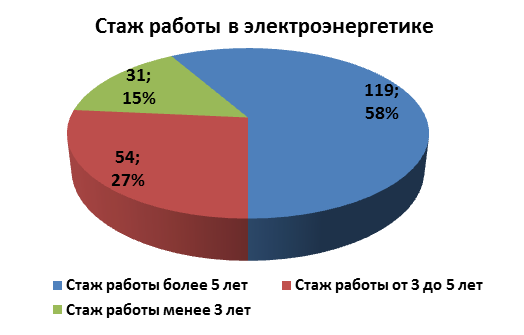
Fig. 14. Company staff by professional education



Industrial and civil construction

Fig. 15. Years worked in the power industry

Year worked in the power industry

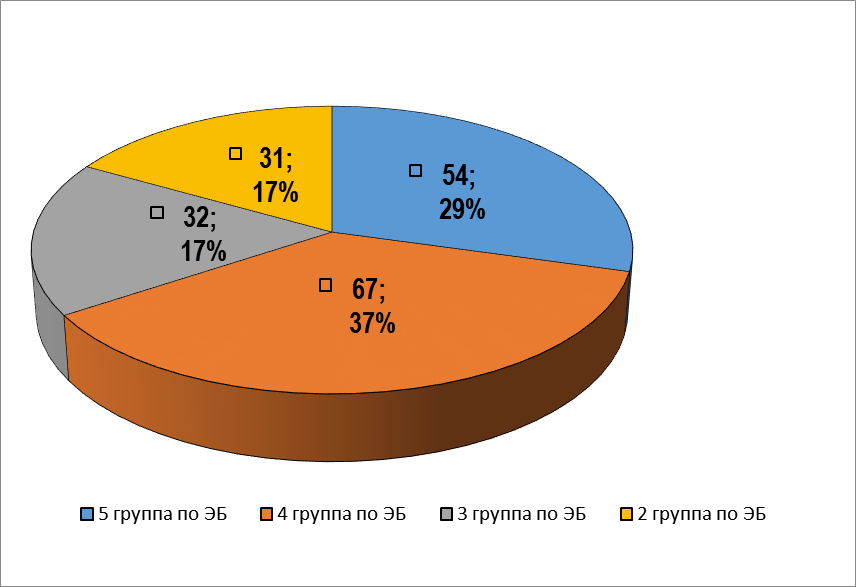


**From 3 to 5 years**

**Over 5 years**

**Less than 3 years**

Fig. 16. Staff’s electrical safety admission



Class 5

Class 5

Class 5

Class 5

Results of construction inspection of the Company’s facilities across the new construction, Retrofitting and renovation projects under the investment program of the Company in the reporting year

Third-party construction inspection across the new construction, Retrofitting and renovation projects under the investment program in the reporting year

In 2019, in line with the Long-Term Development Program of PJSC “Rosseti” approved by the Board of Directors of PJSC “Rosseti” (Minutes No. 174 of December 19, 2014), third-party construction inspection covered up to 70% of construction projects under the investment program for subsidiaries and affiliates of PJSC “Rosseti” to ensure compliance of the construction projects to be commissioned with the technical specifications, approved design documents, and reliability and safety requirements, with the following supervision experts were engaged to provide supervision for the Company’s investment program projects:

- Tsentr tekhnicheskogo zakazchika (TsTZ), JSC

- SeverEnergoProyect, LLC

- Smart-I, LLC

- A consortium of: TsTZ, JSC, and IK 2K, LLC

In 2018, third-party construction inspection of construction projects under the Company’s investment program aimed at ensuring compliance of the commissioned capital construction projects with the technical specifications, approved design documents, and reliability and safety requirements covered: 35 %

In 2018, the number of priority construction projects under the investment program for 2018 totaled 40 projects.

In 2018, the number of priority construction projects under the investment program for 2018 totaled 14 projects.

The share of projects covered by third-party construction inspection was 35% of all ongoing priority construction projects.

The total number of breaches identified by construction inspection at the Company’s investment program projects during the reporting year, including priority projects under the Company’s investment program.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| The Company’s investment program project class | Number of investment program projects | Total number of violations identified in audit reports | including | | | | |
| with work suspension | timely remedied | remedied with delay | not remedied | The requirement to suspend the work was not met |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Total new construction, Retrofitting and renovation: | 44 | 1426 | 79 | 213 | 827 | 376 | 45 |
| 220+ overhead lines | - | - | - | - | - | - | - |
| 35–110 kV overhead lines | 3 | 68 | 1 | 13 | 54 | 1 | 0 |
| 0.4–220 kV CL | 4 | 59 | 0 | 26 | 28 | 5 | 0 |
| 220+ substations | 1 | 168 | 15 | 51 | 59 | 58 | 6 |
| 35–110 kV substations | 34 | 1131 | 63 | 123 | 686 | 312 | 39 |
| 6–35/0.4 kV transformer substations | 2 | 0 | 0 | 0 | 0 | 0 | 0 |

A class-based breakdown of breaches identified by construction inspection over the Company’s investment program projects in the reporting year, including priority projects under the Company/s investment program.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| The Company’s investment program project class | Number of investment program projects | Class-based breakdown of breaches | | | | | | | | Total |
| Permits | Materials, equipment | Warehousing, storage | Design documents | Construction technology | As-built and acceptance documents | Work safety | Other |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Total new construction, Retrofitting and renovation: | 44 | 204 | 71 | 63 | 57 | 549 | 179 | 211 | 110 | 1,444 |
| 35–110 kV overhead lines | 3 | 0 | 3 | 6 | 3 | 30 | 2 | 12 | 12 | 68 |
| 0.4–220 kV CL | 4 | 7 | 0 | 0 | 4 | 26 | 21 | 3 | 7 | 68 |
| 220+ substations | 1 | 11 | 4 | 8 | 4 | 122 | 12 | 7 | 0 | 168 |
| 35–110 kV substations | 34 | 186 | 64 | 49 | 46 | 371 | 144 | 189 | 91 | 1,140 |
| 6–35/0.4 kV transformer substations | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Results of investigating process related to the quality of capital construction

The results of the investigation of process failures (accidents) related to substandard quality of construction classified under organization cause code 3.4.11. (3.4.13.) Defects (drawbacks) of a project, structure, manufacturing, or assembly in line with Order No. 90 of the Russian Ministry of Energy of March 2, 2010, *On approval of the form of a report on investigating the causes of accidents in the electricity industry and the procedure for its completion*

The number of process failures (accidents) related to substandard construction of electric grid facilities increased in 2018 by 83.5% year-on-year.

Over 12M 2018, 177 reports of process failures related to the quality of capital construction and classified under organization cause code 3.4.13 *Defects (drawbacks) of a project, structure, manufacturing, or assembly* were drawn up,

Over 12M 2017, 96 reports of process failures related to the quality of capital construction and classified under organization cause code 3.4.13 *Defects (drawbacks) of a project, structure, manufacturing, or assembly* were drawn up,

According to Section 2.3 of the report, the actual share of process failures classified under organization cause code 3.4.11 (3.4.13) *Defects (drawbacks) of a project, structure, manufacturing, or assembly* in the Company over the reporting year was 16.8% based on the results of an investigation and causes established by it.

In 2017, the share of process failures classified under organization cause code 3.4.11 (3.4.13) *Defects (drawbacks) of a project, structure, manufacturing, or assembly* was 11%.

* 1. **Consolidation of Electric Grid Assets**

Units of the Company’s executive arm and branches involved in the consolidation of electric grid facilities, the functions they perform, and their headcount.

Electric grid asset consolidation unit of the Property Management Department of PJSC “Lenenergo” Organization of all activities related to the consolidation of the Company’s electric grid assets, from planning to transactions. Headcount: six employees.

Other units of the Company are involved in the consolidation process as part of their core activities:

The Maintenance and Repair Department in cooperation with the Company's branches.

Technical inspection of facilities as part of consolidation projects, preparing information on the technical condition of property, estimated costs related to maintenance, repairs, and renovation of facilities.

Function responsible for implementing and developing services jointly with branches. Providing information on consolidation projects related to long-term development, grid connection, and electricity distribution.

Economics Department. Calculating the cost effectiveness of consolidation projects.

Department of Corporate Governance and Shareholder Relations. Organization of corporate procedures aimed at implementing consolidation projects (management decisions, initiating and supporting securities offerings, etc.).

Legal framework (including regional-level documents) used by the Company in its activities related to the consolidation of electric grid assets.

- The Civil Code of the Russian Federation

- The Civil Code of the Russian Federation

- Federal Law No. 14-FZ, *On Limited Liability Companies*, of February 8, 1998;

- Federal Law No. 66-FZ, *On Gardening, Vegetable Gardening and Dacha Non-Commercial Associations of Citizens*, of April 15, 1998;

- Federal Law No. 35-FZ, *On the Electricity Industry*, of March 23, 2003;

- Directive No. 1503-r of the City Property Management Committee of Saint Petersburg, of September 30, 1999, *On approval of the procedure for the delivery of engineering infrastructure facilities to specialized operators*.

Description of the principles for consolidating electric grid assets and engagement with local grids.

- There were no relevant instructions from the Russian President, the Russian Government, etc.

- No agreements/contracts with executive authorities of constituent entities of the Russian Federation and local authorities were signed.

The Company engaged with owners or other legal operators of electric grid facilities that do not meet the criteria for classifying owners of electric grid facilities as local grids as approved by Resolution No. 184 of the Russian Government of February 28, 2015 to the extent covering the transfer of the management of electric grid assets through donation agreements and lease contracts.

Fig. 25. Share of a subsidiary of PJSC “Rosseti” in the MRR of its operating regions\*

* Saint Petersburg

* Leningrad Region

\*\*Information is provided for each operating region, including controlled companies.

\*\* N – reporting period

Table 106. Monitoring of the scope of electric grid asset consolidation\*

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (branch of IDGC, RGC and subsidiary/dependent company of IDGC) | 2016 | | | 2017 | | | 2018 | | |
| Scope of consolidation of electric grid assets for the period | | | Scope of consolidation of electric grid assets for the period | | | Scope of consolidation of electric grid assets for the period | | |
| MVA | km | Currency | MVA | km | Currency | MVA | km | Currency |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **Total for PJSC “Lenenergo”** | **3,334.43** | **4,526.39** | **135,291.36** | **480.90** | **862.60** | **6,054.70** | **507.66** | **848.87** | **8,626.30** |
| Acquisition of electric grid facilities | 3.43 | 3.39 | 9.36 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Lease of electric grid facilities | 160.00 | 3.00 | 360.00 | 160.30 | 26.20 | 591.80 | 160.25 | 26.19 | 591.81 |
| Other (permanent rights of possession and use) | 3,171.00 | 4,520.00 | 134,922.00 | 5.60 | 137.10 | 323.50 | 24.61 | 90.38 | 341.08 |
| Other (temporary rights of possession and use) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 322.80 | 732.30 | 7,693.41 |
| **PJSC “Lenenergo” – Saint Petersburg** | **3,166.00** | **4,428.00** | **134,766.00** | **313.60** | **697.00** | **5179.10** | **0.00** | **7.46** | **82.05** |
| Acquisition of electric grid facilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Lease of electric grid facilities | 0.00 | 3.00 | 0.00 | 0.00 | 7.50 | 82.00 | 0.00 | 7.46 | 82.05 |
| Other (permanent rights of possession and use) | 3,166.00 | 4,425.00 | 134,766.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 |
| Other (permanent rights of possession and use) | 0.00 | 0.00 | 0.00 | 313.60 | 689.50 | 5,097.10 | 0.00 | 0.00 | 0.00 |
| **PJSC “Lenenergo” – Leningrad Region** | **165.00** | **95.00** | **516.00** | **167.30** | **138.90** | **804.60** | **184.46** | **103.49** | **826.12** |
| Acquisition of electric grid facilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Lease of electric grid facilities | 160.00 | 0.00 | 360.00 | 160.30 | 18.70 | 509.80 | 160.25 | 18.73 | 509.76 |
| Other (permanent rights of possession and use) | 5.00 | 95.00 | 156.00 | 5.60 | 110.40 | 252.50 | 24.21 | 84.76 | 316.36 |
| Other (permanent rights of possession and use) | 0.00 | 0.00 | 0.00 | 1.40 | 9.80 | 42.30 | 0.00 | 0.00 | 0.00 |
| **JSC “Saint Petersburg Power Grid” – Saint Petersburg** | **0.00** | **0.00** | **0.00** | **315.00** | **699.30** | **5,139.40** | **322.80** | **732.30** | **7,693.41** |
| Acquisition of electric grid facilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Lease of electric grid facilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other (permanent rights of possession and use) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other (permanent rights of possession and use) | 0.00 | 0.00 | 0.00 | 315.00 | 699.30 | 5,139.40 | 322.80 | 732.30 | 7,693.41 |
| **JSC “Tsarskoye Selo Energy Company” – Saint Petersburg** | **0.00** | **3.14** | **8.48** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| Acquisition of electric grid facilities | 0.00 | 3.14 | 8.48 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Lease of electric grid facilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other (permanent rights of possession and use) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other (permanent rights of possession and use) | 0.00 | 0.00 | 0.00 | **0.00** | **0.00** | **0.00** | 0.00 | 0.00 | 0.00 |
| **JSC “Kurortenergo” – Saint Petersburg** | **3.43** | **0.25** | **0.88** | **0.00** | **26.70** | **71.00** | **0.40** | **5.62** | **24.72** |
| Acquisition of electric grid facilities | 3.43 | 0.25 | 0.88 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Lease of electric grid facilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other (permanent rights of possession and use) | 0.00 | 0.00 | 0.00 | 0.00 | 26.70 | 71.00 | 0.40 | 5.62 | 24.72 |
| Other (permanent rights of possession and use) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

NOTE:

acquired – the entire actual amount of electric grid assets acquired during the calendar period;

leased - the entire actual amount of leased electric grid assets as at the end of the period (i.e. all contracts in force, including previously signed ones, the number of ongoing transactions as at the end of the period);

other (permanent rights of possession and use) – the entire actual amount of electric grid assets acquired during the calendar period;

other (temporary rights of possession and use) – all contracts in force as at the end of the period, including previously signed ones;

\*\*Information is provided for each operating region, including controlled companies.

\*\* N – reporting period.

**Long-term development of electric grids**

PJSC “Lenenergo” actively cooperates with the executive authorities of Saint Petersburg and the Leningrad Region on matters related to long-term development of electric grids. For instance, proposals are annually submitted to the Electricity Industry and Engineering Support Committee of the Saint-Petersburg Administration and the Energy Industry Committee of the Leningrad Region to include candidates into working groups for working out patterns and programs for long-term development of electric grids across Saint Petersburg and the Leningrad Region. The Company has appointed officers responsible for government relations with respect to developing Long-term Development Patterns and Programs for the city and the Region.

In 2018, PJSC “Lenenergo” developed the Pattern and Program of Long-term Development of the Electricity Industry of Saint Petersburg for 2018–2022 as a part of the Comprehensive Program for Development of 35+ kV Electric Grids in Saint Petersburg and the Leningrad Region for Five Years (2018–2022) and Onwards (up to 2025).

The Pattern and Program of Long-term Development of the Electricity Industry of Saint Petersburg for 2018–2022 was approved by Resolution No. 38-pg of the Governor of Saint Petersburg of April 20, 2018. The Comprehensive Program for Development of 35+ kV Electric Grids in Saint Petersburg and the Leningrad Region for Five Years (2018–2022) and Onwards (up to 2025) was approved by Order No. 87 of the CEO of PJSC “Lenenergo” of February 19, 2019.

Every year Lenenergo submits to the executive authorities of the city and the region input data indicating the current capacity utilization rate and proposals to increase it for the preparation of the Electricity Industry Long-term Development Patterns and Programs. Additionally, in 2018, the Company sent the Comprehensive Program for Development of 35+ kV Electric Grids in Saint Petersburg and the Leningrad Region for Five Years (2018–2022) and Onwards (up to 2025) to the Energy and Engineering Support Committee of the Government of Saint Petersburg and the Energy Industry Committee of the Leningrad Region as the inputs for the preparation of the Electricity Industry Long-term Development Patterns and Programs for 2019–2023.

**Asset Management**

Information on the Company’s participation in other subsidiaries (except for non-profit organizations).

**Information on participation of PJSC “Lenenergo” in non-core industry companies**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No. | Company name | The company’s operating region | Type of the company’s operations (for non-core industry companies) | Interest stake (%) | The company’s revenue for 2018 (RUB thousand) |
| 1 | 2 | 3 | 4 | 5 | 6 |
|  | NWEMC, JSC | Saint Petersburg | Other activities related to the use of computer equipment and information technologies (from RAS statements for 2017) | 12.51 | 201,434 |
|  | JSC “LESR” | Saint Petersburg | Engineering surveys, engineering design, management of construction projects, construction and design supervision, as well as technical advice in these areas  Construction of local electricity distribution and communication lines (in line with the Unified State Register of Legal Entities) | 100 | 1,942,817 |

On the sale of non-core assets in the reporting year (**applicable only to grid subsidiaries and affiliates**).

In accordance with the Executive Order No. 596 of the Russian President of May 7, 2012, Directive No. 4863p-P13 of the Russian Government of July 7, 2016, and the Instruction No, 894-r of the Russian Government of May 10, 2017, the Resolution of the Board of Directors of PJSC “Lenenergo” of January 10, 2017 (Minutes No. 18) the Program for Disposal of Non-Core Assets of PJSC “Lenenergo” (hereinafter the “Program”), the updated version was approved by the Board of Directors of PJSC “Lenenergo” on December 8, 2018 (Minutes No. 15).

The Program defines the basic approaches, principles, and procedures for identifying and disposing of non-core assets, establishes the criteria for classifying assets as non-core assets, the procedure for maintaining the Non-Core Asset Register, approaches to determining the value of non-core assets, the basic provisions for the disposal of non-core assets, and the procedure for reporting on the implementation of the Non-Core Asset Register.

The Non-Core Asset Register established in line with the requirements of the Program, is updated on a quarterly basis. The updated Non-Core Asset Register as at December 31, 2018 was approved by the Resolution of the Board of Directors of PJSC “Lenenergo” on September 4, 2019 (Minutes No. 23).

On the structure of the company’s property and changes thereto.

**Information on the structure of Lenenergo’s property and changes thereto.**

Table 24

|  | Title | Physical parameters:  for overhead lines and cable networks – circuit length (km),  for substations, other assets – count | Book (residual) value as at January 1, 2018 (RUB thousand) | Acquired from January 1, 2018  to December 31, 2018 (RUB thousand) | Disposed from January 1, 2018 to December 31, 2018 (RUB thousand) | Amortization and depreciation accrued from January 1, 2018 to December 31, 2018 (RUB thousand) | Book (residual) value as at December 31, 2018 (RUB thousand) |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2. | Non-core Assets included in the Non-Core Asset Register | 11 | 101,010.37 | 253.18 | 0 | 1,867.17 | 99,396.38 |

* 1. **Technical Upgrading, Development, and Innovation**

* + 1. **The Company’s Technical Policy**

In its Resolution of April 19, 2017 (Minutes No. 31 of the meeting of the Board of Directors of PJSC “Lenenergo”  
 of April 19, 2017), Lenenergo’s Board of Directors approved Rosseti’s Regulations on the Uniform Technical Policy in the Electric Grid Sector as the Company’s internal document.

The purpose of the Uniform Technical Policy in the Electric Grid Sector is to improve the reliability and efficiency of the electric grid sector in the short and medium term while maintaining an appropriate level of industrial and environmental safety based on innovative development principles that ensure non-discriminatory access to electric grids for all market participants.

Principal Objectives of the Uniform Technical Policy in the Electric Grid Sector:

* improving the process management of grids and applying advanced grid development planning methods;
* overcoming the asset ageing trend for grids and electrical equipment by scaling up their construction, renovation, and technical upgrading, and decommissioning unused or underutilized equipment and facilities;
* creating conditions for the application of new engineering solutions and technologies in maintenance, control, protection, data transfer, communications, and electricity metering systems (including automated grid control systems);
* developing operating methods using modern diagnostic tools, technical and information measuring systems;
* ensuring the state-of-the-art technical level of grids through the use of new engineering solutions and technologies;
* improving the operating efficiency of grid facilities, reducing network operating costs, and actual power losses in grids;
* improving energy efficiency and energy saving;
* improving the regulatory, technical, and methodological support of operations;
* raising investments to implement key focus areas in grid development;

Key, special, or the most important projects of PJSC “Lenenergo”, which involved innovative, advanced, or disruptive engineering solutions, technologies, materials, and equipment aligned with the technical policy (including the innovative development program)

|  |  |  |
| --- | --- | --- |
| No. | Facility | Key technical parameters |
| 1. **Switching to digital substations of various voltage classes within the 35–110 kV range** | | |
| 1.1 | Digital substations based on the 110 kV Martyshkino substation No. 502. | The design concepts for a digital substation (DSS) were developed and approved in 2018.  The project uses the following advanced engineering solutions:   * application of 110 kV digital measuring transformers; * construction of the process bus; * implementation of a data collection and communication system and the IEC 61850 standard (information is exchanged via the IEC 61850-9-2LE/IEC 6185081 protocol); * adoption of extended monitoring over the substation’s relay protection system elements, including collection and accumulation of oscillograms from smart devices; * creation of an automated workstation with visualization and archiving functions (SCADA). |
| 1.2 | A digital substation based on the 35 kV Detskoselskaya substation. | In 2018, the major requirements for the substation’s architecture were defined, and technical requirements for its equipment, timetables for drafting detailed documentation and implementing construction and installation work were established.  The project uses the following advanced engineering solutions:   * organization of digital data transfer between relay protection devices (IEC 6185081 GOOSE); * implementation of a full relay protection system for the substation; * implementation of an automated process control system (APCS) (IEC 6185081 MMS). |
| 1. **Transition to digital smart grids with a distributed smart control and automation system** | | |
| 2.1. | Building a smart 10–110 kV  distribution grid in Saint Petersburg | The project uses the following advanced engineering solutions:   1. Transfer of existing electricity distribution grids of the Tsentralny, Petrogradsky, Kalininsky, Vyborgsky, Kolpinsky, and Kurortny Districts of Saint Petersburg to a city-wide digital smart grid with a distributed smart control and automation system. 2. Conversion of the “head sections” of the 6 kV  medium-voltage distribution grid in the Petrogradsky District of Saint Petersburg connected to power sources into 35 kV voltage facilities taking into account the development of the distribution grid with the existing infrastructure and 6 kV grid pattern. 3. Implementation of a quick load transfer control and automation system in a 6–10 kV cable network with the installation of low resistance neutral grounding resistors. 4. The project for constructing the smart grid involves innovative equipment that meets the applicable requirements of the Regulations on the Uniform Technical Policy of PJSC “Rosseti”:  * a computer system for data collection, processing, and grid control; * smart metering devices that can be integrated into a unified control system and provide remote control functions and deliver information on grid operation parameters; * smart systems for monitoring and diagnostics of network equipment operation (including remote diagnostics tools and built-in tools); * grid fault localization systems integrated into a unified control system, etc. |
| 2.2 | Modernization of a 6 kV distribution grid in the area of substation No. 18 (Tsentralny District) | The design concepts and design documentation for Phase 1 of the project were developed in 2018.  The project uses the following advanced engineering solutions:   * smart metering devices that can be integrated into a unified control system and provide remote control functions and deliver information on grid operation parameters; * smart systems for monitoring and diagnostics of network equipment operation (including remote diagnostics tools and built-in tools, with information forwarded to the APCS); * grid fault localization systems integrated into a unified control system, etc. |
| 2.3 | Creation of a Digital Electric Grid District based on the Northern Electric Grid District of the Cable Grid branch | In 2018, the input data for the design were collected, the grid’s mathematical model and the project’s concept were developed, as well as some sections were developed for design concepts.  The project uses the following advanced engineering solutions:   * application of smart switching devices and other devices for automatic identification and localization of faults in the electric grid; * upgrade of electricity supply centers with respect to the implementation of a data collection and communication system, installation of switching and relay protection devices using high-tech circuit breakers and microprocessor controllers for connections enabled by digital current and voltage sensors; * introduction of, or upgrading of the existing, software and hardware package for an electric grid district, comprising an automated response, technological and case management system (response data management system, DMS, OMS, GIS) using a single information model of the electric grid compliant with CIM IEC 61968/61970, which provides for the intake, storage, display, processing, and analysis of all types of essential and non-essential telemetrics, manual input data, information from the adjacent process and corporate automation systems for managing the operation and development of the electric grid; * introduction of digital monitoring, management, and emergency detection systems (identification of type and localization of short circuits or line-to-ground short circuits), quality determination, and electricity and capacity metering systems transmitting data to the higher data management tiers at the level of transformer substations and end consumers in order to update the estimate model of the grid and manage electricity consumption; ensuring the capability for unloading the grid and disconnecting the consumers using the preset algorithms; * introduction of a software package that ensures the collection, processing, and storage of electricity metering records; analysis of the balance and losses of electricity to identify the sources and amounts of losses, estimate and display electricity quality; introduction of a function for online review of electricity consumption and optimization of electricity expenses by consumers, as well as consumer feedback to the utility company. |
| 2.4 | Development of the charging infrastructure in Saint Petersburg | The project uses the following advanced engineering solutions:   * creation of infrastructure for implementation of the Smart Grid concept; * launch and operation of a public network of electric charging stations. |
| 2.5 | Comprehensive automation of the 6–10 KV grid of the Vsevolozhsky Electric Grid District of the Prigorodniye Power Grid branch | The project was completed in 2018.  The project uses the following advanced engineering solutions:  Comprehensive automation of the Electric Grid District using smart switching units (reclosers) in 6–1 kV grids with integrated bay controllers, including the supply and installation of damage indicators on overhead lines of PJSC “Lenenergo” using a damage detection system transmitting data to a reading device via GSM/GPRS with integration to the dispatch control station of the Electric Grid District. |
| 2.6 | Comprehensive automation of 6–10 KV overhead lines at the Kingiseppsky Electric Grid District of the Kingiseppskiye Power Grid branch | The project uses the following advanced engineering solutions:  For 10 kV overhead lines:   * smart switching devices (reclosers) with built-in relay protection and remote control tools. As an alternative for the automatic isolation of the damaged section of a 10 kV overhead line in case of a short circuit at the branch line, the project provides for the use of remotely controlled disconnectors; * short circuit indicators for overhead lines, including with a data transfer option.   For 35–110 kV substations:   * selective protection against line-to-ground short circuits with detection of the damaged feeder and data transfer to the automated dispatch control system; * Advanced remote control and communications systems (at PS-11 Rossiya); * installation, expansion, or modernization of SCADA systems in the dispatching control center of the Kingiseppskiye Power Grid branch, including the integration of the equipment installed as part of this project and implementation of information management functions to create smart grids.   Along with the disconnectors, short circuit indicators transmitting data to SCADA are installed to provide for the prompt decision-making on remote disconnection of the damaged branch lines on completion of failed automatic reclose cycles of the transmission smart switching units (reclosers). |

**Technical standards developed by the Company for technical regulation in the reporting period**

In accordance with the existing multilateral agreement on the coordination and development of a system of technical standards for the electric grid sector No. VR0000003 of October 21, 2015 (hereinafter the “Agreement”), in order to implement the Technical Policy with respect to regulatory support in terms of technical standards, PJSC “Lenenergo” regularly updates the lists of external and internal technical standards used in its production and business operations (in line with the register of technical standards of PJSC “Rosseti” and subsidiaries and affiliates of PJSC “Rosseti”).

In 2018, 31 technical standards developed by PJSC “Rosseti” were included in the list of external regulatory documents governing the operations of PJSC “Lenenergo”.

In 2018, structural units of the Company developed 43 internal technical standards.

In 2018, the work was completed under a service contract for the development of an organizational standard for PJSC “Lenenergo”, *Guidelines for Diagnostics of Gas-Insulated Equipment*.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No. | Technical standard reference No. in the Register of Technical Standards of PJSC “Lenenergo” | Technical regulation area | Title | Development funds  (if spent), RUB | Major contractor who drafted the document (if any), legal status and name |
|  |  | Design and construction | Standard terms of reference for design of new construction, expansion, renovation, technical upgrading, and modernization of 35-110 kV electric grid facilities | – | – |
|  | STO 05.04.032017 | Metrology and quality of electricity | Regulations on organization and conduct of metrology control at PJSC “Lenenergo” | – | – |
|  |  | Operational process control and situational management | Regulations on emergency restrictions of electricity (capacity) consumption in the operating area of PJSC “Lenenergo” | – | – |
|  | RK-2017 | Quality management | Quality guidelines | – | – |
|  | RSMPBiZ‐2017 | Occupational health | Occupational health and safety management guidelines | – | – |
|  | RSEM-2017 | Environmental Safety | Environmental management guidelines | – | – |
|  | STO 00.00.01-2017 | Quality management | Document management | – | – |
|  | STO 00.00.03‐-2017 | Quality management | Internal audits | – | – |
|  | STO 00.00.04‐-2017 | Quality management | Corrective and preventive actions | – | – |
|  | STO 00.00.05‐-2017 | Quality management | Substandard product management | – | – |
|  | STO 00.00.06‐-2017 | Occupational health  Environmental Safety  Quality management | Analysis of the integrated quality management by top management | – | – |
|  |  | Employee engagement | Rules for making HR decisions with respect to management of PJSC “Lenenergo” and staff of safety units of PJSC “Lenenergo”, CEOs, heads and specialists of safety units of subsidiaries and affiliates | – | – |
|  | STO (organization standards) | Testing and diagnostics methods | Guidelines for selection, construction, and operation of 6-110 kV cable lines using cross-linked polyethylene insulation | – | – |
|  | RP 05.05-001-2018 | Power lines, substations, and core equipment | Regulations on pilot operation at electric grid facilities of PJSC “Lenenergo” | – | – |
|  |  | Grid connection | Regulations on grid connection electric grids of PJSC “Lenenergo” within 80 days | – | – |
|  | STO-05.01.03.-002-2018 | Testing and diagnostics methods | 6–110 kV power cable lines In-process electrical testing and diagnostics | – | – |
|  |  | Employee engagement | Internal rules of conduct of PJSC “Lenenergo” | – | – |
|  |  | Power lines, substations, and core equipment  Occupational health | In-process inspection guidelines for 6–10 kV distribution and transformer substations | – | – |
|  | STO-05.06.05-001-2018 | Occupational health | Regulation on the procedure for organizing and conducting audits of permanent and temporary workplaces at branches of PJSC “Lenenergo” | – | – |
|  |  | Testing and diagnostics methods | Guidance on acceptance and methods for in-process testing of vacuum circuit breakers for 6–35 kV grids at PJSC “Lenenergo” | – | – |
|  |  | Occupational health | Regulations on the operation of an occupational health office at Lenenergo, PJCS |  |  |
|  |  | Maintenance and repair operations | Regulations on turnaround maintenance of electric grid equipment at PJSC “Lenenergo” | – | – |
|  |  | Design and construction | Procedure for commissioning of completed construction projects at PJSC “Lenenergo” | – | – |
|  |  | Grid connection | On Approval of the Regulations on grid connection electric grids of PJSC “Lenenergo” in Saint Petersburg and the Leningrad Region within 45 days | – | – |
|  |  | Employee engagement | Regulations on extra pay and benefits payable to employees of PJSC “Lenenergo” working in harmful and/or hazardous working conditions | – | – |
|  | RP‐01.01‐001 | Employee engagement | Regulations on drafting the staffing schedule and organizational structure of the executive arm and the managerial arm at branches of PJSC “Lenenergo” | – | – |
|  | STO-05.06.05-004-2018 | Occupational health | Regulations on holding the Occupational Health Day at branches of PJSC “Lenenergo” | – | – |
|  |  | Occupational health | Regulations on a system of response to occupational health breaches by employees of branches, subsidiaries, and dependent companies of PJSC “Lenenergo” | – | – |
|  |  | Occupational health | Procedure for pre-shift health checkups of the operating staff across branches of PJSC “Lenenergo” working with electrical facilities | – | – |
|  |  | industrial safety | Regulations on the civil defense task force at PJSC “Lenenergo” | – | – |
|  |  | Grid connection | Approval of the unified templates for responses to the most frequent inquiries (complaints) of consumers using grid connection services | – | – |
|  |  |  | Regulations on the Scientific and Technical Council of PJSC “Lenenergo” | – | – |
|  |  | Operational process control and situational management | Procedure for transferring real-time data at PJSC “Lenenergo” | – | – |
|  |  | Grid connection | Procedure for managing inquiries (complaints) submitted by consumers to PJSC “Lenenergo” | – | – |
|  |  | Employee engagement  Electricity metering and service development | Instruction for heads of electric grid districts for organizing the work of the staff of electric grid districts, Service Delivery and Electricity Metering Service, and the billing operator on reducing electricity losses in 0.4–20 kV grids | – | – |
|  |  | Grid connection | On approval of standard application forms for grid connection | – | – |
|  |  | Employee engagement | Rules for making HR decisions with respect to management of branches, subsidiaries, and dependent companies of PJSC “Lenenergo” | – | – |
|  |  | Employee engagement | Rules for engagement between structural units of PJSC “Lenenergo” and subsidiaries and affiliates of PJSC “Lenenergo” on KPIs of the CEO of PJSC “Lenenergo” and CEOs of subsidiaries and affiliates of PJSC “Lenenergo” | – | – |
|  | STO‐05.01.03‐003 | Testing and diagnostics methods | Guidelines on testing gas-insulated equipment | 3,950,000.00 (including VAT) | R&D Center FGC UES, JSC |
|  |  | Operational process control and situational management | Guidance on switching in electrical facilities of PJSC “Lenenergo” | – | – |
|  |  | Employee engagement | Onboarding guidance for employees of PJSC “Lenenergo” | – | – |
|  | RP-04.-002-2018 | Order No. 662 of December 29, 2018 | Rules for delivery of electricity distribution services | – | – |
|  | RP-12.01.05.-001-2018 | Order No. 663 of December 29, 2018 | Rules for whistleblowing on cases of non-contractual electricity consumption | – | – |

**Activities of the Scientific and Technical Council**

Lenenergo’s Order No. 386 of August 23, 2018 (introduced instead of the Company’s Orders No. 358 of August 8, 2011 and No. 542 of August 5, 2014) puts in place the Scientific and Technical Council which reviews the following matters at its meetings:

* research and development (R&D);
* pilot operation of equipment and materials;
* application of equipment;
* innovative and long-term development of the Company;
* implementation of the uniform technical policy in the electric grid sector;
* solutions to engineering problems related to the Company’s electric grids;
* other matters.

In 2018, the Scientific and Technical Council held six meetings where 20 matters were reviewed, including:

| Topic | Matters reviewed |
| --- | --- |
| Research and development (R&D) | 1. Development of an R&D project on forecasting the probability of emergency outages at electric grid facilities. 2. Reviewing an application for an R&D project on the use of FACTS (flexible alternating current transmission system) to create 110 kV smart electric grids at PJSC “Lenenergo” (including a feasibility study). 3. Reviewing an application for an R&D project on developing an electronic catalog of standard solutions for the digital electric grid district. 4. Reviewing the results of an R&D project on developing reinforced concrete supports of 110 kv overhead lines from centrifuged sectionalized poles. 5. Reviewing the results of an R&D project on developing an automated control system for urban distribution 6-10 kV cable grids. |
| Pilot operation of equipment, materials and technologies | 1. Reviewing the results of pilot operation of equipment installed at branches of PJSC “Lenenergo”. 2. Practice of implementing and operating underground and sunk 10 kV substations. |
| Equipment application | 1. Application of BINOM3 multifunctional devices for building integrated automated measuring and information system for electricity billing metering, electricity quality monitoring and control systems, and data acquisition and transfer systems. 2. X-ray control of metering devices as a new opportunity to reduce commercial losses. Non-destructive methods of monitoring the state of equipment using portable X-ray equipment. 3. Application of standards IEC 6185081 and IEC 6185092 LE as compared to with the existing concept of building automated systems across facilities of PJSC “Lenenergo” and evaluation of related economic effect and capital expenses. 4. Practice of applying dry-type 35 kV transformers. Requirements for the installation and operation of dry-type 35 kV transformers. 5. Reviewing the Guidelines for the Use of 6–20 kV Vacuum Reclosers at PJSC “Lenenergo”. 6. Operational safety of gas-insulated equipment. SF6 and its disintegration product control system. 7. Updating of the List of Equipment Successfully Used at PJSC “Lenenergo”. 8. Deployment of digital substation elements in a pilot project of the 110 kV Martyshkino substation. 9. Reviewing the practices and methods of installing cable/pipe lead-ins and lead-outs through the walls, block-containers, switch cabinets, and other bulkheads at substations, factory-assembled switchgear, and other electricity supply facilities. 10. Practice of implementing a pilot SmartGrid project for a 6 kV distribution grid at substation No. 18. |

**Practical implementation of technical policy focus areas**

PJSC “Lenenergo” implements its technical policy in a number of key focus areas, including application of new technologies and equipment across various operations.

|  |  |
| --- | --- |
| Type of operations | Focus areas |
| 0.4-10 kV distribution grids | * use of cables with cross linked polyethylene (XLPE) insulation * use of self-supporting insulated and shielded wires; * use of unit-type package transformer substations; * use of high-tech switching devices (reclosers); * transition to vacuum circuit breakers; * use of small-size factory-assembled SF6 switchgear; * use of advanced devices of protection against pulse and lightning overvoltages. |
| 35-10 kV distribution grids | * transition to vacuum and gas-insulated circuit breakers; * use of 110 kV factory-assembled SF6 switchgear (as necessary); * use of unit-type and compact 35–110 kV switchgear; * use of small-sized medium-voltage factory-assembled gas-insulated and air-insulated switchgear; * use of cables with cross linked polyethylene (XLPE) insulation * use of multifaceted and elevated supports; * a design model of a 110 kV electric grid was developed and implemented to streamline electricity distribution modes. |
| Relay protection, dispatching and process control equipment, remote control, and monitoring systems | * use of microprocessor protection; * automation of process control; * implementation of SCADA systems; * introduction of advanced dispatching points with automated real-time multi-tier dispatching control systems; * use of overhead line insulation monitoring systems; * use of power equipment monitoring systems. |

**Pilot operation of equipment, materials and technologies**

A new Regulation on Pilot Operation at Electric Grid Facilities of PJSC “Lenenergo” (hereinafter the “Regulation”) was approved by Order No. 122 of PJSC “Lenenergo” of March 30, 2018. The major differences between these Regulations and the previously approved Regulations are as follows:

* equipment certified by PJSC “Rosseti” but having not previously operated by PJSC “Lenenergo”, as well as equipment not certified by PJSC “Rosseti” may only be accepted for pilot operation subject to a positive decision by the Committee for Acceptance of Equipment, Materials, and Systems of PJSC “Lenenergo”;
* two forms of a standard pilot operation contract are attached to the order: for cases where design and construction and installation work are required and for cases where no such work is required;
* the order outlines the procedure for buying back the equipment after successful pilot operation at facilities of PJSC “Lenenergo”.

In 2018, 17 requests to conduct pilot operation at electric grid facilities of PJSC “Lenenergo” were reviewed. Only one (1) manufacturer submitted all the necessary information to make a decision to conduct pilot operation in accordance with the approved Regulations.

| Equipment | Pilot operation purpose | Pilot operation results |
| --- | --- | --- |
| BINOM334i multifunctional device made by Vabtek, CJSC | 1. Gaining operational experience and assessment of the efficiency of the proposed equipment. 2. Validation of parameters and functions of the equipment claimed by the equipment’s manufacturer’s such as:    1. Electricity quality meter and analyzer    2. Three-phase measurement transducer    3. Disturbance recorder    4. Electric process black box    5. Connection workstation – data server and WEB visualizer.    6. Connection APCS in a single device.    7. Potential for integration into automated process control systems, data acquisition and transfer systems, automated measuring and information system for electricity billing metering, and automatic information and measuring systems.    8. Potential application as part of a digital substation. 3. Reduction of response time by specialists of PJSC “Lenenergo” to instances of substandard electricity quality. 4. Timely detection and handling of causes for substandard electricity distribution. | Ongoing pilot operation  In 2018, an application for pilot operation was reviewed and a decision was made to conduct pilot operation at the facilities of Saint Petersburg High Voltage Power Grid, a branch of PJSC “Lenenergo” The design terms of reference were approved and a pilot operation contract was signed. The detailed design documentation is currently under review. |
| 10 kV factory-assembled using KRU-SEShch-70 units made by GK Elektroshchit, CJSC, TM Samara. | 1. Gaining operational experience and assessment of the efficiency of the proposed equipment. 2. Validation of parameters and functions of the equipment claimed by the equipment’s manufacturer’s such as:    1. Implementation of full remote control functions.    2. Gaining experience in operating a thermal monitoring system based on contactless sensors for the switch cabinet’s bus arrangement.    3. Gaining experience in operating the connection controller of KRU-Mnemo type for rapid locking and monitoring.    4. Potential application as part of a digital substation. 3. Proving the serviceability of the proposed design solutions:    1. Monitoring of the switched-on position of earthing blades through the design of inspection ports.    2. Gaining experience in operating input voltage transformers on a hinged bracket.   3.3. Gaining experience in operating current transformers from the withdrawable element compartment. | Ongoing pilot operation  In 2018, the key design concepts were approved, with the detailed design documentation pending review. |
| 10 kV factory-assembled using KRU-SEShch-70 units made by GK Elektroshchit, CJSC, TM Samara. | 1. Gaining operational experience and assessment of the efficiency of the proposed equipment. 2. Validation of parameters and functions of the equipment claimed by the equipment’s manufacturer’s such as:    1. Implementation of full remote control functions.    2. Gaining experience in operating a thermal monitoring system based on contactless sensors for the switch cabinet’s bus arrangement.    3. Gaining experience in operating the connection controller of KRU-Mnemo type for rapid locking and monitoring.    4. Potential application as part of a digital substation. 3. Proving the serviceability of the proposed design solutions:    1. Monitoring of the switched-on position of earthing blades through the design of inspection ports.    2. Gaining experience in operating input voltage transformers on a hinged bracket.   3.3. Gaining experience in operating current transformers from the withdrawable element compartment. | Ongoing pilot operation  In 2018, the key design concepts were approved, with the detailed design documentation pending review. |
| A billing metering kiosk of EPShR-(F)-2-2 type by PKP Energoplast, LLC | 1. Gaining operational experience and assessment of the efficiency of the proposed equipment. 2. Validation of parameters and functions of the equipment claimed by the equipment’s manufacturer’s such as:    1. Special anti-vandal coating, which has better resistance to external influences of natural and man-made nature than metal coatings.    2. Low weight of the kiosk as compared to peer products.    3. Easy to maintain. | Ongoing pilot operation  In 2018, a pilot operation contract was signed. The technical documents were approved. The kiosk was installed for pilot operation. |
| Vacuum load breaker VVnR‐10/630‐20 U2 made by Elektroapparatny Zavod, JSC | 1. Gaining operational experience and assessment of the efficiency of the proposed equipment. 2. Validation of parameters and functions of the equipment claimed by the equipment’s manufacturer’s such as:    1. Combining the functions of a switch and a disconnector.    2. High safety.    3. Easy to maintain. | Ongoing pilot operation  The design terms of reference were approved and a pilot operation contract was signed in 2018.  Detail design documentation was approved.  Design and cost estimate documentation is under review. |
| Optical combined 110 kV current and voltage transducers by Profotek, JSC. | 1. Gaining operational experience and assessment of the efficiency of the proposed equipment. 2. Improving the quality of electricity billing metering at facilities of PJSC “Lenenergo”. 3. Analyzing the performance of combined optical current and voltage transformers, relay protection devices for transfer to digital substations. 4. Analyzing compliance of the parameters of the combined optical current and voltage measuring transformers installed for the pilot operation with the requirements of relay protection device manufacturers. 5. Analyzing the performance of combined optical current and voltage measuring transformers, and relay protection devices for potential application of this solution as a standard solution across facilities of PJSC “Lenenergo”. 6. Validation of parameters and functions of the equipment claimed by the equipment’s manufacturer’s such as:    1. Full galvanic isolation.    2. High quality of performed measurements, including at extremely low values and values with high rate of change (absence of ferroresonance).    3. High operational safety.    4. Digital signal processing in accordance with IEC 61850. | Ongoing pilot operation  The design terms of reference were approved and a pilot operation contract was signed in 2018. |

* + 1. **Innovation and R&D**

By its Resolution (Minutes No. 31 of the meeting of Lenenergo’s Board of Directors of April 19, 2017), the Board of Directors of PJSC “Lenenergo” approved the Innovative Development Program of PJSC “Lenenergo” for 2016–2020 and onwards until 2025.

The goal of the Program for the medium-term and long-term until 2020 is to transition to next-generation electric grids that would convey fundamentally new reliability, efficiency, accessibility, controllability, and customer centricity parameters to the entire Russian electric grid sector.

The program’s objectives:

* Achieve significant positive effects from the program’s implementation;
* Improve the efficiency of key business processes;
* Increase labor productivity
* Increase the Company’s competitiveness and enhance its investment case and value;
* Unlock innovation opportunities to the maximum when preparing and making management decisions within the Company;
* Build a corporate governance system focused on the development and adoption of new technologies, and innovative products and services;
* Increase energy efficiency through innovations;
* Develop the talent pool at PJSC “Lenenergo”;
* Ensure the necessary level of protection of intellectual property at PJSC “Lenenergo”;
* Provide an information support system for the management of innovation processes and a system for monitoring the promotion of innovations at PJSC “Lenenergo”;
* Promote innovative projects related to energy saving, energy efficiency, cost effectiveness, and electricity supply reliability in the distribution electric grid sector;
* Optimize operating costs and cut down the Company’s expenses.

**Key areas of the Company’s innovative development**

In innovative technologies:

1. New technologies and solutions– creating new types of materials and equipment involved in key business processes of the Company.
2. Digitizing control and operating processes – transition from analog to digital control in relay protection and emergency control automatics, automated control of operating processes, electricity metering and communications (application of digital measuring transformers, phasor measurement units, digital network equipment, transition to digital substations, etc.); digital modeling and design; digitization of production asset management; implementation of digital process monitoring systems at electric grids and substations.
3. Developing multi-agent systems – developing the principles of interaction between elements and systems of electric grids in peer-to-peer control systems (implementing distributed smart control systems).
4. Implementing smart parameters of electric grids – developing grid parameters that increase resistance to grid disturbances and ensure their automatic recovery (adaptive relay protection devices, adjustment systems, logical automation tools, digital online grid model).

Organizational and marketing innovations:

1. Designing new and system reengineering of existing business processes to improve their overall performance – management of production assets, management systems, customer services, systems lifecycle management, lean production practices, implementation of state-of-the-art human resource management technologies.
2. Building an innovation engine at the Company – encouraging the emergence of a wide range of innovative companies, research organizations, and educational institutions around PJSC “Lenenergo” and its subsidiaries and affiliates, focusing on addressing R&D and process needs of PJSC “Lenenergo” (through engagement in technology platforms and geographical innovation clusters, implementing agreements on cooperation with anchor universities, etc.).

**Key integrated innovation projects implemented by PJSC “Lenenergo”**

Building a smart 10–110 kV distribution grid in Saint Petersburg (key project)

The project provides for comprehensive modernization of the existing electric grids in the Tsentralny, Petrogradsky, Vasileostrovsky, Kolpinsky, Kalininsky, Vyborgsky, and Kurortny Districts of Saint Petersburg, and deployment of a single digital smart network covering them all, with a smart control and automation system.

The comprehensive modernization implies the consolidation and integration of cutting-edge technologies and solutions related to grid automation, dispatch control, and smart metering into a single system and the use of high-tech power equipment at distribution grid facilities and electricity supply centers.

The modernization of the Petrogradsky District involves the implementation of an innovative solution – conversion of the 6 kV medium-voltage distribution grid of Saint Petersburg’s Petrogradsky District to 35 kV voltage, taking into account the development of the distribution grid under the existing infrastructure and the existing 6 kV and 35 kV grid pattern, as well as building “smart grids” in Saint Petersburg’s Petrogradsky District based on innovative equipment.

Results achieved in 2018:

1. Modernization of a 6 kV distribution grid in the area of substation No. 18 (Tsentralny District)

All sections of key design concepts were developed and signed off with PJSC “Lenenergo”. The design documentation for Phase 1 of the project implementation (modernization of the dispatching point, 24 grid facilities) was developed.

Innovative project implementation period: 2017–2021

1. Creation of a Digital Electric Grid District based on the Northern Electric Grid District of the Cable Grid branch:

PJSC “Rosseti” drafted and signed off standard terms of reference for the engineering and design of the Digital Electric Grid District for subsidiaries and affiliates of PJSC “Rosseti”. The terms of reference for the engineering and design of the Digital Electric Grid District based on the Northern Electric Grid District of the Cable Grid branch were approved: Project targets were determined and a pilot project statement was drawn up and approved by the Innovative Development Management Committee at PJSC “Rosseti”. Competitive procedures were held to select a contractor for performing the engineering and design work, and an engineering and design contract was signed with JSC “ESKL”. A project concept was prepared and reviewed by PJSC “Lenenergo”. A mathematical grid model was drafted. A preliminary economic model of the project was built.

Innovative project implementation period: 2018–2021

1. Modernization of a 6 kV distribution grid in the area of substation No. 13:

The project design terms of reference were prepared and approved in line with the standard design terms of reference for Digital Electric Grid Districts. Competitive procedures were held, and a design and survey project was signed with JSC “ESKL”. A partial inspection of electric grid facilities was conducted.

Innovative project implementation period: 2018-2022

1. The 0.4–10 kV grid modernization project in the Kolpinsky District:

* approval of the design and survey terms of reference;
* signing of a design and survey contract;
* collection and analysis of input data.

Innovative project implementation period: 2018–2021

1. The 0.4–10 kV grid modernization project in the Petrogradsky District:

* approval of the design and survey terms of reference;
* signing of a design and survey contract;
* collection and analysis of input data.

Innovative project implementation period: 2018–2021

1. Comprehensive modernization of the pilot section of the distribution grid of the Pesochinskiy Electric Grid District:

The design and survey terms of reference were developed and approved taking into account the conceptual design data. Competitive procedures were held, and a design and survey project was signed with Systemlink, CJSC. A project concept was prepared and reviewed by a working group of PJSC “Lenenergo”. The input data were collected.

Innovative project implementation period: 2018-2022

Comprehensive automation of 6–10 kV grids in the Leningrad Region with integration into a unified information management system

The project provides for automating a 6-10 kV distribution grid in the Leningrad Region with integration of smart switchgear devices (vacuum reclosers) and overhead line fault indicators, which together will provide localization of faulty overhead line sections without disconnecting consumers of other overhead line sections, as well as transfer of information about the faulty OL section via GSM/GPRSl to the data processing and management application of the Electric Grid District’s dispatching point.

A data collection and transfer subsystem is planned to be used to collect and preprocess data received from facilities managed and supervised by the Electric Grid District’s dispatching point. The data collection and transfer subsystem will also ensure that control actions are communicated to the controlled microEMS within the area of operation of the Electric Grid District’s dispatching point.

One of the 2018 highlights in this area was the completion of a pilot project for the automation of the 6–10 kV grid of the Vsevolzhsky Electric Grid District of the Prigorodniye Power Grid branch. The following work was completed as part of Phase 2 of the project in 2018: 41 smart switching devices (reclosers) and 50 sets of short circuit indicators , 2 sets of data collection and transmission devices were installed, 6–10 kV units at ten 35–110 kV energy supply centers were retrofitted, with installation of telemetric systems, a software and hardware package was installed for electric grid district and branch dispatch control, and data transfer to the software and hardware package of the automated dispatching system at the dispatching point of the Vsevolozhsky Electric Grid District.

The following outcomes were achieved through these efforts:

* mutual feeder redundancy (29 rings) was arranged, making it possible to localize the damaged section while maintaining electricity supply to a maximum number of consumers;
* equipment of the 6-10 kV switchgear of obsolete electricity supply centers was partially renovated. Electric grid equipment is equipped with remote control devices, which enable on-line monitoring of the grid condition;
* the conditions were provided for reducing the electricity supply interruption period per customer by 75% (SAIDI index), and the frequency of electricity supply interruptions per customer by 58% (SAIFI index);
* the conditions were provided for reducing repair, emergency, and routine maintenance costs;
* the conditions were provided for rolling out this solution across other electric grid districts of the Leningrad Region.

19 reclosers were installed within the 6–10 kV grid of the Kingiseppsky Electric Grid District as part of the project on Upgrade and Automation of the Kingiseppsky Electric Grid District of the Kingiseppskiye Power Grid branch of PJSC “Lenenergo”. A design and survey contract for the upgrade and automation of a pilot area of the 6-10 kV distribution grid was signed.

Innovative project implementation period: 2017-2020

The following equipment was installed under a project on Application of Smart Switching Devices (Reclosers) for the Integrated Automation of the Electric Grid District for the Gatchinskiye, Vyborgskiye, Novoladozhskiye, and Tikhvinskiye 6–10 kV Powers Grids:

* 4 reclosers at the Gatchinskiye Power Grid branch;
* 3 reclosers at the Tikhvinskiye Power Grid branch;
* 11 reclosers at the Novoladozhskiye Power Grid branch.

**Costs for implementing the innovative development program**

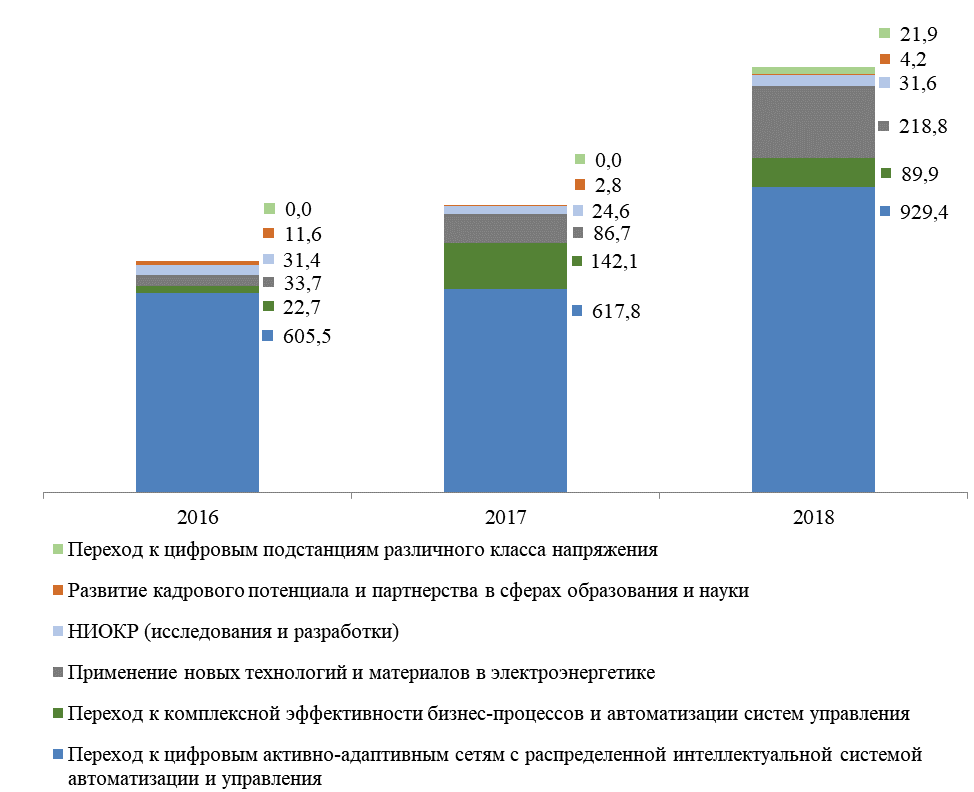
Planned and actual costs for the key innovative development areas

|  |  |  |  |
| --- | --- | --- | --- |
| No. | Innovative development areas | Planned costs, RUB million  (net of VAT) | Actual costs, RUB million  (net of VAT) |
| 1 | Transition to digital and automated substations of different voltage classes | 107.09 | 21.89\* |
| 2 | Transition to digital smart grids with a distributed smart control and automation system | 596.36 | 929.41 |
| 3 | Transition to the integrated efficiency of business processes and automation of control systems | 79.04 | 89.86 |
| 4 | Application of new technologies and materials in the electricity industry | 84.91 | 218.78 |

\* Deviations from the planned values with regard to transition to digital substations of various voltage classes (35–110 kV) were observed in the project related to the 110 kV digital substation at the Martyshkino substation No. 502 due to the work on rectifying deficiencies identified in the design documents submitted for review. In general, actual costs were not lower than the targets for the Innovative Development Program in 2018 due to the continuous monitoring of progress on innovative projects implemented as part of the innovation activities of PJSC “Lenenergo” during the reporting year by the Coordinating Council for the Development of Innovations at PJSC “Lenenergo” as well as due to compensatory measures taken.

Costs for implementing the innovative development program by key area, RUB million

|  |  |  |
| --- | --- | --- |
| **704.9** | **873.9** | **1,295.7** |



■ Transition to digital and automated substations of different voltage classes

■ Developing the talent pool and partnerships in education and research

■ R&D (research and development)

■ Application of new technologies and materials in the electricity industry

■ Transition to the integrated efficiency of business processes and automation of control systems

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

Performance indicators

|  |  |  |
| --- | --- | --- |
| Performance Indicator | Unit | 2018 |
| Costs of research and development performed by third-party organizations, including by contractor (universities, research organizations, innovation small- and medium-sized businesses) | RUB thousand | 31,549.7 |
| including for projects implemented as part of technology platforms |  |  |
|  | RUB thousand | 4,005.47 |
| Universities | RUB thousand | 9,200 |
| Research organizations | RUB thousand | 22,349.7 |
| Costs for purchasing innovative products (technologies, solutions, goods, works, services as provided for under the approved Innovative Development Program of the Company) | RUB thousand | 1,259,941.1 |

**R&D**

The R&D Program includes measures to develop breakthrough technologies aimed at creating principally new developments, technologies, and methods, as well as applied topics aimed at improving existing technologies.

The key goal of the R&D Program is to create and develop a smart energy system with a smart electric grid.

In 2018, PJSC “Lenenergo” engaged in the following R&D:

|  |  |
| --- | --- |
| R&D solution | Innovation area |
| Developing an automated control system for urban distribution 6-10 kV cable grids. | Adoption of integrated efficiency of business processes and automation of control systems |
| Developing reinforced concrete supports of 110 kv overhead lines from centrifuged sectionalized poles | Use of new technologies and materials in the electricity industry |
| Research and development of approaches to construction and application of operation mode control systems in smart electricity distribution grids based on a new class of reactive capacity semiconductor regulators with high quality reactive current regulation to reduce losses and maintain optimal voltage levels at substation buses and at load connection points. | Switching to digital smart grids with distributed smart control and automation systems |
| Development of a microprocessor-based fault localization system for all types of faults on 35 kV lines, with integration into digital smart grids. | Switching to digital smart grids with distributed smart control and automation systems |
| Development of an electronic catalog of standard solutions for the digital electric grid district. | Switching to digital smart grids with distributed smart control and automation systems |
| Research of the use of FACTS (flexible alternating current transmission system) to create 110 kV smart electric grids at PJSC “Lenenergo” (including a feasibility study). | Switching to digital smart grids with distributed smart control and automation systems |

1. R&D project for developing reinforced concrete supports of 110 kv overhead lines from centrifuged sectionalized poles

The project aims to reduce the costs of constructing, renovating, and operating 110 kV overhead lines through the development of intermediate and anchor reinforced concrete supports for 110 kV overhead lines from sectionalized poles.

The project scope was carried out from 2016 to 2018, with the R&D completed in 2018

1. R&D project for developing an automated control system for urban distribution 6-10 kV cable grids.

The project’s key goal: development of the concept of building an automated control system (“ACS”) in urban distribution cable grids and a study for its implementation in a grid section of a selected metropolitan power district.

The work was carried out in 2017–2018.

The concept of building an optimal automation pattern and the basic requirements for the ACS was developed in 2018. The R&D work is completed.

1. Research and development of approaches to construction and application of operation mode control systems in smart electricity distribution grids based on a new class of reactive capacity semiconductor regulators with high quality reactive current regulation to reduce losses and maintain optimal voltage levels at substation buses and at load connection points.

The work is aimed at creating and launching pilot operation in a selected pilot area of an operation mode control system in smart electricity grids based on a new class of reactive capacity semiconductor regulators with high quality reactive current regulation to reduce losses and maintain optimal voltage levels at substation buses.

The research work is planned to be carried out in 2018–2020.

The pilot area for the system implementation was selected and a feasibility study supporting the selection was conducted in 2018.

1. Research and development of a microprocessor-based fault localization system for all types of faults on 35 kV lines, with integration into digital smart grids.

The purpose of this work is to develop, create and test in industrial conditions a microprocessor-based fault localization system for all types of faults on 35 kV overhead lines to enhance the operating reliability of the electric grid sector.

The research work is planned to be carried out in 2018–2020.

A description of algorithms for individual elements of the 35 kV overhead line fault localization system and the technical requirements for the 35 kV overhead line fault localization system were developed in 2018.

1. Development of an electronic catalog of standard solutions for the digital electric grid district.

The key goal of the project is to develop an Electronic Catalog of technical solutions for the Digital Electric Grid District and build a database of standalone and integrated engineering solutions for the Digital Electric Grid District proposed by developers of digital equipment and digital systems, as well as their testing during the development of conceptual designs of the Digital Electric Grid District within the service area of PJSC “Lenenergo”.

The research work is planned to be carried out in 2018–2020.

The terms of reference for the Database of Engineering Solutions for the Digital Electric Grid District was prepared in 2018.

1. An R&D study on the use of FACTS (flexible alternating current transmission system) to create 110 kV smart electric grids at PJSC “Lenenergo” (with a feasibility study).

The R&D study aims to conduct theoretical and experimental research (based on mathematical modeling) on the use of FACTS technologies in 110 kV electric grids of PJSC “Lenenergo”, including a feasibility study regarding the efficiency of using these technologies across pilot power districts of PJSC “Lenenergo”.

The research work is planned to be carried out in 2018–2019.

In 2018, the feasibility study was conducted and pilot power districts of PJSC “Lenenergo” were selected for the research, as well as an efficiency study of FACTS-based automated voltage control in 110 kV grids of PJSC “Lenenergo” was completed.

A list of the received protection documents (patents, certificates) for the R&D products

|  |  |  |
| --- | --- | --- |
| Title of the R&D agreement for which a protection document was granted | Title of the R&D agreement for which a protection document was granted | Title of the protection document, including its type (patent/certificate) and details (registration date and number) |
| R&D project for developing reinforced concrete supports of 110 kv overhead lines from centrifuged sectionalized poles | Reinforced concrete for high voltage line supports | Useful model patent No. 183762 of October 2, 2018 |

**Measures to digitize electric grid facilities**

Digitizing control and operating processes of electric grids and substations is a key innovative development priority for PJSC “Lenenergo”. The innovative development program of PJSC “Lenenergo” covers the following areas of electric grid digitization:

* Transition to digital substations of various voltage classes within the 35–110 kV range;
* Transition to digital smart grids with a distributed smart control and automation system.

Projects run by PJSC “Lenenergo” to digitize electric grid facilities

Digital substations based on the 110 kV Martyshkino substation No. 502

The project provides for building the digital substation architecture with the process bus and the station bus using IEC 61850 digital protocols. The project provides for organizing the monitoring and control of digital communications using the IEC 61850 standard, as well as registration of emergency events using IEC 61850 data transfer and document generation based on SCD files.

Innovative project implementation period: 2018–2020

Results achieved:

In 2018, the technical standards were developed and approved for the design of a 110 kV digital substation based on the renovated 110 kV Martyshkino substation No. 502.

A digital substation based on the 35 kV Detskoselskaya substation.

The following solutions are expected to be implemented at the site:

* organization of digital data transfer between relay protection devices (IEC 6185081 GOOSE);
* implementation of a full relay protection system for the substation;
* implementation of an automated process control system (APCS) (IEC 6185081 MMS).

Innovative project implementation period: 2018-2019

Results achieved:

In 2018, the technical standards were developed and approved for the design of a 110 kV digital substation based on the renovated 35 kV Detskoselskaya substation. Based on the approved technical standards, the design work (design and detailed design) was completed. Other work that was completed includes the preparatory operations, the first process phase, installation of an auxiliary system, an automatic process control system, relay protection, an operating DC voltage system, and a communications network for the digital substation architecture No. 1 (station bus IEC 61850-8.1 “GOOSE” and “MMS”).

Building a unified automated control system for electricity distribution grids of PJSC “Lenenergo” based on advanced technologies and digital microprocessor devices

The project provides for creating the Unified Grid Control Center (UGCC) of PJSC “Lenenergo”, operating based on the software and hardware package of an automated process control system, as well as modernization and expansion of the data collection and communication system of 110 kV substations, distribution substations and distribution and transformer substations enabled by advanced remote control devices and digital sensors to be further integrated with the software and hardware package of the automated process control system.

The timing of the project for creating the UGCC is aligned with projects for creating 35–110 kV digital substations and digital distribution grids.

On completion of the 35–110 kV digital substation projects, data exchange will be organized between the software and hardware package of the 35-110 kV digital substations and the automated process control system of the UGCC using standard protocols to ensure visibility and controllability as well as provide the automated process control system of the UGCC with input data for its computing and analytical functions.

Data will be exchanged between the field level devices implemented as part of these projects and the automated process control system of the UGCC using standard protocols to ensure grid visibility and controllability and to provide the automated process control system of the UGCC with input data on the grid state for its computing and analytical functions.

Results achieved in 2018:

* The ground-level phase of constructing a new building to host the future Unified Grid Control Center of PJSC “Lenenergo” was completed;
* The work to build an automated process control system for the upper and lower levels (35–110 kV substations, 6-10 kV distribution and distribution and transformer substations) for the comprehensive integration with the software and hardware package of the automated process control system of the UGCC of PJSC “Lenenergo” was started;
* The existing administrative documents of PJSC “Lenenergo” that determine the organization and performance operational process control and situational management functions were aligned with the provisions of the approved Concept for the Development of the Operational Process Control and Situational Management in the Electric Grid Facilities of PJSC “Rosseti” (as approved by the Management Board of PJSC “Rosseti”, Minutes No. 755pr of August 24, 2018).

Development of the charging infrastructure in Saint Petersburg

An important task in implementing the concept of smart grids at PJSC “Lenenergo” is to create a charging infrastructure for electric vehicles.

Electric vehicles in the target vision of the Company’s innovative development represent one of the forces that play a part in the electricity and capacity market and in the optimization of physical processes in the grids.

In 2018, PJSC “Lenenergo” continued to implement a project launched in 2014.

As part of implementing Order No. 785, *On the expansion of the public network of charging stations of PJSC “Lenenergo” for test operation*, of December 29, 2017, the Company:

* issues access cards for the network of electric charging stations (“ECS”) to car owners at the Customer Service Center;
* integrates the electric charging stations with the unified software package used for the process control of the ECS network;
* operates a public ECS network of 31 charging stations.

In 2018, the Company prepared the plans to design the installation of new ECSs.

Implementation of an automated electricity metering system with an option for integrating into a unified system for grid control and delivery of information on the grid operation parameters

As part of the project, the Piramida Seti (Grid Pyramid), an automated electricity metering software package, is being adopted, with expanded functionality, including integration into various automated control systems and SCADA systems, as well as organization of electricity metering at the borders of the grids of PJSC “Lenenergo” and participants in the wholesale and retail electricity markets using automated measuring and information systems for electricity billing metering to provide the functions of remote control and delivery of information on grid operation parameters. All installed automated measuring and information systems for electricity billing metering are integrated with the above software package.

The electricity metering system includes or supports integration with access control devices, including identification, authentication, and authorization of employees who access the system, monitoring of staff actions, anti-virus protection devices, and software and hardware integrity monitoring devices.

The electricity metering system is designed as a geographically distributed multi-tier measurement and information system with centralized control and a unified center for collection, processing, storage, and transmission of electricity metering readings with a distributed electricity metering function.

Innovative project implementation period: 2009-2025

Completed in 2018:

1. Creation of conditions for automating the metering system.

1.1. Organizing automated electricity metering (design, installation, start-up and commissioning) at the border with apartment buildings (673 units).

1.2. Organizing automated electricity metering (design, installation, start-up and commissioning) at consumers’ facilities (5,944 units).

1.3. Organizing automated electricity metering (design, installation, start-up and commissioning) at connections of 0.4 kV transformer substations (580 facilities).

1.4. Organizing automated electricity metering (design, installation, installation, start-up and commissioning) at connections of 35+ kV substations and 6 (10) kV distribution centers (1,014 facilities)

1.5. Introducing 6 (10) kV billing metering stations (design, installation, start-up and commissioning) at the borders with consumers’ facilities (53 facilities).

1.6. Organizing automated electricity metering (design, installation, installation, start-up and commissioning) at connections of 110 kV substations (2 facilities)

1.7. Organizing automated electricity metering (design, installation, installation, start-up and commissioning) at connections of 35+ kV substations (11 facilities)

2. Integration of the installed automated measuring and information systems for electricity billing metering into various automated control systems.

3. Implementation of the Pyramid Grid (pre-project survey, informational presentation).

The previously mentioned comprehensive projects of PJSC “Lenenergo” are also being implemented as part of the digitization of the electric grid sector:

* Building a smart 10–110 kV distribution grid in Saint Petersburg;
* Comprehensive automation of 6–10 kV grids in the Leningrad Region with integration into a unified information management system.
  + 1. **Information technologies and telecommunications**
* PJSC “Lenenergo” is a modern energy company, whose performance depends to a significant extent on the application of information technologies and automation solutions. Such automation solutions are developed at the Company as part of the Strategy of PJSC “Rosseti” for information technologies, automation, and telecommunications, as approved by the Company’s Board of Directors, and are aimed at:
* enhancing the reliability of electricity supply to consumers in Saint Petersburg and the Leningrad Region;
* reducing the time of interruptions in electricity supply to consumers and increasing the amount of electricity delivered through reducing the time of outages;
* reducing network losses of PJSC “Lenenergo”.
* enhancing the visibility of substations within operational control and management of dispatching services;
* ensuring timely prevention of emergencies;
* ensuring operational safety of the maintenance personnel;
* increasing the level of information support for the dispatching and operating personnel during normal network operation, as well as in case of emergencies and the need to analyze emergency events.

Information technologies play the greatest role in implementing the Company’s key business tasks, such as ensuring the reliability and continuity of electricity supply, improving the quality of service, and ensuring customer satisfaction.

The following projects were implemented:

* A project to create a service website of PJSC “Lenenergo” serving as a subsystem for engaging with external counterparties (Customer Online Account)
* Phase 1 of the Monitoring Automation Project to create an automated reporting system aimed at improving the quality of management decisions and reporting at PJSC “Rosseti”.
* The provisions of Resolution No. 955 of the Russian Government, of August 9, 2017, as regards securing the possibility to receive and process grid connection applications via the Unified Construction Industry System portal were implemented.
* Pursuant to the Standard Plan for Developing the Production Asset Management System of PJSC “Rosseti” and its Subsidiaries and Affiliates for 2016-2018 as approved by the Management Board at its meeting of February 12, 2016 (No. 439pr/5), Phase 2 of the Production Asset Management System was implemented as far as the creation of subsystems is concerned:
  1. Equipment condition reporting;
  2. Maintenance and repairs;
* A project for creating the Automated Risk Management System to improve information exchange within the risk management process and decision-making process as well to improve the selection of responses to emerging risks in order to ensure the cost-effectiveness of risk management measures and their economic feasibility

**Results of developing the Automated Process Management System (APMS) in 2018**

* Nineteen 35-110 kV substations, and forty-eight 6-10 kV distribution and transformer substations and transformer substations were equipped with remote control and APCS systems;
* The minimum visibility of 117 “dark” 35-110kV substations was secured;
* PJSC “Lenenergo” implemented seven projects to connect 10 energy facilities of the Company to its backbone multiservice communications network.

**Results of telecom and IT infrastructure development in 2017**

* PJSC “Lenenergo” implemented seven projects to connect 10 energy facilities of the Company to its backbone multiservice communications network.
* Advanced hardware and software systems were installed to ensure the information security of Lenenergo’s telecommunications network, including substations that supply electricity to the facilities of the 2018 FIFA World Cup.
* The first stage of construction of the DMR radio communication system commissioned in 2014, was modernized through expanding its radio coverage and increasing the system’s survivability during blackouts.
* Backbone ring nodes were upgraded with the possibility of organizing transmission of user traffic at speeds of up to 40 G.
* Ten cable grid districts were modernized, with redundant access nodes organized for the data transmission network used for energy facilities management.
* The Wi-Fi network, control and monitoring systems for active network equipment were upgraded
* 350 kilometers of backbone fiber optic communication lines (FOCL) were constructed. 18 communication nodes were put into operation at 110-35 kV substations.

### **3.6.4.** **Reliability and Repairs**

Reliability

Reliable electricity supply to consumers is an absolute strategic priority of PJSC “Lenenergo”. Reliability metrics are among the key performance indicators of the Company.

To increase reliability of its electric facilities, Lenenergo Group implements the following targeted programs:

|  |  |  |
| --- | --- | --- |
| **Targeted program** | **Program implementation** | **Effect from the program implementation** |
| Program for installing reclosers at 6–10 kV overhead lines | From 2008 | Implementation of this program will enable: automatic detection of the damaged section without disconnecting other consumers in case of the rest of the users in case of process failures in the grid, and in some cases automatic recovery of the electricity supply (automatic reclosers and automatic throw-over circuit-breakers) to increase the reliability of electricity supply to consumers. The installation of reclosers in the distribution grid will reduce the duration of interruptions in electricity supply to individual consumers by up to 60%. |
| Program to expand overhead line rights-of-way | From 2011 | This program will significantly reduce the number of process failures caused by falling trees and bring the condition of the rights-of-way in compliance with regulations. During the implementation of the program, overhead line rights-of-way were expanded by 5,601.7 hectares, which reduced the total number of accidents at overhead lines caused by falling trees by more than 60%. |
| Lenenergo’s program to replace 6-10 kV oil circuit breakers | From 2014 | This program aims to terminate the use of oil-filled (i.e. fire-prone) equipment, and improve electric safety of equipment operation by maintenance staff. It should also be noted that this targeted program also includes replacement of equipment whose its standard service life has expired. |
| Program to replace isolating switches and short circuits breakers in the 35-110 kV grid. | From 2017 | There are currently no spare parts for repair (manufacturers have stopped producing this type of equipment); in addition, isolating switches and short circuits breakers include several drives that are selectively linked to each other and a malfunction or failure of one of the drives can lead to the failure of the whole assembly. Implementation of this program will reduce the number of process failures at substations, reduce undersupply of electricity to consumers, exclude bottlenecks from the substation configuration , and reduce the physical wear and tear of equipment. |
| Program for renovating electric grid facilities (distribution and transformer substations, transformer substations) | From 2013 | The program aims to terminate the use of hazardous and fire-prone equipment, as well as to ensure grid connection of consumers and reduce electricity undersupply. Implementation of the program will reduce the number of distribution and transformer substations and transformer substations whose service lives have expired by 6%. |
| Program to replace non-insulated wire for self-supporting insulated wire | From 2017 | This investment project needs to be implemented to increase the reliability and quality of electricity supply to businesses and households in the Gatchinsky District and the Leningrad Region, socially important facilities, and consumers of Reliability Categories 1 and 2, as well as to increase the capacity of the 6-10 kV grid while reducing equipment failure risks, cutting energy losses, and providing the required safety. In 2017-2020, it is planned to replace 283 km of wire, which represents about 3% of the 6-10 kV overhead lines whose standard service lives have expired. |
| Capacitance current compensation program | From 2007 | The implementation of the program will bring short-circuit currents in compliance with regulations: PTE (SO 153-34.20.501-2003; pp. 5.11.8, 5.11.9, 5.11.10, 5.11.11, 5.11.12), as well as allow complying with the prescriptions of supervisory authorities, increase reliability of electric equipment of substations and, as a consequence, increase reliability of electricity supply to consumers. |

Changes in process failures (accidents):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2016 | 2017 | 2018 | 2018 vs. 2017, % |
| Number of process failures in the 110 kV+ grids | 312 | 300 | 288 | - 4% |
| Average duration of electricity supply interruptions, DI | 0.0035 | 0.0018 | 0.0013 | -27.8% |

Factors causing accidents at PJSC “Lenenergo” in 2018, %

The largest number of accidents was caused by third parties, including individuals and organizations (38%).

**Maintenance and Repair Program**

The maintenance and repair program of PJSC “Lenenergo” is prepared annually based on multi-year equipment repair timetables, analysis of the condition of 0.4-110 kV power lines, core and auxiliary equipment of substations, inspection reports, prescriptions of supervisory authorities, and identified reliability risks at electricity distribution grids.

**Maintenance and repair program indicators**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Indicators | 2016 | 2017 | 2018 | 2018 vs. 2017, % | 2018 (Lenenergo Group) |
| Overhaul of overhead lines, km | 4,138 | 4,160 | 4,182.42 | 101% | 4,210.77 |
| Overhead line right-of-way clearing, ha | 3,177 | 3,970 | 4,504.52 | 114% | 3,970 |
| Overhaul of transformers and autotransformers, units | 27 | 30 | 28 | 93% | 28 |
| Overhaul of switching devices, units | 1,427 | 1,506 | 1,580 | 105% | 1,761 |
| Maintenance and Repair Program (RUB million) | 1,323 | 1,566 | 3,185 | 203% | 3,314 |

**Costs under the Maintenance and Repair Program by implementation method, RUB million**

|  |  |  |
| --- | --- | --- |
| 1,323 | 1,566 | 3,185 |

In 2018, RUB 3,185 million were spent under the Maintenance and Repair Program, including RUB 2,068.0 million for insourced repairs and RUB 1,117 million for outsourced repairs.

In 2018, maintenance and repair costs increased by 103% as compared to 2017 and by 140% as compared to 2016. The increase in costs in 2018 was due to changes in the Company's accounting policy, with insourced and outsourced maintenance and repairs accounted for separately.

The share and amount of insourced maintenance and repairs have been steadily growing as compared to outsourced maintenance and repairs. In 2018, costs for insourced maintenance and repair grew by 368% and 355% compared to 2016 and 2017, respectively. The increase in insourced maintenance and repair is due to a new approach to its accounting, as well as the growth in consumer prices and a certain increase in the number of in-house personnel amid the growth in the amount of equipment owned by the Company.

Outsourced maintenance and repair costs also increased by 0.5% compared to 2017 and by 27% compared to 2016. The increase in costs was also driven by emergency repair as well as by repair of leased equipment.

**SECTION 4. CORPORATE GOVERNANCE**

1. **Corporate Governance**

The most important element of the Company’s governance includes a system of ensuring compliance with the legislation, industry standards, as well as requirements for the activities of governing and control bodies as outlined in internal regulations, which can be found on the Company’s website.

Committed to customized approach in its engagements with all shareholders, the Company aims to fully respect their rights, including by ensuring that shareholders and investors can make informed decisions based on complete, relevant, and reliable information about its activities, which the Company provides in a timely manner.

The Company’s Board of Directors, whose independence guarantees successful achievement of its strategic goals, plays the key role in the Company’s corporate governance system.

With regard to subsidiaries and affiliates as well as other legal entities, in which the Company is a shareholder, founder, or member, the Company adheres to its corporate-wide policy based on uniform principles of corporate governance.

Corporate governance at the Company is based on the following basic principles:

* ensuring fair and equitable treatment of all shareholders in exercising their corporate governance right;
* providing shareholders with equal and fair opportunities to share profits of the Company as dividends;
* ensuring an equal playground for all shareholders owning shares of the same class (type), including minority and non-resident shareholders, as well as their equal treatment by the Company;
* providing reliable and effective means of recording their rights to shares and ability to freely dispose of their shares without any hindrance;
* the Board of Directors providing strategic management of the Company, determining key principles of, and approaches to, setting up a corporate risk management and internal control framework, monitoring performance by the Company’s executive bodies, and performing other key functions;
* accountability of the Board of Directors to Company shareholders;
* the Company’s corporate secretary ensuring efficient ongoing interaction with shareholders, coordinating the Company’s efforts to protect shareholder rights and interests, and supporting efficient performance of the Board of Directors;
* building an effective risk management and internal control system at the Company providing reasonable assurance in the achievement of the Company’s goals;
* ensuring the transparency of the Company’s operations for its shareholders, investors, and other stakeholders;
* timely disclosure of complete, up-to-date and reliable information about the Company in order to ensure that the Company's shareholders and investors have the opportunity to make informed decisions;
* performing material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when performing such actions.

These principles enable the Company to ensure that the key elements of its corporate governance system develop in a sustained and consistent manner across all levels of hierarchical and organizational engagement within Rosseti Group.

**Corporate governance system**

The Company understands corporate governance as a range of processes that ensure governance and control over its activities and include engagements between shareholders, the Board of Directors, and the Company's executive bodies in the best interests of shareholders.

PJSC “Lenenergo” considers corporate governance as a means of increasing the efficiency of the Company’s activity, strengthening its reputation, and decreasing borrowing costs.

Specific structures, procedures, and practices of corporate governance are regulated by the Company’s Articles of Association and internal documents, including:

* + Regulations for the General Meeting;
  + Regulations for the Board of Directors;
  + Regulations for the Management Board;
  + Regulations for the Internal Audit Commission;
  + Regulations for the Board of Directors’ Remuneration and Compensation;
  + Regulations for the Internal Audit Commission’s Remuneration and Compensation;
  + Regulations for the Strategy and Development Committee of the Board of Directors;
  + Regulations for the Reliability Committee of the Board of Directors;
  + Regulations for the Audit Committee of the Board of Directors;
  + Regulations for the Nomination and Remuneration Committee of the Board of Directors;
  + Regulations for the Grid Connection Committee of the Board of Directors;
* Corporate Governance Code;
* Regulations for Insider Information;
* Regulations for the Information Policy;
* Risk Management Policy;
* Internal Audit Policy;
* Internal Control Policy;
* All of the above documents are available on the Company’s official website:
* <http://www.lenenergo.ru/shareholders/corp/ustav/?part=1>
* <http://lenenergo.ru/shareholders/corp/control/>

**Rosseti Group**

|  |
| --- |
| PJSC “TDC”  IDGC of the Center and Volga Region, PJSC  IDGC of the Urals, OJSC  IDGC of Northern Caucasus, PJSC  PJSC “Kubanenergo”  JSC “Yantarenergo”  IDGC of Volga, PJSC  IDGC of the South, PJSC  IDGC of Siberia, PJSC  “MOESK”, PJSC  “FGC UES”, PJSC  JSC “Tyumenenergo”  IDGC of the Center, PJSC  IDGC of North-West, PJSC  PJSC “Lenenergo”  The Company is one of the largest interregional distribution grid companies of Russia within Rosseti Group (PJSC “Rosseti” holds 67.48 % of the Company’s authorized capital as at the record date of May 14, 2018).  The Company’s affiliation with the above Group implies common approaches and principles regarding the operation of governance and supervision bodies. |

**Corporate Governance Compliance**

In its efforts to improve its corporate governance system, the Company follows the best Russian practices set out in the Corporate Governance Code recommended by Letter No. 06-52/2463 of the Bank of Russia of April 10, 2014 (hereinafter referred to as the “Code”).

Compliance with the principles and recommendations of the Code is an unconditional priority for all governing and control bodies of the Company.

Corporate governance at PJSC “Lenenergo” is aligned with the rules and procedures set out in the Articles of Association and internal documents of the Company.

PJSC “Lenenergo” has in place the Corporate Governance Code of PJSC “Lenenergo”, which aims to ensure greater transparency of governance at the Company and support the Company’s relentless commitment to comply with best practices in corporate governance.

The Company conducted the compliance assessment to check if the corporate governance practices at PJSC “Lenenergo” are compliant with the principles and recommendations of the Code.

In accordance with the guidelines, the percentage of the “100% met” and “partly met” scores was assessed for each section of the Code against criteria outlined in the respective section.

According to this analysis, the total number of “100% met” and “partly met” scores was 95 out of 128 criteria, or 74.22% (64.06% for “full compliance”, and 10.16% for “partial compliance”), which witnesses the Company’s advanced corporate governance practices.

Detailed information about the Company’s compliance with the Code is provided in Appendix 6.3 to this Report.

**Insider Information Protection**

PJSC “Lenenergo” as a public company whose securities are listed on MICEX, pays particular attention to monitoring insider information that can have a significant impact on the value of financial instruments.

In accordance with Federal Law No. 224-FZ, *On Countering the Illegal Use of Insider Information and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation* of October 27, 2010, Federal Law No. 39-FZ, *On the Securities Market*, of April 22, 1996, Federal Law No. 208-FZ, *On Joint Stock Companies*, of December 26, 1995, the Company’s Board of Directors approved the Regulations on Insider Information of PJSC “Lenenergo” (Minutes No. 44 of June 7, 2018).

In accordance with Federal Law FZ-224, the Company is working on the preparation, approval, and submittal of the Company’s list of insiders to the Moscow Exchange (MICEX).

In 2018, the lists of insiders were timely prepared and submitted to Moscow Exchange, PJSC.

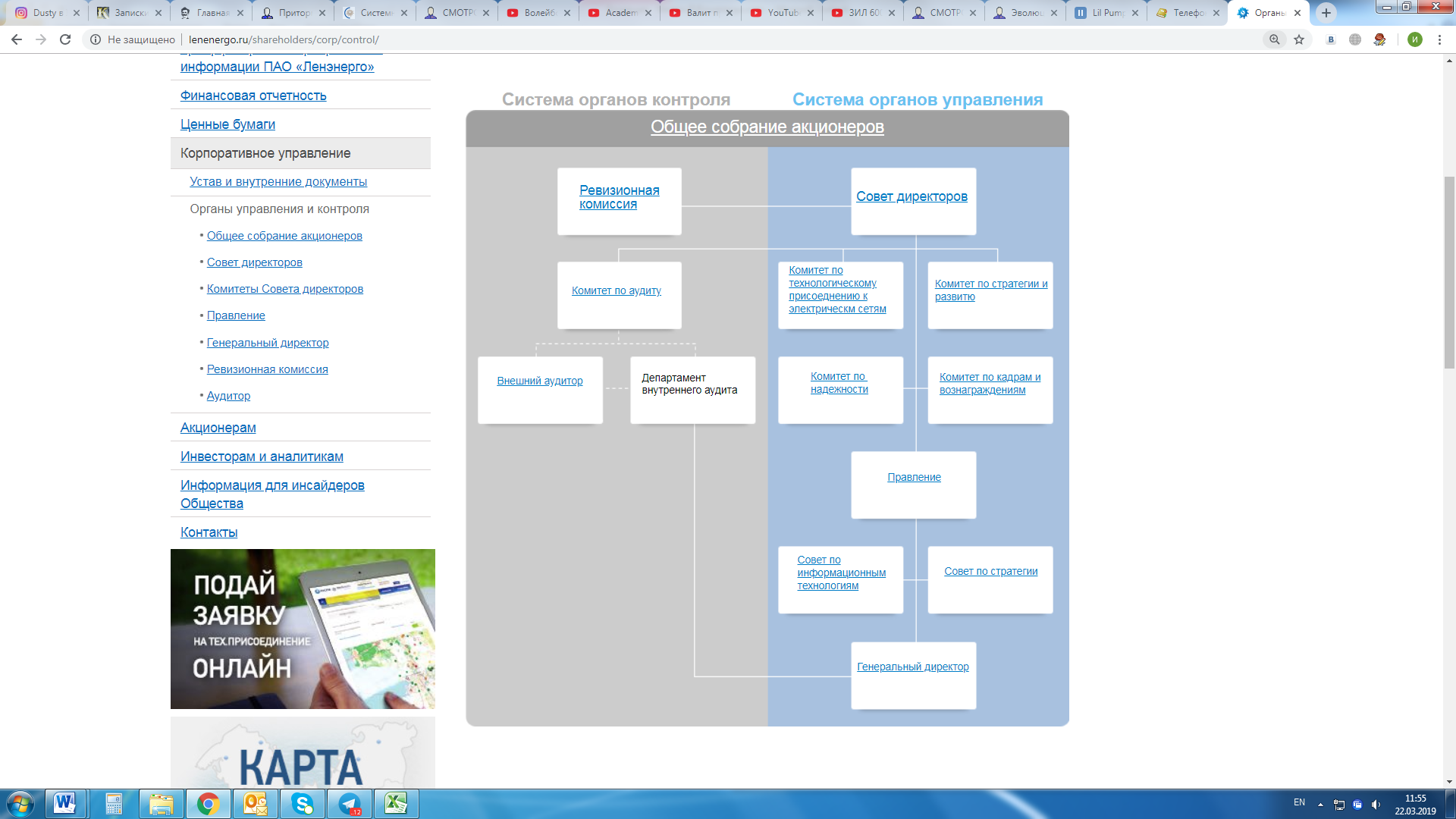
PJSC “Lenenergo” thoroughly complies with all legal requirements regarding the disclosure of insider information. No cases of delays in disclosing insider information were reported in 2018.

Information for the insiders of PJSC “Lenenergo” is published on the Company’s website at: <http://www.lenenergo.ru/shareholders/forinsiders/>.

**Structure of the Governing and Supervisory Bodies of the Company**

**Control bodies**

**Governing bodies**



CEO

Strategy Council

IT Council

Management Board

Nomination and Remuneration Committee

Reliability Committee

Internal Audit Department

External auditor

Strategy and Development Committee

Grid Connection Committee

Audit Committee

Board of Directors

Internal Audit Commission

General Meeting

|  |  |
| --- | --- |
| CORPORATE GOVERNANCE SYSTEM | |
| General Meeting | Supreme governing body of the Company.  The procedure for preparing, convening, holding, and summing up the results of the Company’s General Meeting is set out in the Company’s Articles of Association and the Regulations for the General Meeting of the Company. |
| Board of Directors | A collective governing body, which provides the strategic management of the Company and supervises the activities of the sole executive body (CEO) of the Company.  The establishment procedure, status, composition, functions, goals, objectives, and powers of the Board of Directors, as well as the procedure for convening and holding the Board of Directors are set out in the Company’s Articles of Association and the Regulations for the Board of Directors of the Company.  The main goals and objectives of the Company’s Board of Directors include:   * determining the development strategy of the Company to increase its market capitalization and enhance its investment case, maximize profit and build up the Company’s assets; * ensuring the exercise and protection of the rights and lawful interests of the Company’ shareholders, and facilitating the settlement of corporate conflicts; * ensuring the completeness, reliability, and objectivity of the Company’s disclosures; * creating effective internal control mechanisms; * regularly assessing the performance of the Company’s executive bodies and management. |
| Collective executive body (Management Board) | A collective executive body managing the Company’s day-to-day operations.  The Management Board reports to the General Meeting and the Board of Directors.  The establishment procedure, status, composition, functions, goals, objectives, and powers of the Management Board, as well as the procedure for convening and holding its meetings are set out in the Company’s Articles of Association and the Regulations for the Management Board of the Company. |
| Sole executive body (CEO) | The sole executive body managing the Company’s day-to-day operations.  The sole executive body (CEO) reports to the Company’s General Meeting and the Board of Directors of the Company.  The appointment procedure, status, functions, goals, objectives, and powers of the sole executive body (CEO) are set out in the Company’s Articles of Association. |

|  |  |
| --- | --- |
| SUPEVISION BODY | |
| Internal Audit Commission | The Audit Commission is a permanent, independent, elected internal control body, which periodically supervises the financial and business activities of the Company, its standalone subdivisions, officers of the Company’s governing bodies and structural units of the Company’s Executive Arm by auditing documents and facts for:   * legality, economic viability, and cost effectiveness (expediency) of the Company’s business and financial transactions during the audited period; * completeness and accuracy of business and financial transactions recognized in the Company’s documents. |
| **INTERNAL AND EXTERNAL AUDIT** | |
| Audit Committee  of the Board of Directors | The goal of the Audit Committee of the Company’s Board of Directors is to assist the Board of Directors in effectively performing its functions regarding the preliminary review of matters related to control over the financial and business operations of the Company.  The establishment procedure, status, composition, functions, goals, objectives, and powers of the Audit Board, as well as the procedure for convening and holding its meetings are set out in the Company’s Articles of Association and the Regulations for the Audit Committee of the Board of Directors. |
| Internal Audit Department | The goal of the Company’s Internal Audit and Control Department is to assist the Board of Directors and executive bodies of the Company in improving the effectiveness of the Company’s governance and its financial and business activities, including through a systematic and consistent approach to the analysis and evaluation of its risk management, internal control, and corporate governance systems as tools for providing reasonable assurance that the Company’s goals are achieved. |
| External auditor | The General Meeting approves the Company’s Auditor on an annual basis to carry out an annual audit and certify the Company’s annual accounting (financial) statements. The Auditor should have no property interests with the Company and its shareholders.  The Auditor audits the Company’s financial and business operations in accordance with the laws of the Russian Federation and in line with the contract signed with the Auditor. |

Governing Bodies

**General Meeting of the Company**

|  |
| --- |
| A shareholder shall have the right to:   * Participate personally or through representatives in the Company’s General Meeting with the right to vote on all matters within its competence; * Enter proposals to the agenda of the Company’s General Meeting in such manner as outlined in the laws of the Russian Federation and these Articles of Association; * Receive information on the Company’s activities and review the Company’s documents in accordance with Federal Law *No. 208-FZ, On Joint Stock Companies*, of December 26, 1995, other regulatory legal acts, and the Articles of Association; * Receive dividends declared by the Company; * Exercise their pre-emptive right to acquire additional shares offered through subscription and issue-grade securities convertible into shares in an amount proportionate to the number of ordinary shares held by such shareholder, in cases provided for by the laws of the Russian Federation; * In the event of the Company’s liquidation, receive part of its property; * Appeal against decisions of the Company’s governing bodies entailing civil law consequences in such cases and in such as provided for by the laws of the Russian Federation; * Demand compensation for losses caused to the Company; * Challenge the transactions made by the Company on the grounds provided for by the legislation of the Russian Federation, and demand application of consequences of their invalidity, as well as demand application of consequences of invalidity of void transactions of the Company; * Enter into an agreement with each other, as well as with creditors of the Company or other third parties on exercising corporate rights (shareholders’ agreement); * Exercise other rights provided for by the laws of the Russian Federation and these Articles of Association.   **Rights of shareholders holding at least 1% of voting shares**  Shareholders (a shareholder) holding at least 1% of the Company’s voting shares have the right to obtain a list of persons entitled to attend the General Meeting; the right to file a claim for invalidating a major transaction made in violation of the procedure for obtaining consent to perform such transaction; the right to request consent of the Board of Directors or the General Meeting to make an interested party transaction before it is made; the right to file a claim in court against a member of the Board of Directors, the sole executive body of the Company, a member of the collective executive body of the Company (management board, directorate), or the managing company (manager) for recovery of losses incurred by the Company.  **Rights of shareholders holding at least 2% of voting shares**  Shareholders (a shareholder) holding at least 2% of the Company’s voting shares may propose items for the agenda of the Annual General Meeting and nominate candidates for the Board of Directors, the Internal Audit Commission and the position of the Company’s sole executive body. Proposals for the agenda of the Annual General Shareholders Meeting must be received by the Company not later than 60 days after the end of the financial year.  **Rights of shareholders holding at least 10% of voting shares**  Shareholders (a shareholder) holding at least 10 % of the Company’s voting shares may demand the convening of an Extraordinary General Meeting; they also have the right to demand an audit (review) of the Company’s financial and business activities.  **Rights of shareholders holding at least 25% of voting shares**  Shareholders (a shareholder) holding at least 25 % of the Company’s voting shares in aggregate have the right of access to accounting documents and minutes of meetings of the collective executive body.  The rights of the Company’s shareholders, as defined in its Articles of Association, are exercised primarily via the General Meeting of the Company. |

In 2018, two General Meetings of Shareholders were held: an Extraordinary and an Annual General Meeting.

The Extraordinary General Meeting of the Company was held on February 05, 2018 (Minutes No. 1/2018 of February 6, 2018), which resolved to terminate the powers of the Company’s Board of Directors earlier and elect a new Board of Directors.

The Annual General Meeting was held on June 8, 2018 (Minutes No. 2/20-18 of June 13, 2018) and discussed the following agenda:

1. Approval of the Company’s annual report and annual accounting (financial) statements;

2. Distribution of the profit (including payout (announcement) of dividends) and losses of the Company for 2017.

3. Elections of members of the Company’s Board of Directors.

4. Election of members of the Internal Audit Commission of the Company.

5. Approval of the Company’s Auditor.

6. Approval of a restated version of the Company’s Articles of Association.

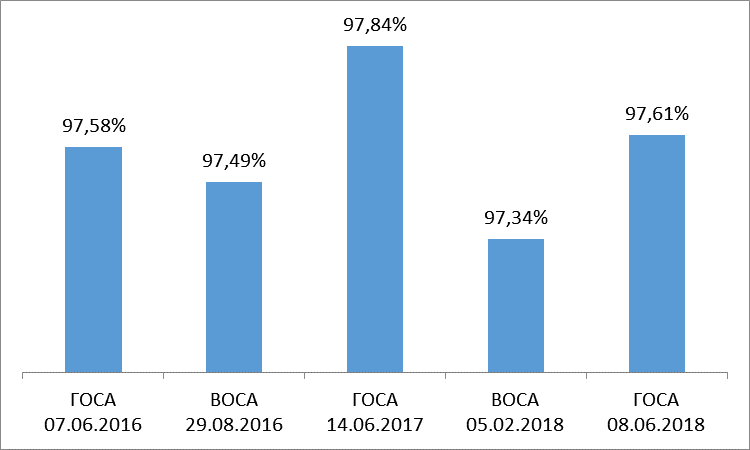
7. Approval of the Regulations for the Board of Directors of PJSC “Lenenergo” (restated version)

8. Approval of the Regulations for the Management Board of PJSC “Lenenergo” (restated version)

9. Approval of the Regulations for the Internal Audit Commission’s Remuneration and Compensation of PJSC “Lenenergo” as restated.

Information on the meetings is available on the official website of the Company at http://www.lenenergo.ru/shareholders/corp/control/osa/

**Quorum of the Company’s General Meetings of Shareholders in 2016–2018, %**



AGM

AGM

EGM

EGM

AGM

**Board of Directors of the Company**

The Board of Directors of PJSC “Lenenergo” is a collective governing body of the Company providing overall governance of the Company’s activities in accordance with the Federal Law On Joint-Stock Companies, the Company’s Articles of Association, the Regulations for the Board of Directors of PJSC “Lenenergo” as restated and approved by the Resolution of the Annual General Meeting held on June 8, 2018 (Minutes No. 2/2018 of June 13, 2018). The Board has 13 members in line with the legislative requirements and with the Company’s scale of operations and needs. In accordance with the Company’s Articles of Association, the Board of Directors meets as needed, but at least once every six weeks.

When reviewing agenda items, members of the Board of Directors assess the risk of conflict between their interests and the interests of the Company (including conflict of interest related to their participation in governing bodies of other companies). For matters that, in the opinion of a member of the Board of Directors, may entail such a conflict of interest, the director should refrain from voting on, and, if necessary, from discussing such matters. At the same time, directors should report on the existence of a conflict of interest, its risk and causes to the Board of Directors. The relevant information should be submitted via the Corporate Secretary, who provides support for the activities of the Board of Directors and its Committees.

As at December 31, 2018, the Board of Directors of the Company had the following composition:[[3]](#footnote-3)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Full name** | **Position** | **Status in the Board of Directors** | **Shareholder representative** | **Key competences** | **Involvement in the work of Committees** |
| **The Chairman of the Board of Directors** | | | | | |
| Pavel Livinsky | Chairman of the Management Board of PJSC “Rosseti”, CEO of PJSC “Rosseti” | Non-executive director | Rosseti | Energy system reliability and digitization |  |
| **Members of the Board of Directors** | | | | | |
| Andrey  Ryumin | Member of the Management Board  CEO  PJSC “Lenenergo” | Executive director | Rosseti | Strategic development and energy system reliability |  |
| Olga Sergeyeva | Deputy CEO – Head of the Administrative Office at PJSC “Rosseti” | Non-executive director | Rosseti | HR policy and organizational design | Chairman of the Audit Committee  Chairman of the Nomination and Remuneration Committee |
| Sergey Sergeyev | Deputy CEO for Capital Construction, PJSC “Rosseti” | Non-executive director | Rosseti | Capital construction | Member of the Audit Committee |
| Sergey Miloslavsky | Deputy CEO at OJSC “Metrostroy” | Non-executive director | Government of Saint Petersburg | Capital construction | Member of the Strategy and Development Committee |
| Yevgeny Olkhovich | Deputy CEO  for Strategic Development  PJSC “Rosseti” | Non-executive director | Rosseti | Strategic development | Member of the Strategy and Development Committee |
| Sergey Pikin | Director of the Energy Development Fund | Independent director | Rosseti | Strategic development | Member of the Audit Committee,  Member of the Strategy and Development Committee |
| Daniil Krainsky | Acting Deputy CEO for Legal and Corporate Governance of PJSC “Lenenergo”;  Chief Advisor, PJSC “Rosseti” | Executive director | Rosseti | Legal, corporate governance, property management | Member of the Audit Committee |
| Andrey Bondarchuk | Chairman of the Energy and Engineering Support Committee of Saint Petersburg | Non-executive director | Government of Saint Petersburg | Energy system reliability, long-term development | Member of the Audit Committee |
| Olga Kolesnikova | First Deputy Chairman of the Energy and Engineering Support Committee of Saint Petersburg | Non-executive director | Government of Saint Petersburg | Street lighting |  |
| Gasan Safarov | First Deputy Chairman of the Tariffs Committee of Saint Petersburg | Non-executive director | Government of Saint Petersburg | Tariff policy, business planning | Member of the Audit Committee |
| Lyudmila Solovyova | Deputy Chairman of the Housing Committee of Saint Petersburg | Non-executive director | Government of Saint Petersburg | Customer service, service development | Member of the Strategy and Development Committee: |
| Aleksandr German | Deputy Chairman of the Property Relations Committee of Saint Petersburg | Non-executive director | Government of Saint Petersburg | Property management, corporate governance | Member of the Audit Committee;  Member of the Nomination and Remuneration Committee |

**Shareholder representation in the Company’s Board of Directors, persons**

**Composition of the Board of Directors of PJSC “Lenenergo” as at December 31, 2018, elected by Resolution of the Annual General Meeting of June 8, 2018 (Minutes No. 2/2018 of June 13, 2018):**

|  |  |
| --- | --- |
| **Full name** | **Pavel Livinsky** |
| Position | Chairman of the Company’s Board of Directors |
| Year of birth Nationality | 1980 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on February 5, 2018 |
| Degree | Higher education. Moscow Lomonosov State University, majoring in Economics (2001);  Moscow Lomonosov State University Master's degree in Management (2003). |
| Positions for the last  five years | 2018 to date – Chairman of the Company’s Board of Directors;  2017 to date – Chairman of the Management Board, CEO of PJSC “Rosseti”;  2017 – 2017 Head of the Utilities Department of Moscow;  2013 – 2017 Head of the Energy Department of Moscow;  2011 – 2013 – CEO of OJSC “UNECO”. |
| Interest in the Company | None |
| Positions in other organizations | CEO, Chairman of the Management Board, member of the Board of Directors of PJSC “Rosseti”;  Chairman of the Board of Directors of “MOESK”, PJSC;  Member of the Board of Directors of PJSC “Mosenergo”;  Member of the Board of Trustees of the Federal State-Sponsored Educational Institution of Higher Professional Education National Research University *Moscow Power Engineering Institute*;  President, member of the Presidium of the Regional Public Organization *Sport Federation of Firemen and Rescuers*;  Member of the Board of Trustees of the Christ the Savior Cathedral Foundation;  Member of the Presidium of the Energy Sector Association *Russian National Committee of the World Energy Council*;  Member of the Management Board of the All-Russian Association of Employers *Russian Union of Industrialists and Entrepreneurs*;  Member of the Supervisory Board of Non-profit Partnership *Scientific and Technical Council of Unified Energy System*;  Member of the Board of Directors of RusHydro, PJSC;  Chairman of the Board of Directors of “FGC UES”, PJSC;  Member of the Board of Directors of SO UES, JSC;  Member of the Presidium of the Russian National Committee of CIGRE;  Member of the Board of Trustees of the Modern Pentathlon Federation of Russia |

|  |  |
| --- | --- |
| **Full name** | **Andrey Ryumin** |
| Position | Member of the Board of Directors,  Chairman of the Management Board,  CEO |
| Year of birth. Nationality | 1980 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on February 5, 2018 |
| Degree | Higher education. Moscow State Lomonosov University, Department of Mechanics and Mathematics (2002).  Peoples' Friendship University of Russia, majoring in Information Systems in Economics (2002).  PhD in Economics. |
| Positions for the last five years | 2018 to date – Member of the Company’s Board of Directors,  2018 to date – Chairman of the Management Board, CEO of the Company;  2016 – 2017 – Independent Director, member of the Board of Directors of Mosenergo, OJSC;  2011 – 2013 – First Deputy CEO, CEO of OJSC “UNECO”. |
| Interest in the Company | None |
| Positions in other organizations | Member of the Board of Directors of FTC, PJSC  Member of the Board of Trustees of the Saint Petersburg Regional Sports Public Organization Sports Club *Sport-Pravoporyadok* |

|  |  |
| --- | --- |
| **Full name** | Olga Sergeyeva |
| Position | Member of the Company’s Board of Directors,  Chairman of the Audit Committee of the Company’s Board of Directors.  Chairman of the Nomination and Remuneration Committee |
| Year of birth. Nationality | 1984 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on June 8, 2018. |
| Degree | Higher education. Plekhanov Russian University of Economics (2006), majoring in Economics and Management at Enterprises and Construction, qualified as Planning Engineer. |
| Positions for the last  five years | 2018 to date – Member of the Company’s Board of Directors,  2018 to date – Deputy CEO – Head of the Administrative Office at PJSC “Rosseti”  2017 – 2017 Deputy Head of the Utilities Department of Moscow;  2016 – 2017 Deputy Head of the Energy Department of Moscow;  2015 – 2016 Head of the Administrative Office of the Energy Department of Moscow;  2012 – -2015 Head of the Administrative Office of the Energy Department of Moscow; |
| Interest in the Company | None |
| Positions in other organizations | Deputy CEO – Head of the Administrative Office at PJSC “Rosseti”  Chairman of the Board of Directors of IDGC of the South, PJSC;  Chairman of the Board of Directors of IDGC of the North-West, PJSC;  Chairman of the Board of Directors of Kubanenergo, PJSC;  Chairman of the Board of Directors of Power Grid Optical Networks Engineering, JSC;  Chairman of the Supervisory Board of Association *ERA of Russia*;  Member of the Board of Directors of “MOESK”, PJSC  Chairman of the Board of Directors of IDGC of Northern Caucasus, PJSC; |

|  |  |
| --- | --- |
| **Full name** | **Sergey Sergeev** |
| Position | Member of the Company’s Board of Directors,  Chairman of the Audit Committee of the Company’s Board of Directors. |
| Year of birth. Nationality | 1976 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on June 7, 2016. |
| Education | Higher education. Novocherkassk State Technical University, majoring in industrial and civil construction, Civil Engineer |
| Positions for the last five years | 2016 to date – Member of the Company’s Board of Directors,  2013 to date Deputy CEO for Capital Construction, PJSC “Rosseti”  2009–2013 – Deputy Chairman of the Management Board of FGC UES, OJSC |
| Interest in the Company | None |
| Positions in other organizations | Deputy CEO for Capital Construction, PJSC “Rosseti”  Member of the Board of Directors of “FGC UES”, PJSC;  Member of the Board of Directors of “MOESK”, PJSC  Chairman of the Board of Directors of TCC, JSC. |

|  |  |
| --- | --- |
| **Full name** | **Yevgeny Olkhovich** |
| Position | Member of the Company’s Board of Directors,  Chairman of the Strategy and Development Committee of the Company’s Board of Directors |
| Year of birth. Nationality | 1982 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on February 5, 2018 |
| Degree | Higher education Plekhanov Russian Academy of Economics (2003):  1. Economics, Bachelor’s degree in Economics.  2. PhD in Economics.  3. Management Master’s degree in Management. |
| Positions for the last five years | 2018 to date – Member of the Board of Directors of PJSC “Lenenergo”;  2017 to date – Deputy CEO for Strategic Development at PJSC “Rosseti”;  2013–2017 – Deputy Director of the Department for State Regulation of Tariffs, Infrastructure Reforms, and Energy Efficiency of the Russian Ministry of Economic Development;  2010–2013 – Analyst of the Research Unit of Merrill Lynch Securities, LLC. |
| Interest in the Company | None |
| Positions in other organizations | Deputy CEO for Strategic Development at PJSC “Rosseti”;  Chairman of the Board of Directors of OJSC “FTC”;  Member of the Board of Directors of “MOESK”, PJSC . |

|  |  |
| --- | --- |
| **Full name** | **Sergey Pikin** |
| Position | Member of the Company’s Board of Directors,  Chairman of the Audit Committee of the Company’s Board of Directors  Chairman of the Strategy and Development Committee of the Company’s Board of Directors |
| Year of birth. Nationality | 1979 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on June 14, 2017. |
| Degree | Higher education. Economic Department of Moscow Lomonosov State University |
| Positions for the last five years | 2017 to date – Member of the Company’s Board of Directors  2007 to date – Director of the Energy Development Fund |
| Interest in the Company | None |
| Positions in other organizations | Director of the Energy Development Fund. |

|  |  |
| --- | --- |
| **Full name** | Daniil Krainsky |
| Position | Member of the Company’s Board of Directors,  Chairman of the Audit Committee of the Company’s Board of Directors  Deputy CEO for Legal and Corporate Governance. |
| Year of birth. Nationality | 1979 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on February 5, 2018 |
| Degree | Higher education. Moscow State Law Academy (2002),  majoring in Jurisprudence |
| Positions for the last five years | 2018 to date – Member of the Company’s Board of Directors,  2018 to date – Acting Deputy CEO for Legal and Corporate Governance of PJSC “Lenenergo”;  2017 to date – Advisor, Chief Advisor at PJSC “Rosseti”;  2011 – 2017 – First Deputy CEO, Deputy CEO of OJSC “UNECO”. |
| Interest in the Company | None |
| Positions in other organizations | – Advisor, Chief Advisor at PJSC “Rosseti”;  Chairman of the Board of Directors of JSC “Lenenergo Energy Service Company”. |

|  |  |
| --- | --- |
| **Full name** | **Andrey Bondarchuk** |
| Position | Member of the Company’s Board of Directors,  Chairman of the Audit Committee of the Company’s Board of Directors |
| Year of birth. Nationality | 1977 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on August 27, 2012. |
| Degree | Higher education. Saint Petersburg State Mining Institute, majoring in Power Supply of Enterprises (1999);  Saint Petersburg State University, majoring in General Management (2006);  PhD in Engineering |
| Positions for the last five years | 2015 to date – Member of the Company’s Board of Directors,  2013 to date Chairman of the Energy and Engineering Support Committee of Saint Petersburg;  2006–2013 – Chairman of the Energy Committee of the Leningrad Region, Deputy Chairman of the Tariffs and Pricing Policy Committee of the Leningrad Region |
| Interest in the Company | None |
| Positions in other organizations | Chairman of the Energy and Engineering Support Committee of Saint Petersburg. |

|  |  |
| --- | --- |
| **Full name** | **Sergey Miloslavsky** |
| Position | Member of the Company’s Board of Directors,  Chairman of the Strategy and Development Committee of the Company’s Board of Directors |
| Year of birth. Nationality | 1960 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on June 8, 2018. |
| Degree | Higher education. Leningrad Polytechnic Institute (1983), majoring in Hydraulic Machinery and Automation Devices;  PhD in Economics. |
| Positions for the last five years | 2018 to date – Member of the Company’s Board of Directors,  2017 to date – Deputy CEO at OJSC “Metrostroy”;  2016–2017 – Deputy Managing Director of Saint Petersburg State Public Institution *Capital Construction and Renovation Fund* |
| Interest in the Company | None |
| Positions in other organizations | Deputy CEO at OJSC “Metrostroy” |

|  |  |
| --- | --- |
| **Full name** | **Olga Kolesnikova** |
| Position | Member of the Company’s Board of Directors, |
| Year of birth. Nationality | 1958 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on August 29, 2016. |
| Degree | Higher education. Alma-Ata Institute of the National Economy (1983) |
| Positions for the last five years | 2016 to date – Member of the Company’s Board of Directors,  2015–2019 – First Deputy Chairman of the Energy and Engineering Support Committee of Saint Petersburg;  2012–2014 – Director of the Document Management and Organization Department of the Ministry of Regional Development of the Russian Federation;  2010–2012 – Director of the Energy and Pricing Policy of the Administration of the Kostroma Region. |
| Interest in the Company | None |
| Positions in other organizations | None |

|  |  |
| --- | --- |
| **Full name** | **Gasan Safarov** |
| Position | Member of the Company’s Board of Directors,  Chairman of the Audit Committee of the Company’s Board of Directors |
| Year of birth. Nationality | 1964 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on August 29, 2016. |
| Degree | Higher education. Baku branch of Leningrad Voznesensky Financial and Economic Institute (1988);  PhD in Economics, Professor |
| Positions for the last five years | 2016 to date – Member of the Company’s Board of Directors,  2015 to date – First Deputy Chairman of the Tariffs Committee of Saint Petersburg;  2002–2015 – Deputy Chairman of the Tariffs Committee of Saint Petersburg |
| Interest in the Company | None |
| Positions in other organizations | Deputy Chairman of the Tariffs Committee of Saint Petersburg |

|  |  |
| --- | --- |
| **Full name** | **Lyudmila Solovyova** |
| Position | Member of the Company’s Board of Directors,  Member of the Strategy and Development Committee of the Company’s Board of Directors |
| Year of birth. Nationality | 1958 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on August 29, 2016. |
| Degree | Higher education. Tula Polytechnic Institute (1980) |
| Positions for the last five years | 2016 to date – Member of the Company’s Board of Directors,  2014 to date – Deputy Chairman of the Housing Committee of Saint Petersburg;  2013–2014 – Assistant to the Minister of Regional Development of the Russian Federation;  2013 – Deputy Head of the Federal Agency for Construction, Housing and Utilities;  2012–2013 –- Advisor to the Minister of Regional Development of the Russian Federation, Assistant to the Minister of Regional Development of the Russian Federation; |
| Interest in the Company | None |
| Positions in other organizations | Deputy Chairman of the Housing Committee of Saint Petersburg |

|  |  |
| --- | --- |
| **Full name** | **Aleksandr German** |
| Position | Member of the Company’s Board of Directors,  Member of the Audit Committee of the Company’s Board of Directors  Member of the Nomination and Remuneration Committee of the Company’s Board of Directors |
| Year of birth. Nationality | 1969 Russian Federation |
| Data of first election to the Board of Directors | First elected to the Company’s Board of Directors at the Company’s General Meeting on February 5, 2018 |
| Degree | Higher education. Voronezh Higher School of the Ministry of Internal Affairs of Russia (1997), majoring as Radio Engineer |
| Positions for the last five years | 2018 to date – Member of the Company’s Board of Directors,  2016 to date – Deputy Chairman of the Property Relations Committee of Saint Petersburg;  2014–2016 – First Deputy Chairman of the Entrepreneurship and Consumer Market Development Committee of Saint Petersburg;  2004–2014 – Director of the Saint Petersburg State Budgetary Institution *Center for Monitoring the Quality of Goods (Products), Work, and Services* |
| Interest in the Company | None |
| Positions in other organizations | Deputy Chairman of the Property Relations Committee of Saint Petersburg;  Member of the Board of Directors of Western High-Speed Diameter, JSC  Member of the Board of Directors of Center for Exhibition and Museum Projects, JSC;  Member of the Board of Directors of Housing and Utility Service No. 2 of the Moskovsky District, LLC;  Member of the Board of Directors of Property Fund of Saint Petersburg, JSC;  Member of the Board of Directors of Airport Pulkovo, JSC  Member of the Board of Directors of South Western CHPP, JSC  Member of the Board of Directors of Passenger Port Saint Petersburg *Sea Facade*, JSC;  Member of the Board of Directors of PeterburgGaz, LLC;  Member of the Board of Directors of Sports Complex *Yubileyny*, LLC  Member of the Board of Directors of OJSC “Metrostroy”;  Member of the Board of Directors of City Insurance Medical Company, JSC;  Member of the Board of Directors of Center for Support of Infrastructure Projects, JSC;  Member of the Board of Directors of Saint Petersburg Direct Investment Agency, JSC;  Member of the Board of Directors of OJSC “Geodesic and Engineering Survey Group”. |

**Composition of the Board of Directors of the Company in 2018**

**Composition of the Board of Directors of the Company elected by Resolution of the Annual General Meeting of June 14, 2017 (Minutes No. 1/2017 of June 14, 2017)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Position when elected** |
| 1 | Oleg Budarin | Chairman of the Management Board, CEO of PJSC “Rosseti” |
| 2 | Roman Berdnikov | Chairman of the Management Board, Acting CEO of the Company |
| 3 | Yegor Prokhorov | Deputy CEO for Finance, CFO at PJSC “Rosseti” |
| 4 | Sergey Sergeev | Deputy CEO for Capital Construction, PJSC “Rosseti” |
| 5 | Konstantin Petukhov | Deputy CEO for Development and Sales of Services at PJSC “Rosseti” |
| 6 | Sergey Pikin | Director of the Energy Development Fund |
| 7 | Pavel Snikkars | Director of the Electricity Industry Development Department of Ministry of Energy of the Russian Federation |
| 8 | Andrey Bondarchuk | Chairman of the Energy and Engineering Support Committee of Saint Petersburg |
| 9 | Elgiz Kachayev | Chairman of the Entrepreneurship and Consumer Market Development Committee of Saint Petersburg |
| 10 | Olga Kolesnikova | First Deputy Chairman of the Energy and Engineering Support Committee of Saint Petersburg |
| 11 | Gasan Safarov | First Deputy Chairman of the Tariffs Committee of Saint Petersburg |
| 12 | Lyudmila Solovyova | Deputy Chairman of the Housing Committee of Saint Petersburg |
| 13 | Marina Yankina | Deputy Chairman of the Property Relations Committee of Saint Petersburg |

\***As at the moment of election**

**Composition of the Board of Directors of the Company elected by Resolution of the Annual General Meeting of February 5, 2018 (Minutes No. 1/2018 of February 6, 2017)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Position when elected** |
| 1 | Pavel Livinsky | Chairman of the Management Board, CEO of PJSC “Rosseti” |
| 2 | Andrey Ryumin | Chairman of the Management Board, CEO of the Company |
| 3 | Yevgeny Olkhovich | Deputy CEO for Strategic Development at PJSC “Rosseti”; |
| 4 | Sergey Sergeev | Deputy CEO for Capital Construction, PJSC “Rosseti” |
| 5 | Daniil Krainsky | Acting Deputy CEO for Legal and Corporate Governance of PJSC “Lenenergo”; Chief Advisor at PJSC “Rosseti” |
| 6 | Sergey Pikin | Director of the Energy Development Fund |
| 7 | Pavel Snikkars | Director of the Electricity Industry Development Department of Ministry of Energy of the Russian Federation |
| 8 | Andrey Bondarchuk | Chairman of the Energy and Engineering Support Committee of Saint Petersburg |
| 9 | Sergey Miloslavsky | Deputy CEO at OJSC “Metrostroy” |
| 10 | Olga Kolesnikova | First Deputy Chairman of the Energy and Engineering Support Committee of Saint Petersburg |
| 11 | Gasan Safarov | First Deputy Chairman of the Tariffs Committee of Saint Petersburg |
| 12 | Lyudmila Solovyova | Deputy Chairman of the Housing Committee of Saint Petersburg |
| 13 | Aleksandr German | Deputy Chairman of the Property Relations Committee of Saint Petersburg |

\***As at the moment of election**

**Member attendance at the Board of Directors of meetings of the Company’s Board of Directors and Board of Directors Committees in 2018\***

| **Board of Directors** | | | | **Strategy and Development Committee** | **Reliability Committee** | **Grid Connection Committee** | **Audit Committee** | **Nomination and Remuneration Committee** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Member of the Board of Directors** | **Non-executive director** | **Independent director[[4]](#footnote-4)** | **Meeting attendance** |
| Composition of the Board of Directors elected by the Resolution of the Company’s Annual General Meeting of June 8, 2018: | | | | | | | | |
| P.A. Livinsky | Х |  | 41/40 |  |  |  |  |  |
| A.V. Ryumin |  |  | 41/37 |  |  |  |  |  |
| O.A. Sergeeva | Х |  | 21/20 |  |  |  |  | 6/6 |
| S.V. Sergeev | Х |  | 45/43 |  |  |  | 10/9 |  |
| S.S. Pikin | Х |  | 45/44 | 9/9 |  |  | 10/10 |  |
| Ye.A. Olkhovich | Х |  | 41/39 | 8/8 |  |  |  |  |
| D.V. Krainsky |  |  | 41/40 |  |  |  | 8/8 |  |
| A.S. Bondarchuk | Х |  | 45/41 |  |  |  | 10/10 |  |
| A.V. German | Х |  | 41/31 |  |  |  | 8/6 | 6/6 |
| O.V. Kolesnikova | Х |  | 45/28 |  |  |  |  |  |
| G.G. Safarov | Х |  | 45/38 |  |  |  | 10/9 |  |
| L.D. Solovyova | Х |  | 45/41 | 9/6 |  |  |  |  |
| S.L. Miloslavsky | Х |  | 41/26 | 8/4 |  |  |  |  |
| Members of the Board of Directors who resigned from the Company’s Board of Directors on February 5, 2018: | | | | | | | | |
| O.M. Budargin | Х |  | 4/4 |  |  |  |  |  |
| R.N. Berdnikov |  |  | 4/3 |  |  |  | 2/1 |  |
| Ye.V. Prokhorov | Х |  | 4/2 |  |  |  |  |  |
| Ye.V. Petukhov | Х |  | 4/4 |  |  |  | 2/2 |  |
| E.I. Kachayev | Х |  | 4/0 |  |  |  |  |  |
| M.M. Yankina | Х |  | 4/4 |  |  |  | 2/1 |  |
| Members of the Board of Directors who resigned from the Company’s Board of Directors on June 8, 2018: | | | | | | | | |
| P.N. Snikkars | Х |  | 20/11 | 1/0 |  |  | 8/8 |  |

\*Data in the table are presented in the “X/Y” format, where: X is the number of board (committee) meetings that the director could attend; Y is the number of meetings that the director attended;

**Statistics of meetings of the Company’s Board of Directors for 2011–2018.**

In 2018, 45 meetings of the Company’s Board of Directors were held, including 42 meetings held by absentee voting (by ballot), 2 meetings held using mixed in-person/absentee voting (joint attendance with voting by ballot), and 1 meeting held in-person (joint attendance).

**42**

**43**

**50**

**39**

**36**

**38**

**25**

**Matters reviewed**

**159**

**178**

**260**

**241**

**257**

**268**

**245**

**160**

Meetings of the Board of Directors of the Company are held in accordance with the work plan of the Board of Directors. The date of meeting of the Company’s Board of Directors is determined by the Chairman of the Board of Directors.

**Participation of the Company’s Board of Directors in management of the Company’s business**

The Company’s Board of Directors plays the key role in organizing an effective corporate governance system.

The competence of the Board of Directors includes matters defined by the applicable laws of the Russian Federation and the Articles of Association of PJSC “Lenenergo”. In 2018, the Company’s Board of Directors reviewed 159 matters, with the most significant matters including:

• Approval of the business plan of PJSC “Lenenergo”, adjustments thereto, and the results of its implementation in the reporting year

**Approval of amendments to the Company’s internal documents:**

• Regulations for the Information Policy of PJSC “Lenenergo” (as restated);

• Regulations for Insurance Coverage of PJSC “Lenenergo” (as restated);

**Approval/review of programs and reports of PJSC “Lenenergo”**

• Insurance program of PJSC “Lenenergo” for 2018;

• Program for disposal of non-core assets of PJSC “Lenenergo” (as restated);

• Program for modernizing (renovating) of electric grid facilities of PJSC “Lenenergo” for 2018–2026;

• Scenarios for building the investment program of PJSC “Lenenergo”;

• Adjusted plan for the development of the production asset management system of PJSC “Lenenergo” for 2016–2019;

**• Review of reports of the Company’s CEO**

*On management of key operational risks of the Company* for 2017, *On implementation of the Innovative Development Program of PJSC “Lenenergo” for 2016-2020 and onwards to 2025* for 2017; *On implementation of the Development Plan for the Production Asset Management System of PJSC “Lenenergo” for 2016–2018* (for 2017); *On assessment of the effectiveness of internal control, risk management, and corporate governance at the Company* for 2017;

• Approval of the report on progress against key performance indicators (KPIs) by the CEO of the Company for Q3 and Q4 2017 and Q1 and Q2 2018.

**Distribution of competences within the Board of Directors for the review of matters in 2018:**

Minutes of the meetings of the Company’s Board of Directors are available on the Company’s official website at: <http://www.lenenergo.ru/shareholders/corp/control/sd/?part=1>

Meetings of the Company’s Board of Directors are held in accordance with the work plan of the Board of Directors. The date of meeting of the Company’s Board of Directors is determined by the Chairman of the Board of Directors. The Board of Directors meets as needed, but at least once every quarter.

The work plan of the Board of Directors of PJSC “Lenenergo” is prepared in accordance with the requirements of Russian laws, proposals of members of the Board of Directors and executive bodies, and is subject to approval by the Chairman of the Company’s Board of Directors. The work plan is drawn up for the entire year, covering the period between the Annual Meetings of General Shareholders. As necessary, but at least once every six months, the work plan of the Board of Directors is updated (adjusted).

The agenda of the Board of Directors’ meetings includes items provided for in the work plan of the Board of Directors, as well as additional items.

**Participation of the Board of Directors in internal control and internal audit**

During 2018, the Company’s Board of Directors reviewed the following matters regarding the organization, operation, and effectiveness of the internal control and internal audit system:

- approved the Work Plan of the Internal Audit and Control Department of the Company for 2018 (Minutes No. 24 of February 2, 2018) and reviewed reports on progress on the plan, including the results of a self-assessment of the quality of internal audit for 2017 (Minutes No. 39 of May 14, 2018);

- reviewed the internal auditor’s report on the results of the audit aimed at identifying and disposing of non-core assets of the Company in 2017 (Minutes No. 44 of June 7, 2018);

- reviewed the internal auditor’s report on the effectiveness of the Company’s internal control and risk management system in 2017 (Minutes No. 3 of August 6, 2018).

Information on the evaluation of the effectiveness of the Company’s internal control system in the reporting year is shown in the Internal Control System section of this report.

The minutes of the meetings of the Board of Directors of PJSC “Lenenergo” are available on the Company’s corporate website at: <http://www.lenenergo.ru/shareholders/corp/control/sd/?part=1>

In 2018, the Company’s Board of Directors of the Company operated in accordance with the applicable Russian laws, the Company’s Articles of Association and the Regulations on the Board of Directors of PJSC “Lenenergo”.

**Information on instructions of the Board of Directors in 2016–2018.**

|  |  |  |
| --- | --- | --- |
| In 2016, the Board of Directors issued 112 instructions to the Company’s management, including:  - 41 completed on time (37%);  - 16 completed with delay (14%);  - 5 not completed (4%);  - 50 completion in progress (45%). | In 2017, the Board of Directors issued 86 instructions to the Company’s management, including:  - 49 completed (57%);  - 20 completed with delay (23%);  - 0 not completed (0%);  - 17 completion in progress (20%). | In 2018, the Board of Directors issued 55\* instructions to the Company’s management, including:  - 41 completed (75%);  - 6 completed with delay (11%);  - 0 not completed (0%);  - 8 completion in progress (14%). |

\* Excluding instructions that are to be completed periodically or regularly

**Fulfillment of instructions of the Board of Directors in 2018**

The Board of Directors reviews reports of the Company’s CEO on completion of instructions of the Board of Directors of PJSC “Lenenergo” on a permanent basis. No instructions of the Board of Directors were overdue in 2018.

**Corporate Secretary of the Company**

The activities of the Corporate Secretary of PJSC “Lenenergo” are regulated by the Company’s Articles of Association and the Regulations for the Corporate Secretary of PJSC “Lenenergo”, approved by the Board of Directors on September 30, 2016 (Minutes No. 12 of October 5, 2016).

The Corporate Secretary reports directly to the Board of Directors.

The key functions of the Company’s Corporate Secretary include:

- participating in the organization of the preparation and holding of General Meetings of Shareholders;

- supporting operation of the Board of Directors and Committees of the Board of Directors;

- participating in the implementation of the Company’s disclosure policy, as well as ensuring storage of the Company’s corporate documents;

- securing interaction between the Company and its shareholders and participating in the prevention of corporate conflicts;

- liaising between the Company and regulatory agencies, trade organizers, the registrar, and other participants of the professional securities market within the competence of the Corporate Secretary;

- ensuring the implementation of the procedures set out in law and the Company’s internal documents to protect the rights and legal interests of shareholders and monitor compliance with such procedures;

- promptly informing the Board of Directors of all identified breaches of laws and the Company’s internal documents, compliance with which falls within the Corporate Secretary’s functions;

- participating in improvements to the Company’s corporate governance system and practices.

Ilya Sobolev was elected Corporate Secretary of the Company by the Resolution of the Company’s Board of Directors of August 17, 2017 (Minutes No. 08 of August 22, 2017):

|  |  |
| --- | --- |
| **Full name** | **Ilya Sobolev** |
| Year of birth. Nationality | 1987 Russian Federation |
| Degree | Higher education, North-West Academy of State Service, majoring in State and Municipal Administration, 2009;  Higher education, Saint Petersburg State University, Department of Economics, majoring in Economics, 2009.  PhD in Economics. |
| Positions for the last five years | 2017 to date – the Company’s Corporate Secretary.  2016 to date – Head of the Corporate Governance and Shareholder Relations Department of PJSC “Lenenergo”;  2014–2016 – Head of the Corporate Policy Unit of the Corporate Governance and Shareholder Relations Department of PJSC “Lenenergo”;  2010–2016 – Head of the Corporate Policy Unit of the Corporate Governance and Shareholder Relations Department of PJSC “Lenenergo”; |
| Interest in the Company | None |
| Positions with other employers | Member of the Board of Directors of JSC “LESR”;  Member of the Board of Directors of JSC “Petrodvorets Electric Company”. |

**Committees of the Board of Directors of PJSC “Lenenergo”**

Committees of the Company’s Board of Directors were established to preliminarily review the most important matters related to the specific areas within the competence of the Board of Directors, settle disputes between representatives of shareholders prior to meetings, prepare informed recommendations to the Board of Directors, and ensure effective performance by the Company’s Board of Directors of its functions with regard to the overall management of the Company’s business.



Principal tasks of the Committee:

* Developing recommendations for the Board on improving the Company’s internal regulations and standards to ensure non-discriminatory access by consumers to grid connection services;
* Assessing the Company’s performance in providing gird connection services to consumers

Principal tasks of the Committee:

* Providing recommendations on updating the organizational structure of the Company’s Executive Arm and branches, on determining the terms of contracts and remuneration payable to members of the Company’s governing bodies;
* Determining the criteria for the selection of candidates to the Company’s collective executive body and to the position of the Company’s CEO

Principal tasks of the Committee:

* Reviewing the Company’s accounting (financial) statements and supervising their preparation;
* Monitoring the reliability and effectiveness of the internal control system, risk management system, and corporate governance practices;
* Monitoring the external audit and selection of the auditor;
* Ensuring the independence and objectivity of the internal audit function;
* Supervising the effectiveness of the system for counteracting dishonest actions by Company employees and third parties

Principal tasks of the Committee:

* Conducting expert review of investment programs and repair plans for power facilities, analyzing their implementation in terms of ensuring comprehensive reliability;
* Assessing the completeness and sufficiency of measures taken to manage accidents and major process failures, following them up, assessing the performance of the Company’s technical services

Principal tasks of the Committee:

* Providing recommendations to the Board of Directors on determining the Company’s strategic goals and preparing, implementing, and adjusting the business plan, including an investment program;
* Following up the implementation of the approved business plan and investment program;
* Evaluating the Company’s performance over the long term

*Ensuring an open approach and non-discriminatory access to the Company’s grid connection services by consumers*

**GRID CONNECTION COMMITTEE**

*Providing recommendations on preparing a system for selecting and motivating employees to successfully implement the Company’s strategic plans*

**NOMINATION AND REMUNERATION COMMITTEE**

*Detailed preliminary review of the most important matters and preparing recommendations for the Board of Directors to resolve on matters within the Committee’s competence*

**AUDIT COMMITTEE**

*Ensuring comprehensive reliability of grid equipment and facilities*

**RELIABILITY COMMITTEE**

*Determining the strategic goals, evaluating long-term performance, and updating the current development strategy*

**STRATEGY AND DEVELOPMENT COMMITTEE**

**Report of the Strategy and Development Committee:**

The Strategy and Development Committee of the Board of Directors has a primary role in determining the Company’s strategic goals, evaluating the Company’s long-term performance, and making recommendations to the Board of Directors on adjustments to the Company’s existing development strategy.

The Committee operates in line with the Regulations for the Strategy and Development Committee of the Board of Directors of PJSC “Lenenergo” (as restated), approved by the Resolution of the Board of Directors of October 10, 2018 (Minutes No. 9 of October 12, 2018).

Principal tasks of the Committee:

- Providing recommendations to the Board of Directors on determining the Company’s strategic goals;

- Preparing, implementing, and updating the business plan, including the Company’s investment program, as well as following up the implementation of the approved business plan and investment program of the Company;

- Evaluating the Company’s performance over the long term;

- Evaluating the progress in digitization of the Company’s electric grids.

**The current membership of the Strategy and Development Committee of the Company’s Board of Directors was elected by the Resolution of the Board of Directors of August 6, 2018 (Minutes No. 5 of August 9, 2018)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Yevgeny Olkhovich | Deputy CEO for Strategic Development at PJSC “Rosseti”; |
| **Committee Members** | | |
| 2 | Berik Bekneyev | Chief Expert of the Consolidated Planning and Reporting Division of the Investment Department at PJSC “Rosseti” |
| 3 | Denis Guryanov | Director of the Corporate Governance and Shareholder and Investor Relations Department at PJSC “Rosseti” |
| 4 | Yuri Zafesov | Director of the Procurement Department at PJSC “Rosseti” |
| 5 | Marina Lavrova | Head of the Subsidiaries and Affiliates Economics Division of the Economic Planning and Budgeting Department at PJSC “Rosseti” |
| 6 | Svetlana Melnikova | Deputy Chairman of the Energy and Engineering Support Committee of Saint Petersburg |
| 7 | Sergey Miloslavsky | Deputy CEO at OJSC “Metrostroy” |
| 8 | Sergey Pikin | Director of the Energy Development Fund |
| 9 | Viktor Seleznev | Head of the Corporate Scientific and Technical Development and R&D Follow-Up Division of the Technological Development and Innovation Department of PJSC “Rosseti” |
|  | Lyudmila Solovyova | Deputy Chairman of the Housing Committee of Saint Petersburg |

\***As at the moment of election**

**Composition of the Strategy and Development Committee of the Company’s Board of Directors in 2018**

**The Strategy and Development Committee of the Company’s Board of Directors elected by the Resolution of the Board of Directors of July 17, 2017 (Minutes No. 5 of July 20, 2017)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Sergey Lebedev | Director, Strategic Development Department, PJSC “Rosseti” |
| **Committee Members** | | |
| 2 | Pavel Snikkars | Director, Electricity Development Department, Russian Ministry of Energy |
| 3 | Dmitry Akopyan | Director, Investment Department, PJSC “Rosseti” |
| 4 | Marina Lavrova | Head of the Subsidiaries and Affiliates Economics, Economic Planning and Budgeting Department, PJSC “Rosseti” |
| 5 | Anton Smirnov | Head of the Strategic Projects Unit, Finance Department, PJSC “Rosseti” |
| 6 | Sergey Pikin | Director, Energy Development Fund |
| 7 | Dmitry Koptin | Chairman, Tariffs Committee of Saint Petersburg |
| 8 | Lyudmila Solovyova | Deputy Chairman, Housing Committee of Saint Petersburg |
| 9 | Svetlana Melnikova | Deputy Chairman, Energy and Engineering Support Committee |

\***As at the moment of election**

**The Strategy and Development Committee of the Company’s Board of Directors elected by the Resolution of the Board of Directors of March 21, 2018 (Minutes No. 32 of March 23, 2018)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Yevgeny Olkhovich | Deputy CEO for Strategic Development, PJSC “Rosseti” |
| **Committee Members** | | |
| 2 | Yuri Goncharov | Deputy CEO for Corporate Governance, PJSC “Rosseti” |
| 3 | Dmitry Akopyan | Director of the Investment Department of PJSC “Rosseti” |
| 4 | Marina Lavrova | Head of the Subsidiaries and Affiliates Economics, Economic Planning and Budgeting Department, PJSC “Rosseti” |
| 5 | Sergey Pikin | Director, Energy Development Fund |
| 6 | Svetlana Melnikova | Deputy Chairman, Saint Petersburg Energy and Engineering Support Committee |
| 7 | Lyudmila Solovyova | Deputy Chairman, Saint Petersburg Housing Committee |
| 8 | Sergey Miloslavsky | Deputy CEO, OJSC “Metrostroy” |

\***As at the moment of election**

In 2018, the Committee held nine meetings, including two in-person meetings.

The Committee reviewed the following critical matters:

- Review of the plan of PJSC “Lenenergo” on implementation of corrective and preventive measures aimed at remedying deficiencies identified by process and price audits of investment program progress reports.

- The priority focus of the Company in replacing outdoor lighting facilities in Saint Petersburg was determined.

- Recommendations to the Board of Directors on reviewing the draft business plan of PJSC “Lenenergo” for 2018 and the forecast for 2019–2022 were prepared.

- Report on implementation of the Company’s business plan (including the investment program and information on key operational risks) for 2017 and 9M 2018.

- The report of the Company’s CEO on the management of key operational risks of PJSC “Lenenergo” for 2017 and 1H 2018.

Minutes of meetings of the Board of Directors of PJSC “Lenenergo” are available on the Company’s corporate website at: <http://www.lenenergo.ru/shareholders/corp/control/komitets/kom_1/?part=2>

**Report of the Reliability Committee**

The Reliability Committee of the Board of Directors plays an important role in ensuring the comprehensive reliability of grid equipment and facilities.

In 2018, the Committee operated in line with the Regulations for the Reliability Committee of the Board of Directors of PJSC “Lenenergo” (as restated, approved by the Resolution of the Board of Directors of September 19, 2017 (Minutes No. 10 of September 22, 2017).

Principal tasks of the Committee:

- Expert review of investment programs and repair plans for power facilities, analysis of their implementation in terms of ensuring comprehensive reliability;

- Evaluation of completeness and sufficiency of measures taken to manage accidents and major process failures, as well as their follow-up, performance evaluation of the Company’s technical services.

**The current membership of the Reliability Committee of the Company’s Board of Directors was elected by the Resolution of the Board of Directors of August 6, 2018 (Minutes No. 5 of August 9, 2018)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Dmitry Gvozdev | Chief Engineer of PJSC “Rosseti” |
| **Committee Members** | | |
| 2 | Eduard Bogomolov | First Deputy Director of Technical Supervision Center, a branch of PJSC “Rosseti” |
| 3 | Igor Kuzmin | First Deputy CEO – Chief Engineer of PJSC “Lenenergo” |
| 4 | Andrey Soldatov | Head of the Energy and Fuel Budget Unit, Long-term Development of Regulated Organizations Division of the Tariffs Committee of Saint Petersburg |
| 5 | Konstantin Kotvitsky | Head of the Engineering Division of the Energy and Engineering Support Committee of Saint Petersburg |

\***As at the moment of election**

**Composition of the Reliability Committee of the Company’s Board of Directors in 2018**

**The Reliability Committee of the Company’s Board of Directors elected by the Resolution of the Board of Directors of July 17, 2017 (Minutes No. 5 of July 20, 2017)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Vladimir Ukolov | Deputy Director of the Command Center of PJSC “Rosseti” |
| **Committee Members** | | |
| 2 | Eduard Bogomolov | First Deputy Director of  Technical Supervision Center, a branch of PJSC “Rosseti” |
| 3 | Kirill Martynov | Deputy CEO for Economic Affairs and Finance, PJSC “Lenenergo” |
| 4 | Maksim Artemyev | First Deputy CEO – Chief Engineer, PJSC “Lenenergo” |
| 5 | Andrey Soldatov | Head of the Energy and Fuel Budget Unit, Long-term Development of Regulated Organizations Division of the Tariffs Committee of Saint Petersburg |
| 6 | Oleg Kurasov | Leading Specialist of the Dispatch Control Service Sector of the Technical Division of the Energy and Engineering Support Committee of Saint Petersburg |
| 7 | Dmitry Mikheyev | Deputy Director of Department – Head of the Electricity Industry Perspective Development of the Electricity Department Development Department of the Russian Ministry of Energy |

\***As at the moment of election**

**The Reliability Committee of the Company’s Board of Directors elected by the Resolution of the Board of Directors of March 21, 2018 (Minutes No. 32 of March 23, 2018)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Dmitry Gvozdev | Chief Engineer of PJSC “Rosseti” |
| **Committee Members** | | |
| 2 | Eduard Bogomolov | First Deputy Director of  Technical Supervision Center, a branch of PJSC “Rosseti” |
| 3 | Pavel Dyakov | Deputy CEO for Development and Sales of Services at PJSC “Rosseti” |
| 4 | Igor Kuzmin | First Deputy CEO – Chief Engineer, PJSC “Lenenergo” |
| 5 | Andrey Soldatov | Head of the Energy and Fuel Budget Unit, Long-term Development of Regulated Organizations Division of the Tariffs Committee of Saint Petersburg |
| 6 | Oleg Kurasov | Leading Specialist of the Dispatch Control Service Sector of the Technical Division of the Energy and Engineering Support Committee of Saint Petersburg |
| 7 | Dmitry Mikheyev | Deputy Director of Department – Head of the Electricity Industry Perspective Development of the Electricity Department Development Department of the Russian Ministry of Energy |

\***As at the moment of election**

Two meetings of the Committee were held in absentia in 2018.

The Committee reviewed the following critical matters:

- Review of the report on implementation of production programs (maintenance and repair, Retrofitting and renovation) for 2017 and Q1 2018;

- Report on the Company’s occupational safety system for 2017;

- Report on the Company’s preparation for operations during the lightning season in 2018;

- Report on the implementation of the Company’s repair program for 2017.

**Report of the Audit Committee**

The Audit Committee was established by the Resolution of the Company’s Board of Directors for preliminary in-depth review of the most important matters and preparation of recommendations to the Board of Directors for making decisions on matters within the competence of the Committee, as well as for addressing other matters delegated to the Committee by the Company’s Board of Directors.

The Committee operates in line with the Regulations for the Audit Committee of the Board of Directors of PJSC “Lenenergo” (as restated), approved by the Resolution of the Board of Directors of March 11, 2016 (Minutes No. 41 of March 15, 2016) as amended (Minutes No. 14 of November 24, 2016).

The Audit Committee of the Board of Directors includes one independent director.

The goal of the Committee is to assist the Company’s Board of Directors in effectively performing its functions regarding the preliminary review of matters related to monitoring of the financial and business operations of the Company.

Principal tasks of the Committee:

- Reviewing the Company’s accounting (financial) statements and supervising their preparation;

- Monitoring of the reliability and effectiveness of the internal control system, risk management system, and corporate governance practices;

- Monitoring of the external audit and selection of the auditor;

- Ensuring the independence and objectivity of the internal audit function;

- Supervising the effectiveness of the system for counteracting dishonest actions by Company employees and third parties.

**The current membership of the Audit Committee of the Company’s Board of Directors was elected by the Resolution of the Board of Directors of August 6, 2018 (Minutes No. 5 of August 9, 2018)\*:**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Full name** | **Place of employment** | **Status** |
| **Committee Chairman:** | | | |
| 1 | Olga Sergeyeva | Member of the Management Board, Deputy CEO – Head of the Administrative Office at PJSC “Rosseti” | Non-executive director |
| **Committee Members** | | | |
| 2 | Sergey Sergeyev | Deputy CEO for Capital Construction, PJSC “Rosseti” | Non-executive director |
| 3 | Daniil Krainsky | Chief Advisor, PJSC “Rosseti” | Executive director |
| 4 | Sergey Pikin | Director of the Energy Development Fund | Independent director |
| 5 | Gasan Safarov | First Deputy Chairman of the Tariffs Committee of Saint Petersburg | Non-executive director |
| 6 | Andrey Bondarchuk | Chairman of the Energy and Engineering Support Committee of Saint Petersburg | Non-executive director |
| 7 | Aleksandr German | Deputy Chairman of the Property Relations Committee of Saint Petersburg | Non-executive director |

\*As at the moment of election

**Composition of the Audit Committee of the Company’s Board of Directors in 2018**

**The Audit Committee of the Company’s Board of Directors elected by the Resolution of the Board of Directors of July 17, 2017 (Minutes No. 5 of July 20, 2017)\*:**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Full name** | **Place of employment** | **Status** |
| **Committee Chairman:** | | | |
| 1 | Sergey Sergeev | Deputy CEO for Capital Construction, PJSC “Rosseti” | Non-executive director |
| **Committee Members** | | | |
| 2 | Roman Berdnikov | First Deputy CEO of PJSC “Rosseti” | Executive director |
| 3 | Konstantin Petukhov | Deputy CEO for Development and Sales of Services at PJSC “Rosseti” | Non-executive director |
| 4 | Sergey Pikin | Director of the Energy Development Fund | Independent director |
| 5 | Andrey Bondarchuk | Chairman of the Energy and Engineering Support Committee of Saint Petersburg | Non-executive director |
| 6 | Gasan Safarov | First Deputy Chairman of the Tariffs Committee of Saint Petersburg | Non-executive director |
| 7 | Marina Yankina | Deputy Chairman of the Property Relations Committee of Saint Petersburg | Non-executive director |

\*As at the moment of election

**The Audit Committee of the Company’s Board of Directors elected by the Resolution of the Board of Directors of March 21, 2018 (Minutes No. 32 of March 23, 2018)\*:**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Full name** | **Place of employment** | **Status** |
| **Committee Chairman:** | | |  |
| 1 | Sergey Sergeev | Deputy CEO for Capital Construction, PJSC “Rosseti” | Non-executive director |
| **Committee Members** | | |  |
| 2 | Daniil Krainsky | Chief Advisor, PJSC “Rosseti” | Non-executive director |
| 3 | Marina Lelekova | Director of the Controlling and Internal Inspection Department at PJSC “Rosseti” | Non-executive director |
| 4 | Sergey Pikin | Director of the Energy Development Fund | Independent director |
| 5 | Gasan Safarov | First Deputy Chairman of the Tariffs Committee of Saint Petersburg | Non-executive director |
| 6 | Andrey Bondarchuk | Chairman of the Energy and Engineering Support Committee of Saint Petersburg | Non-executive director |
| 7 | Aleksandr German | Deputy Chairman of the Property Relations Committee of Saint Petersburg | Non-executive director |

\***As at the moment of election**

In 2018, the Committee held ten meetings, including four in-person meetings.

The Committee reviewed the following critical matters:

- Report of the Company’s management on implementation of the Corrective Action Plans to remedy deficiencies identified by the Company’s Internal Audit Commission, the Company’s internal audit function, external control (supervision) bodies, implementation of measures taken to address cases of whistleblowing with regard to employees, as well as the results of investigations conducted in 2017 (Minutes of the Audit Committee’s meeting No. 92 of March 2, 2018), over 9 months of 2018 (Minutes of the Audit Committee’s meeting No. 100 of January 10, 2019);

- Report on anti-corruption monitoring for 2017 (Minutes of the Audit Committee’s meeting No. 92 of March 2, 2018);

- Preview of the Company’s RAS accounting (financial) statements for 2017 and the Company’s IFRS consolidated financial statements for 2017 (Minutes of the Audit Committee’s meeting No. 96 of May 7, 2018);

- Prereview of the Company’s internal audit report on evaluation of the effectiveness of the internal control system, risk management system, and corporate governance for 2017 (Minutes of the Audit Committee’s meeting No. 95 of May 7, 2018);

- Review of a written statement provided by the external auditor on major issues in the Company’s RAS accounting (financial) statements and IFRS consolidated financial statements for 2017 as well as information from the Company’s management on material adjustments made as a result of the external audit of the statements (Minutes of the Audit Committee’s meeting No. 96 of May 7, 2018);

- Preview of the Company’s RAS accounting (financial) statements for 2017 and IFRS consolidated financial statements for 2017 (Minutes of the Audit Committee’s meeting No. 96 of May 7, 2018);

- Preview of the work plan of the internal audit function for 2018 and 2019 and the budget of the internal audit function for 2018 and 2019 (Minutes of the Audit Committee’s meeting No. 99 of November 30, 2018, and Minutes of the Audit Committee’s meeting No. 101 of December 28, 2018);

- Review of the results of anti-corruption monitoring by PJSC “Lenenergo” in 1H 2018 (Minutes of the Audit Committee’s meeting No. 99 of November 30, 2018);

- Review of a report by management on the implementation of the Internal Control Policy of the Company (Minutes of the Audit Committee’s meeting No. 101 of December 28, 2018);

- Review of the action plan to improve the internal control and risk management system (Minutes of the Audit Committee’s meeting No. 101 of December 28, 2018).

**Report of the Nomination and Remuneration Committee**

The goal of the Nomination and Remuneration Committee of the Board of Directors is to provide recommendations on building a system for recruiting and motivating employees to successfully implement the strategic plans of the Company.

The Committee operates in line with the Regulations for the Nomination and Remuneration Committee of the Board of Directors of PJSC “Lenenergo” (as restated), approved by the Resolution of the Board of Directors of August 11, 2014 (Minutes No. 4 of August 13, 2014).

Principal tasks of the Committee:

- Providing recommendations to the Board of Directors on updating the organizational structure of the Company’s executive arm and branches, on determining the material terms of contracts and remuneration payable to members of the Company’s governing bodies;

- Determining the criteria for the selection of candidates to the Company’s collective executive body and to the position of the Company’s CEO.

**The current membership of the Nomination and Remuneration Committee of the Company’s Board of Directors was elected by the Resolution of the Board of Directors of August 1, 2018 (Minutes No. 3 of August 6, 2018)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Olga Sergeyeva | Deputy CEO – Head of the Administrative Office at PJSC “Rosseti” |
| **Committee Members** | | |
| 2 | Dmitry Chevkin | Director of the HR Policy and Organizational Development Department at PJSC “Rosseti” |
| 3 | Yelena Peshekhonova | Head of the HR Audit and Analysis Division of the HR Policy and Organizational Development Department at PJSC “Rosseti” |
| 4 | Aleksandr German | Deputy Chairman of the Property Relations Committee of Saint Petersburg |
| 5 | Ksenia Zimnukhova | Head of the Government Relations and HR Unit of the Energy and Engineering Support Committee of Saint Petersburg |

**Composition of the Nomination and Remuneration Committee of the Company’s Board of Directors in 2018**

**The Nomination and Remuneration Committee of the Company’s Board of Directors elected by the Resolution of the Board of Directors of August 1, 2018 (Minutes No. 5 of August 6, 2018)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Nikolay Varlamov | Deputy CEO – Head of the Administrative Office at PJSC “Rosseti” |
| **Committee Members** | | |
| 2 | Yuri Mangarov | Deputy Official Secretary at PJSC “Rosseti” |
| 3 | Dmitry Chevkin | Director of the HR Policy and Organizational Development Department at PJSC “Rosseti” |
| 4 | Ksenia Zimnukhova | Head of the Government Relations and HR Unit of the Energy and Engineering Support Committee |
| 5 | Marina Yankina | Deputy Chairman of the Property Relations Committee of Saint Petersburg |

\***As at the moment of election**

**The Nomination and Remuneration Committee of the Company’s Board of Directors elected by the Resolution of the Board of Directors of March 21, 2018 (Minutes No. 32 of March 23, 2018)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Olga Sergeyeva | Member of the Management Board, Deputy CEO – Head of the Administrative Office at PJSC “Rosseti” |
| **Committee Members** | | |
| 2 |  |  |
| 3 | Yelena Peshekhonova | Head of the HR Audit and Analysis Division of the HR Policy and Organizational Development Department at PJSC “Rosseti” |
| 4 | Andrey Budnikov | Director for HR Management and Organizational Design at PJSC “Lenenergo” |
| 5 | Aleksandr German | Deputy Chairman of the Property Relations Committee of Saint Petersburg |
| 6 | Ksenia Zimnukhova | Head of the Government Relations and HR Unit of the Energy and Engineering Support Committee of Saint Petersburg |

\***As at the moment of election**

Six meetings of the Committee were held in absentia in 2018.

The Committee prepared recommendations for the Board of Directors regarding approval of candidates for certain positions in the executive arm of the Company, approval of the organizational structure of the executive arm of PJSC “Lenenergo”, and also preliminarily reviewed the Regulations for Financial Incentives Payable to the CEO of PJSC “Lenenergo” (restated version).

The Committee also reviewed matters related to the approval of HR decisions with respect to key employees of the Company, and approved the composition of the young talent pool of PJSC “Lenenergo”.

**Report of the Grid Connection Committee**

The key goal of the Grid Connection Committee of the Board of Directors consists in ensuring transparent operations and non-discriminatory access by consumers to grid connection services of the Company.

The Committee operates in line with the Regulations for the Grid Connection Committee of the Board of Directors of PJSC “Lenenergo” as approved by the Resolution of the Board of Directors of February 9, 2009 (Minutes No. 8 of February 10, 2009) as amended and approved by the Resolution of the Board of Directors of July 17, 2017 (Minutes No. 5 of July 20, 2017).

Principal tasks of the Committee:

- Developing recommendations for the Board on improving the Company’s internal regulations and standards to ensure non-discriminatory access by consumers to grid connection services;

- Assessing the Company’s performance in providing gird connection services to consumers.

**The current membership of the Grid Connection Committee of the Company’s Board of Directors was elected by the Resolution of the Board of Directors of August 6, 2018 (Minutes No. 5 of August 9, 2018)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Aleksandr Pyatigor | Deputy CEO for Development and Sales of Services at PJSC “Rosseti” |
| **Committee Members** | | |
| 2 | Aleksandr Korneev | Director of the Grid Long-term Development and Grid Connection Department at PJSC “Rosseti” |
| 3 | Pavel Dyakov | Deputy CEO for Service Delivery and Development at PJSC “Lenenergo” |
| 4 | Snezhana Kitayeva | Advisor to CEO for Engagement with Customers at PJSC “Lenenergo” |
| 5 | Yelena Kapustina | Deputy Chairman of the Entrepreneurship and Consumer Market Development Committee of Saint Petersburg |
| 6 | Roman Kanivtsov | Head of the Electricity Industry Tariff Regulation Unit at the Tariff Regulation Division of the Tariffs Committee of Saint Petersburg |
| 7 | Valery Uskov | Head of the Project Support Unit of the Long-term Development Division at the Energy and Engineering Support Committee of Saint Petersburg |

**Composition of the Grid Connection Committee of the Company’s Board of Directors in 2018**

**The membership of the Grid Connection Committee of the Company’s Board of Directors elected by the Resolution of the Board of Directors of July 17, 2017 (Minutes No. 5 of July 20, 2017)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Pavel Dyakov | Deputy CEO for Service Delivery and Development at PJSC “Lenenergo” |
| **Committee Members** | | |
| 2 | Aleksandr Korneev | Director of the Grid Long-term Development and Grid Connection Department at PJSC “Rosseti” |
| 3 | Denis Sokolov | Chief Expert of the Grid Long-term Development and Grid Connection Department at PJSC “Rosseti” |
| 4 | Natalia Sokolova | Chief Expert of the Grid Long-term Development and Grid Connection Department at PJSC “Rosseti” |
| 5 | Berik Bekneyev | Chief Expert of the Investment Department at PJSC “Rosseti” |
| 6 | Yelena Kapustina | Head of the Consumer Market Development Division of the Entrepreneurship and Consumer Market Development Committee of Saint Petersburg |
| 7 | Roman Kanivtsov | Head of the Electricity Industry Tariff Regulation Unit at the Tariff Regulation Division of the Tariffs Committee of Saint Petersburg |
| 8 | Valery Uskov | Head of the Government Relations and HR Unit of the Energy and Engineering Support Committee of Saint Petersburg |
| 9 | Dmitry Mikheyev | Deputy Director of Department – Head of the Electricity Industry Perspective Development of the Electricity Department Development Department of the Russian Ministry of Energy |
| 10 | Igor Korolyov | Head of the Connection and Classification Sector of the Energy Committee of the Leningrad Region |
| 11 | Svetlana Prokofyeva | Grid Connection Director of PJSC “Lenenergo” |

**The membership of the Grid Connection Committee of the Company’s Board of Directors elected by the Resolution of the Board of Directors of March 21, 2018 (Minutes No. 32 of March 23, 2018)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| **Committee Chairman:** | | |
| 1 | Pavel Dyakov | Deputy CEO for Service Delivery and Development at PJSC “Lenenergo” |
| **Committee Members** | | |
| 2 | Aleksandr Korneev | Director of the Grid Long-term Development and Grid Connection Department at PJSC “Rosseti” |
| 3 | Irina Bogacheva | Chief Expert of the Consolidated Planning and Reporting Division of the Investment Department at PJSC “Rosseti” |
| 4 | Natalia Sokolova | Deputy Head of the Ong-Term Grid Development of the Long-Term Grid Development and Grid Connection Department at PJSC “Rosseti” |
| 5 | Yelena Arzhanukhina | Head of the Grid Connection Department for the Leningrad Region at PJSC “Lenenergo” |
| 6 | Vyacheslav Kalinin | Head of the Grid Connection Department for Saint Petersburg at PJSC “Lenenergo” |
| 7 | Snezhana Kitayeva | Deputy CEO for Grid Connection at Energy Service Company Lenenergo, JSC |
| 8 | Yelena Kapustina | Deputy Chairman of the Entrepreneurship and Consumer Market Development Committee of Saint Petersburg |
| 9 | Roman Kanivtsov | Head of the Electricity Industry Tariff Regulation Unit at the Tariff Regulation Division of the Tariffs Committee of Saint Petersburg |
| 10 | Valery Uskov | Head of the Project Support Unit of the Long-term Development Division at the Energy and Engineering Support Committee of Saint Petersburg |
| 11 | Dmitry Mikheyev | Deputy Director of Department – Head of the Electricity Industry Perspective Development of the Electricity Department Development Department of the Russian Ministry of Energy |

\***As at the moment of election**

Two meetings of the Committee were held in absentia in 2018.

The Committee reviewed reports on the progress on the Company’s grid connection contracts.

**Information on remuneration and compensation paid to members of the Board of Directors and Committees of the Board of Directors of PJSC “Lenenergo”**

The amount and procedure for payment of remuneration and compensations to members of the Board of Directors and Committees of the Board of Directors are governed by the Company’s internal documents approved by the General Meeting and the Board of Directors of PJSC “Lenenergo”.

Remuneration and compensations are paid to members of the Company’s Board of Directors in line with the Regulations for Payment of Remuneration and Compensations to Members of the Board of Directors of PJSC “Lenenergo” as restated and approved by the General Meeting on June 22, 2015 (Minutes of the General Meeting No. 1/2015 of June 24, 2015).

**Analysis of Regulations on Payment of Remuneration and Compensations to Members of the Board of Directors of PJSC “Lenenergo”**

|  |
| --- |
| **Remuneration for participation in meetings of the Board of Directors** |
| The amount of remuneration of a member of the Board of Directors (S) depends on:  - the base part of remuneration based on the Company’s revenue (RUB 900,000 for PJSC “Lenenergo”);  - the number of meetings in which the member of the Board of Directors participated.  Additional premiums:  30% of S to the Chairman of the Company’s Board of Directors;  20% of S to the Chairman of a specialized Committee of the Company’s Board of Directors;  10% of S to every member of a specialized Committee of the Company’s Board of Directors.  The total amount of remuneration per member of the Board of Directors, including premiums, may not exceed the base part of remuneration (RUB 900,000). |
| **Additional remuneration for achieving the net profit target of the Company under the annual accounting statements** |
| No additional remuneration for achieving the net profit target is provided for. |
| **Additional remuneration for achieving an increase in the market capitalization of the Company** |
| The coefficient to be applied is 0.0175 per cent of the increase in the Company’s market value during the period between the election of the member of the Board of Directors and the election of a new Board of Directors of the Company  The amount of remuneration depends on:  - the weighted average price of the Company’s shares on the MICEX Stock Exchange;  - the amount of trading in the Company’s shares on the MICEX Stock Exchange;  - the MICEX Index.  The total amount of remuneration payable to members of the Company’s Board of Directors may not exceed 5% of the RAS net profit for the financial year. |

**Information on remuneration payable to members of the Company’s Board of Directors in 2018, RUB**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Full name** | **Remuneration paid as to members of the Board of Directors** | | | | **Bonuses, commissions, compensations** | **Total** |
| Premium | Remuneration for participation | Remuneration for capitalization | Total |
| **Composition of the Board of Directors elected by the Resolution of the Company’s Annual General Meeting of June 8, 2018:\*** | | | | | | |
| P.A. Livinsky | 30% | 380,000 | 92,570 | 472,570 |  | 472,570 |
| A.V. Ryumin **(as to a Member of the Board of Directors)** | 0% | 276,923 | 92,570 | 369,493 |  | 369,493 |
| O.A. Sergeeva | 20% |  |  |  |  |  |
| S.V. Sergeev | 10% | 812,308 | 92,570 | 904,878 | 106,231 | 1,011,109 |
| S.S. Pikin | 10% | 744,615 | 92,570 | 837,185 | 24,322 | 861,507 |
| Ye.A. Olkhovich | 20% | 332,308 | 92,570 | 424,878 | 72,799 | 497,677 |
| D.V. Krainsky | 10% | 321,539 | 92,570 | 414,109 | 11,694,559 | 12,108,668 |
| A.S. Bondarchuk |  |  |  |  |  | Not paid |
| A.V. German |  |  |  |  |  | Not paid |
| O.V. Kolesnikova |  |  |  |  |  | Not paid |
| G.G. Safarov |  |  |  |  |  | Not paid |
| L.D. Solovyova |  |  |  |  |  | Not paid |
| S.L. Miloslavsky | 10% |  | 92,570 | 92,570 |  | 92,570 |
| **Members of the Board of Directors who resigned from the Company’s Board of Directors on February 5, 2018:** | | | | | | |
| O.M. Budargin | 30% | 500,000 |  | 500,000 |  | 500,000 |
| R.N. Berdnikov | 10% | 406,154 |  | 406,154 |  | 406,154 |
| Ye.V. Prokhorov |  | 292,308 |  | 292,308 | 46,096 | 338,404 |
| Ye.V. Petukhov | 10% | 389,231 |  | 389,231 | 12,530 | 401,761 |
| E.I. Kachayev |  |  |  |  |  | Not paid |
| M.M. Yankina |  |  |  |  |  | Not paid |
| **Members of the Board of Directors who resigned from the Company’s Board of Directors on June 8, 2018:** | | | | | | |
| P.N. Snikkars |  |  |  |  |  | Not paid |

\* Remuneration will be paid based on the results of the Annual General Meeting to be held in 2019.

\* Net of bonuses, commissions, and compensations.

No payments were made to members of the Committees of the Company’s Board of Directors in 2018.

In the reporting year, no transactions were made among members of the Board of Directors, Committees of the Board of Directors of PJSC “Lenenergo”, and no loans (credits) were issued by the Company to members of the Board of Directors and Committees. No claims were filed by the Company against members of its Board of Directors and Committees.

Members of the Board of Directors and Committees of the Board of Directors of PJSC “Lenenergo” did not perform any transactions with Company shares in 2018.

Taking into account the high degree of responsibility of members of the Board of Directors and executive bodies, subject to the scale of ongoing projects and the materiality of transactions, the Company insures the liability of members of its Board of Directors and management of the Company at its own expense. The insured amount is RUB 1 billion; in addition, the additional insured amount for independent directors for the period from August 2017 to July 2018 was RUB 160 million, and for the period from August 2018 to July 2019 is RUB 200 million.

**Executive bodies of the Company**

The executive bodies of the Company include the sole executive body (CEO) and the collective executive body (Management Board) of PJSC “Lenenergo”.

**Collective executive body (Management Board)**

The Management Board of PJSC “Lenenergo” is a collective executive body of the Company, which manages the day-to-day operations of PJSC “Lenenergo” in accordance with the Federal Law On Joint Stock Companies, the Company’s Articles of Association, the Regulations for the Management Board of PJSC “Lenenergo” as restated and approved by the Resolution of the Annual General Meeting of June 8, 2018 (Minutes No. 2/2018 of June 13, 2018).

10 meetings of the Management Board of the Company were held in the reporting year. The work of the Management Board is organized by the Chairman of the Management Board – CEO of the Company.

The Committee reviewed the following critical matters:

- Approved the Company’s Operational Risk Management Action Plan for 2019;

- Reports on implementation of the Company’s business plan (including the investment program and information on key operational risks);

- Business plan (including the investment program and information on key operational risks) of PJSC “Lenenergo” for 2018 and the forecast for 2019-2022, etc.

**The current members of the Company’s Management Board: \***

|  |  |
| --- | --- |
| **Full name** | **Andrey Ryumin** |
| Position | Member of the Board of Directors, Chairman of the Management Board, CEO of the Company |
| Year of birth. Nationality | 1980 Russian Federation |
| Degree | Higher education. Moscow State Lomonosov University, Department of Mechanics and Mathematics (2002).  Peoples' Friendship University of Russia, majoring in Information Systems in Economics (2002).  PhD in Economics. |
| Positions for the last five years | 2018 to date – Member of the Company’s Board of Directors,  2018 to date – Chairman of the Management Board, CEO of the Company;  2016 – 2017 – Independent Director, member of the Board of Directors of Mosenergo, OJSC;  2011 – 2013 – First Deputy CEO, CEO of OJSC “UNECO”. |
| Interest in the Company | None |
| Positions with other employers | Member of the Board of Directors of PJSC “Lenenergo”;  Member of the Board of Directors of FTC, PJSC  Member of the Board of Trustees of the Saint Petersburg Regional Sports Public Organization Sports Club *Sport-Pravoporyadok* |

|  |  |
| --- | --- |
| **Full name** | **Maksim Artemyev** |
| Position | Member of the Management Board |
| Year of birth. Nationality | 1977 Russian Federation |
| Degree | Higher education. Ivanovo State Power Engineering University (1999) |
| Positions for the last five years | 2010 to date - Member of the Management Board of the Company;  2018 to date - CEO of EXPO-Resource, LLC;  2017–2018 – Deputy Director of Technical Supervision Center, a branch of PJSC “Rosseti”  2008–2017 – First Deputy CEO – Chief Engineer, Deputy CEO for Sales of Services, Director for Technical Development at PJSC “Lenenergo” |
| Interest in the Company | None |
| Positions with other employers | None |

|  |  |
| --- | --- |
| **Full name** | **Aleksandr Nikonov** |
| Position | Member of the Management Board, Deputy CEO for Security at the Company |
| Year of birth. Nationality | 1960 Russian Federation |
| Degree | Higher education. 60th Anniversary of the Komsomol Higher Political School of the Soviet Ministry of Internal Affairs (1984)  Saint Petersburg Law Institute, majoring in Jurisprudence, lawyer (1996) |
| Positions for the last five years | 2013 to date - Member of the Management Board of the Company;  2013 to date – Deputy CEO for Security at PJSC “Lenenergo”  2008–2013 – Deputy CEO at OP Galaks, OOO |
| Interest in the Company | None |
| Positions with other employers | None |

|  |  |
| --- | --- |
| **Full name** | **Andrey Smolnikov** |
| Position | Member of the Management Board |
| Year of birth. Nationality | 1979 Russian Federation |
| Degree | Higher education. Udmurtian State University, majoring in Jurisprudence, lawyer (2003) |
| Positions for the last five years | 2016 to date - Member of the Management Board of the Company;  2017 to date - Director for Corporate Governance and Legal Support at NIC UES, JSC  2016 –2017 – Deputy CEO for Legal and Corporate Governance of PJSC “Lenenergo”;  2006–2016 – Head of the Corporate Governance and Shareholder Relations Department, Head of the Corporate Policy and Investor Relations Service, Head of the Capital Management and Investor Relations Unit at PJSC “Lenenergo” |
| Interest in the Company | None |
| Positions with other employers | Member of the Board of Directors at JSC “Kurortenergo”  Member of the Board of Directors at JSC “Saint Petersburg Power Grid”  Member of the Board of Directors at JSC “Petrodvorets Electric Company”. |

|  |  |
| --- | --- |
| **Full name** | **Pavel Dyakov** |
| Position | Member of the Management Board, Acting Deputy CEO for Grid Connection at the Company |
| Year of birth. Nationality | 1978 Russian Federation |
| Degree | Higher education. Saint Petersburg Institute of Mechanical Engineering LMZ–VTUZ, majoring in Turbine Manufacturing, engineer (2001) |
| Positions for the last five years | 2016 to date - Member of the Management Board of the Company;  2016 to date – - Acting Deputy CEO for Grid Connection, Deputy CEO for Sales and Development of Services at PJSC “Lenenergo”;  2014–2016 – Director of the Prigorodniye Power Grid branch of PJSC “Lenenergo”;  2013–2014 – Deputy Director for Capital Construction of the Prigorodniye Power Grid branch of PJSC “Lenenergo”;  2013 – Advisor to CEO of OJSC “Lenenergo”;  2012 – First Deputy Chairman of the Energy and Engineering Support Committee of Saint Petersburg |
| Interest in the Company | None |
| Positions with other employers | Member of the Board of Directors at JSC “Kurortenergo”  Member of the Board of Directors of JSC “Lenenergo Energy Service Company”. |

|  |  |
| --- | --- |
| **Full name** | **Ilya Meshchyaryakov** |
| Position | Member of the Management Board, Director of the Prigorodniye Power Grid branch of the Company |
| Year of birth. Nationality | 1974 Russian Federation |
| Degree | Higher education. Saint Petersburg State Technical University, majoring in Electrical Installations and Systems, electrical engineer (1997) |
| Positions for the last five years | 2016 to date - Member of the Management Board of the Company;  2017 to date Director of the Saint Petersburg High Voltage Power Grid branch of PJSC “Lenenergo”;  2014–2017 – Director, Deputy Director for Capital Construction, and Deputy Director for Sales and Development of Services, Prigorodniye Power Grids, PJSC “Lenenergo”;  2013–2014 - CEO of LLC “Northwestern Energy Company”;  2012–2013 – Deputy Commercial Director of JSC “Dominanta Energy”. |
| Interest in the Company | None |
| Positions with other employers | None |

\* As at December 31, 2018

There were no changes in the composition of the Company's Management Board in 2018.

In line with Clause 21.3 of the Company’s Articles of Association, the CEO performs the functions of the Chairman of the Company's Management Board. Andrey Ryumin has been the Chairman of the Management Board since January 12, 2018 due to the termination of the powers of Roman Berdnikov, the Acting CEO of the Company.

**Sole executive body (CEO)\***

The CEO of PJSC “Lenenergo” is the sole executive body of the Company, which manages the day-today activities of PJSC “Lenenergo” in accordance with the Federal Law *On Joint-Stock Companies* and the Company’s Articles of Association.

On December 25, 2017, the Board of Directors of PJSC “Lenenergo” (Minutes NO. 18 of December 28, 2017) resolved to elect Andrey Ryumin as CEO of PJSC “Lenenergo” from January 12, 2018 to January 11, 2023, inclusive.

|  |  |
| --- | --- |
| **Full name** | **Andrey Ryumin** |
| Position | Member of the Board of Directors, Chairman of the Management Board, CEO of the Company |
| Year of birth. Nationality | 1980 Russian Federation |
| Degree | Higher education, PhD in Economics.  1887–2002 – Moscow Lomonosov State University, Department of Mechanics and Mathematics  1997–2002 – Peoples' Friendship University of Russia, majoring in Information Systems in Economics  2020 – Training and Upskilling Research Center of Gubkin State Academy of Oil and Gas, Oil and Gas Operations  2002–2004 – Postgraduate studies at the Institute for Market Problems of the Russian Academy of Oil and Gas. |
| Positions for the last five years | 2018 to date – Member of the Board of Directors of PJSC “Lenenergo”;  2018 to date – Chairman of the Management Board, CEO of PJSC “Lenenergo”;  2016–2017 – Independent Director, Member of the Board of Directors of Mosenergo, OJSC  2013–2014 – OJSC “United Energy Company”, CEO, Member of the Board of Directors of Mosenergo, OJSC  2011–2013 – JSC “United Energy Company”, First Deputy CEO |
| Interest in the Company | None |
| Positions with other employers | None |

From January 01, 2018 to January 11, 2018, Roman Berdnikov, acting CEO of PJSC “Lenenergo” (elected by the Resolution of the Company’s Board of Directors of December 23, 2015, Minutes No.29 of December 23, 2015), exercised the powers of the sole executive body of the Company.

On December 25, 2017, the Board of Directors of PJSC “Lenenergo” resolved (Minutes No. 18 of December 28, 2017) to terminate the powers of Roman Berdnikov as the Acting CEO of PJSC “Lenenergo” with effect from January 12, 2018.

|  |  |
| --- | --- |
| **Full name** | **Roman Berdnikov** |
| Position | Chairman of the Management Board, Acting CEO of the Company |
| Year of birth. Nationality | 1973 Russian Federation |
| Degree | Higher education. Moscow Power Engineering Institute, majoring in Power Stations, electrical engineer (1998);  Moscow Power Engineering Institute, majoring in Economics and Management at Electricity Industry Enterprises, planning engineer (2002) |
| Positions for the last five years | 2016–2018 – Member of the Company’s Board of Directors;  2015–2018 – Chairman of the Management Board, Acting CEO of the Company;  2013–2018 – Member of the Management Board, First Deputy CEO of PJSC “Rosseti”;  2009–2013 – Member of the Management Board, Deputy Chairman of the Management Board, First Deputy Chairman of the Management Board of “FGC UES”, PJSC |
| Interest in the Company | None |
| Positions with other employers | None |

\* As at December 31, 2018

**Remuneration of members of the Management Board and of the CEO of the Company**

The system of financial incentives and key performance indicators for the CEO of the Company is implemented based on the Regulations for Financial Incentives for the CEO of the Company as restated and in effect from January 1, 2018, as approved by the Resolution of the Company’s Board of Directors of October 26, 2018 (Minutes No. 11 of October 29, 2018).

The system of financial incentives for the Company’s top managers is governed by the Regulations on Financial Incentives and Social Benefits for the Company’s Top Managers as approved by the Company's Board of Directors on July 22, 2011 (Minutes No. 1 of July 25, 2011).

The system of key performance indicators for the Company's top managers is in line with the principle of distributing performance indicators used in the bonus system applicable to the Company's CEO, including specific weights and target indicators for each of the top managers set by resolution of the Company's CEO.

Achievement of the Company’s priority development goals is measured using a system of key performance indicators (KPI) applied at the Company.

In 2018, in order to take into account the priorities set in the Strategy for the Development of the Electric Grid Sector as approved by Directive No. 511-r of the Russian Government of April 3, 2013, align the indicators with the goals of the Company's Long-Term Development Program, and comply with certain instructions of the Russian Government, the following structure and target values of key performance indicators were established:

**Key Performance Indicators**

| **No.** | **KPI** | **2018 targets** |
| --- | --- | --- |
| **Quarterly KPIs** | | |
| **2.1.** | **Consolidated EBITDA** | **For Q1, 1H, and 9M 2018 ≥ 0;**  **For the full year ≥ 3 %.** |
| **2.2.** | **Consolidated Net Debt/EBITDA** | **Q1, 2, 3, 4 ≤ 3,0** |
| **2.3.** | **Implementation of an action plan to reduce receivables of the Company** | **≤ 100.0%** |
| **2.4.** | **No increase in major accidents** | **No increase** |
| **2.5** | **No increase in the number of persons injured in accidents** | **No increase** |
| **Annual KPIs** | | |
| **3.1.** | **Consolidated net cash flow** | **≥ RUB 1,792.7 million** |
| **3.2.** | **Decrease in per unit operating (costs)** | **≥ 2.0%** |
| **3.3.** | **Increase of electric grid equipment capacity utilization** | **Achieved** |
| **34** | **Electricity losses** | **≤ 11.51%** |
| **35** | **Decrease in per unit investment costs** | **≤ 1.00** |
| **36** | **Increase in labor productivity** | **≥ 2%** |
| **37** | **Innovation effectiveness** | **≤ 90%** |
| **38** | **Performance against the commissioning schedule** | **≤ 90%** |
| **39** | **Performance against grid connection timelines** | **≤ 1.1** |
| **310** | **Achievement of the service reliability level** | **≤ 1.00** |

The system of key performance indicators applied by the Company is linked to the size of the variable part of management remuneration: a specific weight set for each indicator is applied to the amount of bonuses to be paid, with quarterly and annual bonuses paid for achieving relevant KPIs.

In accordance with the Regulations for Financial Incentives for the CEO of the Company, as approved by the Resolution of the Company’s Board of Directors of October 26, 2018 (Minutes No. 11 of October 29, 2018), the following types and amounts of remuneration are payable to the Company’s CEO by Resolution of the Company’s Board of Directors:

|  |  |
| --- | --- |
| **Remuneration type** | **Remuneration amount** |
| Bonus for meeting KPIs for the quarter | up to 1.5 official salary |
| Bonus for meeting KPIs for the year | up to 12 official salaries |
| Premium for working with information that constitutes state secret | The amount of this premium is set as a percentage of the base salary (in accordance with the *Rules for paying monthly percentage-based premiums for the base salary (tariff rate) for individuals who have access to state secrets on a permanent basis and employees of structural units responsible for protection of state secrets* as approved by the Resolution No. 573 of the Russian Government of September 18, 2006) |
| Additional bonus for meeting the conditions (strategic priorities) set by the Company’s Board of Directors for the year | up to 6 official salaries |
| Bonus for achieving a high KPI defined as a priority by the Board of Directors of the Company | up to 1% of net profit |
| Bonus for performing a particularly important assignment (job) | up to 6 times the official salary per assignment |

In accordance with the Regulations for Financial Incentives and the Social Benefits for the Company’s Top Managers as approved by the Resolution of the Company’s Board of Directors of July 22, 2011 (Minutes No. 1 of July 25, 2011), the following types and amounts of remuneration are payable to the Company’s top managers by Resolution of the Company’s CEO:

|  |  |
| --- | --- |
| **Remuneration type** | **Remuneration amount** |
| Bonus for meeting KPIs for the quarter | up to 1.5 official salary |
| Bonus for meeting KPIs for the year | up to 12 official salaries |
| A personal premium when elected a Member of the Management Board of the Company | up to 15% of the official salary |
| Premium for working with information that constitutes state secret | The amount of this premium is set as a percentage of the base salary (in accordance with the *Rules for paying monthly percentage-based premiums for the base salary (tariff rate) for individuals who have access to state secrets on a permanent basis and employees of structural units responsible for protection of state secrets* as approved by the Resolution No. 573 of the Russian Government of September 18, 2006) |
| Additional bonus for meeting the conditions (strategic priorities) set by the Company’s Board of Directors for the year | up to 4 official salaries |
| Bonus for achieving a high KPI defined as a priority by the Company’s CEO | The amount of the special bonus payable to the CEO and approved by the Company's Board of Directors (cumulatively for all top managers) |
| Bonus for performing a particularly important assignment (job) | Up to 3 official salaries per assignment – by Resolution of the Company's CEO, it may not exceed 6 official salaries per year  - on the recommendation of the Board of Directors: without taking account of restrictions set out in these Regulations |
| Lump sum payment for each standard vacation | up to 1 official salary |

The criteria for determining and the amount of remuneration of the Company’s CEO are set out in the employment contract and the Regulations for Financial Incentives as approved by the Board of Directors of the Company (Minutes No. 11 of October 29, 2018).

Bonuses are paid to the Company’s CEO based on performance against the KPIs set by the Company's Board of Directors for the relevant reporting periods (quarter and year).

By its Resolution of April 14, 2017 (Minutes No. 31 of April 19, 2017), the Company’s Board of Directors approved the Methodology for Calculating and Evaluating Performance against the Key Performance Indicators of the Company’s CEO.

**Total amount of remuneration and compensations paid to members of the Company’s Management Board in 2018 (including taxes)** (excluding remuneration paid to R.N. Berdnikov, Acting CEO of PJSC “Lenenergo”, as a member of the Board of Directors and CEO):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Full name** | **Salary** | **Bonuses, commissions, compensations** | **Remuneration paid as to members of the Management Board** | **Other remuneration** | **Total** |
| A.V. Ryumin |  |  |  |  |  |
| R.N. Berdnikov |  |  |  |  |  |
| M.S. Artemyev | 50,000 | 3,332,252 |  |  | 3,382,252 |
| A.D. Nikonov | 8,145,243 | 6,879,805 |  |  | 15,025,048 |
| A.S. Smolnikov |  |  |  |  |  |
| P.N. Dyakov | 9,386,714 | 5,399,008 |  |  | 14,785,722 |
| I.M. Meshcheryakov | 4,486,396 | 1,843,100 |  |  | 6,329,496 |

**Total amount of remuneration and compensations paid to R.N. Berdnikov, the Company’s CEO in 2018 (including taxes) (excluding remuneration paid to the Acting CEO of PJSC “Lenenergo” as a member of the Board of Directors and Chairman of the Management Board):**

|  |  |
| --- | --- |
| Remuneration type | Total remuneration, RUB |
| Salary | 88,235 |
| Bonuses, commissions, compensations | 7,892,564 |
| Other remuneration |  |
| Total | 7,980,799 |

**Total amount of remuneration and compensations paid to A.V. Ryumin, the Company’s CEO in 2018 (including taxes) (excluding remuneration paid to the CEO of PJSC “Lenenergo” as a member of the Board of Directors and Chairman of the Management Board):**

|  |  |
| --- | --- |
| Remuneration type | Total remuneration, RUB |
| Salary | 17,874,087 |
| Bonuses, commissions, compensations | 4,492,793 |
| Other remuneration |  |
| Total | 22,366,880 |

The executive bodies of PJSC “Lenenergo” made no transactions with Company shares in 2018.

In the reporting year, no transactions were made between the executive bodies of the Company and PJSC “Lenenergo”, and no loans (credits) were issued to its executive bodies by the Company.

**The Company’s policy with respect to severance payments to key executives**

Key executives, provided that they achieve their key performance indicators and do not commit any gross violations in their work, may be paid compensation not exceeding their three average monthly salaries in case of:

* dismissal by agreement between the parties;
* transfer of the employee at his or her request or with his or her consent to work for another employer or transfer to an elective job (position);
* recognition of the employee as completely unfit for work based on a medical report;
* termination of the employment contract at the employee’s initiative (of the employee’s own will due to retirement);
* refusal of the employee to be transferred to another job in cases of medical necessity or unavailability of the respective job at the employer’s enterprise.

**4.1.3. Control Body**

**The Internal Audit Commission of the Company**

The Internal Audit Commission of PJSC “Lenenergo” is a permanent internal control body of the Company, independent of the officers of the Company’s governing bodies and the executive arm of the Company, which is guided in its activities by the Federal Law *On Joint Stock Companies*, the Company’s Articles of Association, and the Regulations for the Internal Audit Commission of PJSC “Lenenergo” (as restated), approved by the Company’s General Meeting (Minutes No. 1/2017 of June 14, 2017).

In accordance with the Company’s Articles of Association, the Internal Audit Commission is elected by the General Meeting, comprising five (5) members with a term of office of one year (until the date of the next Annual General Meeting).

In 2018, the Internal Audit Commission of PJSC “Lenenergo” conducted an audit of the financial and business activities of PJSC “Lenenergo” in 2017. Based on the results of the audit, the Internal Audit Commission prepared an opinion on the reliability of data contained in the annual report and accounting (financial) statements of the Company for 2017.

**The current membership of the Company’s Internal Audit Commission elected by the Resolution of the General Meeting of June 8, 2018 (Minutes No. 2/2018 of June 13, 2018)\*:**

|  |  |
| --- | --- |
| Full name | **Marina Lelekova** |
| Position | Chairman of the Internal Audit Commission of the Company |
| Year of birth. Nationality | 1961 Russian Federation |
| Degree | Higher education. Far Eastern Institute of Soviet Trade, economist. |
| Work experience over the last five (5) years | 2015 to date The Internal Audit Commission of the Company  2013 to date – Director of the Controlling and Internal Inspection Department at PJSC “Rosseti”  2009–2013 – Head of the Controlling and Internal Inspection Department at “FGC UES”, PJSC . |
| Interest in the Company | None |

|  |  |
| --- | --- |
| Full name | **Oksana Medvedeva** |
| Position | Chairman of the Internal Audit Commission of the Company |
| Year of birth. Nationality | 1978 Russian Federation |
| Degree | Higher education. Russian Academy of Entrepreneurship  Accounting, analysis, and audit. |
| Work experience over the last five (5) years | 2014 to date – Chief Expert of the Controlling and Internal Inspection Department at PJSC “Rosseti”  2011–2014 – Head of Unit of the Controlling and Internal Inspection Department at “FGC UES”, PJSC . |
| Interest in the Company | None |

|  |  |
| --- | --- |
| Full name | **Artyom Kirillov** |
| Position | Member of the Company’s Internal Audit Commission |
| Year of birth. Nationality | 1984 Russian Federation |
| Degree | Higher education. Moscow Energy Institute, electrical engineer |
| Work experience over the last five (5) years | 2015 to date – Member of the Company’s Internal Audit Commission;  2013 to date – Deputy Head of the Internal Inspection Division of the Controlling and Internal Inspection Department, Head of Unit at PJSC “Rosseti”. |
| Interest in the Company | None |

|  |  |
| --- | --- |
| Full name | **Yelena Kabizskina** |
| Position | Member of the Company’s Internal Audit Commission |
| Year of birth. Nationality | 1964 Russian Federation |
| Degree | Higher education. |
| Work experience over the last five (5) years | 2015 to date – Member of the Company’s Internal Audit Commission;  2014 to date – Deputy Head of the Internal Inspection Division of the Controlling and Internal Inspection Department, Head of Unit at PJSC “Rosseti”.  2013 – 2014 – Head of the Methodological Support Division of the Internal Audit Department at “MOESK”, PJSC |
| Interest in the Company | None |

|  |  |
| --- | --- |
| Full name | **Yelena Yerandina** |
| Position | Member of the Company’s Internal Audit Commission |
| Year of birth. Nationality | 1972 Russian Federation |
| Degree | Higher education. Moscow State University of Environmental Engineering, planning engineer (1994); State University of Management, economist (2006). |
| Work experience over the last five (5) years | 2018 to date – Member of the Company’s Internal Audit Commission;  2016 to date – Chief Expert of the Control and Expert Appraisal Division of the Controlling and Internal Inspection Department at PJSC “Rosseti”;  2013 – 2015 – Chief Specialist of the Internal Audit Service at ELEKTROSETSERVIS of the UNES, OJSC. |
| Interest in the Company | None |

\***As at the moment of election**

**Composition of the Board of Directors of the Company in 2018**

**Membership of the Company’s Internal Audit Commission elected by the Resolution of the General Meeting of June 14, 2017 (Minutes No. 1/2017 of June 14, 2017)\*:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Full name** | **Place of employment** |
| 1 | Svetlana Kim | Chairman of the Internal Audit Commission of the Company  Head of the Internal Inspection Division of the Controlling and Internal Inspection Department at PJSC “Rosseti”. |
| 2 | Oksana Medvedeva | Chairman of the Internal Audit Commission of the Company  Chief Expert of the Controlling and Internal Inspection Department at PJSC “Rosseti” |
| 3 | Artyom Kirillov | Chairman of the Internal Audit Commission of the Company  Head of the Internal Inspection Division of the Controlling and Internal Inspection Department at PJSC “Rosseti”. |
| 4 | Sergey Malyshev | Chairman of the Internal Audit Commission of the Company  Head of the Internal Inspection Division of the Controlling and Internal Inspection Department at PJSC “Rosseti”. |
| 5 | Valery Uskov | Chairman of the Internal Audit Commission of the Company  Head of the Government Relations and HR Unit of the Energy and Engineering Support Committee of Saint Petersburg |

\***As at the moment of election**

**Information concerning remuneration and compensations for members of the Internal Audit Commission**

The amount and procedure for payment of remuneration and compensations to members of the Internal Audit Commission of the Company are governed by the Company’s internal documents approved by the General Meeting of PJSC “Lenenergo”.

Remuneration and compensations are paid to members of the Company’s Internal Audit Commission in line with the Regulations for Payment of Remuneration and Compensations to Members of the Internal Audit Commission of PJSC “Lenenergo” as restated and approved by the General Meeting on June 8, 2018 (Minutes No. 2/2018 of June 13, 2018).

**Analysis of Regulations on Payment of Remuneration and Compensations to Members of the Internal Audit Commission of PJSC “Lenenergo”**

|  |
| --- |
| **Remuneration of members of the Internal Audit Commission** |
| Remuneration payable to a member of the Internal Audit Commission is determined based on the base part of remuneration (Rbase). The base remuneration payable to a member of the Internal Audit Commission is determined based on the Company’s revenue.  The actual amount of remuneration payable to a member of the Internal Audit Commission for each corporate year is calculated using the formula below:  Ract = Rbase \* (mi / m) \* Cinv, where:  Ract is the actual amount of remuneration calculated based on the base remuneration;  Rbase is the base remuneration determined according to the scale described in Item 2.2;  mi is the number of calendar days in the corporate year during which the member of the Internal Audit Commission performed his or her duties;  m is the total number of calendar days in the corporate year;  Cinv is the coefficient of personal involvement of the member of the Internal Audit Commission.  The coefficient of personal involvement reflects involvement of the member of the Internal Audit Commission in the meetings of the Internal Audit Commission as well as his or her performance of additional duties as Chairman or Secretary of the Internal Audit Commission.  The coefficient of personal involvement is determined separately for each member of the Internal Audit Commission using the formula below:  Cinv = (1 + Cm + Cadd) \* Cinsp, where:  Cinv is the coefficient of personal involvement;  Cm is the coefficient of involvement in meetings of the Internal Audit Commission;  Cadd is the coefficient reflecting the work as the Chairman of the Internal Audit Commission / Secretary of the Internal Audit Commission;  Cinsp is the coefficient of involvement in inspections conducted by the Internal Audit Commission. |
| **Compensations payable to members of the Internal Audit Commission** |
| Members of the Internal Audit Commission are to be compensated for documented expenses incurred in connection with their involvement in events held by the Internal Audit Commission of the Company if they visit the Company’s facilities, attend meetings of the Internal Audit Commission of the Company held at the actual location of the Company, or perform other tasks of the Internal Audit Commission of the Company. |

**Remuneration and compensations payable to members of the Internal Audit Commission of the Company and experts engaged in 2018**

The total amount of remuneration and compensations paid to members of the Internal Audit Commission of the Company in 2018 was RUB 638,949.73.

No transactions were made between members of the Internal Audit Commission and the Company in the reporting year. No claims were filed by the Company against members of its Internal Audit Commission.

**INTERNAL AND EXTERNAL AUDIT**

**Internal Audit Department**

In order to implement the principle of independence of internal audit and separation of internal audit, internal control, and risk management functions, the Board of Directors approved a new organizational structure of the Company by its Resolution of June 8, 2018 and established the Internal Audit Department with solid line reporting to the CEO and dotted line reporting to the Audit Committee of the Board of Directors.

In accordance with Сlause 3.2 of the Regulations for the Internal Audit Department agreed by the Audit Committee of the Company’s Board of Directors on November 30, 2018 (Minutes No. 99 of November 30, 2018), approved by the Board of Directors of the Company on February 28, 2019 (Minutes No. 26 of February 28, 2019) and approved on March 1, 2019, the key objectives of the Department include:

* + - adopting and applying unified approaches to building, managing, and coordinating the internal audit function at the Company;
    - performing internal audits, participating in other audits across the Company and its subsidiaries and affiliates;
    - providing independent and objective assurance regarding the effectiveness of the internal control, risk management, and corporate governance systems, as well as assisting the Company’s executive bodies and employees in developing and monitoring procedures and measures to improve the internal control, risk management, and corporate governance systems of the Company;
    - organizing effective interaction between the Company and the Company’s external auditor, the Internal Audit Commission of the Company, and other stakeholders on matters within the remit of the internal audit function;
    - preparing and submitting to the Board of Directors, Audit Committee, and executive bodies of the Company, responses on the performance of the internal audit function (including information on existing risks, weaknesses, results, and effectiveness of measures taken to address the identified weaknesses, the results of implementing the internal audit plan, assessment of the actual state, reliability, and effectiveness of internal control, risk management, and corporate governance systems).

In 2018, the internal audit function operated in line with:

- the Regulations for the Internal Audit and Control Department agreed by the Resolution of the Audit Committee of the Company’s Board of Directors of September 19, 2014 (Minutes No. 47 of September 22, 2014);

- the Regulations for the Internal Audit Department agreed by the Resolution of the Audit Committee of the Company’s Board of Directors of November 30, 2018 (Minutes No. 99 of November 30, 2018);

- the restated version of the Company’s Risk Management Policy approved by the Board of Directors on April 7, 2016 (Minutes No. 45 of April 12, 2016), which outlines the basic principles of the risk management system organization, its goals and objectives, approaches to risk identification, assessment, and management, as well as functions and responsibilities of the risk management system stakeholders;

- The restated Internal Control Policy of the Company approved by the Resolution of the Company’s Board of Directors on March 11, 2016 (Minutes No. 41 of March 15, 2016), which outlines the basic principles of the organization and operation of the internal control system at PJSC “Lenenergo”, as well as a uniform approach to the implementation of internal control processes at the Company, the functions and responsibilities of the internal control system actors, and the assessment criteria for the internal control system;

- The restated Internal Audit Policy of the Company approved by the Resolution of the Company’s Board of Directors on March 11, 2016 (Minutes No. 41 of March 15, 2016, as amended (Minutes No. 26 of March 16, 2017), which outlines the objectives and principles of internal audit, the powers of internal auditors and the corresponding responsibilities of management and employees of audited units, as well as monitoring of the activities of internal auditors and reporting.

**External auditor of the Company**

The annual General Meeting of the Company approved the appointment of Ernst & Young, LLC (Minutes No. 2/2018 of June 13, 2018) to audit the Company’s 2018 accounting (financial) statements prepared under the Russian Accounting Standards (RAS) and the consolidated financial statements for the year ended December 31, 2018 prepared under International Financial Reporting Standards (IFRS).

Following the procurement procedures, the proposal to appoint Ernst & Young, LLC as the auditor was reviewed by the Audit Committee of the Board of Directors of PJSC “Lenenergo” on April 26, 2018 (Minutes No. 94 of April 26, 2018). Based on a recommendation of the Committee, the Board of Directors resolved to nominate Ernst & Young, LLC as an auditor subject to approval by the Annual General Meeting (Minutes No. 38 of May 11, 2018).

In accordance with Clause 22.9 of the Company’s Articles of Association, the amount of the Auditor’s remuneration is determined by the Board of Directors.

According to the Resolution of the Company’s Board of Directors of December 20, 2018, the fee for the services of Ernst & Young, LLC as the Company's auditor is RUB 7,905,341.17, including 18% VAT (Minutes No. 19 of December 21, 2018).

The auditor does not provide non-audit services to the Company.

**Management of controlled companies by the Company**

The legal status of subsidiaries and affiliates is regulated by the Federal Law *On Joint Stock Companies* and the Civil Code of the Russian Federation.

The key documents governing the relations between the Company and its subsidiaries and affiliates include the Articles of Association of PJSC “Lenenergo” and the Procedure for Interaction between the Company and Business Entities Shares (Interest Stakes) in Which Are Held by PJSC “Lenenergo” (hereinafter the “Procedure”), approved by the Resolution of the Board of Directors of March 24, 2009 (Minutes No. 12 of March 24, 2009).

The above documents establish the general principles of corporate relations between the Company and its subsidiaries and affiliates in such areas as corporate planning, organization, and follow-up of corporate actions during the review by governing bodies of subsidiaries and affiliates of matters that require determining the position of the Company in line with the Company’s Articles of Association. They also govern in detail the exercise of shareholder (member) rights by the Company with respect to subsidiaries and affiliates in order to ensure effective performance of the Company’s representatives at General Meetings of Shareholders (Members), at meetings of the boards of directors and internal inspection commissions of subsidiaries and affiliates.

**List of subsidiaries and affiliates of PJSC “Lenenergo”:**

1. JSC “Lenenergospetsremont”;

2. JSC “Lenenergo Energy Service Company”;

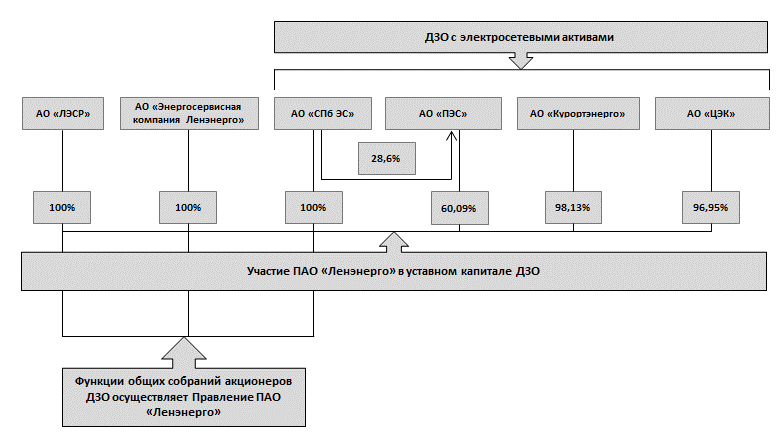
3. JSC “Saint Petersburg Power Grid”;

4. JSC “Tsarskoye Selo Energy Company”;

5. JSC “Kurortenergo”;

6. JSC “Petrodvorets Power Grid”.

Boards of Directors of the Company’s subsidiaries and affiliates are formed from highly qualified specialists of PJSC “Lenenergo”, who have the necessary experience and expertise in electric power. The Company constantly strives to ensure that representatives of governmental executive authorities are nominated and elected to boards of directors of its subsidiaries and affiliates, in addition to representatives of PJSC “Lenenergo”.



**The Management Board of PJSC “Lenenergo” acts as the general meeting for all Company subsidiaries and affiliates**

**PJSC “Lenenergo” interest in subsidiaries and affiliates**

**JSC “Tsarskoye Selo Energy Company”**

**JSC “Kurortenergo”**

**Petrodvorets power grid, JSC**

**JSC “Saint Petersburg Power Grid”**

**JSC “Energoservice Company Lenenergo”**

**JSC “LESR”**

**Subsidiaries and affiliates**

The key organizational and management activities of the Company in implementing the Company’s corporate control over the activities of its subsidiaries and affiliates include the adoption, in accordance with the Company’s Articles of Association and the Procedure, of resolutions of the Company’s Board of Directors on determining the position of the Company (representatives of the Company) on the most important matters on the agenda of General Meetings of Shareholders and meetings of boards of directors of its subsidiaries and affiliates:

- reorganization or liquidation of subsidiaries and affiliates;

- determining the number of members in governing and supervisory bodies of subsidiaries and affiliates, nominating and electing their members and terminating their powers earlier, nominating and electing the sole executive body of the subsidiary or dependent company, and terminating their powers earlier;

- increasing the authorized capital of subsidiaries and affiliates by increasing the par value of their shares or by placing additional shares;

- approving major transactions made by subsidiaries and affiliates;

- participation of subsidiaries and affiliates in other organizations, as well as acquisition, disposal, or encumbrance of shares or units in the authorized capitals of organizations in which such subsidiaries or dependent companies participate, or change of interest in the authorized capitals of respective organizations;

- making amendments and additions to the constituent documents of subsidiaries and affiliates;

- determining the procedure for paying remuneration to members of the Board of Directors and the Internal Audit Commission of subsidiaries and affiliates, etc.

The Company’s representatives vote at general meetings of shareholders and meetings of the boards of directors of subsidiaries and affiliates under a special directive (final instruction) reflecting the Company’s position on voting on items included in the agenda of the relevant governing body of relevant subsidiaries and affiliates and binding on the Company’s representatives.

The activities of the Company’s representatives, as well as follow-up of their activities, are organized by an authorized unit of the executive arm of PJSC “Lenenergo”.

With respect to subsidiaries and affiliates whose sole shareholder is PJSC “Lenenergo”, the functions of the Company’s General Meeting are performed by the Management Board of PJSC “Lenenergo”.

**Forming the boards of directors at subsidiaries and affiliates**

The Board of Directors of PJSC “Lenenergo” may nominate candidates to the boards of directors of its subsidiaries and affiliates for election at general meetings of shareholders of such subsidiaries and affiliates.

Boards of directors of subsidiaries and affiliates decide on including candidates of the shareholder (PJSC “Lenenergo”) in the list of candidates for election at general meetings of shareholders of subsidiaries and affiliates. The Company’s representatives on boards of directors of subsidiaries and affiliates vote in accordance with the position determined by the Board of Directors of PJSC “Lenenergo”.

On receiving notices of general meetings held at subsidiaries and affiliates, the Board of Directors of PJSC “Lenenergo” works out the Company’s position on voting by the Company’s representatives at general meetings of such subsidiaries and affiliates regarding the election of members to the boards of directors of such subsidiaries and affiliates.

Prior to the date of the general meetings of subsidiaries and affiliates, an authorized unit of the executive arm of the Company should prepare and send to representatives of the Company who will attend such general meetings of subsidiaries and affiliates a final instruction reflecting the position of the Company on candidates to the boards of directors of such subsidiaries and affiliates based on a relevant resolution of the Board of Directors of PJSC “Lenenergo”.

On the day of such general meetings of subsidiaries and affiliates, the Company’s representatives should vote on candidates to the boards of directors of subsidiaries and affiliates in strict compliance with the final instruction reflecting the position of the Company on this matter.

**PJSC “Lenenergo” as the sole executive body at its subsidiaries**

By the Resolution of the General Meeting of JSC “Petrodvorets Power Grid” of August 12, 2016 (Minutes No. VOSA-16(2) of August 15, 2016) and Resolution No. 5-2016 of the sole shareholder of JSC “Saint Petersburg Power Grid” of June 30, 2016, the powers of the sole executive body of these companies were transferred to PJSC “Lenenergo” as the managing company.

The terms and conditions of the Agreements for the transfer of the powers of the sole executive body of subsidiaries and affiliates to PJSC “Lenenergo” as the managing company, as well as addenda thereto were approved by Resolutions of the Board of Directors of JSC “Petrodvorets Power Grid” (Minutes No. 4 of March 31, 2017, Minutes No. 16 of December 29, 2017) and Resolutions of the Board of Directors of JSC “Saint Petersburg Power Grid” (Minutes No. 6 of February 20, 2017, Minutes No. 9 of March 31, 2017, and Minutes No. 23 of December 25, 2017).

Under the terms and conditions of these Agreements, the goals and objectives of the managing company are as follows:

* Achieving the goals of the Company’s operations under the Company’s Articles of Association;
* Ensuring profit making by the Company;
* Effective and reliable operation of electricity distribution grid facilities;
* Ensuring sustainable development of the electricity distribution grid industry;
* Connecting electricity receiving devices (electrical appliances and electric grid facilities) of legal entities and individuals to electric grids;
* Ensuring reliable and high-quality electricity supply to consumers (as far as electricity distribution services are concerned).
* Trust management of property;
* The task of the Managing Company also consists in ensuring the implementation by the Company of activities outlined in the Company’s Articles of Association.

The Agreements are valid until July 1, 2019.

Remuneration amount:

* under the agreement with JSC “Petrodvorets Power Grid” – RUB 348,956.59, including VAT (18%), per month.
* under the agreement with JSC “Saint Petersburg Power Grid” – RUB 1,251,208.96, including VAT (18%), per month.

**Subsidiaries and affiliates of PJSC “Lenenergo”**

|  |  |
| --- | --- |
| **Name** | **JSC “Lenenergospetsremont”** |
| Legal and physical address | 196191, Saint Petersburg, Ploshchad Konstitutsii 7a, room 23N |
| Authorized capital | RUB 7,500,000 |
| Stake held by PJSC “Lenenergo” in the company | 100 % |
| Coverage | Saint Petersburg |
| Core operations | Engineering surveys, engineering design, management of construction projects |
| CEO | **Acting CEO**  Stanislav Kozlov  Born in 1991  In office since May 19, 2018 |

|  |  |
| --- | --- |
| **Name** | **JSC “Lenenergo Energy Service Company”** |
| Legal and physical address | 191124, Saint Petersburg, Ploshchad Konstitutsii, 60–62А |
| Authorized capital | RUB 1,000,000 |
| Stake held by PJSC “Lenenergo” in the company | 100 % |
| Coverage | Saint Petersburg |
| Core operations | * Consumer services; * surveys of consumers’ electrical appliances; * commercial projects. |
| CEO | **Acting CEO**  Igor Filippenko  Born in 1970  In office since June 27, 2018 |

|  |  |
| --- | --- |
| **Name** | JSC “Saint Petersburg Power Grid” |
| Legal and physical address | 196191, Saint Petersburg, Ploshchad Konstitutsii, 7A |
| Authorized capital | RUB 35,769,200 |
| Stake held by PJSC “Lenenergo” in the company | 100 % |
| Coverage | Saint Petersburg and the Leningrad Region |
| Core operations | * lease of electric grid assets; * trust management of electric grid assets of the Government of Saint Petersburg |
| CEO | **Managing organization**  PJSC “Lenenergo”  In office since February 21, 2017. |

|  |  |
| --- | --- |
| **Name** | **JSC “Tsarskoye Selo Energy Company”** |
| Legal and physical address | 196601, Saint Petersburg, Pushkin, Glinki 5 |
| Authorized capital | RUB 13,152,000 |
| Stake held by PJSC “Lenenergo” in the company | 96.95 % |
| Coverage | Saint Petersburg |
| Core operations | * Electricity distribution services via distribution grids; * Grid connection services; * Maintenance of outdoor lighting networks |
| CEO | **CEO**  Veronika Tarnorutskaya  Born in 1959  In office since 2005 |

|  |  |
| --- | --- |
| **Name** | **JSC “Kurortenergo”** |
| Legal and physical address | 197706, Saint Petersburg, Sestroretsk, Kommunarov 16 |
| Authorized capital | RUB 209,160 |
| Stake held by PJSC “Lenenergo” in the company | 98.13 % |
| Coverage | Saint Petersburg |
| Core operations | * Electricity distribution services via distribution grids; * Grid connection services; * Maintenance of outdoor lighting networks |
| CEO | **CEO**  Vadim Peshkurov  Born in 1964  In office since April 1, 2016 |

|  |  |
| --- | --- |
| **Name** | JSC “Petrodvorets Power Grid” |
| Legal and physical address | 198510, Russian Federation, Saint Petersburg, Petergof, Volodi Dubinina 9 |
| Authorized capital | RUB 10,370 |
| Stake held by PJSC “Lenenergo” in the company | 60.09% |
| Stake held by JSC “Saint Petersburg Power Grid” in the company | 28.6% |
| Coverage | Saint Petersburg and the Leningrad Region |
| Core operations | Lease of electric grid assets |
| CEO | **Managing organization**  Lenenergo, JSC  In office since April 01, 2017 |

**Company's contributions to other entities**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Entity name** | **Type of operations** | **Authorized capital (RUB)** | **Share in the authorized capital (%)** | **Investment year** |
| PJSC “North-West Energy Management Company” | Trust management of property; consulting services | 897,363,008 | 12.51 | 2005 |
| PJSC “Federal Test Center” | Research and development | 350,000,000 | 1 | 2014 |

**Company’s participation in non-profit organizations**

The Company is a member of the following non-profit organizations and partnerships: \*

|  |  |
| --- | --- |
| **Name of the organization** | **Member since** |
| Chamber of Commerce and Industry of the Leningrad Region | September 3, 2003 |
| Chamber of Commerce and Industry of Saint Petersburg | December 14, 2006 |
| All-Russian Public Organization *Business Russia* | September 27, 2007 |
| **Association of Builders of Saint Petersburg Self-Regulated Organization** | September 25, 2008 |
| Non-Commercial Partnership *Scientific and Technical Council of the Unified Energy System of Russia* | December 1, 2008 |
| Regional Association of Employers *Saint-Petersburg Union of Industrialists and Entrepreneurs* | December 24, 2009 |
| Association of organizations involved in the design of energy projects *Yenergoproekt* | March 5, 2010 |
| Self-regulated organization Association of Energy Audit Organizations *EnergoProfAudit* | December 23, 2010 |
| *CIRED National Committee* *Electricity Distribution Grids* Non-profit Partnership | May 29, 2012 |
| Autonomous Non-profit Organization *Strategic Partnership for Economic and Social Development of the Northwestern Federal District* | 2012 |
| Non-profit Partnership of Local grids | February 25, 2014 |

\*As at December 31, 2018.

**Major transactions, related party transactions, and other transactions recognized by PJSC “Lenenergo” as its major transactions performed in 2018**

In the reporting year, the Company did not perform any transactions recognized under the Federal Law *On Joint-Stock Companies* as major transactions.

Information on the transactions recognized by the Company as interested-party transactions in accordance with the Federal Law *On Joint Stock Companies* in 2018 is provided in Appendix 6.4 to this Report.

1. **Risk Management**

**Internal Control System**

The Company’s internal control system (hereinafter “ICS”) is an element of the Company’s overall management system, which is designed to provide reasonable assurance of achieving goals across the following areas:

* Efficiency and effectiveness of the Company’s operations, including achievement of financial and operational targets, as well as integrity of the Company’s assets;
* Compliance with the legal requirements applicable to the Company and the Company’s internal regulations, including when conducting business and keeping accounting records;
* Ensuring the reliability and timeliness of the accounting (financial) and other reports.

The internal control system covers all of the Company’s business lines, with control procedures performed on an ongoing basis in all processes (business lines) of the Company across all management levels (Figure 1).



Figure 1. Internal Control System Actors

The functions of the internal control system actors are outlined in the Company’s Internal Control Policy approved by the Board of Directors on March 11, 2016 (Minutes No. 41 of March 15, 2016), and provided in Appendix No. 11 to this Annual Report.

For the purpose of implementing the Strategy for Developing and Improving the Internal Control System of PJSC “Rosseti” and Subsidiaries and Affiliates of PJSC “Rosseti” as approved by the Resolution of the Board of Directors of PJSC “Rosseti” of February 10, 2014 (Minutes No. 143), the Company’s Board of Directors approved the restated Internal Control Policy of PJSC “Lenenergo” on March 11, 2016 (Minutes No. 41 of March 15, 2016). The Policy outlines the objectives, operating principles and elements of the Company’s internal control system, the key functions and responsibilities of the internal control system actors, and the procedure for evaluating the effectiveness of the internal control system.

The Company has in place the Procedure for Implementing the Requirements of the Internal Control Policy (Order No. 39 of PJSC “Lenenergo” of January 27, 2017), which discloses the hands-on aspects of applying the standards set out in the Internal Control Policy.

The control procedures for the processes and subprocesses of the core and supporting activities, as well as management processes of the Company are documented in the risk and controls matrices.

In order to develop, improve, and increase the maturity of its internal control system, the Company approved a plan for improving its internal control system by adopting Order No. 265 of June 9, 2018 in accordance with the Instruction of the Company’s Management Board (Minutes No. 166 of April 20, 2018) and the Audit Committee (Minutes No. 95 of May 7, 2018).

To guarantee that the internal control system is effective and meets the actually changing requirements and conditions, the Company evaluates its effectiveness and compliance with the targets, including the target maturity level.

Internal independent evaluation of the internal control system’s effectiveness is performed by the Company’s internal auditor. The external evaluation of the internal control system’s effectiveness will be performed by an independent external consultant in Q1–Q2 2019.

The internal control system’s effectiveness in 2018 was reviewed at the meeting of the Board of Directors (Minutes No. \_\_.\_\_.2019) after a preliminary review of the matter by the Audit Committee of the Board of Directors (Minutes No. 106 of April 25, 2019). The above resolutions estimated the internal control system’s maturity as “*intermediate between moderate and optimal*”.The maturity level did not change as compared to the results of the internal control system’s effectiveness evaluation for 2017.

In the reporting year, the Company implemented the following key measures to improve the internal control system:

* In order to improve the quality of management and motivation of the Company’s employees, the Company developed and adopted bonus KPIs for the Company's units.
* In order to improve the effectiveness of internal control in business processes:
* Process (business line) owners conducted a self-assessment of design efficiency of controls and an assessment of the actual implementation of control procedures for processes owned by them in 2017, as well as a self-assessment of the effectiveness of internal controls with respect to business processes in 2017 and 2018. Also, the Internal Control and Risk Management Division conducted a stage-wise evaluation of the design and operational effectiveness of controls applied to business process control matrices approved at the Company.
* The updated risk matrices, control procedures, and flowcharts of the Company’s 27 key business processes (business lines) were approved.
* The Company put in place a process for approval of responsibility matrices for all internal regulations governing the Company’s business processes (business lines) applied when the relevant regulatory documents need to be updated or developed.
* The following projects were implemented to automate process control systems:
* creation of an automated process control system for grid connection,
* automation of controls related to the automated reporting system,
* creation and launch of an automated risk management system (ARMS).
* In order to increase involvement of the Company’s employees in applying the internal control and risk management policies in practice, presentation and training materials related to the internal control and risk management system were updated and published on the Company’s website, with distance learning organized for the Company’s employees, including final knowledge checks. In addition, the Head of the Internal Control and Risk Management Department at the Training Center of PJSC “Lenenergo” conducts regular face-to-face Risk Management trainings for heads and chief engineers of electric grid districts.
* In order to meet the principle of internal audit independence, the Internal Audit and Control Department of the Company has been reorganized with the internal audit function now reporting to the CEO and separated from the internal control and risk management function (reporting to the Deputy CEO – Head of the Administrative Office).

Going forward, the Company plans to continue developing and improving its internal control system so as to increase its effectiveness and maturity, in particular, across the following areas:

* automating business processes (business lines) and control procedures (including taking into account the *Digital Transformation Concept 2030*),
* building an effective risk-oriented process management model based on an assessment of the effectiveness and efficiency of the Company’s business processes,

including taking into account the results of an external independent evaluation of the internal control system’s performance.

**Internal audit**

From June 9, 2018, the Internal Audit Department is responsible for performing the internal audit function at the Company. Based on the Resolution of the Board of Directors of June 8, 2018 (Minutes No. 1 of June 14, 2018), a new organizational structure of the executive arm of PJSC “Lenenergo” was introduced at the Company on June 9, 2018, according to which the former Internal Audit and Control Department was divided into the Internal Audit Department (directly reporting to the CEO) and the Internal Control and Risk Management Department (reporting to the Deputy CEO – Head of the Administrative Office) in order to meet the principle of internal audit independence.

The internal audit has dotted-line reporting relations with the Company’s Board of Directors, which means that the Board of Directors monitors and organizes the activities of the internal audit function, including approval of the function’s activity plan, a progress report on the plan and budget implementation, approval of decisions on appointment and dismissal of relevant officers, as well as determining the remuneration for the internal audit function’s head.

The goal of the Company’s internal audit function is to assist the Board of Directors and executive bodies of the Company in improving the effectiveness of the Company’s governance and its financial and business activities, including through a systematic and consistent approach to the analysis and evaluation of its risk management, internal control, and corporate governance systems as tools for providing reasonable assurance that the Company’s goals are achieved.

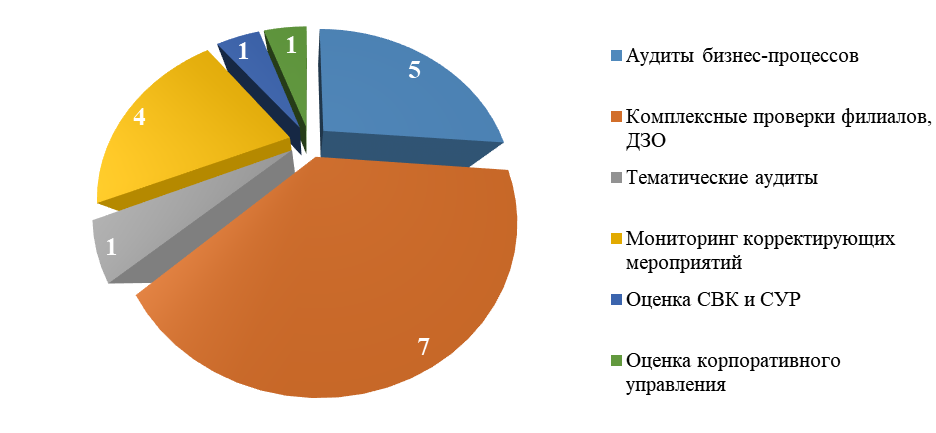
The goals, objectives, basic principles of organization and operation, functions, and powers of the internal audit function are outlined in the Internal Audit Policy, as well as in the Regulations for the Department.

The following internal audit documents are in place at the Company:

* The restated version of the Company’s Internal Audit Policy and the Code of Ethics for Internal Auditors approved by the Board of Directors on March 11, 2016 (Minutes No. 41 of March 15, 2016, with amendments approved by the Board of Directors (Minutes No. 6 of March 16, 2017);
* Regulations for the Internal Audit Department agreed by the Audit Committee of the Company’s Board of Directors (Minutes No. 99 of November 30, 2018), approved by the Board of Directors of the Company (Minutes No. 26 of February 28, 2019) and approved by the CEO on March 1, 2019;
* The program for assurance and improvement of internal audit quality of PJSC “Lenenergo” (Order No. 40 of January 27, 2017);
* internal operating standards of the internal audit function and practical guidelines developed in accordance with the International Standards for the Professional Practice of Internal Auditing.

In 2018, a total of six employees were engaged in internal audit.

In 2018, the internal auditor conducted 19 internal audits (Chart 1).



■ Business process audits

■ Due diligence of branches, subsidiaries and affiliates

■ Thematic audits

■ Monitoring of corrective measures

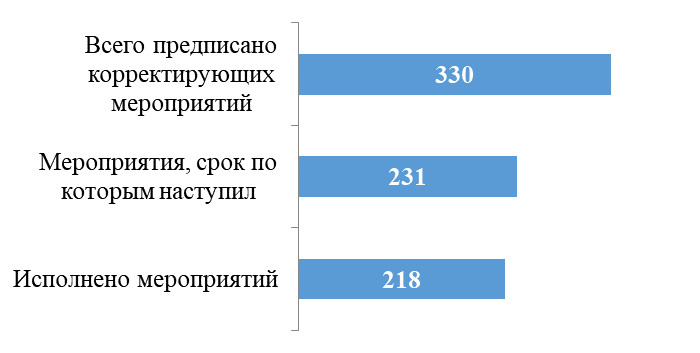
■ Evaluation of the internal control and risk management systems

■ Evaluation of corporate governance

Chart 1. Results of audits made by the internal audit function in 2018

Based on the results of internal audits of business processes and comprehensive audits of branches and subsidiaries and affiliates conducted in 2018, 330 corrective measures were approved to be taken in order to remedy and preventing further violations and deficiencies identified by the internal audits.

Out of 231 measures that were due in the reporting year, 218 corrective measures were implemented (Chart 2).



Completed measures

Overdue measures

Total corrective measures prescribed

Chart 2. Corrective measures

The implementation of corrective measures is followed up by the Audit Committee of the Board of Directors, which reviews regular reports of the Company’s management on the implementation of corrective action plans to remedy deficiencies identified by the Internal Audit Commission, the Company's internal auditor, and external control bodies.

The Head of Internal Audit receives various forms of feedback from the Audit Committee when interacting with the Audit Committee, including analysis of decisions/recommendations of the Audit Committee on matters within the competence of the internal audit function, as well as through surveys of members of the Audit Committee.

The satisfaction of the Audit Committee of the Company’s Board of Directors with the performance of the internal audit function in 2018 has been assessed as “substantially compliant, excluding certain aspects”.

The action plan for the development and improvement of internal audit for 2017–2019 was approved by the Board of Directors of the Company (Minutes No. 4 of July 17, 2017) and was fully implemented in 2018.

**Risk management system**

The Company has in place risk management system (“RMS”), which aims to ensure sustainable and continuous operation and development of the Company through timely identification, assessment, and effective management of risks that pose a threat to the effective conduct of business activities and the reputation of the Company, health of employees, the environment, as well as the property interests of its shareholders and investors.

In order to develop the risk management system in the Company, the Board of Directors approved a restated version of the Risk Management Policy (Minutes No. 45 of April 12, 2016).

The risk management system is integrated into the business planning system of the Company, while the Company has also in place the approved Business Planning Standard and Rules (Minutes No. 31 of the Board of Directors of April 14, 2015, with the restated version approved by Minutes No. 9 of the Board of Directors of September 4, 2017), which provide for the assessment of key operational risks of the Company when preparing the business plan, including their quarterly monitoring, with reports to be submitted to the Company’s Board of Directors. Guidelines were also approved by Order No. 386 of August 28, 2015 to assess operational risks, outlining the approaches to classification and assessment of risks, risk assessment methods and algorithms, the format for presenting information on risks (risk descriptions), with risk materiality scales developed, and a process codified for drafting a risk management plan and a review of related progress reports by governing bodies (Order No. 603 of December 22, 2015 and Order No. 127 of March 17, 2017).

Key stakeholders in the risk management process (Table 2):

Table 2

| **Stakeholder** | **Key risk management functions** |
| --- | --- |
| **Board of Directors** | * + Approves the Risk Management Policy of the Company;   + Approves the Company’s internal documents governing the organization and operation of the Company’s risk management system;   + Assesses key operational risks and determines the acceptable risk-appetite for the Company;   + Arranges for an analysis and evaluation of the risk management system at least once a year;   + Annually reviews reports from the Company’s executive bodies on the organization, operation, and effectiveness of the risk management system, as well as evaluates the functioning of the risk management system and develops recommendations for its improvement;   + Annually reviews reports by the internal audit function on the effectiveness of the risk management system;   + Reviews the results of the external independent evaluation of the risk management system’s effectiveness. |
| **Authorized Committee of the Board of Directors (Strategy and Development Committee)** | * + Follows up the effectiveness of risk management procedures;   + Evaluates the effectiveness of risk management and improvements to the risks management system;   + Previews reports from executive bodies on the organization and operation of the risk management system prior to their submittal to the Board of Directors;   + Analyzes proposals on improvements to the risk management system, including on risk identification and adjustment of risk parameters;   + Previews, prior to approval by the Board of Directors, of the Company’s internal documents that outline the organization and operation of the Company’s risk management system, the Risk Management Policy, and subsequent amendments thereto;   + Previews, prior to approval by the Board of Directors, and prepares an opinion on, the text of the risk management section of the Company’s annual report. |
| **Audit Committee of the Board of Directors** | * + Previews the results of the risk management system’s performance evaluation based on the internal auditor’s report before submitting them to the Board of Directors for review. |
| **Internal Audit Commission** | * + Prepares proposals/recommendations regarding improvements to the risk management system based on the results of the internal inspection. |
| **CEO and the Management Board of the Company** | * + Ensure the creation and maintenance of an effective risk management system using unified approaches and standards developed and approved across Rosseti Group;   + Are responsible for implementing the resolutions of the Board of Directors regarding the organization and operation of the risk management system. |
| **Management Board** | * + Determines the focus areas and prepares the plans for developing the risk management system;   + Sets the requirements for the format and completeness of disclosures on the Company’s risks;   + Analyzes the risk portfolio and develops measures for the response strategy and reallocation of resources for the relevant risk management; approves the budget for risk management at the Company within the limits agreed by the Company’s Board of Directors; handles cross-functional risk management tasks (performed by several structural units);   + Reviews, at least every six months, the report of the risk management function on the results of risk management and evaluation of its effectiveness;   + Reviews the results of an internal assessment of the risk management system’s effectiveness, and prepares measures to develop and improve the risk management system;   + Annually submits to the Board of Directors a report on the organization, operation, and effectiveness of the Company’s risk management system as well as proposals to develop and improve the risk management system. |
| **CEO** | * + Ensures effective risk management in the Company’s day-to-day operations;   + Approves the Company’s regulations and guidelines on the organization and operation of the risk management system, excluding documents that lie within the competence of the Company’s Board of Directors;   + Prepares annual reports on the organization, operation, and effectiveness of the Company’s risk management system and proposals to develop and improve the risk management system for review by the Board of Directors. |
| **Risk owners** | * + Timely identify and assess risks;   + Choose responses to risks;   + Timely develop and organize the implementation of measures to manage risks;   + Regularly monitor risks;   + Ensure timely notification of the Company’s executive bodies of performance in risk management;   + Ensure effective interaction with the risk management function with regard to risk management documents and reports. |
| **Persons responsible for performing risk management measures** | * + Timely identify and/or minimize risks in accordance with their job descriptions and existing regulations;   + Timely and fully implement risk management activities. |
| **Internal Control and Risk Management Division** | * + Provides overall coordination of risk management processes, including engagement between all risk management system stakeholders;   + Implement guidelines on risk management processes and operation of the risk management system at the Company;   + Organize risk management training for the Company’s employees;   + Timely aggregate information on all identified risks and prepare proposals to update the risk register;   + Monitor the risk management process at the Company and at its controlled entities in line with the established procedure;   + Report, at least every six months, and inform the Company’s executive bodies on the results of risk management and the risk management system’s effectiveness evaluation;   + Prepare an annual report on the organization, operation, and effectiveness of the Company’s risk management system, as well as on other matters provided for under the Risk Management Policy. |
| **Internal Audit Department** | * + Performs internal independent assessment of the risk management system’s effectiveness and issues recommendations to the risk management function aimed at improving the efficiency and effectiveness of the risk management system;   + Informs the executive bodies and the Board of Directors (an authorized committee of the Board of Directors) of the Company about the state of the risk management system. |

The Company regularly identifies, assesses, and monitors risks, adapts its activities in order to reduce the probability and potential consequences of risk realization, while also informing thereof shareholders and other stakeholders.

Below is a list of the most significant risks that may affect the Company’s operations, as well as measures taken to prevent them and minimize the negative implications of their impact.

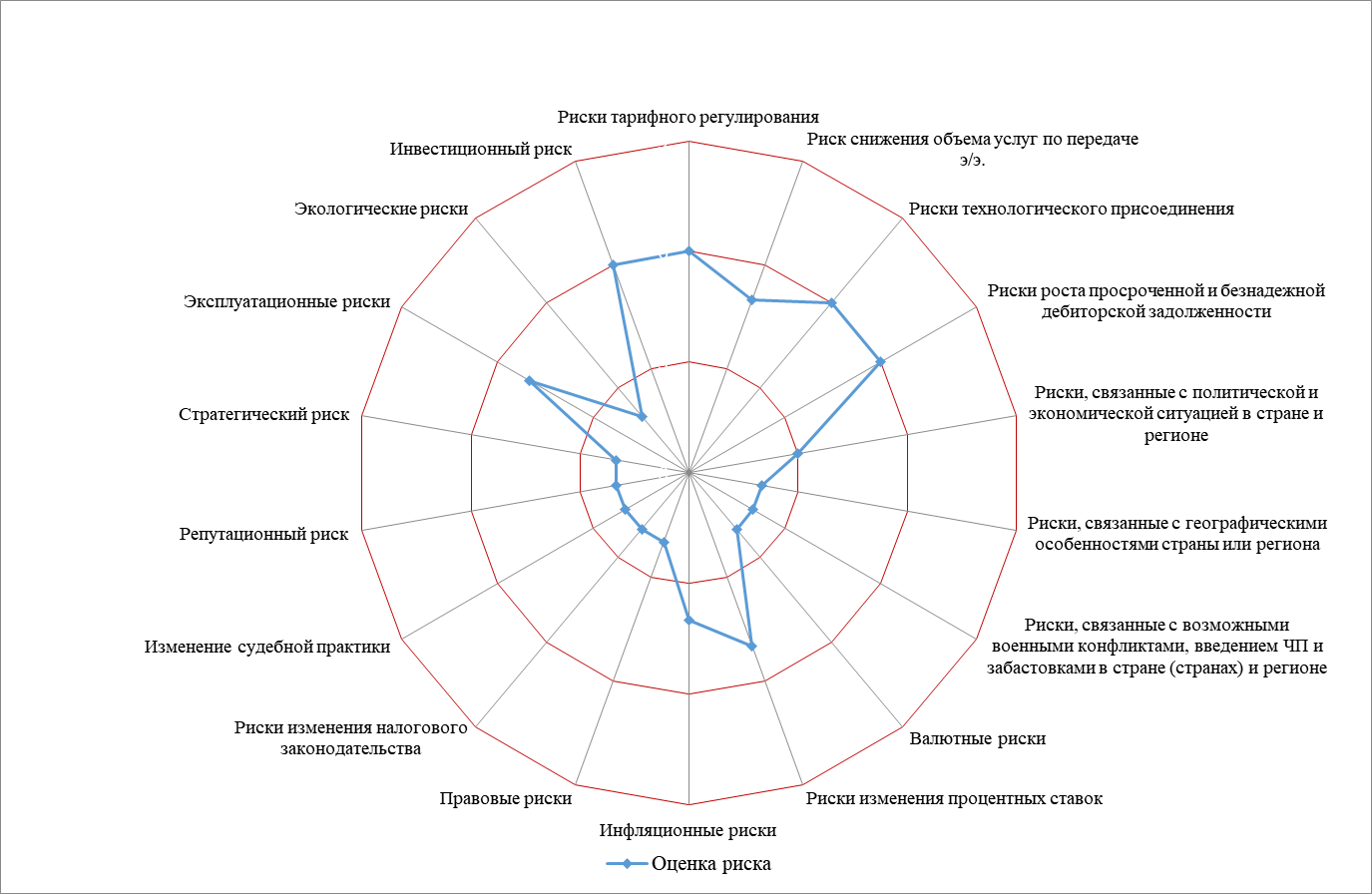
Risk materiality is a combination of the probability that the risk will occur and the scale of implications for the Company in value and other terms. The risk materiality is assessed based on existing risk desriptions or expert reviews in line with the following scale:

|  |  |  |  |
| --- | --- | --- | --- |
| **Materiality** | | **Changes** | |
| Critical |  | No (or negligible) change |  |
| Significant |  | Increase in risk materiality |  |
| Moderate |  | Decrease in risk materiality |  |

**Assessment of risk materiality**

| **item** | **Risk** | **Description** | **Risk mitigants** | **Assessment and changes of risk materiality compared to 2017** |
| --- | --- | --- | --- | --- |
| **Industry risks:** | | | | |
| 1. | Regulatory risks | The Company’s core operations such as distribution of electricity via distribution grids and grid connection of consumers are regulated by the government. Approval of service tariffs by the regulatory authorities directly impact the amount of the Company’s revenue. Key risks:   1. Limitations/bans on the tariff rate growth (average pool tariff rates by voltage level for each consumer group) and, as a consequence, the Company’s tariff revenue not covering its economically justified expenses. 2. Risks related to changes in laws on retail electricity and heat pricing. 3. A decrease in revenue due to the methods used by the regulator to assess the stated amount of capacity. 4. A decrease in revenue due to changes in the actual structure of electricity distribution by voltage level as compared to the structure that existed when the tariffs were adopted. | 1. Consistent engagements with regional regulators to come at economically justified tariffs which would, where possible, cover all costs of the Company. 2. Monitoring the adoption of tariff regulator’s decisions across the Company’s operating regions, and using the safeguards to protect the Company’s legitimate rights before the Federal Antimonopoly Service of Russia. 3. Monitoring and forecasting of electricity consumption and energy flows, agreeing the planned amount of services with consumers. |  |
| 2. | Risk of a decrease in the amount of electricity distribution services. | The risk is associated with a general decline in demand for electricity and capacity from large consumers due to a decrease in industrial production, optimization of external electricity supply arrangements by consumers, the development of their in-house generating facilities, or weaker solvency | 1. In order to minimize the risk, the Company uses economic development statistics and forecasts for the Russian Federation and its constituent entities, as well as forecasts on behavior of large consumers, while taking measures to improve the reliability of forecasting the amount of electricity distribution services used for pricing and business planning. 2. In order to boost the competitive edge of electricity supply through the connection to the Company’s grid, the Company takes measures to enhance the reliability, quality, and safety of its electricity supply, simplify the grid connection process, implement a customer-oriented approach to its engagements with consumers, as well as enhance the effectiveness of its electric grid facilities. 3. Measures are taken to implement the Future Metering Development Program, as well as to implement the energy saving program. |  |
| 3. | Grid connection risks | 1. The situation where the proceeds under large grid connection contracts do not cover the investment expenses required to meet the respective obligations is conducive to delays in meeting such grid connection obligations, which may entail risks of customers initiating legal proceedings as well as risks of breaching antitrust laws due to delays in providing grid connection services. 2. In recent years, the demand for electric grid connection has substantially increased as a result of higher accessibility of electric grids and benefits granted to certain groups of customers. At the same time, the connection of an increased number of new consumers did not entail a comparable increase in electricity consumption. Customers do not consume the maximum capacity requested by them in full, which results in an increase in the number of underutilized electricity supply sources. 3. Shortfalls in potential revenue for electricity transmission services due to the failure of customers to meet their obligations (including the refusal of grid connection), and as a consequence, failure to use newly built equipment and the underutilization of electricity supply sources. 4. Risk of lack of financing for implementing grid connection contracts due to the approval by the regulator of grid connection fee rates that do not cover economically justified costs. | 1. Optimizing the Company’s costs related to the construction of a distribution grid to connect consumers. 2. Improving the grid connection business process using information technologies and standard solutions aimed at reducing the number of stages and timeframes for the grid connection process, developing interactive services, and preparing draft law initiatives. 3. Continuous monitoring of the relevance of grid connection. The resulting claim management with regard to customers aimed at recovering grid connection costs. 4. Interaction with regulatory authorities of constituent entities of the Russian Federation aimed at including grid connection costs for the subsidized category of customers to the distribution tariff. 5. Requesting regulatory authorities to set individual grid connection tariffs. 6. Implementing measures to reduce the number of stages and timeframes for grid connection in order to achieve and then maintain target levels in the Business Conduct rating in the grid connection category. 7. In order to reduce the risks of an electric grid organization related to an increase in costs for grid connection and subsequent full-fledged maintenance of electric grids and reliable electricity supply to consumers, the Company engages in developing legislative initiatives. |  |
| 4. | Risks of an increase in overdue and bad debts | Risks of income shortfalls due to non-payments by energy retailers as a result of disagreements on the amount of electricity and capacity consumption used to calculate tariffs. | 1. Working with counterparties to ensure timely performance of their contractual obligations and recovery of overdue debts, imposing penalties on counterparties. 2. Conducting inspections and imposing restrictions on electricity consumption by consumers who fail to meet their obligations. 3. Performing claim management to recover receivables (penalties for delay in payments) and building a successful case history in terms of legal proceedings. 4. Implementation of a comprehensive Energy Saving and Energy Efficiency Program, including installation of metering devices and measures to detect non-contractual consumption. |  |
| **Country and regional risks:** | | | | |
| 5. | Risks related to the political and economic situation in the country and in the region | Country and regional risks are caused by macroeconomic factors that manifest themselves globally, at the level of the Russian Federation, and at the level of individual regions. First of all, they include the introduction of anti-Russian sanctions by the European Union, which, through a number of macroeconomic factors, have an impact at the level of the Russian Federation (instability of currency exchange rates, restrictions on supplies of imported raw materials and equipment, etc.).  The Company operates in two constituent entities of the Russian Federation: Saint Petersburg and the Leningrad Region, which are economically developed regions of the country and on the centers of financial and political activity. Although this factor ensures a stable demand for the Company’s services, such demand is subject to economic cycles. | The Company analyzes the situation and takes crisis management measures to mitigate the negative impact as much as possible. As part of efforts to minimizing the above risks, the company attempts to reduce internal costs and streamline the investment program while pursuing a balanced borrowing policy. |  |
| 6. | Risks associated with the geographical profile of the operating country or region, including increased danger of natural disasters and the risk of traffic disruptions. | The geographical profile of the Company’s operating region implies the risk of natural disasters (hurricanes, heavy rainfall, floods, snowfall, snowdrifts, etc.), which may result in interruption of electricity supply to the region and material damage to the Company’s assets. | 1. Implementing a range of measures to prepare the grid facilities for the cold season. 2. Efforts to reduce the period required to promptly handle the consequences of natural disasters during the cold season. 3. Designing energy facilities taking into account the regional climate and geography. 4. Expanding the overhead line rights-of-way in accordance with the regulations governing the procedure for determining protected zones and for cutting the rights-of-way in the vicinity of electric grid facilities. 5. Implementing a property insurance coverage program. Ensuring the lability and mobilization readiness of emergency repair crews. 6. Organizing the work of the Task Force of PJSC “Lenenergo” so as to ensure reliable operation of electric grid facilities of PJSC “Lenenergo”, increase effective management and prompt response in case of an actual or threatened electricity supply interruption, accelerate the handling of accidents, minimize the impact of accidents, organize interaction and coordination of joint accident prevention and handling activities of electric grid companies. |  |
| 7. | Risks related to potential conflicts, state of emergency, and strikes in the country (countries) and region | The Company may not completely rule out risks related to the potential imposition of a state of emergency in the region in which the Company is located, and in Russia on the whole. Operations may be affected by acts of terrorism, both domestic and international, which may also have a negative impact on the Company’s operations. In the event of possible military conflicts or acts of terrorism, the Company may bear the risk of its fixed assets being put out of operation. | In order to minimize these risks, the Company takes measures to meet the requirements of Federal Law No. 256-FZ, *On Safety of Energy Facilities*, of 21 July 2011. |  |
| **Financial risks:** | | | | |
| 8. | Foreign exchange risks | The Company is not currently engaged in foreign trade, with its major electricity consumers being residents of the Russian Federation, while its payments for electricity distribution are also made in the currency of the Russian Federation.  However, given that the products and equipment purchased by the Company contain imported components, an increase in currency exchange rates may entail the risk of a rise in the cost of purchased products. | The Company regularly monitors prices, conducts public bidding procedures, and pursues an import substitution policy. |  |
| 9. | Interest rate risks | The Company has borrowings and is therefore exposed to the risk of increased interest rates on loans and borrowings. An abrupt increase in interest rates on borrowings may lead to a rise in the cost of debt service. | In order to reduce its interest rate risk, the Company pursues a balanced credit policy aimed at streamlining its credit portfolio mix and minimizing the cost of debt service. |  |
| 10. | Inflation risks | 1. The risk of losses related to losses in the real value of receivables in case of a considerable deferral or delay in payment; 2. The risk of increase of interest payable on borrowings; 3. The risk of increase in the cost of goods, products, or services due to higher prices for energy resources, transportation services, salaries, etc; 4. The risk of decrease in the real value of funds under the investment program. | 1. The impact of inflation on the financial stability of the Issuer is forecast by the Company when preparing financial plans. 2. Implementing measures to reduce accounts receivable and increase their turnover. 3. The inflation risk is not critical for the issuer, since if the actual inflation rate during the current regulated period exceeds the one included in the tariff model, the regulator will take this into account during the next regulated period in line with applicable laws. |  |
| **Legal risks:** | | | | |
| 11. | Legal risks | 1. The risk of changes in legislation (federal laws and regulations) regulating shareholder and corporate relations. 2. Connection of consumers’ electrical installations to the Company’s electric grids are exposed to anti-trust regulation risks to the largest extent. If the Company is considered to have breached of anti-trust laws, this may lead to fines, including assessed as a percentage of the Company’s revenue. 3. The risk of losses due to incorrect legal execution of documents and support of the Company’s operations. | 1. Monitoring to ensure timely response to changes in Russian laws affecting various aspects of the Company’s activities, as well as through active interaction with legislative and executive authorities and public organizations regarding the interpretation and improvement of laws. 2. To reduce the impact of factors that lead to the realization of anti-trust regulation risks, the Company improves its grid connection business processes, simplifies and shortens its internal procedures, introduces new customer service formats, in particular interactive service formats, in order to reduce the impact of human error and abuse factors. If the Company is unreasonably prosecuted by anti-trust authorities for breaches of anti-trust laws, the Company will challenge their legality in court. 3. To minimize legal risks, any risk-prone business processes of the Company (such as contracting) undergo mandatory legal due diligence. |  |
| 12. | Tax risks | 1. Introduction of new types of taxes and charges; increase in the rates of existing taxes; expansion of the tax base. 2. Change of the terms and procedure for tax payment as well as for tax reporting 3. Potential risks of tax liability being imposed on the Company in case of changes in the government fiscal policy with respect to certain taxes and charges, as well as changes (not in favor of the taxpayer) of judicial practice with respect to certain categories of tax cases. | 1. In the event of changes in the existing taxation terms and procedures, the Company intends to plan its financial and business activities with due account of such changes. 2. The Company’s obligations to pay taxes and charges in accordance with Russian tax laws are taken into account when setting tariffs as economically justified expenses. 3. In the event of claims for payment of taxes and charges that are incompliant with the tax laws, the Company settles such discrepancies with the tax authorities out of court or exercises its right to legal defense. |  |
| 13. | Changes in court practice with regard to matters related to the Company’s operations | Changes in court practice with regard to matters related to the Company’s operations may result in court rulings that are disadvantageous for the Company, which may adversely affect its performance. | 1. Ongoing monitoring of commercial court caselaw. 2. Streamlining the legal execution of documents and support of the Company’s operations. |  |
| **Risk of loss of business reputation (reputational risk)** | | | | |
| 14 | Reputational risk | This risk is associated with the potential failure to perform in full obligations owed to customers and counterparties. | 1. PJSC “Lenenergo” is constantly working on maintaining a reliable and uninterrupted electricity supply to consumers, improving the quality of services provided, and increasing its customer focus so as to achieve the goals defined by the Strategy for the Development of the Electric Grid Sector of the Russian Federation (as approved by Directive No. 511-r of the Russian Government of April 3, 2013). 2. Organizing the work to resume electricity supply to consumers after natural disasters in the shortest possible time, engaging emergency crews from all branches. 3. Timely responses to customer requests. 4. Meeting grid connection obligations. 5. Disclosing information on the Company's operations in compliance with applicable laws. |  |
| **Strategic risk** | | | | |
| 15. | Strategic risk | The strategic priorities of the Company’s operations are determined by the Strategy for the Development of the Electric Grid Sector of the Russian Federation approved by the Russian Government, which outlines the approaches to addressing the systemic problems of the electricity industry. Therefore, the strategic risks of the Company are those that affect the Company’s ability to provide a reliable, high-quality, and affordable long-term electricity supply to its customers in the Russian Federation, as well as to increase the performance of its electric grid facilities. | 1. Implementing a range of organizational measures to:  * raise the reliability and quality of electricity supply to a level that meets consumer demand; * increase the safety of electricity supply, including reduce the number of accidents; * increase the performance of electric grid facilities, including: * increase capacity utilization; * decrease per unit investment costs * decrease operating expenses; * reduce electricity losses.  1. In order to achieve balanced development of Saint Petersburg’s electric grid facilities, streamline the investment program of Saint-Petersburg, and increase its efficiency, the Company has taken measures to implement the instructions of the Russian President adopted following a meeting with the Russian President on the *Mechanisms for the Regulation and Financial Recovery of PJSC “Lenenergo”*; in particular, all key strategic benchmarks are currently aligned with measures taken to adopt the “common share” across PJSC “Lenenergo” and its subsidiaries and affiliates (implying reorganization). |  |
| **Risks related to the Company’s business:** | | | | |
| 16. | Operational risks | Operational and process risks that affect the reliability of electricity supply are related to system failures and malfunctions of the equipment within the electric distribution grid and interruptions of electricity supply to the Company’s customers due to natural disasters, high physical and moral wear of electric grid facilities, violations of operating standards and operational modes of electric grid equipment, and an inadequate repair program.  These risk factors affect the amount of network losses, increasing the Company’s expenses on the purchase of electricity to compensate for losses.  The above risks may entail both significant economic and reputational implications. | 1. To reduce the probability of operational and process risks, the Company improves the reliability of electricity supply to consumers, and prevents process failure risks, including by:   clearing and widening of overhead line rights-of-way and routes, renovating electric grid facilities,  expanding the fleet of reserve electricity supply sources and specialized vehicles for emergency repair.  running a comprehensive program to upgrade electric grid facilities, switching equipment and remote control systems,  improving data collection and communication systems, analyzing process failures, etc.   1. The Company implements a range of measures to prepare its grid facilities for the heat deficit period (including the issuance of Certificates of Preparedness).   The Company is implementing a program to reduce the risk of injuries at electric grid facilities, as well as to train, monitor, and certify its employees.  The Company operates, develops, and continuously improves its integrated management system certified to ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, and the corresponding national standards.  Electric grid facilities are being upgraded, renovated, and new facilities are built. The repair and maintenance policy is being improved with advanced equipment diagnostics methods being introduced. |  |
| 17. | Environmental risks | Environmental risks include potential harmful emissions from motor transport.  Environmental risks may also arise from transformer oil leaks at substations in case of malfunctioning oil receivers, which may lead to pollution of the environment with petroleum products. | 1. The Company implements its Environmental Policy aimed at minimizing the negative environmental impact of electric facilities and foster environmental safety in Saint Petersburg and the Leningrad Region. 2. Environmental risks are mitigated through a multi-year long-term program to replace oil circuit breakers in 6-110 kV distribution grids with vacuum and gas-insulated circuit breakers and install reclosers to reduce the process turnover of dielectric oils and prevent their discharge into the environment, while reducing expenses on waste oil disposal. 3. Maximum allowable emissions at the enterprise’s sites and wastewater discharges are monitored, with waste timely disposed of. |  |
| 18. | Investment risk | 1. The risk of failure to meet the target deadlines for commissioning the investment program facilities, including due to non-performance or delays in performance by contractors and suppliers of their obligations. 2. The risk of regulatory authorities applying requirements (penalties) that providing for a reduction in tariff revenue in the event of failure to deliver on the investment program. 3. Risk of failing to achieve the target of reducing specific investment expenses in line with the relevant target set in the Strategy for the Development of the Electric Grid Sector of the Russian Federation, due to the fact that imported materials account for a certain share of investment expenses and due to rising prices for basic materials. | 1. Monitoring the investment program’s implementation and financing, analyzing the causes of deviation of actual performance under investment programs from targets. 2. Improving the capital construction process control and quality management system when implementing the investment program. 3. Continuous control over the cost of construction per km and per MVA. 4. Implementing an import substitution plan to reduce dependence on imported equipment, technical devices, components, etc., |  |

**Assessment of risk materiality**



Ecological risk

Investment risk

Operational risks

Strategic risk

Reputational risk

Changes to judicial practice

Tax risks

Risk assessment

Legal risks

Inflation risks

Interest rate risks

FX risks

Risks related to potential military conflicts, emergency situations or strikes in the country (countries) and the region

Risks related to the geography of the country or region

Risks related to the political and economic situation in the country and region

Risks of an increase in overdue and bad debts

Grid connection risks

Risk of reduction in electricity transmission services

Tariff regulation risks

**Moderate**

**Significant**

**Critical**

**4.3. Anti-Corruption Policy.**

Federal Law No. 273-FZ, *On Combating Corruption*, of December 25, 2008 is the fundamental legal anti-corruption act.

The Anti-corruption Policy of PJSC “Lenenergo” was approved by the Board of Directors of PJSC “Lenenergo” as an internal document of the Company (Minutes No. 23 of February 27, 2017). The Anti-Corruption Policy is a set of interrelated principles, procedures and specific measures aimed at preventing and suppressing corruption offenses in the Company’s operations.

The Anti-Corruption Policy aims to ensure a uniform approach to implementing the requirements of Article 13.3. of the Anti-Corruption Law concerning the obligation of PJSC “Rosseti” and its subsidiaries and affiliates to develop and take measures to prevent and combat corruption, namely: identify and subsequently eliminate the causes of corruption; detect, prevent, and suppress corruption and other offenses; minimize and/or eliminate the consequences of corruption and other offenses.

The principal range of persons covered by the Anti-Corruption Policy includes employees of PJSC “Lenenergo” and its subsidiaries and affiliates, regardless of their position or functions, as well as partners and counterparties of PJSC “Rosseti” and its subsidiaries and affiliates, and other persons by virtue of mutual obligations between them and PJSC “Lenenergo”, including Anti-Corruption Obligations and other anti-corruption agreements.

The documents adopted to prevent and combat corruption are publicly available on the Company’s corporate website in the Anti-Corruption Policy section at http://lenenergo.ru/about/corruption/.

**Local regulations adopted in the reporting period as part of complying with the requirements of federal anti-corruption legislation**

In 2018, PJSC “Lenenergo” updated internal documents aimed at preventing corruption and eliminating its causes, which meet the requirements of Russian legislation, as well as documents setting the procedure for identifying and resolving pre-conflict of interest situations that arise among employees of PJSC “Lenenergo” and its subsidiaries:

* The anti-corruption program at PJSC “Lenenergo” for 2018 (approved by Order No. 76 order of PJSC “Lenenergo” of February 21, 2018);
* In accordance with the National Anti-Corruption Plan for 2018–2020 (approved by Executive Order No. 378 of the Russian President of June 29, 2018), the Plan for Combating Corruption at PJSC “Lenenergo” for 2018 was adopted instead of the Anti-Corruption Program (Order No. 435 of September 25, 2018) in order to step up anti-corruption efforts at PJSC “Lenenergo”;
* Order No. 134, *On improvements to prevention of corruption and prevention and management of conflicts of interest*, of March 23, 2017 (as amended by Order No. 209 of May 14, 2018 and No. 625 of December 26, 2018);
* Order No. 197, *On Approval of the Guidelines for Corruption Risk Assessment at PJSC “Lenenergo”*, of April 26, 2018.
* Order No. 201, *On approval of the Regulations for the Procedure of Processing Personal Data in the Automated System for Collecting and Analyzing Information on Beneficiaries of PJSC “Lenenergo”*, of April 28, 2018.
* Regulations for Insider Information of PJSC “Lenenergo”, approved by the Board of Directors of PJSC “Lenenergo” (Minutes No. 44 of June 7, 2018)

**Information on alleged cases of corruption and other abuses at the Company**

In 2018, the Company monitored information on reports and complaints concerning alleged cases of corruption in accordance with the Procedure for Receiving, Reviewing, and Handling Reports (from Employees and Counterparties of PJSC “Lenenergo”, and from Other Individuals and Legal Entities) on Alleged Cases of Corruption.

Such whistleblowing reports (“Reports”) are registered in a relevant logbook. In accordance with the requirements of the Company’s administrative documents, Reports are verified for the existence of the alleged cases of corruption, and, where necessary, investigations are conducted and appropriate measures are designed to suppress corruption offenses.

A total of 47 reports were registered at PJSC “Lenenergo” in 2018.

Review results:

In 29 cases, the reports were filed with respect to the Company’s employees and performance of contractual obligations on grid connection.

In 18 cases, individuals and organizations contacted the Company on other matters, including electricity supply interruptions, domestic power outages, and execution of documents for signing a grid connection contract.

Four cases included whistleblowing reports.

The relevant information regarding the alleged corruption offenses was investigated, with no confirmation of corrupt practices or other abuses found out as a result.

All complaints received were reviewed in accordance with the procedure applicable at the Company, with appropriate measures and decisions taken based on the results of such analysis and review.

**Measures to identify and resolve conflicts of interest**

PJSC “Lenenergo” has in place a system for preventing, timely identifying, and resolving conflicts of interest as well as for coordinating the course of action to be taken by employees in case of actual or potential conflict of interest, which includes, *inter alia*, procedures for disclosing information on the existence of a conflict of interest (declaration of a conflict of interest):

* initial disclosure of the existence of a conflict of interest upon hiring;
* verification of conflict of interest declarations of candidates for vacant positions (when hiring/transferring to another position);
* annual disclosure of conflicts of interest as at December 31 of the respective year;
* disclosure of any personal interest that employees have in performing their job duties, which leads or may lead to a conflict of interest.

In accordance with the Regulations for Conflict of Interest Resolution of PJSC “Lenenergo”, the Company fully and timely implemented the measures required for the annual conflict of interest declaration by employees of PJSC “Lenenergo” and subsidiaries and affiliates of PJSC “Lenenergo” via an electronic declaration subsystem, *Automated Analysis and Collection System for Information on Beneficiaries*.

In 2018, the annual procedure for declaring conflicts of interest for 2017 was held for the Company’s employees.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Declaration results | | |  | |  |
| No. | Results of verification | | Verified/identified | |
| 1. | Employees that are required to submit declarations | | 2,078 | |
|  | Including, | |  | |
| 1.1 | - those who submitted declarations. | | 2,018 | |
| 2. | Employees who did not submit declarations | | 60 | |
|  | Including due to: | |  | |
| 2.1. | - maternity leave/long sick leave; | | 58 | |
| 2.2. | - dismissal at the time of submitting declarations; | | 1 | |
| 2.3. | - refusal to submit the declaration. | | 1 | |
| 3. | Cases of conflict of interests identified, | | 1 | |
|  | Including, | |  | |
| 3.1. | - resolved as at the date of the meeting of the Company’s Commission on Corporate Ethics Compliance and Conflict of Interest Resolution. | | 1 | |
| 4. | Cases of pre-conflict situations identified, | | 4 | |
|  | Including: | |  | |
| 41 | - taken under control in accordance with guidelines; | | 4 | |
| 4.2 | \* Resolved as at December 31, 2018. | | 4 | |

One pre-conflict situation, not indicated in the Conflict of Interest Declaration Campaign for 2017, which existed between the Company’s employees who were close relatives and were directly reporting one to another, was resolved through HR decisions and was reviewed at a meeting of the Commission on Corporate Ethics Compliance and Conflict of Interest Resolution (Minutes No. 1 of April 25, 2018).

PJSC “Lenenergo” has in place the Rules for Organizing the Declaration of Information on Property-Related Liabilities of Managers of the Company and Its Subsidiaries and Affiliates, which outline the procedure for preparing, submitting, analyzing, and processing, as well as forwarding to PJSC “Rosseti”, statements of income, property and property-related obligations of employees of the Company, its subsidiaries and affiliates, as well as of their close relatives.

In 2018, verification covered 94 declared employees and 392 of their close relatives. The submitted statements were verified for completeness, reliable information, signs of affiliation, conflict of interest, pre-conflict situations, and other abuses of positions held. No pre-conflict or conflict situations were identified.

In order to comply with the requirements for preventing conflict of interest / pre-conflict situations, PJSC “Lenenergo” continuously vets new hires and employees transferred to another position within the Company. In 2018, the Company vetted relevant materials and prepared 451 opinions on the existence/absence of conflicts of interest for customers to vacant positions (new hires/transferees) within the Company, with breaches identified with respect to 18 customers.

**Measures to eliminate the causes of corruption and prevent corruption in engagements with partners and counterparties**

In 2018, PJSC “Lenenergo” engaged with partners, counterparties, and third parties in line its anti-corruption principles and standards while carrying out competitive procurement procedures guided by objective criteria in the selection of its suppliers and implementing the necessary appropriate awareness raising initiatives.

In accordance with the Company’s administrative documents, procurement participants/counterparties are vetted for complete disclosure of information contained in the certificates and documents submitted by them, its reliability and compliance with the established requirements, as well as for signs of affiliation, conflict of interest, pre-conflict situations, and other abuses.

In 2018, at least 871 major procurement procedures and 2,341 procurement participants were vetted and approved. A total of 686 participants were rejected from further participation in the procurement procedures due to identified breaches of the Uniform Procurement Standard of PJSC “Rosseti”.

At least 2,833 procurements and 6,873 bidders were vetted for compliance with anti-corruption laws by checking materials on their simpler and minor procurements. Breaches were identified with respect to 1,993 bidders.

The Company regularly checks contracts for compliance with the established requirements for the mandatory disclosure of information on the counterparty’s owners (including beneficiaries, including ultimate beneficiaries). The information is entered into the Automated Analysis and Collection System for Information on Beneficiaries of Counterparties using an electronic digital signature via a secure communication channel.

**Participation in working groups and collective initiatives to combat and prevent corruption** (interaction with public authorities and civil society institutions in implementing the Anti-Corruption Policy)

As part of anti-corruption efforts governed by applicable Russian laws, the Company participates in collective anti-corruption initiatives. The Company is a member of the Anti-Corruption Charter of Russian Business (Certificate of Accession No. 2023 of June 1, 2015), [No. 2023, June 1, 2015](http://www.lenenergo.ru/about/corruption/svideteljstvo_lenenergo.pdf))which confirms the compliance of the Company’s operations with anti-corruption requirements of international legal standards..

PJSC “Lenenergo” is actively involved in the activities of the Working Group of PJSC “Rosseti” on improving the methodological support for anti-corruption efforts (set up by Directive No. 244r of PJSC “Rosseti” of June 20, 2016).

**Training of employees in anti-corruption approaches**

In 2018, PJSC “Lenenergo”, jointly with PJSC “Rosseti” and IDGC of the North-West, PJSC, took part in preparing and holding a workshop on *Update on Preventing and Combating Corruption in the Electric Grid Sector* in Saint Petersburg, involving competent experts and faculty members of the Saint Petersburg Security Academy. On completion of training, employees of the Company’s anti-corruption function were issued upskilling certificates.

In accordance with Item 8.4 of the Anti-Corruption Plan of PJSC “Lenenergo” for 2018 and the Company’s training plan, the compliance officer of the Company underwent an upskilling course on Compliance Risks at the Russian School of Management.

In order to prevent corruption risks in 2018, the Company updated its model corruption risk control matrices.

As part of its anti-corruption activity plan, the Company engaged in developing, adopting, and adapting the Model Guidelines for Corruption Risk Assessment at PJSC “Rosseti” and subsidiaries and affiliates of PJSC “Rosseti”.

At meetings of the Working Group, the Company repeatedly submitted proposals regarding the compliance of certain provisions of the Model Guidelines with applicable laws and the operational profile of Rosseti Group.

As a result of these efforts, the Company adopted the Guidelines for Assessing Corruption risks at PJSC “Lenenergo” (Order No. 197 of April 26, 2018).

In order to automate anti-corruption and other similar efforts, the Working Group is considering options for developing and implementing specialized software that will identify “corruption markers”. At one of the regular meetings of the Working Group, the Company submitted proposals and comments on the development of a module of automated multi-criteria assessment of corruption risks and abuses with regard to grid connections.

1. **Securities**

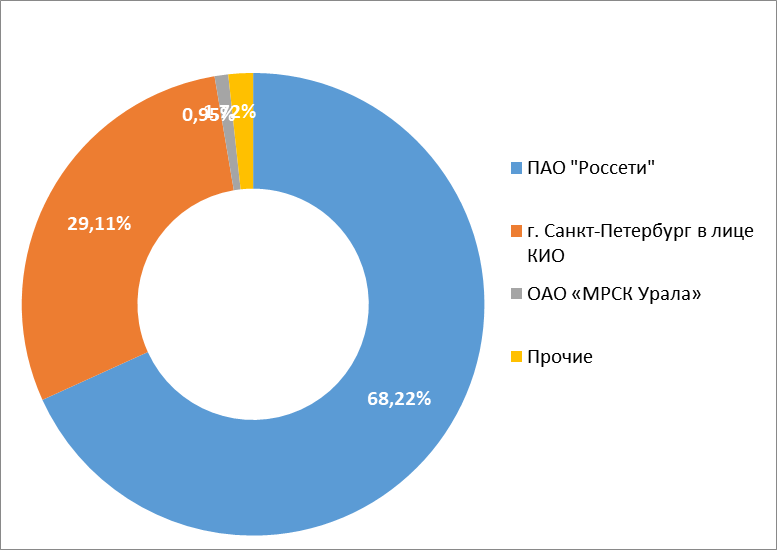
As at December 31, 2018, the authorized capital of PJSC “Lenenergo” was RUB 8,617,049,631.05 divided into 8,523,785,320.05 ordinary shares and 93,264,311 preference shares (with a par value of RUB 1 each).

The number of authorized, but unissued shares is 12,017,484,970 shares (ordinary shares with a par value of RUB 1 each). Authorized, but unissued ordinary shares grant the same rights as authorized and issued ordinary shares.

**Equity structure**

**Structure of shareholders owning more than 1% of ordinary shares**

**Including disclosure of nominal holders\***



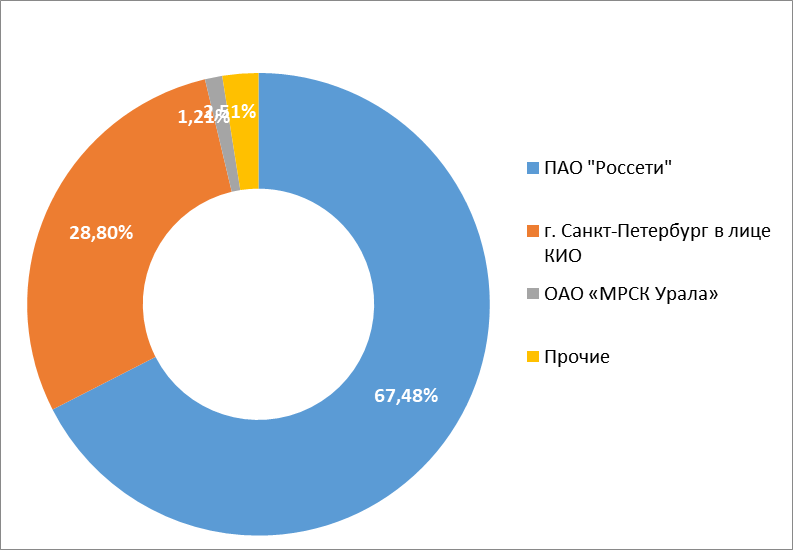
 PJSC “Rosseti”

 Saint Petersburg represented by the Property Relations Committee

 IDGC of Urals, OJSC

 Other

**Structure of shareholders owning more than 1% of the authorized capital, including disclosure of nominal holders\***



 PJSC “Rosseti”

 Saint Petersburg represented by the Property Relations Committee

 IDGC of Urals, OJSC

 Other

The share capital structure is given as at December 31, 2018.

Share capital structure as at December 31, 2018.

|  |  |  |
| --- | --- | --- |
| Information on shareholders as at December 31, 2018. | Number of holders | Share in the authorized capital |
| Corporate holders | 150 | 98.57 |
| Retail shareholders | 23152 | 1.43 |
| Shares held by tenants in common | 41 | 0.0028 |
| TOTAL number of persons in the shareholders register | 23343 | 100 |
| For reference: | | |
| Unidentified persons account | 1 | 0.0004 |
| Nominal holder | 3 | 0.0101 |

**Brief history of the Company’s stock offerings**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Brief history of the Company’s offerings | | State registered number | | Number of shares |
| **First issue** | | **72-1p-191** | | **2,951,852** |
| Shares were issued in connection with the privatization of the Company under Executive Order No. 923 of the Russian President August 15, 1992.  The issue was registered by the Finance Committee of Saint Petersburg Mayor’s Office on February 1, 1993.  Shares issued as part of the offering: | | | | |
| Ordinary shares | |  | | 2,519,852 |
| Preference shares | |  | | 432,000 |
| Par value of each security of the issue: RUB 1,000 (not redenominated).  Date of state registration of the offering report: September 6, 1999 | | | | |
| **Follow-on offering (1)** | | **72-1-2367** | | **894,411,156** |
| The issue was registered by the Economics and Finance Committee of Saint Petersburg on November 29, 1995.  Shares issued as part of the follow-on offering: | | | | |
| Ordinary registered shares | |  | | 763,515,156 |
| Type A preference shares | |  | | 130,896,000 |
| Par value of each security of the issue: RUB 1,000 (not redenominated).  Date of state registration of the offering report: August 9, 1999 | | | | |
| **Consolidation of issues**  The issues of securities were consolidated by Directive No. 03-1269/r of the Federal Securities Commission of Russia of June 27, 2003.  Par value of each security of the issue: RUB 1  The amount of the authorized capital was reduced as a result of the shares buyback in accordance with the Resolution of the General Meeting on reorganization made on April 8, 2005. (Share Buyback Report of August 1, 2005).  After the share buyback, the authorized capital included: | | | | |
| Ordinary registered shares | | 1-01-00073-A | | 691,854,144 |
| Type A preference shares | | 2-01-00073-А | | 93,264,311 |
| **Follow-on offering (2)\*** | | **1-01-00073-А-001D** | | **234,167,535.04** |
| The issue was registered by the Federal Financial Markets Service (FFMS of Russia) on October 25, 2007.  Shares issued as part of the follow-on offering: | | | | |
| Ordinary registered shares | |  | | 234,167,535.04 |
| Par value of each security of the issue: RUB 1  Date of state registration of the offering report: December 12, 2008  On expiry of three months after the state registration of the report on the follow-on offering of ordinary registered shares of PJSC “Lenenergo”, the individual number of Follow-on Offering 001D (state registered number – 1-01-00073-А-001D) was canceled (notice No. 09-ЕК-03/6679 of April 1, 2009) | | | | |
| **Follow-on offering (3)\*** | | **1-01-00073-А-002D** | | **209,039634.04** |
| The issue was registered by the Federal Financial Markets Service (FFMS of Russia) on February 21, 2012.  Shares issued as part of the follow-on offering: | | | | |
| Ordinary registered shares | |  | | 209,039634.04 |
| Par value of each security of the issue: RUB 1  Date of state registration of the offering report: September 18, 2012  On expiry of three months after the state registration of the report on the follow-on offering of ordinary registered shares of PJSC “Lenenergo”, the individual number of Follow-on Offering 002D (state registered number – 1-01-00073-А-002D) was canceled (notice No. 13-ЕК-03/3554 of February 7, 2013) | | | | |
| **Follow-on offering (4)\*** | | **1-01-00073-А-003D** | | **926,876,304** |
| The issue was registered by the Financial Markets Service of the Bank of Russia on September 10, 2013.  Shares issued as part of the follow-on offering: | | | | |
| Ordinary registered shares | |  | | 523,753525.97 |
| Par value of each security of the issue: RUB 1  Date of state registration of the offering report: October 16, 2014  On expiry of three months after the state registration of the report on the follow-on offering of ordinary registered shares of PJSC “Lenenergo”, the individual number of Follow-on Offering 003D (state registered number – 1-01-00073-А-003D) was canceled (notice No. 52-4/290 of the Bank of Russia, of January 16, 2015) | | | | |
| **Follow-on offering (5)\*** | | **1-01-00073-А-004D** | |  |
| The issue was registered by the Bank of Russia on December 3, 2015.  Shares issued as part of the follow-on offering: | | | | |
| Ordinary registered shares |  | | 6,864,970,481 | |
| Par value of each security of the issue: RUB 1  Date of state registration of the offering report: January 26, 2017  On expiry of three months after the state registration of the report on the follow-on offering of ordinary registered shares of PJSC “Lenenergo”, the individual number of Follow-on Offering 004D (state registered number – 1-01-00073-А-004D) was canceled (notice No. 28-1/1611 of the Bank of Russia, of May 5, 2017) | | | | |

\* The key purpose of the follow-on offerings made by PJSC “Lenenergo” in 2008 was to create a joint grid company in Saint Petersburg with increased process and economic reliability, based on technically inseparable and interconnected grid equipment.

\*\* The key purpose of follow-on offerings of ordinary shares of PJSC “Lenenergo” in 2012–2014 was to finance the program for renovation of 6–110 kV cable lines in Saint Petersburg.

\*\*\* Follow-on offerings of ordinary shares in 2015–2017 were conducted as part of financial recovery efforts undertaken by PJSC “Lenenergo” and consolidation of grid assets at PJSC “Lenenergo”

**Lenenergo stock: Key parameters**

|  |  |  |
| --- | --- | --- |
| Type of shares | Uncertificated  registered ordinary shares | Uncertificated  registered Type A preference shares |
| Number of state registration | 1-01-00073-А | 2-01-00073-А |
| Offering amount | 8,523,785,320.05 | 93,264,311 |
| Par value | RUB 1 | RUB 1 |
| Stock exchange | Moscow Exchange, PJSC | Moscow Exchange, PJSC |
| Trading start | July 16, 2003 | July 16, 2003 |
| ISIN | RU0009034490 | RU0009092134 |
| Ticker | LSNG | LSNGP |
| Quotation list | Level 3 | Level 3 |
| Listing in stock exchange indices |  | Broad Market Index (MOEX BMI),  Electric Utilities Index (MOEXEU),  RTS Electric Utilities (RTSeu),  RTS Broad Market Index (RUBMI) |

**Key trading performance indicators of Lenenergo shares**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2016 | 2017 | 2018 | 2018 vs. 2017, % |
| **Ordinary shares** |  |  |  |  |
| Minimum price, RUB | 2.15 | 3.76 | 4.4 | 17.0% |
| Maximum price, RUB | 6.25 | 6.20 | 6.95 | 12.1% |
| Year-end price | 5.505 | *4.8* | *5.29* | 10.2% |
| Trading amount, RUB | 1,101,400,813 | 540,268,420 | 422,066,769 | -21.9% |
| Number of transactions | 65,023 | 41761 | 35752 | -14.4% |
| **Preference shares** |  |  |  |  |
| Minimum price, RUB | 11.6 | 40 | 80.4 | 101.0% |
| Maximum price, RUB | 51.1 | 93 | 122 | 31.2% |
| Year-end price | 45.4 | 81.4 | 93.9 | 15.4% |
| Trading amount, RUB | 2,757,028,975 | 4,889,875,845 | 7,805,883,355 | 59.6% |
| Number of transactions | 58,688 | 142,335 | 187,032 | 31.4% |

\* Based on trading data from Moscow Exchange, PJSC (<http://www.moex.com/>).

Throughout the year, share prices of Rosseti Group’s companies showed mostly negative trends amid weaker investor appetite for the sector and uncertainty in the market as a whole. Investor sentiment was determined in each case by the news around the Сompany; the Northwestern Federal District showed the best performance.

Shares of PJSC “Lenenergo” showed strong performance during the year. Despite the year-end growth for both types of shares, investors were mainly focused on the Company’s preference shares due to a robust dividend policy amid strong interim financial performance. This is evident from the analysis of trading volume and share performance over the year – therefore, in value terms, the amount of trading in preference shares grew by 60%, while the performance of ordinary shares fell 14%. Therefore, the gap between the securities liquidity has increased even further.

**Key multiples of ordinary shares of PJSC “Lenenergo”**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** |
| Earnings per share (EPS), RUB | 0.8 | 1.46 | 1.10 |
| P/E\*\* | 6.88 | 3.30 | 4.81 |

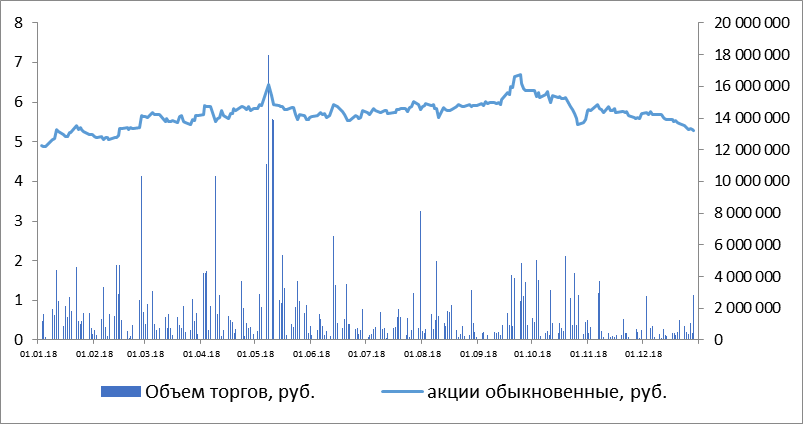
\*Calculated using the following formula: (net profit for the reporting year under RAS – dividends accrued on preference shares for the reporting year (for 2017 – in line with the dividend policy of PJSC “Lenenergo”))/outstanding ordinary shares).

\*\*Calculated using the following formula: weighted average cost per ordinary share at the end of the reporting year / earnings per share.

**Key events that, in the Company’s opinion, may have influenced the share price**

|  |  |
| --- | --- |
| Date | Event |
| February 5, 2018 | An Extraordinary General Meeting of PJSC “Lenenergo” was held, at which a new composition of the Board of Directors was elected |
| February 26, 2018 | PJSC “Lenenergo” published its RAS Financial Statements for 2017 |
| March 19, 2018 | PJSC “Lenenergo” published its IFRS Financial Statements for 2017 |
| May 8, 2018 | PJSC “Lenenergo” published its RAS Financial Statements for Q1 2018 |
| May 30, 2018 | PJSC “Lenenergo” published its IFRS Financial Statements for 3M 2018 |
| May 7, 2018 | The Board of Directors of PJSC “Lenenergo” recommended that the General Meeting adopt a resolution on the payment of dividends for FY2017 on ordinary and preference shares |
| June 8, 2018 | The Annual General Meeting of PJSC “Lenenergo” decided to pay out dividends for 2017. |
| July 27, 2018 | PJSC “Lenenergo” published its RAS Financial Statements for 6M 2018 |
| August 29, 2018 | PJSC “Lenenergo” published its IFRS Financial Statements for 6M 2018 |
| October 31, 2018 | PJSC “Lenenergo” published its RAS Financial Statements for 9M 2018 |
| November 22, 2018 | PJSC “Lenenergo” published its IFRS Financial Statements for 9M 2018 |

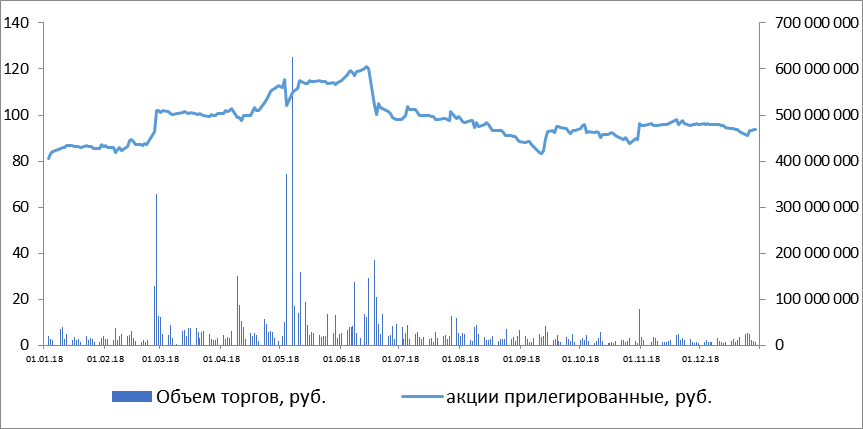
**Price performance and trading in ordinary shares on the Moscow Exchange in 2018**



Ordinary shares, RUB

Trading volume, RUB

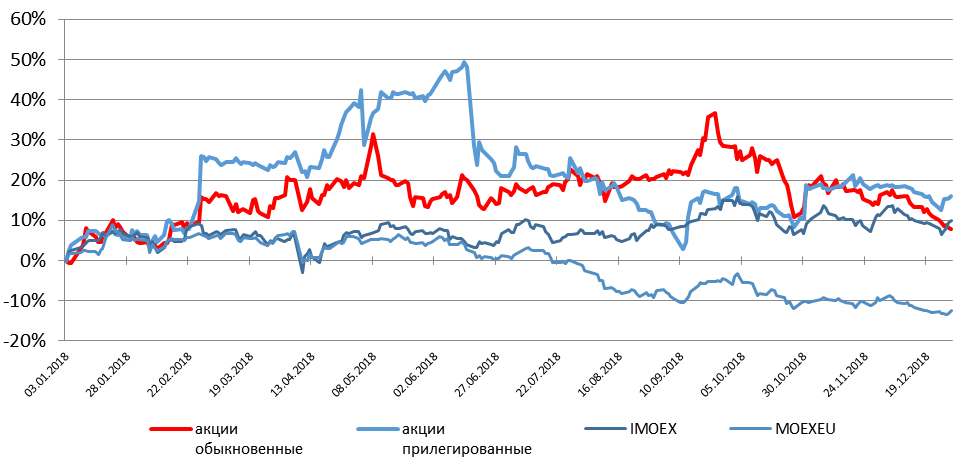
**Price performance and trading in preference shares on the Moscow Exchange in 2018**



Trading volume, RUB

Preference shares, RUB

**Lenenergo stock performance vs. Moscow Exchange and electricity industry indices in 2018**



Preference shares

Ordinary shares

**Share performance of PJSC “Lenenergo” vs the Moscow Exchange and electricity industry indices on the Moscow Exchange\***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2016 | 2017 | 2018 | 2018 vs 2017 |
| Moscow Exchange Index, p. | 2,232.7 | 2,109.7 | 2,369.2 | 12.3% |
| Moscow Exchange Utilities Index, p. | 1984.2 | 1816.3 | 1608.2 | -11.5% |
| Ordinary share (LSNG),\* RUB | 5.51 | 4.80 | 5.29 | 10.2% |
| Preference share (LSNGP),\* RUB | 45.4 | 81.4 | 93.9 | 15.4% |

\* Closing prices on the last business day of the reporting period

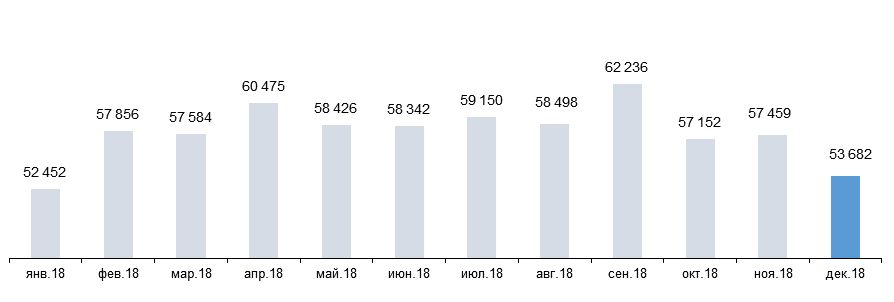
**Capitalization**

Hereinafter, capitalization is calculated based on the weighted average price of shares on the Moscow Exchange on the last trading day of the reporting period. The change in the number of outstanding shares in connection with the follow-on offering of 2015–2017occurred on April 16, 2017 on receipt of a notice on consolidation of issues by the Moscow Exchange.

**Changes in the capitalization of PJSC “Lenenergo” on the Moscow Exchange, RUB million**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2016 | 2017 | 2018 | 2018 vs 2017 |
| Capitalization, RUB million | 13,335 | 48,554 | 53,682 | 10.6% |

**Changes in the capitalization of PJSC “Lenenergo”, RUB million**

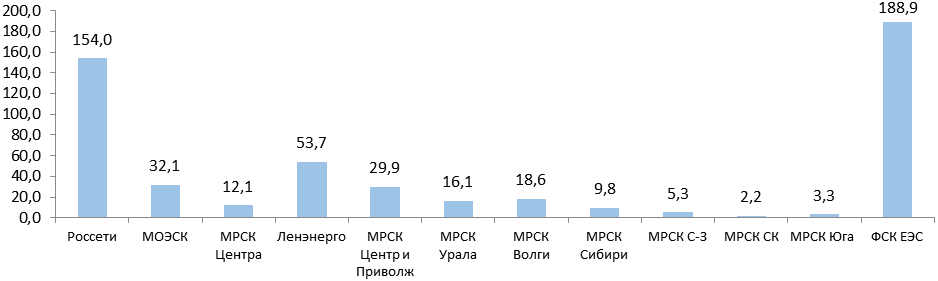


|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Jan 18 | Feb 18 | Mar 18 | Apr 18 | May 18 | Jun 18 | Jul 18 | Aug 18 | Sep 18 | Oct 18 | Nov 18 | Dec 18 |

**Capitalization of distribution grid companies on the Moscow Exchange in 2018, RUB billion**

\*

\*



|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Rosseti | MOESK | IDGC of the Center | Lenenergo | IDGC of the Center and Volga Region | IDGC of the Urals | IDGC of Volga | IDGC of Siberia | IDGC of NW | IDGC of NC | IDGC of the South | FGC UES |

**GDR Program**

On September 30, 2008, the Federal Financial Markets Service (FFMS) of Russia issued a permission to trade ordinary and preference shares of OJSC “Lenenergo” outside Russia. 74,206,626 ordinary shares and 19,585,504 preference shares of the Company, which represents 12.0% of the total amount of issued shares (at the moment of the permission’s issuance) were allowed for trading in international markets.

In Q4 2008, OJSC “Lenenergo” launched four sponsored Global Depositary Receipt (GDR) Programs for its shares, which could be traded in Central Europe and in the USA. The GDRs were issued under Rule 144A and Regulation S programs. The depositary bank for the GDRs of PJSC “Lenenergo” was The Bank of New York Mellon.

In October 2018, PJSC “Lenenergo” received a notice from the depositary bank of its intention to terminate the GDR program. Therefore, after proper notification to GDR holders by the depositary bank, all receipts will be converted into shares or sold. The termination of the program is due to demand for securities of PJSC “Lenenergo” being limited to the Russian market only.

**Profit Distribution and Dividend Policy**

The dividend policy of PJSC “Lenenergo” is determined in line with the approved Regulations for the Dividend Policy developed in accordance with applicable laws, the Articles of Association of PJSC “Lenenergo”, as well as the recommendations of the Corporate Governance Code of PJSC “Lenenergo”, and other internal documents. The Regulations outline the general principles of the dividend policy of PJSC “Lenenergo”, the payout terms and amount of dividends; funding sources for dividend payouts; the procedure for making decisions on dividend payouts; the procedure for drafting the list of persons entitled to receive dividends; the procedure, terms, and format of dividend payouts; disclosure of information on the dividend policy; and the Company’s liability for failure to pay dividends.

The dividend policy of PJSC “Lenenergo” is a set of principles and methods used by the Company to determine the proportions between the capitalized part of the Company’s profit and the part of profit distributed as dividends, as well as a system of relations and principles that outlines the order and timing of dividend payouts and establishes the Company’s liability for failure to pay dividends. It is based on a balance of interests of the Company and its shareholders when determining the amount of dividend to be paid, on respect and strict observance of shareholders’ rights granted under applicable Russian laws, the Articles of Association, and internal documents of the Company, and is aimed at enhancing the Company’s equity story and increasing its market capitalization.

The dividend policy of PJSC “Lenenergo” is based on the following principles:

* calculating dividends based on the use of profit without taking into account the effect of revaluation of financial investments;
* the need to maintain the necessary level of financial and technical condition of the Company (implementing the investment program) to secure the Company’s development going forward;
* ensuring that the Company’s dividend calculation and payout practices comply with Russian laws and best practices in corporate governance;
* ensuring the optimal combination of the interests of the Company and its shareholders;
* the need to enhance the Company’s investment case and increase capitalization;
* ensuring a transparent (clear) mechanism for determining the amount of, and paying, dividends;
* Dividends for ordinary shares are only paid if dividends for preference shares are paid in full in line with the Company’s Articles of Association (if the Company has issued preference shares).

The recommended amount of dividend payout is determined by the Board of Directors based on the Company’s financial performance, while the Board of Directors strives to ensure that the amount of dividends paid out shareholders has a tendency to increase.

The Company discloses its dividend policy by publishing the Regulations for the Dividend Policy of PJSC “Lenenergo” and all amendments thereto on the Company’s website.

**Profit distribution in 2016–2018\***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | 2015  (Annual General Meeting 2016) | 2016  (Annual General Meeting 2017) | 2017  (Annual General Meeting 2018) |
| Retained earnings  TOTAL, RUB thousand, including: | | -5,916,496 | 7,561,315 | 12,560,998 |
| Reserve fund, RUB thousand | | 0 | 378,066 | 628,050 |
| Development profit, RUB thousand | | 0 | 5,292,602 | 9,512,497 |
| Dividends, RUB thousand | | 0 | 1,890,647 | 2,420,451 |
| Repayment of losses for prior periods, RUB thousand | | 0 | 0 | 0 |
|  | |
| Dividend payout, | RUB thousand | 0 | 1,890,647 | 2,420,451 |
| % of net profit | 0 | 25 | 19.3 |
| Dividend per ordinary share, RUB | | 0 | 0.1331 | 0.1366 |
| Dividend per preference share, RUB | | 0 | 8.107405 | 13.4682 |

\* Information on profit distribution under resolutions of annual general meetings (AGMs)

AGM 2016 (for 2015) – AGM Minutes No. 1/2016 of June 9, 2016

AGM 2017 (for 2016) – AGM Minutes No. 1/2017 of June 14, 2017

AGM 2018 (for 2017) – AGM Minutes No. 2/2018 of June 13, 2018

In line with the Articles of Association of the Company, the resolution on profit distribution for 2018 will be made by the Annual General Meeting (AGMS).

**Information on dividends accrued, RUB**

|  |  |  |  |
| --- | --- | --- | --- |
| **Income type** | **2015**  **(Annual General Meeting, 2016)** | **2016**  **(Annual General Meeting, 2017)** | **2017**  **(Annual General Meeting, 2018)** |
| Per ordinary share | 0 | 0.1331 | 0.1366 |
| Total on ordinary shares | 0 | 1,134,515,826.1 | 1,164,349,074.7 |
| Per preference share | 0 | 8.107405 | 13.4682 |
| Total on preference shares |  | 756,131,541.3 | 1,256,102,393.4 |

**Information on dividends paid out from 2015 to 2017**

|  |  |  |  |
| --- | --- | --- | --- |
| **Income type** | **2015**  **(Annual General Meeting, 2016)** | **2016**  **(Annual General Meeting, 2017)** | **2017**  **(Annual General Meeting, 2018)** |
| Ordinary shares, RUB | 0 | 1,134,218,239.87 | 1,164,041,279 |
| Preference shares, RUB | 0 | 725,802,606.92 | 1,202,597,411.03 |

Reasons for non-payment of declared dividends for 2016–2017:

- Failure by persons included in the dividend list to provide reliable and complete information required for the payment of dividends

**Dividend yield on shares of PJSC “Lenenergo”**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **2016** | **2017** | **2018** |
| Payout ratio,\* % | OS | 0 | 15 | 9.3 |
| PS | 0 | 10 | 10 |
| Dividend yield,  \*\* % | OS | 0 | 2.76 | 2.59 |
| PS | 0 | 10.06 | 14.3 |

\*Calculated using the following formula: dividends accrued for the reporting year/net profit for the reporting year under RAS

\*\*Calculated using the following formula: dividend per share for the reporting year/weighted average value per share at the end of the reporting year.

**Bonds**

**Outstanding bonds**

As at December 31, 2018:

|  | **Issue** |
| --- | --- |
| **Type of securities** | **Exchange-traded bonds Series BO-05** |
| Registered No. | 4B02-05-00073-А |
| Offering amount, RUB million | 2,400 |
| Number, thousand units | 2,400 |
| Par value, RUB | 1,000 |
| Maturity, years | 10 |
| Rate, % | 7.4% |
| Date of state registration of the issue | June 7, 2013 |
| Offering date | July 22, 2015 |
| Maturity/put date | July 9, 2025/January 22, 2018 |
| Coupon yield per bond | 36.90 |
| Stock exchange | Moscow Exchange, PJSC |
| Quotation list | Level 3 |

As at December 31, 2018, PJSC “Lenenergo” has exchange bonds of Series BO-02, BO-03 and BO-04 with identification numbers 4B02-02-00073-А; 4B02-03-00073-А; 4B02-04-00073-А, admitted to trading on the Moscow Exchange, but unissued, of June 7, 2013, for a total amount of RUB 16 billion (16 million bonds with a par value of RUB 1,000 each).

In order to improve the financial stability of PJSC “Lenenergo”, on February 20, 2017 the Board of Directors of PJSC “Lenenergo” (Minutes No. 23, of February 27, 2017) approved the Program of Series 001P Exchange-Traded Bonds – certificated interest-bearing non-convertible bearer bonds with mandatory centralized custody for a total nominal value of all issues of the exchange-traded bonds placed within the Program of Series 001P Exchange-Traded Bonds, of up to thirty-five billion Russian rubles (RUB 35,000,000,000), inclusive, with the maturity date falling not later than ten thousand nine hundred and twenty (10,920) days from the placement date of the exchange-traded bonds under the program of publicly offered exchange-traded bonds. The Moscow Exchange has decided to assign the following identification number to the Program of Exchange-Traded Bonds of PJSC “Lenenergo”: 4-00073-A-001P-02E

Event after the reporting date:

The Series BO-05 exchange-traded bonds were not redeemed on the put date in January 2019, with the interest rate for the 8th coupon period set at 8.2% per annum.

**Information disclosure and investor relations**

Effective engagement with shareholders and investors is a key priority for PJSC “Lenenergo”.

PJSC “Lenenergo” is committed building a regular and effective dialogue with the investor community to maximize the transparency of its operations while paying particular attention to communication with analysts and investors in both equity and debt markets. The Company is actively working with representatives of leading rating agencies and credit organizations as the use of market mechanisms to raise financial resources is a strategic objectives outlined in the financial policy of PJSC “Lenenergo”. The Company attempts to promptly provide information requested by analysts, investors, and minority shareholders. The management of PJSC “Lenenergo” is always open for one-to-one meetings, conference calls, and participation in investment conferences.

PJSC “Lenenergo” pursues an active disclosure policy: apart from the mandatory disclosure under applicable laws, the Company regularly publishes additional materials containing essential information for shareholders and potential investors on its website. For example, the Company prepares quarterly IR-releases covering operating and financial performance (both under RAS and IFRS) for the reporting period. Annual and ad hoc presentations are prepared for investors with information on key highlights and long-term forecasts, including the necessary comments.

The Company’s efforts to maintain an open and transparent disclosure policy were highly appreciated by the professional community as annual reports of PJSC “Lenenergo” won the award for the Best Disclosure in an Annual Report by Companies with Capitalization up to RUB 10 Billion three times in a row (2011, 2012, 2013) at the annual contest of annual reports organized by the Moscow Exchange, while its annual report for 2016 won the award for the Best Annual Report of a Company with Capitalization of up to RUB 40 Billion.

**SECTION 5. SUSTAINABLE DEVELOPMENT**

1. **Human Resources Management**

**Personnel and Social Policy of PJSC “Lenenergo”**

The key objectives of the Personnel and Social Policy of PJSC “Lenenergo”, which are designed to ensure the achievement of target benchmarks set out in the Strategy for the Development of the Electric Grid Sector, include:

* Planning of personnel requirements – ensuring the availability of reliable information on day-to-day and forecast quantitative and qualitative demand for workforce necessary and sufficient to achieve the Company’s objectives;
* timely supply PJSC “Lenenergo” with the necessary sufficiently qualified workforce;
* Ensuring employee performance and enhance labor productivity at the Company.

These key objectives of the Personnel and Social Policy are achieved by implementing a set of measures across various areas such as:

* organizational design;
* headcount management;
* staffing and personnel development;
* employee performance management (employee motivation);
* social benefits and guarantees;
* occupational safety and work culture.

**Headcount and personnel structure**

The average headcount of PJSC “Lenenergo” in 2018 was 7,109 persons, up 2.3% year-on-year. The increase in the average headcount was driven by the hiring of new operating personnel for electric grid districts.

Average headcount of PJSC “Lenenergo” in 2016–2018, persons

Breakdown of average headcount at PJSC “Lenenergo” in 2018, %

The staffing level at Lenenergo PJSC has been growing steadily over the last three years reaching 97.4% in 2018 (+0.8 p.p. from 2016).

The average age of the Company’s employees in 2018 remained flat year-on-year at 43 years, with the active personnel turnover in 2018 at 6.6%.

Over the past three years, there has been a decrease in the share of employees aged 50 to retirement age (–0.6 p.p.) and the share of working retirees (–1.4 p.p.) while the share of employees aged 25 to 50 grew (+2.4 p.p.).

Employees of PJSC “Lenenergo” demonstrate a fairly high level of qualification, with 85.5% of employees having a professional education degree. This indicator increased by 1.9 p.p. over the last three years.

**Employee training and development, talent pool**

**Adoption of professional standards at the Company**

The following measures to adopt professional standards were taken in line with Directive No. 588r of PJSC “Rosseti”, *On Introducing Professional Standards across Rosseti Group Companies*, of December 30, 2016 (as amended by Directive No. 295r of PJSC “Rosseti”, of June 8, 2017):

- organizational and administrative documents regulating the adoption of professional standards at PJSC “Lenenergo” were developed and updated, and a schedule for adopting professional standards at PJSC “Lenenergo” was approved;

- PJSC “Lenenergo” staffing schedule was analyzed to find professions and positions that must apply professional standards in line with national and local regulations, and relevant changes were made taking into account the recommendations of PJSC “Rosseti”;

- an expert review of training programs implemented at the corporate training facility was conducted to verify their compliance with professional standards;

- the corporate training facility updates existing and develops new training programs as required by professional standards;

- the faculty of the corporate training center was evaluated;

- training was organized as part of a professional retraining program, *Additional Professional Education Instructor* (288 hours) for five employees of the Training Facility of PJSC “Lenenergo” involved in the training programs;

- the education level and on-site work experience were assessed for compliance with the qualification requirements for the position/profession in line with the professional standards taking into account the list of applicable professional standards for key operations in the electric grid industry (a total of 1,723 employees were assessed, 712 employees failed to comply), 470 employees were included in the training plan for 2019–2020 ensure their compliance with professional standards (training costs are planned to total RUB 3,366.98 thousand).

The work on adopting professional standards at PJSC “Lenenergo” is ongoing.

**Employee training**

Training is a priority areas of the Company’s HR policy regulated by the Personnel and Social Policy of PJSC “Lenenergo” as well as the Company’s Rules for Training the Company’s Employees and the requirements of the Rules for Personnel Management at Entities of the Electricity Industry of the Russian Federation.

The share of employees who took part in on-the-job training programs was 75.9% of the average headcount (5,399 persons), down 8.7 p.p. (417 persons) year-on-year.

Operating personnel accounts for the bulk of the trained employees (91.5% or 4,940 persons). In 2018, this figure was 89.6%. The breakdown of employees trained by category (administrative and management personnel, operating personnel, and auxiliary personnel) is shown below

**Breakdown of employees who underwent on-the-job training by category, %.**

711 persons were trained and upskilled at the training facility of PJSC “Lenenergo” in 2018, which represents 13.2% of the total number of employees who underwent training, down 5.2 p.p. year-on-year (1,068 persons were trained at the training facility of PJSC “Lenenergo” in 2017 or 18.4% of the total number of employees who underwent training during the year).

Operating personnel accounts for the bulk of employees trained at the training facility (98.2% or 698 persons).

The Company’s key partners in employee training include:

1. higher education institutions:

* Saint Petersburg Mining University;
* Peter the Great Saint Petersburg Polytechnic University
* Ivanovo Lenin State Power Engineering University
* Platov South Russian State Polytechnic University
* National Research Tomsk Polytechnic University;
* Vologda State University.

1. secondary education:

* University Polytechnic College of Peter the Great Saint Petersburg Polytechnic University;
* Vsevolozhsk Agro-Industrial College;
* Vyborg Polytechnic College Alexandrovsky;
* Slantsy Industrial College;
* Kingisepp College of Technology and Service;
* Kirishi Polytechnic College;
* Tikhvin Lebedev Industrial and Technological College;
* Lodeynoye Polye Technical School of Industrial Technologies;
* Volkhov Aluminum College;
* Begunitsy Agrotechnological College;
* Sosnovy Bor Polytechnic College;
* Svetogorsk Polytechnic College.

In addition, PJSC “Lenenergo” coordinates interaction in employee training with Peter the Great Saint Petersburg Polytechnic University, which is a member of the educational consortium of the energy industry.

Saint Petersburg Polytechnic University and the Mining University offer upskilling courses under programs aligned with the requirements of PJSC “Lenenergo”: *Maintenance and Repair of Cable Power Lines*, and *Advanced Digital and IT-Based Areas of Development in Electric Systems*.

**Share of employees who participated in on-the-job training initiatives and training costs per FTE in the reporting year.**

The high percentage employees trained at the Prigorodnye Power Grid branch are explained by the need to organize training for operating personnel under programs such as *Safe Methods and Techniques for Working at Heights*, *Occupational Safety for Company Employees*, and *Minimum Fire Safety Requirements*.

In 2018, employees of PJSC “Lenenergo” participated in the Open Corporate Championship of Professional Skills of PJSC “Rosseti”, *Young Professionals* based on the WorldSkills’ methodology (two persons per skill):

* *Operation of Cable Power Lines*;
* *Maintenance and Repair of Relay Protection and Automation Equipment*;
* *Smart Electricity Metering System*.

Employees of Lenenergo won the first team prize during the qualifying round of the WorldSkills championship held in Vologda in August 2018, in the *Smart Electricity Metering System* category, shared the first place in the *Maintenance and Repair of Relay Protection and Automation Equipment* category, and won the third prize in the *Operation of Cable Power Lines* category.

The winners of the qualifying round of Rosseti’s *Young Professionals* Open Corporate Championship of Professional Skills based on WorldSkills’ methodology took part in the WorldSkills National Championship in Yekaterinburg.

**Managing the Company’s talent pool**

Building and managing the talent pool is part of the career planning process and is a tool for early identifying the most talented and motivated employees, building their professional and leadership competencies, and assisting in their career growth at the Company.

Three types of talent pools are built and developed at PJSC “Lenenergo”: leadership, youth, and key executive talent pools.

In 2018, PJSC “Lenenergo” conducted a comprehensive evaluation of candidates to the leadership talent pool and the key executive talent pool.

The evaluation included online tests of employees at their workplaces via an advanced psychodiagnostic facility. Each candidate was provided with an individual link to a virtual account with test assignments. The tests evaluated their self-control, intellectual capabilities, and competence level.

Based on the results of each stage, stop factors were identified with some participants rejected as a result, being not ready at the moment to cope with complex leadership challenges due to their personal characteristics or competence level. A total of 303 candidates took part in the evaluation.

As a result of the evaluation:

* 94 persons were included in the leadership talent pool;
* 19 persons were included in the key executive talent pool.

In 2018, 17 employees from the leadership talent pool of PJSC “Lenenergo” were appointed to higher positions (including 6 persons to target positions, and 11 persons to higher non-target positions).

In order to develop leadership competencies, improve the personal effectiveness of talent pool members, and promote their professional growth, a talent pool development program was designed, slated to be completed in 2019).

In 2018, the leadership talent pool included 113 of the Company’s best talents. As at the end of the reporting period, the leadership talent pool covered 25.3% of the Company’s requirement in leadership talents.

**Youth talent pool of PJSC “Lenenergo”**

The youth talent pool of PJSC “Lenenergo” includes young professionals with a high potential to develop professional and leadership competencies. Priority is given to employees who actively participate in the social life of PJSC “Lenenergo” and have achievements in efficiency improvements, inventions, and innovation.

All candidates (92 persons) to the youth talent pool have passed a two-tier selection procedure:

- computer testing (personal, motivational, and intellectual tests);

- competency-based interviews (loyalty, responsibility, readiness to change, development focus, performance focus, teamwork, and leadership).

Based on the results of the evaluation, 44 young professionals, employees of branches and the executive arm of PJSC “Lenenergo”, were included in the youth talent pool.

During 2018, three persons from the youth talent pool were appointed to higher non-target positions, and two persons were appointed to higher target positions.

Target positions were identified for each member of the talent pool, with coaches assigned from among the most competent employees of PJSC “Lenenergo”, whose principal task was to assist the talent pool members in building the competencies for their respective target positions.

The Company is currently implementing a youth talent pool development program designed based on identified competence targets. The program is designed for 7 to 8 months and involves both standard training formats (workshops, trainings) and advanced T&D technologies (mobile training and a training bot).

In addition, the youth talent pool is developed via projects; on completion of the training (May 2019), the young talents will present their completed projects at the final expert session.

In 2018, members of the youth talent pool of PJSC “Lenenergo” took part in:

* the International Youth Energy Forum of PJSC “Rosseti”;
* a project to develop the Forecast of Technological Development of the Russian Energy Sector in the Context of Global Trends. The project’s topic is *Smart Electricity, Heat, and Gas Supply Systems, Integration of Various Types of Energy Resources and Distributed Energy Power generation facilities*;
* in the Russian Energy Week International Forum in which the young talents of the Company presented their project, *Breakthrough in Equipment Diagnostics Using DC Neural Networks* and won the second prize in the *Technology Projects* category;
* the Forsage 2018 All-Russian Forum as part of the corporate team of PJSC “Rosseti”;
* events for sharing experience in the implementation of youth policies in Japan.
* the Working Youth Forum of Saint Petersburg. Competition for the best youth relations organization at Saint Petersburg companies in the *Development of R&D Potential of Working Youth* category, winning a 3rd Grade Diploma for operating the Youth Innovation Center;
* a meeting of the Youth Power Engineering Council of the Russian Ministry of Energy.

As at the end of the reporting period, the Company’s youth talent pool counted 41 employees.

Out of 210 appointments to leadership positions made in 2018 at the Company’s branches and executive arm, 131 positions (62.4%) were staffed by internal candidates, including 15 employees (7.1%) from the leadership and youth talent pools.

**The Youth Policy of the Company**

**Working with school students**

* As part of a comprehensive approach to supplying PJSC “Lenenergo” with qualified talents (*early career guidance for school students and further practice-oriented university training*), PJSC “Lenenergo” signed an agreement 18-9145 of October 15, 2018 with the Natural Science Lyceum of Peter the Great Saint Petersburg Polytechnic University, which served as the legal basis for launching the Energy Class of PJSC “Lenenergo”. Twenty-two students of the Natural Science Lyceum took part in the initiative.
* In 2018, the All-Russian Olympiad of School Students was held at Saint Petersburg Polytechnic University, which involved 89 participants from among students of Grades 9 and 10 of Saint Petersburg and Leningrad Region schools.
* Career guidance events were organized for school students in Saint Petersburg and the Leningrad Region:
* Awareness tours to the Company’s facilities (Grid Control Center of PJSC “Lenenergo”, Cable Grid branch museum, Training Facility, etc.);
* Five young professionals took part in the Festival of Internships *Ticket to the Future* (mini-lectures, case studies with school students).

**Work with college and university students**

In order to help graduates adapt more quickly to their work and professional environment, our Training Facility has developed and approved a training course for undergraduate students of Saint Petersburg Polytechnic University majoring in Electricity and Electrical Engineering. During the hands-on training, students gain professional experience by studying production processes, learning equipment and process monitoring and control, etc. Students also gain experience in solving specific production task under the guidance of a professional coach based on individual assignments. Before the hands-on training, the Company engages shop-floor professionals to encourage students to learn, including when working on term projects on a real case study related to their future professional activities.

As part of work made in 2018, the following activities were implemented:

1. 19 fourth-year students successfully defended their bachelor’s degree projects and entered the master’s program. As of September 2018, 18 third-year students and 16 fourth-year students are undergoing dual training.

2. 223 students underwent internships at PJSC “Lenenergo”, 45 graduates were employed by branches of PJSC “Lenenergo”.

3. 158 students from partner universities/colleges took part in the activities of student teams.

Professional skills contests were held for student teams at the Company’s Training Facility. Forty students from partner universities took part in the contests.

4. Under a target admission agreement with Saint Petersburg Mining University, three children of employees of PJSC “Lenenergo” filled state-financed openings as part of quota admissions. As at the end of 2018, 10 children of the Company’s employees studied under the target admission program majoring in Electricity and Electrical Engineering.

5. In November, an Open Day was organized for students of partner universities at the most advanced substations of PJSC “Lenenergo”: Nevskaya Guba Substation No. 76 and Krestovskaya Substation No. 357.

**Work with young professionals**

The following measures were taken to implement the Company’s youth policy:

* Young professionals of the Company took part in the qualification round for the International Youth Energy Forum of PJSC “Rosseti”. The winner took part in the forum as a member of the team of PJSC “Rosseti”. The Company’s young talents also volunteered to help the forum’s participating teams.
* A team of young specialists of the Company took part in a project to develop the Forecast of Technological Development of the Russian Energy Sector in the Context of Global Trends. The project’s topic is *Smart Electricity, Heat, and Gas Supply Systems, Integration of Various Types of Energy Resources and Distributed Energy Power generation facilities*;
* As part of the Russian Energy Week International Forum, young talents of the Company presented their project, *Breakthrough in Equipment Diagnostics Using DC Neural Networks* and won the second prize in the *Technology Projects* category.
* The 10th Lenenergo START conference of the Youth Innovation Center was held as part of the Russian International Energy Forum (RIEF).

The conference was attended by young specialists of Lenenergo, students of leading specialized universities of Saint Petersburg, and employees of utilities companies.

* Young specialists of PJSC “Lenenergo” took part in the School of Technology Leadership engineering and educational initiative.
* Young specialists of PJSC “Lenenergo” took part in the Forsage 2018 All-Russian Forum as part of the corporate team of PJSC “Rosseti”;
* The 11th *Innovative Technologies in the Electricity Industry* conference of the Youth Innovation Center was held. As part of the thematic week of the Energy and Engineering Support Committee of Saint Petersburg on the *Strategy for the Development of the Power Engineering Sector of Saint Petersburg*. *Transformation.* *Technologies.*

The target audience of the conference included specialists from the Company’s subsidiaries and affiliates, manufacturers of electrical equipment and software, and undergraduate and graduate students.

* Pursuant to Executive Order No. 236-rp of the Russian President, *On the Year of Russia in Japan and the Year of Japan in Russia*, of July 5, 2017, Exchange Events were held in Japan for young specialists of the parties in October. The Chief Specialist of the Technical Upgrading Service of the Production and Technical Department was selected to the delegation and took part in its activities.
* In November, young professionals of the Company took part in the Saint Petersburg Working Youth Forum. Competition for the best youth relations organization at Saint Petersburg companies in the *Development of R&D Potential of Working Youth* category, winning a 3rd Grade Diploma for operating the Youth Innovation Center;
* The Company’s young specialists regularly participate in events held by the Council of Working Youth of Saint Petersburg and the Youth Policy Committee of Saint Petersburg (forums, conferences, sports events, round tables, etc.).

**Social responsibility**

The Company is a responsible employer and pays particular attention to the social support for its employees, their family members, and non-working retirees.

A key social policy priority for management of PJSC “Lenenergo” includes creating a beneficial environment to increase performance of employees, ensure their professional growth, and provide opportunities to earn decent pay.

|  |  |  |
| --- | --- | --- |
| **Goals of the social policy** | **Key principles and objectives of the social policy** | **Focus areas of the social policy** |
| * social protection of employees | * protecting employees via a system of benefits and guarantees provided by the government and by PJSC “Lenenergo” | * providing social benefits and compensations |
| * increasing operational performance | * ensuring and maintaining social stability at the Company | * ensuring disease prevention and health care |
| * maintaining the competitive edge of PJSC “Lenenergo” | * creating effective and safe workplaces | * organizing recreational activities for employees and their family members |
| * encouraging employees to achieve high performance and improve their financial position | * engaging and retaining qualified talents | * holding large-scale cultural and sports events |
| * building a beneficial social and psychological climate |  | * providing non-governmental pension benefits |
|  |  | * working with the youth and veterans |
|  |  | * supporting non-working retirees with a long service record at PJSC “Lenenergo” |

The social policy of PJSC “Lenenergo” is based on the Collective Bargaining Agreement of PJSC “Lenenergo” effective until December 31, 2020, which is the result of joint efforts by the employer and its trade union to regulate their social and labor relations, and also establishes the rights and obligations of the parties.

**Focus areas the social policy and implementation tools**

|  |  |
| --- | --- |
| **Focus areas** | **Tools** |
| Providing social benefits and compensations | The Collective Bargaining Agreement of PJSC “Lenenergo” provides for the following benefits and compensations for employees of PJSC “Lenenergo”:   * granting and payment of additional leaves; * additional payments and allowances for substandard working conditions; * lump sum incentives for vacations; * long-service bonus; * remuneration to employees who have received industry and departmental awards; * payment of a lump sum childbirth allowance and a monthly allowance for child care up to the age of three; * payment of financial aid in case of marriage registration; * reimbursement of expenses for children in pre-school child care centers to families with many children and families with a disabled child; * incentives for employees on anniversary dates; * incentives for holidays (International Women’s Day (March 8); Energy Industry Worker Day); * partial compensation of residential electricity bills to all employees, retirees, and disabled employees of PJSC “Lenenergo”; * other payments. |
| Disease prevention and health care | In order to protect and improve the health of its employees, the Company implements the following measures:   * voluntary medical insurance; * accident and illness insurance; * preliminary and periodic medical checkups; * fluorographic examinations; * vaccination against influenza; * vaccination against tick-borne encephalitis; * special assessment of working conditions; * providing special clothing and footwear and other personal protective equipment; * training employees in first aid in case of accidents at work. |
| Organization of recreational activities for employees and their family members | Employees in need of health resort treatment are provided with vacation packages for health resorts, partially or fully subsidized by PJSC “Lenenergo”. In 2018, health resort treatment was organized for 38 employees.  Employees received partial compensation for the cost of vacations at children’s health camps. A total of 143 children went to Russian health camps in 2018. |
| Non-governmental pension schemes | Non-governmental pensions are provided to employees through the Non-State Pension Fund Otkritie.  The following non-governmental pension programs were implemented in 2018:   * the Supporting Program implemented as part of the Corporate Plan, under which the Company organizes non-governmental pensions for its retirees. * the Company and Employee Joint Pension Funding Program, implemented as part of the Parity Plan, under which the Company and the employee jointly participate in the funding of the employee's non-governmental pension on a parity basis. * the “Co-financing” Program aimed at supporting pension savings within the framework of Federal Law No. 56-FZ of April 30, 2008, *On Additional Insurance Contributions to the Funded Part of the Employment Pension and State Support for Funding of Pension Savings*. |
| Award policy | In 2018, 870 employees of the Company received the following awards:   * departmental awards of the Russian Ministry of Energy – 27 employees, * industry awards of ORaEl – 29 employees, * corporate awards of PJSC “Rosseti”–- 91 employees; * corporate awards of PJSC “Lenenergo” – 686 employees; * awards of the Energy and Engineering Support Committee of Saint Petersburg – 8 persons * awards of the Energy Committee of the Leningrad Region – 16 employees, * awards of the Governor of Saint Petersburg – 6 employees,   awards of the Government of the Leningrad Region – 7 employees. |
| Work with young people and veterans | Great Patriotic War veterans and home front workers who worked at the Company are annually invited to events dedicated to the Leningrad Siege Lifting Day, Victory Day, and the Day of Breaking the Energy Blockade. For each commemorative event, veterans of the Company receive greeting cards on behalf of the CEO. In order to commemorate historical events, relevant congratulatory posters are distributed across all branches of the Company and its executive arm.  In 2018, the following events were held involving retired veterans and the Council of Young Specialists of the Company:  - In January, to commemorate the 74th anniversary of the lifting of the Siege of Leningrad, veteran power engineers and employees of PJSC “Lenenergo” took part in the laying of wreaths and flowers at the Motherland memorial and the memorial plate commemorating power engineers who defended Leningrad during the Great Patriotic War at the Piskarevsky memorial cemetery.  A bus tour under the motto *Nothing is Forgotten: Visiting the Monuments of the Siege of Leningrad* as well as a visit to the Musical Comedy Theater were organized for retired veterans.  - In May, to commemorate the 73rd anniversary of the Victory in the Great Patriotic War, veteran power engineers took part in a flower laying ceremony at the Monument to the Heroic Defenders of Leningrad on Victory Square and visited the Russia – My History multimedia center.  - In September, to commemorate the 76th anniversary of the breaking of the energy blockade of Leningrad, retired veterans took part in laying flowers and wreaths at the Storks Memorial at the Nevsky Military Cemetery and visited the Breaking of the Siege of Leningrad Museum in Kirovsk.  The Company’s Council of Young Specialists successfully implemented the activity plan approved for 2018. In the reporting year, our young specialists took part in:   * the International Youth Energy Forum of PJSC “Rosseti”; * a project to develop the Forecast of Technological Development of the Russian Energy Sector in the Context of Global Trends. The project focuses on *Smart Electricity, Heat, and Gas Supply Systems, Integration of Various Types of Energy Resources and Distributed Energy Power generation facilities*; * in the Russian Energy Week International Forum in which the young talents of the Company presented their project, *Breakthrough in Equipment Diagnostics Using DC Neural Networks* and won the second prize in the *Technology Projects* category; * the 10th Lenenergo START conference of the Youth Innovation Center held as a part of the Russian International Energy Forum; * the Forsage 2018 All-Russian Forum as part of the corporate team of PJSC “Rosseti”; * The 11th *Innovative Technologies in the Electricity Industry* conference of the Youth Innovation Center was held as part of the thematic week of the Energy and Engineering Support Committee of Saint Petersburg on the *Strategy for the Development of the Power Engineering Sector of Saint Petersburg*. *Transformation.* *Technologies.* * events for sharing experience in the implementation of youth policies in Japan. * the Working Youth Forum of Saint Petersburg. Competition for the best youth relations organization at Saint Petersburg companies in the *Development of R&D Potential of Working Youth* category, winning a 3rd Grade Diploma for operating the Youth Innovation Center; * a meeting of the Youth Power Engineering Council of the Russian Ministry of Energy. It was proposed to include the *Business Breakfast* Youth Innovation Conference in the work plan of the Council as part of the Russian International Energy Forum 2019, with the topic of *Collaboration for Unlocking R&D Potential: Industry vs Business vs Universities*.   Young professionals are actively engaging in areas such as physical training and sports:   * organized volleyball and soccer tournaments between the teams of branches, subsidiaries, and dependent companies of PJSC “Lenenergo”; * young professionals of PJSC “Lenenergo” took part in corporate tournaments in skiing (10th place), volleyball (4th place), Rosseti Cup soccer tournament (8th place), table tennis (9th place), field-and-track athletics (7th place), and swimming (8th place); * young professionals took part in the Track of Victory Race; * Employees of PJSC “Lenenergo” took part in corporate sports games organized as part of the Saint Petersburg International Economic Forum (mini-football - 4th place, volleyball - 1st place, filed-and-track athletics, chess - 5th place, table tennis - 3rd place, badminton - 2nd place); * Young specialists of the Company took part in the All-Russian *Zabeg* half-marathon, a sports festival of working youth (3rd place in the street-ball tournament), and the Race of Heroes compliant with the GTO standards; * From September 15 to September 16, the annual Sports Games sports contest was held at PJSC “Lenenergo”, involving more than 300 employees; * 41 employees of PJSC “Lenenergo” took part in GTO physical training tests;   Functional multiathlon competitions were held among young professionals of the Company. |
| Support for non-working retirees with a long service record at PJSC “Lenenergo” | The Company pays special attention to non-working retirees, retired veterans, Great Patriotic War veterans, and persons with special needs. Support measures include:   * non-governmental pension benefits * financial aid; * payments on anniversaries and holidays such the day of lifting the Siege of Leningrad for veterans of the Great Patriotic War, Victory Day, and Energy Industry Worker Day; * compensation of residential electricity bills; * financial aid for burial. |

**Charity**

In 2017, PJSC “Lenenergo” implemented a range of initiatives in Saint Petersburg and the Leningrad Region across the key areas of its charitable activities:

- assistance in education, science, culture, art, and awareness raising;

- assistance in physical culture and mass sports;

- protection and proper maintenance of buildings, sites and territories of historical, religious, cultural, or environmental significance

- assistance in preventative care, treatment, rehabilitation, and healthcare, as well as in promoting the healthy lifestyles and improving the psychological well-being of people.

**Occupational health**

During 2018, the following organizational and administrative documents were issued in PJSC “Lenenergo”, which served as a basis for organizing and conducting work on injury prevention, improvements to occupational safety at the Company and for determining the principal focus areas in injury prevention:

1. Directive of PJSC “Lenenergo” No. 10-R, *On approval of the schedule for participation in the Occupational Safety Days at branches of PJSC “Lenenergo” in 2018*, of January 12, 2018

2. Directive No. 16 of PJSC “Lenenergo”, *On approval of the schedule of participation in inspections of workplaces at branches of PJSC “Lenenergo” in 2018*, of January 19, 2018

3. Order No. 35 of PJSC “Lenenergo”, *On improving the efficiency, reliability and safety of operations at PJSC “Lenenergo” in 2018* of January 25, 2018.

4. Directive No. 21-R of PJSC “Lenenergo”, *On the results of the occupational safety day at a branch of PJSC “Lenenergo” on January 17, 2018* of January 29, 2018.

5. Directive No. 28-R of PJSC “Lenenergo”, *On the results of inspections at branches, subsidiaries, and dependent companies of PJSC “Lenenergo” by the Regional Technical Supervision Division of the North-West in 2017*, of February 1, 2018.

6. Order No. 63 of PJSC “Lenenergo”, *On approval of the Program to Improve the Quality of Industrial Control at PJSC “Lenenergo”*, of February 13, 2018.

7. Order No. 73 of PJSC “Lenenergo”, *On the composition of permanent knowledge test commissions of PJSC “Lenenergo”*, of February 14, 2018.

8. Order No. 83 of PJSC “Lenenergo”, *On approval of the Regulations for the Internal Technical Control System at PJSC “Lenenergo”*, of February 26, 2018.

9. Directive No. 43-R of PJSC “Lenenergo”, *On the results of the occupational safety day at Saint Petersburg High Voltage Power Grid, a branch of PJSC “Lenenergo” on February 21, 2018*, of March 7, 2018.

10. Order No. 99 of PJSC “Lenenergo”, *On the video recording methodology and technical requirements for mobile video recording devices*, of March 16, 2018.

11. Order No. 120 of PJSC “Lenenergo”, *On preparation and holding qualifying maintenance and repair skills competitions for operators of 35-110 kV power lines at the training facility of PJSC “Lenenergo” in 2018*, of March 29, 2018.

12. Directive No. 56-R of PJSC “Lenenergo”, *On organizing inspections as part of the internal technical control system at PJSC “Lenenergo”*, of April 6, 2018.

13. Order No. 140 of PJSC “Lenenergo”, *On assignment of responsibilities for introductory briefing on occupational safety and water-based fire firefighting*, of April 9, 2018.

14. Order No. 143 of PJSC “Lenenergo”, *On organization of road safety activities at PJSC “Lenenergo”*, of April 9, 2018.

15. Order No. 149 of PJSC “Lenenergo”, *On the results of the ongoing competition for the title of the Best Electric Grid District, Best Power Line Operation Service, Best Substation Operation Service* *for 2017*, of April 11, 2018.

16. Directive No. 59 of PJSC “Lenenergo”, *On the results of workplace inspections at branches of PJSC “Lenenergo” in 2017*, of April 13, 2018.

17. Order No. 156 of PJSC “Lenenergo”, *On improving the operation of 0.4-20 kV electric grids of PJSC “Lenenergo”,* of April 17, 2018.

18. Order No. 167 of PJSC “Lenenergo”, *On approving the Standard of PJSC “Lenenergo”, Regulations on the Procedure for Organizing and Conducting Inspections of Permanent and Temporary Workplaces at Branches of PJSC “Lenenergo”*, of April 20, 2018 (version 2).

19. Order No. 176 of PJSC “Lenenergo”, *On approving the updated operational risk registers of PJSC “Lenenergo” with the assignment of risk owners and risk coordinators*, of April 20, 2018.

20. Order No. 193 of PJSC “Lenenergo”, *On approving the Regulations for the Organization of the Occupational Safety Room at PJSC “Lenenergo”*, of April 25, 2018.

21. Order No. 198 of PJSC “Lenenergo”, *On preparation for large-scale repairs at facilities of PJSC “Lenenergo” in 2018*, of April 26, 2018.

22. Directive No. 75-R of PJSC “Lenenergo”, *On the procedure for recording and keeping the results of occupational safety knowledge tests*, of May 3, 2018.

23. Order No. 221 of PJSC “Lenenergo”, *On putting into effect a standard list of documentation for the operational personnel of the Grid Control Center, Dispatching Units, Operational Dispatching Team, Shift Electrical Technicians of the Operational Field Team, and Shift Electrical Technicians of PJSC “Lenenergo”*, of May 15, 2018.

24. Order No. 239 of PJSC “Lenenergo”, *On the results of analyzing the integrated management system of PJSC “Lenenergo” in 2017 (approval of the updated OHS policy of PJSC “Lenenergo”)*, of May 28, 2018.

25. Directive No. 110-R of PJSC “Lenenergo”, *On the results of inspections at branches, subsidiaries, and dependent companies of PJSC “Lenenergo” by the Regional Technical Supervision Division of the North-West in Q1 2018*, of June 8, 2018.

26. Directive No. 119-R of PJSC “Lenenergo”, *On conducting unscheduled knowledge tests*, of June 21, 2018.

27. Order No. 261 of PJSC “Lenenergo”, *On approving programs to reduce injury risks at electric grid facilities*, of June 9, 2018.

28. Order No. 263 of PJSC “Lenenergo”, *On implementing a pilot project for conducting automated pre-trip and pre-shift medical checkups*, of June 9, 2018.

29. Order No. 282 of PJSC “Lenenergo”, *On organizing preparation of branches of PJSC “Lenenergo” for the heat deficit period of 2018–2019*, of June 22, 2018.

30. Order No. 296 of PJSC “Lenenergo” of July 2, 2018, *On approval of the Regulations for extra pay and benefits payable to employees of PJSC “Lenenergo” working in harmful and/or hazardous working conditions*

31. Order No. 338 of PJSC “Lenenergo”, *On approving the standard of PJSC “Lenenergo”, Regulations for Conducting Occupational Safety Days at Branches of PJSC “Lenenergo”*, of July 26, 2018.

32. Order No. 339 of PJSC “Lenenergo”, *On amending Order No. 308 of PJSC “Lenenergo” On the system of measures to prevent employee injuries, of May 30, 2017*, of July 26, 2018.

33. Order No. 415 of PJSC “Lenenergo”, *On putting into effect a standard list of documentation for the operational personnel of the Grid Control Center, Dispatching Units, Operational Dispatching Team, Shift Electrical Technicians of the Operational Field Team, and Shift Electrical Technicians of PJSC “Lenenergo”*, of September 12, 2018.

34. Order No. 428 of PJSC “Lenenergo”, *On occupational safety documents of PJSC “Rosseti”*, of September 19, 2018.

35. Directive No. 241-R of PJSC “Lenenergo”, *On enhancing efforts to reduce occupational injuries*, of September 27, 2018.

36. Directive No. 259-R of PJSC “Lenenergo”, *On the results of temporary workplace inspections at branches of PJSC “Lenenergo” for Q3 2018*, of October 30, 2018.

37. Order No. 526 of PJSC “Lenenergo”, *On approving critical health and safety risks in PJSC “Lenenergo”*, of November 7, 2018.

38. Order No. 562 of PJSC “Lenenergo”, *On the results of the investigation of an accident that occurred on August 30, 2018 at the executive arm of PJSC “Lenenergo”*, of November 30, 2018.

39. Directive No. 10-R of PJSC “Lenenergo”, *On approving the schedule for participation in occupational safety days at branches of PJSC “Lenenergo” in 2019*, of December 24, 2018

**Total and fatal injuries in 2016–2018**

**(numerator – number of cases, denominator – injured persons)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Branch | 2016 | | 2017 | | 2018 | |
| General | Fatal | General | Fatal | General | Fatal |
| Vyborgskiye Power Grid | 1/1 | 1/1 |  |  |  |  |
| Gatchinskiye Power Grid |  |  | 1/1 |  |  |  |
| Cable Grid |  |  | 1/1 | 1/1 |  |  |
| Kingiseppskiye Power Grid | 1/1 | 1/1 | 1/1 | 1/1 |  |  |
| Novoladozhskiye Power Grid |  |  |  |  |  |  |
| Prigorodniye Power Grid |  |  |  |  |  |  |
| Saint Petersburg High Voltage Power Grid |  |  |  |  |  |  |
| Tikhvinskiye Power Grid |  |  | 1/2 |  |  |  |
| Executive arm | 1/1 |  |  |  | 1/1 |  |
| **TOTAL for**  **PJSC “Lenenergo”** | **3/3** | **2/2** | **4/5** | **2/2** | **1/1** |  |

**Occupational safety costs in 2016–2018**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2016  (RUB million) | 2017  (RUB million) | 2018  (RUB million) |
| PJSC “Lenenergo” | 106.378 | 122.897 | 158.564 |

**Occupational safety costs by area  
in 2018 (RUB million)**

1. **Environmental Policy**

The environmental policy of PJSC “Lenenergo” was put into effect by Order No. 319 of PJSC “Lenenergo” of June 9, 2017.

Environmental goals and objectives were developed and put into effect by Order No. 389 of the Company of September 13, 2010 and updated by Order No. 229 of May 23, 2012.

Order No. 397 of PJSC “Lenenergo” of August 16, 2016 outlines the strategic goals of the integrated management system (IMS), including environmental goals.

Order No. 319 of PJSC “Lenenergo” of June 9, 2017 outlines the goals of the IMS for 2017, including environmental goals.

Order No. 639 of Lenenergo PJSC of December 31, 2015 approves the register of material environmental aspects managed by the Company.

One of the priorities of PJSC “Lenenergo” includes the development and implementation of integrated management systems (“IMS”), including the adoption of ISO 14000 series (environmental management systems). The work on integrating an environmental management system (“EMS”) at PJSC “Lenenergo” as part of the IMS deployment was launched in March 2010 (the Company’s order No. 108 of March 18, 2010).

The Company has received certificates of the Company’s IMS conformity to the requirements of the international standard as applied to electricity transmission and distribution, and grid connection of consumers valid to March 29, 2019.

The following was achieved as a result of the EMS integration at the end of the reporting period at Lenenergo PJSC:

1. Environmental protection measures have been developed and are being implemented;

2. Employees responsible for compliance with environmental protection requirements at branches and units were appointed (the Company’s Order No. 19 of January 22, 2015);

3. Managers and personnel have been trained on environmental safety and waste management;

4. Internal exchange of information on environmental protection was put in place;

5. The EMS document management procedures have been established and implemented as part of the IMS document management in accordance with STO 00.00.01-2017 Documented Information Management;

6. Procedures have been established to manage operations that relate to identified significant environmental aspects.

7. Procedures for identifying hazardous production facilities and potential abnormal situations, accidents, and emergencies have been implemented and maintained; measures are planned to prevent, localize, and handle such situations;

8. The environmental aspects are assessed taking into account the identified risks and opportunities within the IMS integration, including environmental protection;

9. Environmental protection monitoring and measurements are carried out on a regular basis.

10. The executive arm assesses compliance by branches of PJSC “Lenenergo” with the requirements of environmental laws;

11. The results of monitoring and evaluation of compliance with the overall environmental performance are recorded.

12. An analysis of the IMS operation in 2017 was carried out (Order No. 239 of PJSC “Lenenergo”, *On the results of an analysis of the integrated management system in 2017*, of May 30, 2018.

13 The IMS goals for 2018 are determined, including environmental goals, (Order No. 239 of Lenenergo PJSC, of May 30, 2018).

14. The Company’s Order No. 401 of August 10, 2012 changed the structure of executive arms at grid branches: environmentalists were transferred to the staff of the branch’s production control and occupational health service.

15. The following EMS documents and procedures have been developed, implemented and are in effect as at the end of the reporting period:

16. The Company’s Order No. 42 of January 29, 2018 approved and put into effect:

* STO 00.00.01-2017 Documented information management (version 8);
* STO 00.00.03-2017 Internal audits (version 7);
* STO 00.00.04-2017 Corrective and preventive actions (version 6);
* STO 00.00.06-2017 Analysis of IMS by senior management (version 7);
* RSEM-2017 Guidelines on the environmental management system (version 5).
* 17. Order No. 639 of PJSC “Lenenergo” of December 31, 2015 approved and put into effect:
* STO 08-2015 Identification and assessment of materiality of environmental aspects (version 3);
* Register of environmental aspects of PJSC “Lenenergo”.

As part of the program of IMS internal audits approved by Order No. 731 of PJSC “Lenenergo” of December 18, 2017, seven EMS audits were conducted in 2018 to verify compliance with ISO 14001:2015 with regard to the following seven processes:

Code Internal audit target (process)

00 Process “Integrated Management System”

01 Process “Human Resources Management”

02 Process “Grid Connection of Consumers”

03 Process “Procurement Management”

04 Process “Sales of Electricity Distribution Services”

05 Process “Operation of Electric Grid Facilities”, including

05.01 Sub-process “Maintenance and Repair"

05.02 Subprocess “Operational and Process Control”

05.03 Subprocess “Production Assets Management”

05.04 Subprocess “Metrological Support”

05.05 Subprocess “Innovative Development Management”, including R&D

05.06 Subprocess “Operational and Industrial Safety”

06 Process “Investments and Capital Construction”

The internal audit cycle identified three discrepancies with the environment management system. Corrective actions were promptly taken on the identified discrepancies and respective evidence was provided.

In 2018, no external environmental audit was conducted at PJSC “Lenenergo”.

In March 2018, under Contract No. 18-1741 with Russian Register - Baltic Inspection, LLC of February 22, 2018, an external audit of the environmental management system including an inspection audit of the integrated management system of PJSC “Lenenergo”, was conducted by Russian Register - Baltic Inspection, LLC to check compliance with the requirements of ISO 9001:2015 (GOST R ISO 9001-2015), ISO 14001:2015 (GOST R ISO 14001-2007), and OHSAS 18001:2007 / GOST R 59934-2012 (GOST 12.0.230-2007) for a total of one million fifty-five thousand six hundred rubles (RUB 1,055,600), VAT free. Simplified taxation mode. Including EMS audit for RUB 356,900. One discrepancy was identified Order No. 215 of PJSC “Lenenergo” of May 14., 2017 approved the preventive action plan to be implemented before May 31, 2018. The preventive actions were implemented within the established timelines. The environmental management system is certified to ISO 14001:2015, Certificate No. 16.0423.026 of March 29, 2016, valid until March 29, 2019.

**Environmental protection costs, RUB thousand**

|  |  |  |  |
| --- | --- | --- | --- |
| **Costs** | **2016** | **2017** | **2018** |
| for water protection and management | 6618 | 7190 | 7495 |
| for air protection | 2434 | 2847 | 3512 |
| for environmental (land) protection against production and consumption waste | 10231 | 11012 | 11702 |
| land recultivation |  |  |  |
| **Total** | **19283** | **21049** | **22709** |

Bar chart “Spending on environmental protection by area in 2016-2018, RUB million”.

**Implementation of environmental protection activities in 2018**

|  |  |  |
| --- | --- | --- |
| Activity | Costs, RUB million | Environmental effect, RUB million |
| Drafting of environmental documentation | 5.29 | Mitigating the risk of penalties and 5x payments for adverse environmental impact |
| Measurements and monitoring of maximum allowable emissions, noise, and water quality | 1.67 | Complying with environmental laws |
| Waste removal and disposal at licensed waste disposal sites | 8.7 | Complying with waste management requirements Mitigating the risk of penalties |

**Environmental performance**

|  |  |  |  |
| --- | --- | --- | --- |
| **Indicator** | **2016** | **2017** | **2018** |
| Gross air emissions, t  Including: | 16.31 | 22.61 | 22.18 |
| Hazardous substances captured and neutralized, t  Including: |  |  |  |
| Solid particles, t |  |  |  |
| Water intake and disposal, m3  Including: | 62.5 | 52 | 56 |
| from surface sources, m3 |  |  |  |
| from underground sources, m3 |  |  |  |
| from other sources, m3 | 62.5 | 52 | 56 |

Dynamics of production waste generation, t

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Waste hazard class | **2014** | **2015** | **2016** | **2017** | **2018** |
| Class 1 | 1.702 | 1.558 | 1.8 | 2.3 | 2.4 |
| Class 2 | 19.885 | 0.804 | 14.2 | 0 | 2.0 |
| Class 3 | 40.696 | 62.026 | 32.0 | 43.7 | 41.3 |
| Class 4 | 2274.1 | 1320.5 | 1463.3 | 1257.4 | 1729.0 |
| Class 5 | 3939.4 | 1923.5 | 1642.6 | 3162.3 | 2288.6 |
| **Total** | **6275.783** | **3308.388** | **3153.9** | **4465.7** | **4063.3** |

Share and total volume of recycled and reused water

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator** | **2014** | **2015** | **2016** | **2017** | **2018** |
| Total volume of recycled and reused water, m3 | - | - | - | - | - |
| Share of recycled and reused water from total water withdrawal, % | - | - | - | - | - |

* 1. **Procurement**

The key areas of the Company’s procurement activities include ensuring procurement openness and transparency, improving the level of competition among procurement procedure participants, and maximizing the economic effect from procurement.

The Company has determined its key goals in raising the effectiveness of procurement:

* Providing the Company with quality equipment, machinery, materials, and services for adequate prices;
* Competitive procurement;
* Robust organization of procurement procedures;
* High objectivity of procurement procedures;
* Achieving cost-effectiveness of procurement.

In 2018, the Company’s procurement activities were regulated by the following documents:

* Federal Law No. 223-FZ, *On Purchases of Goods, Work, and Services by Certain Types of Legal Entities*, of July 18, 2011;
* Federal Law No. 135-FZ, *On Competition Protection*, of July 26, 2006;
* Federal Law No. 122-FZ, *On Amendments to the Russian Code of Administrative Offences*, of May 5, 2014;
* Government Resolution No. 591, *On approval of rules for preparing and adopting acts of the Russian Government on determining a specific purchase, lists and (or) groups of goods, works, or services, information on which is not a state secret, but may not be published on official websites*, of June 14, 2012;
* Government Resolution No. 616, *On Approval of the List of Goods, Works, and Services That Are Purchased in Electronic Form*, of June 21, 2012;
* Government Resolution No. 908, *On Approval of the Regulations for Publishing Information on Procurement on the Official Website*, of September 10, 2012;
* Government Resolution No. 932, *On Approval of Rules for Preparing a Plan of Procurement of Goods (Works, Services) and Requirements for the Form of Such Plan*, of September 17, 2012;
* Government Resolution No. 1211 *On Keeping the Register of Unscrupulous Suppliers under the Federal Law On Purchases of Goods, Work, and Services by Certain Types of Legal Entities*, of November 22, 2012;
* Government Resolution No. 1132, *On the Procedure for Keeping the Register of Contracts Awarded by Customers after a Procurement Procedure*, of October 31, 2014;
* Government Resolution No. 1352, *On the Particularities of Small- and Medium-Sized Businesses’ Participation in the Purchases of Goods, Work, and Services by Specific Types of Legal Entities*, of December 11, 2014 (as amended on October 29, 2015);
* Government Resolution No. 1169 *On the procedure for monitoring the compliance of plans for procurement of goods, works, and services, plans for procurement of innovative products, high-tech products, medicines, changes made to such plans, assessment of compliance of draft plans, and draft changes to be made to such plans with Russian laws, providing for participation of small- and medium-size businesses in procurement, and the procedure and terms for suspending the implementation of such plans as a result of such assessment and monitoring*, of October 29, 2015;
* Russian Government Resolution No. 1442, *On the Procurement of Innovative Products, High-Tech Products by Certain Types of Legal Entities and Amendments to Certain Acts of the Government of the Russian Federation*, of December 25, 2015;
* Russian Government Resolution No. 925, *On the Priority of Goods of Russian Origin and Work and Services Performed by Russian Persons over Goods of Foreign Origin and Work and Services Performed by Foreign Persons*, of September 16, 2016;
* Government Resolution No. 867-r, *On the Approval of the Action Plan (Road Map) “Expanding Access of Small- and Medium-Sized Businesses to Purchases of Infrastructural Monopolies and Government-Linked Companies*”, of May 29, 2013;
* the Uniform Procurement Standard of PJSC “Rosseti” (Procurement Regulations) approved by the Board of Directors of the Company (Minutes No. 11 of October 29, 2018);
* Regulations on the Activities of the Central Procurement Body of PJSC “Lenenergo” approved by Order No. 82 of PJSC “Lenenergo” of February 17, 2017.

When carrying out procurement, open competitive methods are applied to select inventory contractors and suppliers, including:

* bidding procedures,
* auctions,
* requests for proposals,
* requests for quotation.

Procurement from a single supplier (contractor) is applied:

* when selecting contractors to address emergencies, provided that the amount of products to be purchased should not be more than sufficient to prevent an emergency or manage its consequences,
* in cases where there is a need for additional procurement not specified in the master contract, provided that the change of product supplier may lead to significant technical difficulties in operation and maintenance or such additional works (services) are inseparable from the master contract,
* from organizations that have a monopoly in the market.

**Performance under the procurement program in 2018**

995 purchases for a total of RUB 32,818, including VAT, were made in the reporting period through a bidding procedure.

Including by procurement program sections:

| **Sections of the annual comprehensive procurement program (ACPP)** | **Procurements under ACPP** | | | |
| --- | --- | --- | --- | --- |
| **Number of purchases** | | **Cost, RUB million, including VAT** | |
| **Plan\*** | **Actual\*\*** | **Plan\*** | **Actual\*\*** |
| New builds and expansion of electric grid facilities | 88 | 89 | 2,816 | 2,733 |
| Renovation and technical upgrading of electric grid facilities | 606 | 474 | 16,189 | 13,643 |
| Maintenance and repairs of electrical and other equipment | 340 | 241 | 2,779 | 2,225 |
| IT procurement | 49 | 42 | 637 | 475 |
| R&D | 19 | 17 | 428 | 389 |
| Advisory services | 5 | 4 | 129 | 84 |
| Other procurement | 134 | 128 | 10,115 | 13,270 |
| **TOTAL** | **1,241** | **995** | **33,093** | **32,818** |

\* plan – procurements announced during the reporting period;

\*\* actual – procurements that took place with the contract awarded to the winner, taking into account the procurements of the previous year that were accounted for in 2018.

Including by procurement method:

| **ACPP sections** | **Procurements under the procurement program** | | | |
| --- | --- | --- | --- | --- |
| **Number of purchases** | | **Cost, RUB million, including VAT** | |
| **Plan\*** | **Actual\*\*** | **Plan\*** | **Actual\*\*** |
| Public bidding procedure | 268 | 200 | 11,337 | 9,072 |
| Public request for proposals | 569 | 438 | 8,569 | 7,532 |
| Public request for quotation | 79 | 54 | 291 | 234 |
| Public auction | 7 | 10 | 9,085 | 12,400 |
| Request for quotation/proposals for framework agreements signed on awarding public bidding procedures | 239 | 214 | 3,416 | 3,185 |
| Sole supplier (contractor) | 79 | 79 | 396 | 396 |
| **TOTAL** | **1,241** | **995** | **33,093** | **32,818** |

\* plan – procurements announced during the reporting period;

\*\* actual – procurements that took place with the contract awarded to the winner, taking into account the carry-over procurements, the results of which were summarized in 2018.

The number of e-commerce procurements totaled 1,165 procurements for a total of RUB 36,081.09 million. (including VAT) (99.7% of the total number of procurements, 99.7% of the total amount of procurements in value terms (excluding purchases from a sole supplier).

The economic effect from procurement procedures held in 2018 totaled RUB 688.42 million (including VAT) or 2.1% of the planned announced amount of competitive procurements (excluding purchases from a sole supplier).

The share of public procurement procedures in in total procurement was 98.9 % in value terms.

The use of the latest online technologies ensures openness, visibility, and transparency of the Company’s procurement activities, as well as secure remote access to monitor the key phases of procurement procedures such as timely announcement of regulated procurement procedures, disclosure of complete (sufficient) information on procurement procedures, including notices, procurement documents, reports, etc., awarding timelines, selection of winners.

As a full-fledged user of online marketplaces, PJSC “Lenenergo” carried out 99.7% of its procurement procedures in 2018 in electronic form, namely using the functionality of online markeplaces at: [www.etp.rosseti.ru](http://www.etp.rosseti.ru), www.roseltorg.ru and [www.b2b-mrsk.ru](http://www.b2b-mrsk.ru).

The effectiveness of competitive online procurement is corroborated by the sufficient market offering from a large number of active bidders participating in competitive bidding procedures held by PJSC “Lenenergo”.

The official unified procurement information website of the Russian Federation with the address set out in applicable Russian laws (<http://zakupki.gov.ru>) is used by the Company as its key information source. It is a mandatory website for publishing information on planned and ongoing regulated procurement procedures, on the procedure for regulated procurement of goods, works, and services, which allows increasing the competition between participants of regulated procurement procedures to purchase best quality products on the best terms.

**Procurements from small- and medium-sized businesses.**

As part of expanding access of small- and medium-sized businesses to the procurement procedures of PJSC “Lenenergo”, the Company has developed a program of partnership between PJSC “Lenenergo” and small- and medium-sized businesses.

The Program of Partnership between PJSC “Lenenergo” and small- and medium-sized businesses provides for a range of measures aimed at building and supporting a community of reliable, qualified, and responsible suppliers (contractors) from among small- and medium-sized businesses.

The purpose of the Program is to ensure the implementation of the government’s policy for the development of small- and medium-sized businesses through the Company’s procurements, which provides, *inter alia*, for:

* increasing the share of customer purchases from small- and medium-sized businesses in the total annual amount of the Company’s purchases;
* increasing the share of the Company’s direct purchases from small- and medium-sized businesses in the total amount of the Company’s purchases;
* increasing the share of purchases of innovative products and/or high-tech products, and R&D solutions from small- and medium-sized businesses in the total annual amount of the Company’s purchases;
* building a system for transfer of new R&D solutions of small- and medium-sized businesses, including those aimed at innovative development of the Company and integrated into the Company’s business development strategy.

Information about the Program is published by the Company on the Company’s website ([www.lenenergo.ru](http://www.lenenergo.ru)) in the Procurement section.

Order No. 305 of PJSC “Lenenergo”, *On Amendments to Order No. 34 of PJSC “Lenenergo” of February 3, 2016*, of July 4, 2018 approved the current composition of the Deliberative Body for Ensuring the Efficiency of Lenenergo’s Purchases, Including Purchases from Small- and Medium-Sized Businesses.

As a result of the meetings of the Deliberative Body, the following tasks were completed:

* amendments were made to provisions on obligations and liability of the parties (symmetrical requirements) in the standard forms of contracts with a value of up to RUB 1 million, including VAT;
* in case of procurement procedures with the initial (maximum) value of up to RUB 5 million, no bid security is required;
* procurement procedures for the supply of line accessories in line with the STO organizational standard of PJSC “Rosseti” were completed;
* the Company’s purchases were divided into two main types of procurement procedures: purchases of equipment and materials, and purchases of services;
* In order to simplify the access of small- and medium-sized businesses to the Company’s procurement procedures, the list of documents required for participation in procurement was shortened.

Procurement procedures won by small- and medium-sized businesses in 2018 resulted in the award of 709 contracts worth RUB 15,926 million (including VAT), including 582 contracts for RUB 8,912 million (including VAT) under procurement procedures held for small- and medium-sized businesses only, which represents 49% of the total value of contracts signed (net of contracts excluded from the calculations in line with the Government Resolution No. 1352, *On the Particularities of Small- and Medium-Sized Businesses’ Participation in the Purchases of Goods, Work, and Services by Specific Types of Legal Entities*, of December 11, 2014 (as amended on October 29, 2015)) and meets the requirements of the Resolution.

A total of 846 procurement contracts worth RUB 17,412 million, including VAT (87% of the total value of purchases made) were awarded to small- and medium-sized businesses.

One of the scenario conditions set by PJSC “Rosseti” for minimizing the use of imported equipment and materials in design solutions and technical specifications at PJSC “Lenenergo” includes the maximum use of equipment, materials, technical devices, components, and software produced by domestic manufacturers.

The activity plan prepared under Order No. 195, *On Approval of the Import Substitution Plan at PJSC “Rosseti”*, of October 14, 2014, provides for the following activities:

* reducing dependence on imported equipment, technical devices, components, services (works), and software of foreign manufacturers;
* minimizing the use of imported equipment and materials in design solutions when preparing technical specifications. The share of imported core electrical equipment in the total amount of purchased equipment was 14.43% at year-end 2018.

In order to introduce and promote new technologies and solutions in the Company’s operations, the Company has prepared the Innovative Development Program of PJSC “Lenenergo” for the medium-term period of five years with due consideration of the priorities of the state R&D and innovation policy, which provides for a range of measures aimed at developing and introducing new world-level technologies, innovative products and services.

20 purchases of innovative products were made in 2018 for a total of RUB 1,588 million, including VAT.

The Company has determined its key goals in raising the effectiveness of procurement:

* equality, fairness, and no discrimination or unreasonable restrictions on competition with respect to procurement participants;
* competitive selection of suppliers and contractors wherever possible and reasonable, and, to the extent possible, collective decision-making in situations where competitive selection is impracticable;
* use of advanced information technologies, electronic document management and procurement automation solutions, including the functionality of online marketplaces;
* supply of the Company with quality equipment, machinery, materials, and at the best value for money ratio;
* professionalism and competence of the Company’s employees in preparing and making procurement decisions.
  1. **Management systems**

The Quality Management System is implemented and operates at the Company as a part of the integrated management system. Resolutions on implementing the Quality Management System, Environmental Management System, and Occupational Safety and Health Management System were adopted by the Company’s Board of Directors in 2008 (Minutes No. 17 of February 6, 2008 and No. 20 of March 12, 2008).

To decrease costs it was decided to introduce these systems in their integrated form as the Integrated Management System (“IMS”) (Order No. 299 of PJSC “Lenenergo”, *On Adoption of the Integrated Management System*, of August 21, 2008).

IMS is an integral part of the Company’s overall management system, aimed at ensuring the high quality of services in line with the requirements of regulatory documents, customer needs and expectations, in the best interests of all stakeholders, including employees, shareholders, investors, and partners of the Company.

The following management systems are implemented and operate in the Company as part of the IMS:

1.       Quality Management System (QMS)

QMS is an integral part of the Company’s overall management system, aimed at ensuring the high quality of services in line with the requirements of regulatory documents, customer needs and expectations, in the best interests of all stakeholders, including employees, shareholders, investors, and partners of the Company.

2.       Environmental Management System (EMS)

EMS is a part of the Company’s overall management system, which covers the organizational structure, activity planning, distribution of responsibilities, hands-on work, as well as procedures, processes, and resources to develop, implement, evaluate the performance, and improve the environmental policy, goals, and objectives.

3.       Occupational Health and Safety Management System (OHSMS)

OHSMS is a part of the Company’s overall management system, which manages risks and improves performance in occupational health and safety.

The Company’s management systems comply with ISO 9001:2015 (GOST R ISO 9001-2015), ISO 14001:2015 (GOST R ISO 14001-2007) and OHSAS 18001:2007/ GOST R 59934-2012 (GOST 12.0.230-2007) (Table 20).

**Certificates**

Table 20

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **PJSC “Lenenergo”** | **Management systems / certificate validity** | | | **Certification authority** |
| ISO 9001 | ISO 14001 | OHSAS 18001 |
| 1. | **PJSC “Lenenergo”** | No. 16.0421.026 of March 29, 2016 (to March 29, 2019) | No. 16.0423.026 of March 29, 2016 (to March 29, 2019) | No. 16.0419.026 of March 29, 2016 (to March 29, 2019) | Russian Register – Baltic Inspection, LLC |
| *Note:*  *PJSC “Lenenergo”, including all branches*  *ISO 9001 Q= quality management system*  *ISO 14011 Environmental management systems*  *OHSAS 18001 - occupational health and safety management system.* | | | | | |

In March 2018, an inspection audit of the integrated management system of PJSC “Lenenergo” was conducted by Russian Register - Baltic Inspection, LLC to check compliance with the requirements of ISO 9001:2015 (GOST R ISO 9001-2015), ISO 14001:2015 (GOST R ISO 14001-2007), and OHSAS 18001:2007 / GOST R 59934-2012 (GOST 12.0.230-2007),

The key targets of the IMS include:

1. raising the reliability and quality of electricity supply to a level that meets consumer demand;
2. increasing the safety of electricity supply, ensuring occupational safety and health at workplace, including reducing the total number of accidents while complying with legal requirements for occupational safety and environmental protection;
3. ensuring environmental safety.

The key stakeholders of the IMS, including the QMS, include:

* the Company’s Board of Directors;
* executive bodies of the Company – the CEO and Management Board;
* the integrated management system officer (IMSO) –-First Deputy CEO – Chief Engineer (Order No. 239 of PJSC “Lenenergo”, of May 30, 2018);
* the Quality Management Service responsible for operating the IMS;
* other structural units of the Company covered by IMS.

Key results of adopting the management systems include:

(a) Improved reliability and quality of electricity supply;

*For more details, see the Operations section on page \_\_\_*

b) Increased safety of electricity supply;

*See the Operations section on page \_\_\_*

c) Ensuring occupational health and safety in operations, including reduced overall number of accidents while complying with the requirements of laws on occupational health and safety;

*For more details, see the Occupational Health and Environmental Protection section on page \_\_\_\_*

d) improved energy efficiency;

*For more details, see the Innovative Development and Innovations in Energy Saving and Energy Efficiency on page \_\_\_\_*

e) ensuring environmental safety.

*For more details, see the Occupational Health and Environmental Protection section on page \_\_\_\_*

f) improved quality of grid connection services

*For more details, see the Grid Connection section on page \_\_\_\_*

In general, the operation of management systems showed positive results in the reporting year.

* 1. **Public relations**

As part of the Uniform Communications Policy of Rosseti Group, PJSC “Lenenergo” maintains and updates information in the Company’s official accounts in popular social media. Special attention is paid to awareness raising and verification of accuracy of information distributed in social media during the work on addressing electricity supply disruptions caused by adverse weather conditions. Regular business contacts have been established and maintained with the press centers of public authorities of Saint Petersburg and the Leningrad Region, with information support provided for working meetings between the Company’s management and heads of Russian regions within the Company’s scope of responsibility. Mass media cover our key events and programs: in 2018 the Company’s participation in the All-Russian drills of power engineers in Daghestan, ensuring reliable electricity supply to infrastructure facilities during the FIFA World Cup, commissioning of new equipment at the Krasny Treugolnik substation, upgrade of the Customer Online Account, launch of the first automated electric grid district in the Leningrad Region, and other projects were widely covered.

The PR Department of PJSC “Lenenergo” issues the *Energetik Peterburga* corporate newspaper on a monthly basis. This is an important communications tool that creates a single information space both within the Company, which has an extensive network of branches, and in the external media environment.

**Awareness raising**

PJSC “Lenenergo” continued its work under a comprehensive electrical safety program aimed at preventing injuries at the Company’s electric grid facilities, which has been implemented since 2011. 320 open lessons attended by more than 7,000 children and teenagers were held across schools and children’s camps in Saint Petersburg and the Leningrad Region. During the lessons, children were informed about the safety rules that need to be followed when standing near energy facilities and were told about the need for careful handling of electricity, including household appliances.76 tours of Lenenergo’s substations and the training facility were conducted for high school students.

The Company sent polygraphic materials, cartoons, and audio clips to educational institutions in order to increase their knowledge of electrical safety. A total of 10,150 posters on electrical safety, 5,317 reflectors, and 21,936 souvenirs (coloring books, notebooks, flyers, bookmarks, and toys) were distributed to children. New materials were also added to the Safe Electricity website at www.portal-lenenergo.ru, in the themed sections where a lot of useful information can be found on electrical safety, including about energy saving, as well as visual aids, scenarios, videos, and photos.

GLOSSARY

|  |  |
| --- | --- |
| AISEBM | Automated information system of electricity billing metering; |
| ADS | Automated dispatching system; |
| APCS | Automated process control system; |
| AESCS | Automated electricity supply control system; |
| UPTS | Unit-type package transformer substation; |
| OL | Overhead line |
| UES | Unified Energy System |
| ITPS | Indoor transformer substation |
| CL | Cable line |
| FAS | Factory-assembled switchgear |
| SF6 FAS | SF6-insulated factory-assembled switchgear |
| CD | Compensating devices |
| PL | Power line |
| R&D | Research and development |
| TS | Technical standards |
| STC | Scientific and Technical Council |
| SW | Software |
| SS | Substation |
| RIEF | Rules for Installing Electric Facilities |
| RPA | Relay protection and automation |
| SG | Switchgear |
| DPCS | Dispatch and process control system |
| SO UES | System Operator of the Unified Energy System |
| TS | Transformer substation |
| TGO | Territorial grid organization |
| RPA STD | Relay protection and automation signal transmission device |
| FCD | Facility communications device |
| FM | Functional module |
| CPU | Central processing unit |
| EDIS | Expert diagnostics and information system |
| ASV | State Corporation *Deposit Insurance Agency* |
| TSA | Trading System Administrator of Wholesale Electricity Market |
| Gross domestic product (GDP) | An aggregate indicator of a country’s economic performance. It is the sum of added value of economic activities at the production stage in basic prices and net taxes on products, and at the use stage, the value of goods and services intended for final consumption, accumulation, and exports. GDP is calculated in the current basic and market prices as well as in constant prices |
| Gross regional product (GRP) | A basic indicator of socio-economic development of constituent entities of the Russian Federation, which describe their performance in producing goods and services for a certain period. GRP is the sum of gross added value (GVA) produced by all residents of the regional economy plus the value of net taxes on products |
| Foreign trade turnover | The sum of exports and exports |
| ACPP | Annual comprehensive procurement program |
| SDCs | Subsidiaries and affiliates |
| Cash income | Salaries of employees, income of entrepreneurs, pensions, allowances, scholarships, and other social payments, proceeds from property such as interest on deposits, securities, dividends, and other income. |
| Real cash income | Nominal cash income adjusted for the consumer price index |
| Per capita cash income | Calculated by dividing the total cash income by the number of permanent residents |
| DP | Dispatching point |
| CF | Cash flow |
| EU | European Union |
| UES | The Unified Energy System |
| Imports | Import of goods to the Russian Federation without an obligation to take them back. Imports includes goods imported for consumption in the national economy and goods imported under the re-import regime. Re-import goods are goods previously exported from the Russian Federation, and then imported into the Russian Federation without paying customs duties and taxes and without applying economic prohibitions and restrictions to the goods |
| INN | Taxpayer identification number |
| Consumer price index (CPI) | The indicator that describes the change over time in the overall level of prices and tariffs for goods and services purchased by the population for non-productive consumption. It measures the ratio of the current value of a fixed set of goods and services to its value in the previous period. |
| Industrial production index | A relative indicator that reflects the change in the scale of production in the periods under comparison. There are an individual industrial production index and a composite industrial production index. Individual indices reflect the change in the output of one product and are calculated as a ratio of the amounts of this product in physical terms in the periods under comparison. The composite industrial production index reflects the aggregate changes in the production of all types of products. The index reflects the change in the value created by industrial production as a result of changes in the physical amount of products only. To calculate the composite industrial production index, individual indices for specific types of industrial products are aggregated stage-by-stage into indices for economic activity types and for industrial production as a whole |
| Industrial goods producer price indices | Industrial goods producer price indices are calculated based on registered prices for representative goods at basic (anchor) enterprises. It takes into account the actual selling prices of manufacturers for the current period (without indirect commodity taxes such as VAT, excises, etc.) for goods intended for sale in the domestic market |
| Foreign investments | Investments of capital by foreign investors and by foreign branches of legal entities registered by Russian companies abroad in business and other entities in Russia to generate income. Investments are divided into direct, portfolio, and others. |
| Inflation | A process characterized by an increase in the overall price level in an economy or, equivalently, a decrease in the purchasing power of money |
| CL | Cable line |
| FAS | Factory-assembled switchgear |
| SF6 FAS | SF6-insulated factory-assembled switchgear |
| FMTS | Factory-assembled modular transformer substation |
| CPMC of Saint Petersburg | City Property Management Committee of Saint Petersburg |
| Asset liquidity | The ability of an asset to be converted into cash during the production process; the degree of liquidity is determined by the duration of the turnover period during which the transformation can be achieved |
| Enterprise liquidity | This indicator reflects the ability of an enterprise to monetize its assets (property) quickly and with minimum financial losses |
| Accounting liquidity | Accounting liquidity measures the extent to which liabilities of an enterprise are covered by its assets, which can be monetized within a period equal to the liabilities’ maturity period. |
| TPPC of the Leningrad Region | The Tariffs and Pricing Policy Committee of the Leningrad Region |
| PL | Power line |
| IMF | International Monetary Fund |
| IDIFTS | Interdistrict Inspectorate of the Federal Tax Service |
| IFRS | International Financial Reporting Standards |
| Russian MF | Ministry of Finance of the Russian Federation |
| R&D | Research and development |
| VAT | Value added tax |
| Russian Tax Code | The Tax Code of the Russian Federation |
| ITA | Intangible assets |
| STC | Scientific and Technical Council |
| CCU | Capital Construction Unit (or another unit) |
| FA | Fixed Assets |
| OFZ | Federal bonds of the Russian Federation |
| Company | OJSC “Lenenergo” |
| OIMS | Operational information management system |
| PO | Pilot operation |
| Population size estimate | Determining the number of residents of a region or part thereof without carrying out a special census |
| AR | Accounting regulations |
| LCSS | Load-center substation |
| Petrostat | A territorial body of the Federal State Statistics Service in Saint Petersburg and the Leningrad Region |
| Enterprise solvency | Ability of an enterprise to meet its financial obligations arising from commercial, credit, and other similar transactions |
| SS | Substation |
| CMP | Cost management program |
| DS | Distribution station |
| RAS | Russian Accounting Standards |
| DGC | Distribution grid company |
| DTS | Distribution transformer substation |
| SG | Switchgear |
| Net financial result of organizations (profit less losses) | The ultimate financial result calculated based on accounting records of all business operations of organizations. It is the sum of profit (loss) from sale of products (works, services), fixed assets, other property of organizations, and income from non-commercial transactions decreased by the sum of expenses incurred for such transactions. The data on the net financial result is published for a range of large and medium-sized organizations, in actual prices, with the structure and methodology applicable in respective years, in line with the accounting data |
| NWFD | Northwestern Federal District |
| SO UES | System Operator of the Unified Energy System |
| DCCS | Direct Control Current System |
| BAMS | Business assets management system |
| TGO (in energy) | Territorial grid organization (a term from Federal Law No. 35-FZ, *On the Electric Power Industry*, of March 26, 2003) |
| GC | Grid connection |
| RPSTD | Relay protection signal transmission device |
| Service | Useful result of an activity that satisfies certain needs, but not embodied in a tangible (material) form. The key types of international services include: transport services, hospitality services, postal and communications services, vehicle repair, equipment installation services, and other types of services not included in the above list |
| FAS | Federal Antimonopoly Service (FAS of Russia) |
| FZ | Federal Law |
| FGC | “FGC UES”, PJSC |
| FTS | Federal Tariff Service of the Russian Federation |
| Financial analysis | A set of analytical procedures at the enterprise level, based, as a rule, on publicly available financial information and designed to assess the economic potential of an enterprise and its development outlooks |
| FFMS | Federal Financial Markets Service |
| CBR | Central Bank of Russia |
| FRC | Financial responsibility center |
| Exports | Export of goods from the customs territory of a state to another country without an obligation to re-import such goods. Exports include domestically produced goods, as well as re-exports of goods. Domestically produced goods also include goods produced in a foreign country, but imported into the first country and processed to a substantial extent, changing the basic qualitative or technical parameters of such goods. Re-exported goods include goods imported into a country and then exported abroad without processing. |
| EBITDA | Earnings before Interest, Taxes, Depreciation and Amortization |
| ROE | Return on equity |

**SECTION 6. APPENDICES**

[SECTION 6. APPENDICES 191](#_Toc95935366)

[6.1. About the Company 192](#_Toc95935367)

[6.2. Key Principles of the Accounting Policy 193](#_Toc95935368)

[6.3. Report on Compliance with the Principles and Guidelines of the Corporate Governance Code in 2018. 198](#_Toc95935369)

[6.4. Report on Interested-Party Transactions Made by PJSC “Lenenergo” in 2018 229](#_Toc95935370)

[6.5. Information on approved tariffs for electricity distribution for 2018–2019. 232](#_Toc95935371)

[6.6. Information on approved tariffs for grid connection for 2018–2019. 240](#_Toc95935372)

[6.7. Information on the structure of assets and its changes in 2018 265](#_Toc95935373)

[6.8. Changes in the breakdown of capital investments in 2016–2018; 268](#_Toc95935374)

[6.9. Organizational structure of the Company 270](#_Toc95935375)

[6.10. Customer service centers in Saint Petersburg and the Leningrad Region; 273](#_Toc95935376)

[6.11. Functions of participants of the internal control system of PJSC “Lenenergo” 273](#_Toc95935377)

[6.12. RAS financial statements of PJSC “Lenenergo” 276](#_Toc95935378)

## About the Company

|  |  |
| --- | --- |
| 1. Full name | Public Joint-Stock Company “Lenenergo” |
| Short name | PJSC “Lenenergo” |
| Location | 1, Ploshchad Konstitutsii, Saint Petersburg, 196247 |
| INN/KPP | 7803002209 / 781001001 |
| OGRN | 1027809170300 |
| Bank details | a/c 40702810855000164957, correspondent a/c 30101810500000000653  NORTHWEST BANK OF SBERBANK, PJSC  Saint Petersburg  BIC 044030653 |
| E-mail | office@lenenergo.ru |
| Web-site: | www.lenenergo.ru |
| CEO | Andrey Ryumin  Reception tel. (812) 331-87-95; fax (812) 331-87-96 |
| Chief Accountant | Galina Kuznetsova  Tel. (812) 331-87-78; fax (812) 331-87-67 |
| Corporate Secretary of the Company | Ilya Sobolev  Telephone/ fax (812) 494-33-84  E-mail: Sobolev.IA@nwenergo.com |
| Shareholder and Investor Relations | Tel. (812) 494-39-06; fax (812) 494-37-34  E-mail: ir@lenenergo.ru |
| Head of the Press Centre | Yulia Zarubina  Tel. (812) 494-39-12; fax (812) 494-35-45  E-mail: ir@lenenergo.ru |
| Head of Bidding Procedures Unit | Nikolay Parfenov  Tel. (812) 494 32 93; fax (812) 595-33-48  E-mail: Parfenov.NN@nwenergo.com |
| Hot line | Tel. (812) 595-86-62; fax (812) 494-31-71 |

**General information on the Company’s registrar**

|  |  |
| --- | --- |
| Full name | Joint Stock Company “Independent Registrar Company R.O.S.T.” |
| Short name | JSC “IRC – R.O.S.T.” |
| Registration date | November 22, 1993, Moscow Registration Chamber, Registration No. 447.993 |
| License No. | License No. 10-000-1-00264 of December 3, 2002, issued by the Federal Securities Markets Commission of the Russian Federation. |
| Location: | 107996, Moscow, Stromynka, 18, bldg13  194044, Saint Petersburg, Belovodsky 6 |
| Contacts | Tel./fax: +7 (812) 401-63-13;  e-mail: rrost-spb@rrost.ru |

Before December 14, 2010, the shareholders' register was kept by CMD, OJSC ([www.mcd.ru](http://www.mcd.ru)).

**General information on the Company’s auditor**

|  |  |
| --- | --- |
| Full name of the official auditor | Ernst & Young, Limited Liability Company |
| Short name of the official auditor | Ernst & Young, LLC |
| Registered address | 115035, Moscow, Sadovnicheskaya Naberezhnaya, 77 bldg. 1 |
| Actual address | 115035, Moscow, Sadovnicheskaya Naberezhnaya, 77 bldg. 1 |
| Telephone/fax: | +7 495 755 97 00 |
| Web address | http://www.ey.com/ |
| Included in the Unified State Register of Legal Entities | OGRN 1027739707203 |
| E-mail | moscow@ru.ey.com |

## Key Principles of the Accounting Policy

**General Provisions.**

The Accounting Policy has been developed based on the *Uniform Corporate Accounting Standards under the Russian Accounting Standards (RAS)* (hereinafter the “UCAS”) in accordance with the requirements of the accounting and reporting laws of the Russian Federation.

The accounting policy as a combination of accounting principles, organizational rules, and technologies aims to provide the fullest, most objective, reliable, and up-to-date financial and management information in the accounting statements and reports with due consideration of the organizational and industry-specific profile of PJSC “Lenenergo”.

Financial and tax accounting methods are consistently applied by PJSC “Lenenergo” from January 1, 2014 (approved by Order No. 836 of PJSC “Lenenergo”, *On Approval of the Accounting Policy*, of December 31, 2013), with all new elements and aspects included in the Accounting Policy when making amendments to the existing version. When preparing such amendments to the Accounting Policy, all changes have been consistently applied from January 1, 2018.

The accounting principles are based on Russian laws and/or accounting regulations. If the regulatory legal acts do not establish any accounting methods for a specific matter, an appropriate method was developed based on the applicable accounting regulations and International Financial Reporting Standards.

Accounting records are kept at the Company in line with Federal Law No. 402-FZ, *On Accounting*, of 6 December 2011, and the Regulations for Accounting and Reporting in the Russian Federation, approved by Order No. 34n of the Russian Ministry of Finance, of July 29, 1998 (as amended), as well as the applicable Accounting Regulations. The accounting (financial) statements of the Company for 2018 were prepared in accordance with the above Law and Regulations, the Accounting Policy of the Company approved by Order No. 836 of December 31, 2013 with amendments and additions made by Orders No. 132 of March 27, 2015, No. 183 of April 24, 2015, No. 310 of July 8, 2015, No. 626 of December 31, 2015, No. 144 of March 31, 2016, No. 303 of June 30, 2016, No. 653 of December 9, 2016, No. 699 of December 28, 2016, No. 746 of December 31, 2016, No. 500 of September 25, 2017, No. 692 of December 8, 2017, and No. 53 of February 6, 2018 based on consolidated data of the balance sheets of the Company’s Branches.

The accounting (financial) statements of the Company were prepared based on form templates recommended for use by Order No. 66n of the Russian Ministry of Finance of July 2, 2010 (as restated on April 6, 2015), *On forms of accounting statements of organizations*, and guidelines of PJSC “Rosseti” on RAS consolidated financial statements.

The Company independently develops a Chart of Accounts containing a full list of synthetic and analytical accounts (including sub-accounts) required for accounting and ensuring the preparation of accounting, statistical, and management reports (Appendix to the Accounting Policy).

The Chart of Accounts allows implementing a certain method for registering and grouping data on accounting events to generate the required reporting forms (financial, statistical, and tax) and is intended to unify accounting at PJSC “Lenenergo”.

In the course of this work, accounting departments of the Company also use analytical attributes (system-wide directories and classifiers) developed with due consideration of the applicable production control requirements.

Subsidiaries of PJSC “Lenenergo” prepare interim financial statements in compliance with the accounting policy, are responsible for accounting for property allocated to them, and are guided by the key provisions of the accounting policy of PJSC “Lenenergo”.

**Organizational aspects of the accounting policy.**

As at December 31, 2018, PJSC “Lenenergo” includes the Executive Arm and nine branches. The branches were set up to align the organization with the existence of standalone production, commercial, and business processes.

Heads of branches are appointed by the CEO of PJSC “Lenenergo” and act under powers of attorney issued by the CEO.

The CEO, Deputy CEOs and Directors of the Company’s branches are responsible for organizing the accounting process and submitting reliable accounting statements of the Company, as well as for ensuring legal compliance of business operations, and mandatory audits.

The Chief Accountant – Head of the Financial and Tax Accounting and Reporting Department of PJSC “Lenenergo” is responsible for drafting the accounting policy, keeping financial and tax accounts, timely submission of complete and reliable accounting and tax reports, as well as for reporting under the International Financial Reporting Standards (IFRS).

The Chief Accountant reports to the CEO.

**Organization of accounting.**

The Financial and Tax Accounting and Reporting Department of the Executive Arm directly reports to the Chief Accountant, while Financial and Tax Accounting and Reporting units of branches also report to the Chief Accountant (dotted line reporting with regard to day-to-day operations and methodology).

The Financial and Tax Accounting and Reporting units of the Company’s subsidiaries led by chief accountants as well as the Financial and Tax Accounting Department of the Executive Arm make up the Accounting Service of PJSC “Lenenergo”, which is mainly tasked with keeping financial and tax accounts and drafting accounting and tax reports.

The composition and subordination, division of powers and responsibilities, structure and distribution of accounting functions (including their centralization) as well as the drafting of a list of accounting items within the Accounting Service of the Company are subject to direct approval of the Company’s Chief Accountant depending on the production functions of branches and business processes occurring within them.

The requirements of the Chief Accountant regarding documentation of business transactions and submittal of the necessary documents and information to the accounting services are binding on all employees of the Executive Arm and branches of PJSC “Lenenergo”.

Accounting according to IFRS standards and international reporting are the responsibility of the IFRS Reporting Department of the Executive Arm, which is a part of the Financial and Tax Accounting and Reporting Department.

Payroll accounting is the responsibility of the Payroll Unit of the Executive Arm, which is a part of the Financial and Tax Accounting and Reporting Department.

Monitoring of tax payments, preparation of the tax base and tax returns, consolidation of tax accounting registers (forms) are the responsibility of the Tax Accounting and Reporting Unit of the Executive Arm.

PJSC “Lenenergo” assesses and pays taxes in a centralized way in line with the Russian laws on taxes and charges, laws of constituent entities of the Russian Federation on taxes and charges, regulatory legal acts of local governments on taxes and charges, using accounting software applied by PJSC “Lenenergo”.

Accounting is performed:

* in rubles and kopecks using total uninterrupted documentation of all business transactions,
* double-entry bookkeeping on interconnected accounts, aligned with the Chart of Financial and Business Accounts.

PJSC “Lenenergo” keeps its accounting records using automated forms via 1C applications

**Technical aspects of the accounting policy.**

Accounting entries are made based on primary documents that record all business operations that may affect the financial state of the organization regardless of the degree of probability and materiality of their impact. Transactions that are not subject to accounting (including facts of business activities) are not recognized in accounting records.

Documents used for recognizing business transactions with cash (in bank accounts, under contracts that change financial obligations of PJSC “Lenenergo”) are signed by the CEO of PJSC “Lenenergo” and the Chief Accountant (for compliance of the business transaction with accounting requirements), or by other authorized persons.

The right to sign primary accounting documents is assigned by an order applicable throughout PJSC “Lenenergo”. In addition, heads of services (heads of divisions, departments, etc.) have the right to sign documents according to their official and functional responsibilities or under a power of attorney issued by the Company’s CEO.

In order to ensure confidentiality, the procedure for using the electronic digital signature is approved by separate administrative documents of PJSC “Lenenergo” depending on the use purpose.

When using electronic document management tools within the Company, making a copy of the relevant primary accounting document in hard copy is mandatory if an accounting entry is made based on such document.

To recognize financial and business transactions, as well as for tax accounting purposes and for the purposes of Accounting Regulations 18/02, for which no standard primary accounting forms exist, PJSC “Lenenergo” develops forms of tax registers and documents based on the Accounting Regulations, applicable accounting guidelines and instructions, and existing forms of primary accounting documents, taking into account the needs of the energy system and industry specifics as adopted and reflected in the Accounting Policy.

Primary documents used by PJSC “Lenenergo” for recognizing standard business transactions of the Company are developed with due consideration of its operational profile and applicable accounting methods and are approved as a standalone Appendix to the Accounting Policy Regulations.

Primary accounting documents are accepted in any form, but if there are no similar documents among approved forms of primary documents, they must contain the following mandatory details:

* document title;
* document date;
* the name of the branch (organization) on behalf of which the document has been drawn up;
* the description of the relevant accounting event;
* the value in kind and/or in cash of the accounting event, specifying the units of measurement;
* the positions of persons who made the transaction or operation and are responsible for its correct execution or the position of a person responsible for correctness recognition of an occurred event;
* personal signatures and full names of the above persons as required for their identification.

As the Company uses an automated accounting system, primary accounting documents and other applicable periodic reporting forms can be kept in soft copy, and can be printed out at request of audit and tax authorities.

The flow of primary documents at PJSC “Lenenergo” (generation or receipt from other entities, companies, and organizations, the document flow between subsidiaries, acceptance for accounting, processing, writing-off, or archiving) is regulated by the Document Management Schedule, which is a standalone Appendix to the Accounting Policy Regulation.

Copies of documents confirming expenditures of financial resources and serving as the basis for settlements with various organizations with respect to obligations of PJSC “Lenenergo” (including its branches) are submitted to the Treasury of the Executive Arm with a completed Payment Order form with an “accepted for accounting” stamp and signed by the responsible employee of the accounting service that is responsible for recognizing the relevant expenditure item.

Copies of contracts, original acts and invoices with respect to obligations are submitted to the accounting service that is authorized to recognize the relevant expenditure item.

The Company keeps primary accounting documents, accounting registers, and accounting reports during the periods specified in the internal organizational and administrative documents, but at least for five years.

The originals of primary accounting documents on business transactions generated at branches are accepted for accounting and kept at places where they were generated.

Documents that no longer need to be kept are destroyed against a report to be signed authorized officers.

**Reporting procedure and timelines**

The Company prepares quarterly and annual financial statements on an accrual basis from the beginning of the reporting year using the forms and procedure set out in the with the Regulations for the Procedure for Statement Preparation in Accordance with Russian Accounting Standards of PJSC “Rosseti”.

Quarterly financial statements are interim financial statements.

Financial statements are presented in full thousands of rubles without decimal points.

The Company’s interim RAS financial statements include the following forms:

* Balance sheet
* Statement of Financial Results
* Estimate of the Company’s net assets
* Other forms specified in the Regulations for the Procedure for Statement Preparation in Accordance with Russian Accounting Standards of PJSC “Rosseti”

The Company’s annual financial statements include:

* Balance sheet
* Statement of Financial Results
* Statement of Changes in Equity
* Statement of Cash Flows
* Explanatory notes
* Auditor’s report

Financial statements of PJSC “Lenenergo” are prepared by the accounting service of the Executive Office based on summarized information on the accounting items of the Company as a business entity:

* accounting events;
* assets;
* liabilities;
* sources of financing;
* income;
* expenses;
* other items, where required by federal standards.

Tax reports with respect to taxes and charges paid in a centralized manner are prepared by the Tax Accounting and Reporting Unit of the Executive Arm based on data provided by the financial and tax accounting and reporting departments of branches, and other services of PJSC “Lenenergo”.

Financial and tax accounting for accounting items is performed in rubles and kopecks.

Property (materials, fixed assets, etc.) are transferred from one subsidiary to another as instructed by management as assets redistributed by a single legal entity to the appropriate accounts for intra-corporate settlements based on the Chart of Accounts.

Accounting items are disclosed (recognized as a separate item) only if its value is material.

An item is considered material if its non-disclosure may affect the economic decisions of stakeholders made based on the reported information.

PJSC “Lenenergo” submits its annual financial statements to addresses and within timelines set out in applicable laws and publishes its annual financial statements not later than June 1 of the year following the reporting year.

**Taking stock of assets and liabilities.**

The stock of assets and liabilities for financial and tax accounting purposes is taken in line with the Guidelines for Stocktaking of Assets and Liabilities approved by Order No. 49 of the Russian Ministry of Finance of June 13, 1995, and other organizational and administrative documents of the Company.

The stocktaking procedure is mandatory:

* prior to the preparation of annual financial statements (except for assets stocktaking of which was performed not earlier than November 1 of the reporting year);
* fixed assets and intangible assets – once a year as at November 1,
* inventories – once a year as at November 1,
* assets and liabilities recognized in off-balance-sheet accounts – once a year as at November 01,
* financial liabilities - once a year as at January 1,
* cash on hand - monthly as at the last business day of the month,
* when transferring property for lease, redemption, or sale;
* when the accountable persons are changed;
* when theft, abuse, or damage to property are identified;
* in the event of a natural disaster, fire, or other emergency caused by extreme conditions;
* in other cases provided for in Russian laws.

Alongside with stocktaking required for accounting purposes, PJSC “Lenenergo” carries out stocktaking to confirm operational accounting data and for other management purposes of the Company.

The stocktaking schedule is approved by the CEO of PJSC “Lenenergo” or by heads of its subsidiaries authorized by the CEO to do so for their respective subsidiaries.

Stocktaking commissions are created to carry out stocktaking, with their members appointed by heads of branches and, if necessary, by the CEO Director of PJSC “Lenenergo”. Working stocktaking commissions are set up to conduct stocktaking simultaneously if the scope of work is too large.

Stocktaking list forms as per the relevant stocktaking order are used to record the results of stocktaking.

The discrepancies identified by stocktaking between the existing assets and the accounting data are to be recognized in the financial accounts in the reporting period to which the date as at which the results of stocktaking were registered refers, as follows:

* the surplus of such property is recognized as received at its market value as at the date of stocktaking, with the respective amount recognized in Account 91 *Other Income and Expenses*;
* shortages and spoilage of property within the natural loss rates are recognized as production or operation costs and those that exceed natural loss rates are charged to the liable persons. If the liable persons are not established or the court has refused to charge them, losses from shortage or spoilage of property are written off to Account 91 *Other Income and Expenses*.

## Report on Compliance with the Principles and Guidelines of the Corporate Governance Code in 2018.

**REPORT**

**on Compliance with the Principles and Guidelines of the Corporate Governance Code**

This Report on compliance with the principles and guidelines of the Corporate Governance Code was reviewed by the Board of Directors of PJSC “Lenenergo” at its meeting of \_\_\_\_ 2019 (Minutes No. \_\_ of \_\_\_ 2019).

The Board of Directors of PJSC “Lenenergo” confirms that the data in this report provide a full and fair view of the Company’s compliance with the principles and guidelines of the Corporate Governance Code in 2018.

For an overview of key aspects of the corporate governance model and practices at PJSC “Lenenergo” as well as an overview of the methodology used by the company to assess compliance with the corporate governance principles outlined in the Corporate Governance Code, see the Corporate Governance section of the Company’s Annual Report.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Corporate governance principle** | **Compliance assessment criteria** | **Compliance level** | **Explanation of non-compliance** |
| 1.1 | The company shall ensure fair and equitable treatment of all shareholders in exercising their corporate governance right. | | | |
| 1.1.1 | The company provides the best possible conditions for shareholders to participate in General Meetings, make informed decisions on agenda items of the General Meeting, coordinate their actions, and express their opinion on agenda items. | 1. The company’s policy approved by the General Meeting of Shareholder and governing the procedures of the General Meeting is publicly available. | Full |  |
| 2. Easy to use communication channels, such as a hotline, e-mail, and a web forum, are readily accessible to the company’s shareholders to voice their opinion and raise questions with regard to the agenda in preparation for a General Meeting. The company used these feedback channels to prepare for each General Meeting held in the reporting period. |
| 1.1.2 | The procedure for giving notice of, and providing relevant materials for, the General Meeting enables shareholders to properly prepare for attending such General Meeting. | 1. The notice on the General Meeting is posted (published) on a website not later than 30 days prior to the date of the General Meeting. | Full |  |
| 2. The notice specifies the venue of the General Meeting and the documents to be produced to gain admission to the venue. |
| 3. Shareholders were informed of who proposed the agenda items and nominated the candidates to the Company’s Board of Directors and Internal Inspecting Commission. |
| 1.1.3 | When preparing for, and participating in, a General Meeting, shareholders had unrestricted and timely access to any relevant information and were able put questions to the company’s executive bodies and directors and to communicate with one another. | 1. During the reporting period shareholders had the opportunity to put questions to the Company’s executive bodies and directors both before and during the Annual General Meeting. | Full |  |
| 2. The Board of Directors’ opinion (including any dissenting opinions recorded in the minutes) on each of the agenda items of General-Meetings held during the reporting period were added to the materials for the General Meeting. |
| 3. The lists of persons entitled to participate in each General Meeting held during the reporting period were made available by the company to the-shareholders eligible to review such lists as soon as the company received such lists |
| 1.1.4 | There were no unjustified difficulties preventing shareholders from exercising their rights to convene a General Meeting, nominate candidates to the company’s governance bodies, and propose items for the agenda of the General Meeting. | 1. In the reporting period, shareholders had the opportunity to propose items for the agenda of the Annual General Meeting during at least 60 days on expiry of the respective calendar year. | Full |  |
| 2. In the reporting period, the Company did not reject any item proposed for the agenda or candidates nominated to the governance bodies of the Company despite misprints or other minor flaws in shareholders’ proposals. |
| 1.1.5 | Each and every shareholder was able to exercise their voting right without hindrance, in the simplest and most convenient way. | 1. The company’s internal document (corporate policy) authorizes every participant in the General Meeting to request a copy of their completed voting ballot certified by the Counting Commission before the end of the meeting. | Full |  |
| 1.1.6 | The procedure set by the company for holding General Meetings set provides equal opportunities for all persons attending the meeting to voice their opinions and ask questions. | 1. During General Meetings of Shareholders held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on, and discussion of, the agenda items. | Partial |  |
| 2. Nominees to the Company’s governance and control bodies were available to answer questions of shareholders at the meeting at which their nominations were put to vote. | The Company partially complies with the principle of paragraph 2:  In the reporting year, nominees to the Company’s governance and control bodies were available to answer questions of shareholders at the meeting at which their nominations were put to vote.  Internal documents of the Company do not provide for mandatory participation by all candidates to governance and control bodies of PJSC “Lenenergo” in shareholder meetings. Applicable Russian laws do not impose an obligation on relevant candidates to personally participate in the General Meeting, either.  At the same time, in line with the Regulations on the General Meeting, PJSC “Lenenergo” ensures that during the preparations for the General Meeting in the form of joint presence invitations are sent to members of the Company’s executive bodies, members of, and candidates to, the Board of Directors, members of, and candidates to, the Internal Audit Commission of the Company, and the Company’s Auditor to attend the General Meeting. |
| 3. When passing resolutions on the preparation and holding of General Meetings of Shareholders, the Board of Directors considered the use of telecommunication means for remote access of shareholders to General Meetings in the reporting period. | The Company partially complies with the principle of paragraph 3:  When passing resolutions on the preparation and holding of General Meetings of Shareholders, the Board of Directors did not consider the use of telecommunication means for remote access of shareholders to General Meetings in the reporting period.  However, this opportunity will be provided to the Company’s shareholders starting from the Annual General Meeting for 2018. |
| 1.2 | Shareholders are given equal and fair opportunities to share profits of the company as dividends. | | | |
| 1.2.1 | The company has designed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure. | 1. The company has drafted and disclosed a dividend policy approved by the Board of Directors. | Partial |  |
| 2. If the company’s dividend policy uses the company’s financial statements to determine the amount of dividends, the relevant provisions of the dividend policy take into account the consolidated indicators of the financial statements. | The Company partially complies with the principle of paragraph 2.  The provisions of the dividend policy of PJSC “Lenenergo” approved by its Board of Directors do not take into account the consolidated items of financial statements to determine the amount of dividends.  The amount of dividends is determined taking into account the requirements of Order No. 1094-r of the Russian Government of May 29, 2017.  In accordance with the procedure for calculating dividends for the reporting year, the amount of dividends to be paid cannot be lower than the greater of the two values (DIV1 and DIV2) calculated relative to net profit under the RAS accounting (financial) statements (DIV1) and under the consolidated IFRS financial statements (DIV2), subject to the appropriate net profit adjustments provided for in Directive No. 1094-r of the Russian Government of May 29, 2017.  The amount of dividends for 2017 as approved by the Annual General Meeting in 2018 is calculated based on net profit under RAS accounting (financial) statements as this amount was the greater of the two. |
| 1.2.2 | The Company does not pay dividends if its decision to pay dividends, while formally not violating legal restrictions, is economically unviable and may lead to false perception of the Company’s operations. | 1. The company’s dividend policy contains clear indications of financial/economic circumstances under which the company should not pay out dividends. | Full |  |
| 1.2.3 | The company does not allow for dividend rights of its existing shareholders to be impaired. | 1. In the reporting period, the company did not undertake any actions that would lead to the impairment of the dividend rights of its existing shareholders. | Full |  |
| 1.2.4 | The company makes every effort to prevent its shareholders from using other means to profit (gain) from the company other than dividends and liquidation value. | 1. To prevent shareholders from using other means to profit (gain) from the company other than dividends and liquidation value, the company’s internal documents provide for controls to timely identify and approve transactions with dependent companies (associates) of the company’s substantial shareholders (persons entitled to use votes attached to voting shares) where the law does not formally recognize such transactions as interested-party transactions. | Partial | The Company partially complies with the principle:  The Company does not comply with the recommendation of the Corporate Governance Code on preventing persons who control the Company from obtaining profit (gain) at the expense of the Company by means other than dividends and liquidation value.  At the same time, the Company’s internal documents provide for mandatory notification of the Board of Directors by a member of the Board of Directors if there is a conflict of interest or an interest. In addition, the Company’s internal documents contain a recommendation for members of the Board of Directors to abstain from voting on matters that involve a conflict of interest. |
| 1.3 | The corporate governance system and practice ensure an equal playground for all shareholders owning shares of the same class (type), including minority and non-resident shareholders, as well as their equal treatment by the company. | | | |
| 1.3.1 | The company has created conditions for fair treatment of each shareholder by the company’s governing and control bodies, including conditions that rule out abuse by major shareholders against minority shareholders. | 1. During the reporting period, procedures for management of potential conflicts of interest among substantial shareholders proved efficient, while the board of directors paid due attention to conflicts, if any, between shareholders. | Partial | The Company partially complies with the principle:  The Company has not approved an internal document governing the procedures for managing potential conflicts of interest with major shareholders. Nevertheless, the Company has an informal practice of resolving conflicts of interest through the Corporate Secretary’s office, involving the Board of Directors, where necessary.  The key goal and objective of the Board of Directors under the internal documents of the Company consist in ensuring the exercise and protection of rights and legitimate interests of the Company’s shareholders, as well as assisting in resolving corporate conflicts. |
| 1.3.2 | The Сompany does not take any actions that lead or may lead to artificial redistribution of corporate control. | 1. No quasi-treasury shares were issued or used to vote in the reporting period. | Full |  |
| 1.4 | Shareholders are provided with reliable and effective means of recording their rights to shares and are able to freely dispose of their shares without any hindrance. | | | |
| 1.4 | Shareholders are provided with reliable and effective means of recording their rights to shares and are able to freely dispose of their shares without any hindrance. | 1. The company’s registrar maintains the share register in an efficient and reliable way that meets the needs of the company and its shareholders. | Full |  |
| 2.1 | The Board of Directors provides strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control framework, monitors performance by the company’s executive bodies, and performs other key functions. | | | |
| 2.1.1 | The Board of Directors is responsible for appointing and dismissing executive bodies, including for improper performance of their duties. The Board of Directors also ensures that the company’s executive bodies act in accordance with the company’s approved development strategy and core business lines. | 1. The Board of Directors has the authority outlined in the Articles of Association to appoint and remove members of executive bodies and to set out-the terms and conditions of their contracts. | Partial |  |
| 2. The Board of Directors reviewed the report(s) by the sole executive body or members of the collective executive body on the implementation of the company’s strategy. | The Company partially complies with the principle of paragraph 2:  In the reporting year, the Board of Directors did not separately review the report(s) of the sole executive body and members of the collective executive body on the implementation of the Company's strategy due to the absence of an approved strategy of the Company.  Until the strategy of PJSC “Lenenergo” is approved, the Company is guided by the Strategy for Development of the Electric Grid Sector of the Russian Federation approved by Order No. 511-r of the Russian Government of April 3, 2013. |
| 2.1.2 | The Board of Directors sets key long-term targets for the company, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company’s core business lines. | 1. At its meetings in the reporting period, the Board of Directors reviewed strategy implementation and updates, approval of the company’s financial and business plan (budget), and criteria and performance (including interim) of the company’s strategy and business plans. | Partial | The Company partially complies with the principle:  In 2018, the Board of Directors reviewed matters related to the approval of the Company’s financial and business plan (budget), and criteria and performance indicators (including intermediate indicators) of the Company’s business plan.  At the same time, the Board of Directors did not separately consider any matters related to the implementation and updating of the strategy or the review of the criteria and indicators (including intermediate indicators) for the Company’s strategy.  Until the strategy of PJSC “Lenenergo” is approved, the Company is guided by the Strategy for Development of the Electric Grid Sector of the Russian Federation approved by Order No. 511-r of the Russian Government of April 3, 2013. |
| 2.1.3 | The Board of Directors determines the company’s principles and approaches to risk management and internal controls. | 1. The Board of Directors determined the company’s principles and approaches to risk management and internal controls. | Full |  |
| 2. The Board of Directors assessed the company’s risk management and internal controls in the reporting period. |
| 2.1.4 | The Board of Directors determines the company’s policy on remuneration and/or reimbursement of expenses (compensations) to members of the Board of Directors, executive bodies, and other key executives of the company. | 1. The company has developed and put in place a remuneration and reimbursement (compensation) policy (policies) approved by the Board of Directors, for its directors, members of executive bodies, and other key executives. | Full |  |
| 2. At its meetings during the reporting period, the Board of Directors discussed matters related to such policy (policies). |
| 2.1.5 | The Board of Directors plays a key role in preventing, identifying, and resolving internal conflicts between the company’s bodies, shareholders, and employees. | 1. The Board of Directors plays a key role in preventing, identifying, and resolving internal conflicts. | Full |  |
| 2. The company has set up mechanisms to identify transactions leading to a conflict of interest and to resolve such conflicts. |  |
| 2.1.6 | The Board of Directors plays a key role in ensuring the company’s transparency, timely and full disclosure of information by the company, and unhindered access by shareholders to the company’s documents. | 1. The Board of Directors has approved the company’s regulations on the information policy. | Full |  |
| 2. The company has identified persons responsible for implementing the information policy. |
| 2.1.7 | The Board of Directors controls the company’s corporate governance practices and plays a key role in material corporate events of the company. | 1. In the reporting period, the Board of Directors reviewed the company’s corporate governance practices. | Partial | The Company partially complies with the principle:  The Board of Directors did not separately review the Company’s corporate governance practices in the reporting year.  In 2018, corporate governance practices were reviewed by the Company's shareholders and the Board of Directors as part of the Company’s annual report for 2017 and the Corporate Secretary’s report for 2017.  Also, in 2018, the Company’s internal auditor evaluated the effectiveness of the Company’s corporate governance in 2017, including the evaluation of the performance of the Board of Directors and Committees. The results of the evaluation and an activity plan to improve corporate governance were reviewed by the Board of Directors on August 1, 2018 (Minutes No. 3 of August 6, 2018). |
| 2.2 | The Board of Directors is accountable to the company’s shareholders. | | | |
| 2.2.1 | Performance of the Board of Directors is disclosed and made available to shareholders. | 1. The company’s annual report for the reporting period includes information on individual attendance at meetings of the Board of Directors and its Committees. | Full |  |
| 2. The annual report discloses key performance assessment results of the Board of Directors in the reporting period. |
| 2.2.2 | The Chairman of the Board of Directors is available to communicate with the company’s shareholders. | 1. The company has in place a transparent procedure enabling shareholders to forward questions and express their position on such questions to the Chairman of the Board of Directors. | Full |  |
| 2.3 | The Board of Directors manages the company in an effective and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders. | | | |
| 2.3.1 | Only persons of impeccable business and personal reputation who have knowledge, expertise, and experience required to make decisions within the authority of the Board of Directors and essential to perform its functions in an efficient way are elected to the Board of Directors. | 1. The company’s procedure for assessing the Board of Directors’ performance includes, *inter alia*, assessment of professional qualifications of directors. | Partial | The Company partially complies with the principle of paragraph 1:  The Company does not have a formal procedure for evaluating the professional qualifications of members of the Board of Directors; however, the Nomination and Remuneration Committee reviewed the results of the preliminary evaluation of candidates included in the list of candidates to the Company’s Board of Directors at the Annual General Meeting held in 2018 (Minutes No. 80 of May 15, 2018). |
| 2. In the reporting period, the Board of Directors (or its Nomination Committee) assessed the candidates to the Board of Directors for their experience, knowledge, business reputation, absence of conflict of interests, etc. |  |
| 2.3.2 | Members of the Company’s Board of Directors are elected via a transparent procedure that enables shareholders to obtain information on candidates sufficient to judge on their personal and professional qualities. | 1. In all cases when the agenda of a General Meeting held during the reporting period included elections to the Board of Directors, the company provided the shareholders with biographical details of all candidates to the Board of Directors, the results of their assessment conducted by the Board of Directors (or its Nomination Committee), as well as information on the candidate’s compliance with the independence criteria in accordance with Recommendations [102](consultantplus://offline/ref=97B7F93351616D326F804D1D7E89A587BEF3428C85F2E3AEA475CF45B2B077547F64415A04CCE58B68l4L)–[107](consultantplus://offline/ref=97B7F93351616D326F804D1D7E89A587BEF3428C85F2E3AEA475CF45B2B077547F64415A04CCE58E68l1L) of the Code, as well as a written consent of candidates to be elected to the Board of Directors | Full |  |
| 2.3.3 | The board of directors has a balanced membership, including in terms of directors’ qualifications, experience, expertise, and business skills, and enjoys its shareholders’ trust. | 1. As part of assessment of the Board of Directors’ performance run during the reporting period, the Board of Directors reviewed its requirements to professional qualifications, experience, and business skills. | Partial | The Company partially complies with the principle:  During the reporting period, the Company did not evaluate the performance of the Board of Directors, including any analysis of the Company’s requirements for professional qualifications, experience, and business skills.  In addition, the report on performance of the Board of Directors, including information on the key competencies of its members, meetings held, matters reviewed, and assignments issued, is included in the Company’s annual report approved by the Annual General Meeting.  In 2018, the Company's internal auditor also evaluated the effectiveness of the Company’s corporate governance for 2017, including a performance evaluation of the Board of Directors. The results of the evaluation and an activity plan to improve corporate governance were reviewed by the Board of Directors on August 1, 2018 (Minutes No. 3 of August 6, 2018). |
| 2.3.4 | The company has a sufficient number of directors to organize the Board of Directors’ activities in the most effective way, including ability to set up Committees of the Board of Directors and enable the company’s substantial minority shareholders to elect a nominee to the Board of Directors for whom they vote. | 1. As part of assessment of the Board of Directors’ performance run in the reporting period, the Board of Directors reviewed whether the number of directors met the company’s needs and shareholders’ interests. | None | The Company does not comply with the principle:  The Company did not evaluate the performance of the Board of Directors in the reporting period.  Also, in 2018, the Company’s internal auditor evaluated the effectiveness of the Company’s corporate governance for 2017, including an evaluation of the performance of the Board of Directors and Committees. The results of the evaluation and an activity plan to improve corporate governance were reviewed by the Board of Directors on August 1, 2018 (Minutes No. 3 of August 6, 2018). |
| 2.4 | The Board of Directors includes a sufficient number of independent directors. | | | |
| 2.4.1 | An independent director is a person who is sufficiently professional, experienced, and independent to develop their own position, and capable of making unbiased judgements in good faith, free of influence by the company’s executive bodies, individual groups of shareholders or other stakeholders. It should be noted that a candidate (elected director) who is related to the company, its substantial shareholder, substantial counterparty, or competitor of the company, or is related to the government, may not be reviewed as independent under normal circumstances. | 1. During the reporting period, all independent members of the Board of Directors met all independence criteria specified in recommendations [102](consultantplus://offline/ref=40A240B7A135CCEB32728E4729E51981D4C91A3AF1BA81C3A746E6E59630AB70772924A463553412WEn9L)–[107](consultantplus://offline/ref=40A240B7A135CCEB32728E4729E51981D4C91A3AF1BA81C3A746E6E59630AB70772924A463553417WEnCL) of the Code, or were recognized as independent by resolution of the Board of Directors. | Full |  |
| 2.4.2 | The company assesses compliance of candidates to the Board of Directors and reviews compliance of independent directors with independence criteria on a regular basis. In making this assessment, content should take precedence over form. | 1. In the reporting period, the Board of Directors (or its Nomination Committee) made a judgement on independence of each candidate to the Board of Directors and provided its opinion to shareholders. | Full |  |
| 2. During the reporting period, the Board of Directors (or the nomination committee of the Board of Directors) reviewed, at least once, the independence of the current members of the Board of Directors listed by the company in its annual report as independent directors. |  |
| 3. The company has in place procedures to determine what a member of the Board of Directors should do if he or she ceases to be independent, including an obligation to timely inform thereof the Board of Directors. |  |
| 2.4.3 | Independent directors make up at least one third of elected directors. | 1. Independent directors make up at least one third of directors. | None | The Company does not comply with the principle:  In 2018, one member of the Board of Directors met the independence criteria recommended by the Corporate Governance Code (see item 2.4.1 of this Report), which is less than one third of the Company’s Board of Directors. |
| 2.4.4 | Independent directors play a key role in preventing internal conflicts in the company and in ensuring that the company performs material corporate actions. | 1. Independent directors (with no conflicts of interest) run a preliminary assessment of material corporate actions implying a potential conflict of interest and submit the results to the Board of Directors. | None | The Company does not comply with the principle:  In 2018, there was one member of the Board of Directors who met the independence criteria as recommended by the Corporate Governance Code (see item 2.4.1 of this Report), and this member did not assess any material corporate actions related to a possible conflict of interest, as the Company’s internal documents do not provide for such obligation for independent directors of the Company. |
| 2.5 | The Chairman of the Board of Directors ensures that the Board of Directors discharges its duties in the most effective way. | | | |
| 2.5.1 | The board of directors is chaired by an independent director, or a senior independent director supervising the activities of other independent directors and interacting with the chairman of the board of directors is chosen from among the elected independent directors. | 1. The Board of Directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors. | Partial | The Company does not comply with the principle of paragraph 1:  In 2018, one member of the Board of Directors met the independence criteria recommended by the Corporate Governance Code (see item 2.4.1 of this Report), and he was not elected Chairman of the Company’s Board of Directors. |
| 2. The role, rights, and duties of the Chairman of the Board of Directors (and, if applicable, of the senior independent director) are duly set out in the company’s internal documents. |  |
| 2.5.2 | The chairman of the Board of Directors maintains a constructive environment at meetings, enables free discussion of agenda items, and supervises the execution of resolutions passed by the Board of Directors. | 1. The performance of the Chairman of the Board of Directors was evaluated as part of the Board of Directors’ performance evaluation procedure in the reporting period. | None | The Company does not comply with the principle:  Given that the performance of the Board of Directors was not evaluated during the reporting period, the performance of the Chairman of the Board of Directors was not evaluated, either).  The Company constantly strives to improve its corporate governance practices and, as a result, to implement the principles and recommendations of the Corporate Governance Code to the fullest extent possible. |
| 2.5.3 | The Chairman of the Board of Directors takes the necessary steps to provide members of the Board of Directors with information necessary to make decisions on agenda items in a timely manner. | 1. The company’s internal documents set out the duty of the Chairman of the Board of Directors to take all steps necessary for the timely provision of materials for the agenda of the Board’s meeting to directors. | Full |  |
| 2.6 | Directors act reasonably and in good faith in the best interests of the company and its shareholders, on a fully informed basis and with due care and diligence. | | | |
| 2.6.1 | Directors pass resolutions on a fully informed basis, with no conflict of interest, subject to equal treatment of the company’s shareholders, and assuming normal business risks. | 1. The company’s internal documents provide that a director should notify the Board of Directors of any existing conflict of interest with regard to any agenda item of the meeting of the Board of Directors or its Committee, prior to discussion of the relevant agenda item. | Partial |  |
| 2. The company’s internal documents provide that a director should abstain from voting on any item in connection with which they have a conflict of interest. | The Company partially complies with the principle of paragraph 2:  The company’s internal documents provide that a member of the Company’s Board of Directors should abstain from voting on any item in connection with which they have a conflict of interest. In addition, the internal documents of the Company provide for the obligation of a member of the Board of Directors to put the interests of the Company above his or her own interests in any case, as well as to notify the Board of Directors of the existence of an interest. |
| 3. The company has in place a procedure enabling the Board of Directors to get professional advice on matters within its remit at the expense of the company. | The Company partially complies with the principle of paragraph 3:  The company has in place a procedure enabling the Board of Directors to get professional advice on matters within its remit at the expense of the company.  According to the existing practice at the Company, its directors receive all necessary professional advice through the Committees of the Board of Directors, as well as using instructions of the Board of Directors to this end.  Over a long period of time, this practice has proven to be effective. |
| 2.6.2 | The rights and duties of directors are clearly stated and incorporated in the company’s internal documents. | 1. The company has adopted and published an internal document that clearly outlines the rights and duties of directors. | Full |  |
| 2.6.3 | Directors have sufficient time to perform their duties. | 1. Individual attendance at Board and Committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the Board of Directors’ performance in the reporting period. | Partial | The Company partially complies with the principle of paragraph 1:  In the reporting period, the Company did not evaluate the performance of the Board of Directors, but the report on the performance of the Board of Directors, including information on individual attendance at Board and Committee meetings, is consistently included in the Company’s annual report approved by the Annual General Meeting. |
| 2. Under the company’s internal documents, directors notify the Board of Directors of their intentions to be elected to governance bodies of other entities (apart from the entities controlled by, or affiliated to, the company), and of their election to such bodies. | The Company partially complies with the principle of paragraph 2:  The Company’s internal documents do not provide for an obligation of members of the Board of Directors to notify the Board of Directors of their intention to become members of governing bodies of other organizations. Nevertheless, the internal documents of the Company provide for an obligation of each member of the Board of Directors to notify the Company of such appointments.  According to the Company’s practice, members of the Board of Directors are to notify the Board of Directors at their own discretion of their intention to become members of governance bodies of other organizations. |
| 2.6.4 | All directors have equal access to the company’s documents and information. Newly elected directors are furnished with sufficient information about the company and performance of the Board of Directors as soon as possible. | 1. Under the company’s internal documents, directors are entitled to access documents and make requests on the company and its controlled entities, while executive bodies of the company should furnish all relevant information and documents. | Partial |  |
| 2. The company has in place a formalized induction program for newly elected directors. | The Company partially complies with the principle of paragraph 2:  The Company has no formalized induction program for newly elected directors.  The need to adopt an induction program for newly elected members of the Board of Directors is one of the innovations introduced by the Corporate Governance Code.  The Company constantly strives to improve its corporate governance practices and, as a result, to implement the principles and recommendations of the Corporate Governance Code to the fullest extent possible.  The Company plans to take this recommendation of the Corporate Governance Code into account when preparing and approving the restated version of Lenenergo’s internal documents. |
| 2.7 | Meetings of the Board of Directors, preparation for such meetings, and participation of directors ensure robust performance of the Board of Directors. | | | |
| 2.7.1 | Meetings of the Board of Directors are held as needed, taking into account the scale of operations and goals of the company at a particular time. | 1. The Board of Directors held at least six meetings in the reporting year. | Full |  |
| 2.7.2 | Internal regulations of the company formalize a procedure for the preparation and holding of the Board meetings, enabling members of the Board of Directors to properly prepare for such meetings. | 1. The company has in place an approved internal document that describes the procedure for arranging and holding meetings of the Board of Directors and sets out, in particular, that the notice of the meeting is to be given, as a rule, at least five days prior to such meeting. | Full |  |
| 2.7.3 | The format of the meeting of the Board of Directors is determined taking into account the importance of the agenda items. The most important matters are dealt with at meetings of the Board of Directors held in person. | 1. The company’s Articles of Association or another internal document provide for the most important matters (as per the list set out in Recommendation [168](consultantplus://offline/ref=F4695EF84764808259248AC5197DD7B32F533D192CBD18A786735077BC5B95EE5FF08C76263BBC8Dj8uDL) of the Code) to be reviewed at in-person meetings of the Board of Directors. | Partial | The Company partially complies with the principle:  Under the Company’s internal documents, the Chairman of the Board of Directors determines the format of meetings of the Board of Directors taking into account the importance of the agenda items and Recommendation 168 of the Corporate Governance Code.  In accordance with the established practice, the Company strives to ensure that materials on the agendas of the Board of Directors’ absentee meetings contain all the necessary information, and to implement a transparent and effective system of interaction between members of the Board of Directors that will allow them to make balanced decisions. |
| 2.7.4 | Resolutions on most important matters relating to the company’s operations are passed at a meeting of the Board of Directors by a qualified majority or by a majority of all elected directors. | 1. The company’s Articles of Association provide for resolutions on the most important matters set out in Recommendation [170](consultantplus://offline/ref=F50247E029ED4FD6223C829E920F9D5B2A3F16C5270E0C3EEFE33EC296B0A0D695F0A8F6BE9C721420uEL) of the Code to be passed at a meeting of the Board of Directors by a qualified majority of at least three quarters or by a majority of all elected directors. | None | The Company does not comply with the principle:  The Company’s Articles of Association provided for the following:  1) Resolutions of the Board of Directors shall be adopted by a majority vote of Members of the Board of Directors attending the meeting, except for cases provided for in the Federal Law *On Joint Stock Companies* and these Articles of Association;  2) Resolutions of the Board of Directors shall be adopted by a three-quarter majority vote of Members of the Board of Directors on the following matters:  – Suspending the powers of the managing company (manager) and appointing an acting CEO of the Company;  - Convening an Extraordinary General Meeting in cases provided for in the Articles of Association;  3) Resolutions of the Board of Directors shall be adopted by a two-third majority vote of Members of the Board of Directors on the following matters:  - participation of the Company in other organizations, changes in the interest stake (number of shares, amount of units/stakes), encumbrance on shares (interest stakes), and termination of the Company’s participation in other organizations;  - Determining the Company’s credit policy with regard to the issuance of loans by the Company, entering into credit and loan agreements, issuing sureties, accepting obligations under promissory notes and negotiable bills of exchange, pledging property, and deciding on the Company’s entering into such transactions in cases where the Company’s credit policy does not provide for a relevant decision-making procedure, as well as adopting resolutions on bringing the Company’s debt position in accordance with the limits set out in the Company’s credit policy in line with the procedure outlined in the Company’s credit policy;  - Approving the procedure for the Company’s engagements with business entities in which the Company holds shares or units;  - Determining the position of the Company (the Company’s representatives) on agenda items of General Meetings of Shareholders (Members) of subsidiaries and affiliates and meetings of the boards of directors of subsidiaries and affiliates;  - Preliminary approval of resolutions on the Company’s entering into material transactions. |
| 2.8 | The Board of Directors sets up Committees for preliminary review of the most important matters related to the company’s business. | | | |
| 2.8.1 | An Audit Committee comprised of independent directors is set up to preliminarily review matters related to oversight of the company’s financial and business operations. | 1. The Board of Directors set up an Audit Committee comprised solely of independent directors. | Partial | The Company partially complies with the principle of paragraph 1:  The Board of Directors has set up the Audit Committee, but there is only one independent director on the Committee, because there is only one independent director on the Company’s Board of Directors. |
| 2. The company’s internal documents set out the tasks of the Audit Committee, including those listed in Recommendation [172](consultantplus://offline/ref=2063C7F2469579713232B39C097C3FECE562E1E5A8A2D719FD4077C59FDAD01C46905034A5A1B6D4f9v2L) of the Code. |  |
| 3. At least one member of the Audit Committee being an independent director has experience and knowledge of preparing, analyzing, assessing, and auditing accounting (financial) statements. |  |
| 4. In the reporting period, the Audit Committee met at least once a quarter. |  |
| 2.8.2 | To preliminarily review matters related to adopting an effective and transparent remuneration scheme, a Remuneration Committee has been set up, comprised of independent directors and headed by an independent director who is not the Chairman of the Board of Directors. | 1. The Board of Directors has set up the Remuneration Committee comprised solely of independent directors. | Partial | The Company partially complies with the principle of paragraph 1:  The Board of Directors has set up the Nomination and Remuneration Committee, but there are no independent directors on the Nomination and Remuneration Committee. |
| 2. The Remuneration Committee is headed by an independent director who is not the Chairman of the Board of Directors. | The Company partially complies with the principle of paragraph 2:  There are no independent directors on the Nomination and Remuneration Committee. |
| 3. The company’s internal documents set out the tasks of the Remuneration Committee, including those listed in Recommendation [180](consultantplus://offline/ref=92980CAE7FA4ED5C32E31F27AB0295669AD9B75C86DD0E2CD4AEDFE87293BF6D4F9F32AA5A23A22CfCwDL) of the Code. |  |
| 2.8.3 | To preliminarily review matters related to talent management (succession planning), professional composition, and performance of the Board of Directors, a Nomination (Appointments, or HR) Committee is set up, predominantly comprised of independent directors. | 1. The Board of Directors has set up a Nomination Committee (or its tasks listed in Recommendation [186](consultantplus://offline/ref=CDA1E26F6BB3BF3190C316AB908A22BC532E3554A3B3C9F64A1586EE76597CF5140D8F1FCCFFF595z4wBL) of the Code are fulfilled by another Committee [<4>](consultantplus://offline/ref=CDA1E26F6BB3BF3190C316AB908A22BC53213356A7B4C9F64A1586EE76597CF5140D8F1FCCFEF298z4w9L)), predominantly comprised of independent directors. | None | The Company partially complies with the principle of paragraph 1:  The Board of Directors has no Nomination Committee. |
| 2. The company’s internal documents set out the tasks of the Nomination Committee (or a relevant Committee with combined functions), including those listed in Recommendation [186](consultantplus://offline/ref=30B3B8F6C534595312D16493213A78E12075A8215547AA34F7B8015020680A23A041C8CC0333358971w7L) of the Code. | The Company partially complies with the principle of paragraph 2:  The Board of Directors has no Nomination Committee.  The Company constantly strives to improve its corporate governance practices and, as a result, to implement the principles and recommendations of the Corporate Governance Code to the fullest extent possible.  The Company plans to take this recommendation of the Corporate Governance Code into account when preparing and approving restated internal documents of PJSC “Lenenergo”. |
| 2.8.4 | Taking into account the company’s scope of business and level of risks, the company’s Board of Directors has made sure that the composition of its Committees is in line with company’s business goals. Additional committees have been set up or have not been not deemed necessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety, and Environment Committee, etc.). | 1. In the reporting period, the Board of Directors reviewed whether the composition of its Committees was aligned with the Board’s tasks and the company’s business goals. Additional committees were either set up or not deemed necessary. | Partial | The Company partially complies with the principle:  In the reporting year, the Company’s Board of Directors did not review the alignment of the composition of its Committees with the objectives of the Board of Directors and the goals of the Company’ however, reports on the work of the Committees of the Board of Directors, including information on the composition of Committees, its alignment with the objectives of the Company, and meetings held are traditionally included in the Annual Report of the Company, which is subject to approval by the Board of Directors, and the Annual General Meeting. |
| 2.8.5 | Committees should be composed so as to enable comprehensive discussions of matters being preliminarily reviewed, taking into account all opinions. | 1. The Board’s Committees are headed by independent directors. | Partial | The Company partially complies with the principle of paragraph 1:  Some Committees of the Company’s Board of Directors have independent directors (see item 2.4.1. of this Report); however, they were not elected Chairmen of these Committees. |
| 2. The company’s internal documents (policies) include provisions stipulating that persons who are not members of the Audit Committee, the Nomination Committee, and the Remuneration Committee may attend Committee meetings only by invitation of the Chairman of the respective Committee. |  |
| 2.8.6 | Committee Chairmen inform the Board of Directors and its Chairman on the performance of their respective Committees on a regular basis. | 1. In the reporting period, Committee Chairmen informed the Board of Directors on the performance of their respective Committees on a regular basis. | Full |  |
| 2.9 | The Board of Directors ensures performance assessment of the Board of Directors, its Committees, and directors. | | | |
| 2.9.1 | The Board of Directors’ performance assessment aims to assess the effectiveness of the Board of Directors, its Committees and directors and compliance of their activities with the Company’s development requirements, as well as to facilitate the activities of the Board of Directors and identify areas for improvement. | 1. Self-assessment or external assessment of the Board of Directors’ performance carried out in the reporting period included performance assessment of Committees, individual directors, and the Board of Directors in general. | Partial | The Company partially complies with the principle of paragraph 1:  In 2018, the Company did not conduct any self-evaluation or external evaluation of the Board of Directors, which would include a performance evaluation of Board Committees, individual members of the Board of Directors, and the Board of Directors as a whole.  However, in 2018, the Company’s internal auditor conducted a performance evaluation of the Company’s corporate governance for 2017, which included an evaluation of the Board of Directors and its Committees. The results of the evaluation and an activity plan to improve corporate governance were reviewed by the Board of Directors on August 1, 2018 (Minutes No. 3 of August 6, 2018). |
| 2. Results of self-assessment or external assessment of the Board of Directors’ performance carried out in the reporting period were reviewed at an in-person meeting of the board of directors. | The Company partially complies with the principle of paragraph 2:  In 2018, the Company’s Board of Directors did not review the results of any self-evaluation or external evaluation of the Board of Directors for reasons detailed in item 2.9.1 of this Report. |
| 2.9.2 | Performance of the board of directors, its committees, and members is assessed regularly at least once a year. An external advisor is engaged at least once in three years to conduct an independent assessment of the board of directors’ performance. | 1. The company has engaged an external advisor to conduct an independent assessment of the board of directors’ performance at least once over the last three reporting periods. | None | The Company partially complies with the principle of paragraph 1:  Within the last three reporting periods, the Company has not engaged an external organization (adviser) to carry out an independent assessment of the Board of Directors’ performance. |
| 3.1 | The company’s corporate secretary ensures efficient ongoing interaction with shareholders, coordinates the company’s efforts to protect shareholder rights and interests, and supports efficient performance of the board of directors. | | | |
| 3.1.1 | The corporate secretary has the expertise, experience and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders. | 1. The company has adopted and published an internal document – Regulations for the Corporate Secretary. | Full |  |
| 2. The biographical data of the corporate secretary is published on the corporate website and in the company’s annual report with the same level of detail as for members of the board of directors and the company’s executives. |
| 3.1.2 | The corporate secretary should be sufficiently independent of the company’s executive bodies and be vested with powers and resources required to perform his/her tasks. | 1. The Board of Directors approves the appointment, dismissal, and additional remuneration of the corporate secretary. | Full |  |
| 4.1 | Remuneration payable by the company is sufficient to attract, motivate, and retain people with competencies and qualifications required by the company. Remuneration payable to directors, executive bodies and other key executives of the company is in compliance with the approved remuneration policy of the company. | | | |
| 4.1.1 | The amount of remuneration paid by the company to directors, executive bodies, and other key executives creates sufficient incentives for them to work efficiently, while enabling the company to engage and retain competent and qualified specialists. In doing so, the company avoids granting any remuneration that is higher than necessary, as well as any unjustifiably large gap between the remuneration of the above persons and the company’s employees. | 1. The company has in place an internal document (internal documents) – the policy (policies) on remuneration of members of the board of directors, executive bodies, and other key executives, which clearly defines the approaches to remuneration of the above persons. | Full |  |
| 4.1.2 | The company’s remuneration policy is designed by the Remuneration Committee and approved by the board of directors. The board of directors, assisted by the Remuneration Committee, ensures control over the introduction and implementation of the company’s remuneration policy, revising and amending it as required. | 1. During the reporting period, the Remuneration Committee reviewed the remuneration policy (policies) and its (their) implementation practices to provide relevant recommendations to the board of directors as required. | Full |  |
| 4.1.3 | The company’s remuneration policy includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies and other key executives of the company, and regulates all types of expenses, benefits and privileges provided to such persons. | 1. The company’s remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates (regulate) all types of expenses, benefits and privileges provided to such persons. | Full |  |
| 4.1.4 | The company defines a policy on reimbursement (compensation) of expenses detailing a list of reimbursable expenses and specifying service levels that directors, executive bodies and other key executives of the company may claim. Such policy may be an integral part of the company’s remuneration policy. | 1. The remuneration policy (policies) defines (define) the rules for reimbursement of expenses incurred by directors, executive bodies, and other key executives of the company. | Full |  |
| 4.2 | The remuneration system for directors ensures alignment of financial interests of directors with long-term financial interests of the shareholders. | | | |
| 4.2.1 | The company pays fixed annual remuneration to its directors. The Company does not pay remuneration for attendance of individual meetings of the Board or Committees of the Board of Directors.  The company does not apply any form of short-term motivation or additional financial incentive for its directors. | 1. Fixed annual remuneration was the only form of monetary remuneration payable to directors for their service on the board of directors during the reporting period. | Full |  |
| 4.2.2 | Long-term ownership of the company’s shares helps align the financial interests of directors with long-term interests of shareholders to the utmost. At the same time, the company does not link the right to dispose of shares to performance targets, and directors do not participate in stock option plans. | 1. If the company’s internal document(s) – the remuneration policy (policies) provides for the granting of company shares to members of the board of directors, clear rules for share ownership by board members are to be defined and disclosed, aimed at stimulating long-term ownership of such shares. | Full |  |
| 4.2.3 | The company does not provide for any extra payments or compensations in the event of early termination of directors’ tenure, resulting from the change of control or any other reasons whatsoever. | 1. The company does not provide for any extra payments or compensations in the event of early termination of directors’ tenure, resulting from the change of control or any other reasons whatsoever. | Full |  |
| 4.3 | The company considers its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of a fee payable to members of the executive bodies and other key executives of the company. | | | |
| 4.3.1 | Remuneration due to members of executive bodies and other key executives of the company is determined in a manner providing for reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company’s results and the employee’s personal contribution. | 1. In the reporting period, annual performance results approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the company. | Partial |  |
| 2. During the latest assessment of the system of remuneration of members of executive bodies and other key executives of the company, the board of directors (Remuneration Committee) made sure that the company applies an efficient ratio of the fixed and variable parts of remuneration. |  |
| 3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies and other key executives of the company. | The Company partially complies with the principle of paragraph 3:  PJSC “Lenenergo” has no procedure that guarantees return to the Company of bonus payments illegally received by members of executive bodies and other key executives of the Company.  The current practice of the Company assumes that if cases of unlawful receipt of bonuses or other payments are identified, the Company initiates the recovery of funds through court proceedings. |
| 4.3.2 | The company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company’s shares (options and other derivative instruments where the company’s shares are the underlying asset). | 1. The company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of company shares (financial instruments based on company shares). | None | The Company does not comply with the principle of paragraphs 1 and 2:  The Company has in place a long-term incentive program for members of executive bodies and other key executives of the Company with the use of Company shares due to the lack of a common position of the Company’s shareholders on this matter.  The Company constantly strives to improve its corporate governance practices and, as a result, to implement the principles and recommendations of the Corporate Governance Code to the fullest extent possible. However, this issue can only be resolved with the consent of the Company’s key shareholders. |
| 2. The long-term incentive program for members of executive bodies and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this program takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company’s performance targets. |
| 4.3.3 | The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company’s initiative, provided that there have been no actions in bad faith on their part, does not exceed the double amount of the fixed part of their annual remuneration. | 1. In the reporting period, the compensation (golden parachute) payable by the Company in case of early termination of powers of members of executive bodies or key executives at the Company’s initiative, provided that there were no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration. | Full |  |
| 5.1 | The company has in place effective risk management and internal controls providing reasonable assurance in the achievement of the company’s goals. | | | |
| 5.1.1 | The company’s board of directors determined the principles of and approaches to organizing risk management and internal controls at the company. | 1. Functions of various governing bodies and business units of the company in risk management and internal controls are clearly defined in the company’s internal documents / relevant policy approved by the board of directors. | Full |  |
| 5.1.2 | The company’s executive bodies ensure establishment and continuous operation of effective risk management and internal controls at the company. | 1. The company’s executive bodies ensured the distribution of functions and powers related to risk management and internal controls between the heads (managers) of business units and departments accountable to them. | Full |  |
| 5.1.3 | The company’s risk management and internal controls ensure an objective, fair and clear view of the current state and future prospects of the company, the integrity and transparency of the company’s reporting, as well as reasonable and acceptable risk exposure. | 1. The company has in place an approved anti-corruption policy. | Full |  |
| 2. The company established an accessible method of notifying the board of directors or the board’s Audit Committee of breaches or any violations of the law, the company’s internal procedures and code of ethics. |
| 5.1.4 | The company’s board of directors takes necessary measures to make sure that the company’s risk management and internal controls are consistent with the principles of, and approaches to, its set-up determined by the board of directors, and that the system is functioning efficiently. | 1. In the reporting period, the board of directors or the board’s Audit Committee assessed the performance of the company’s risk management and internal controls. Key results of this assessment are included in the company’s annual report. | Full |  |
| 5.2 | The company performs internal audit for regular independent assessment of the reliability and performance of risk management and internal controls and the corporate governance practice. | | | |
| 5.2.1 | The company set up a separate business unit or engaged an independent external organization to carry out internal audits. The functional and administrative reporting lines of the internal audit function are separated from each other. Functionally, the internal audit unit reports to the board of directors. | 1. To perform internal audits, the company set up a separate business unit – internal audit division, functionally reporting to the board of directors or to the Audit Committee or engaged an independent external organization with the same line of reporting. | Full |  |
| 5.2.2 | The internal audit division assesses the performance of the internal controls, risk management, and corporate governance. The Company applies generally accepted standards of internal audit. | 1. In the reporting period, the performance of the internal controls and risk management was assessed as part of the internal audit procedure. | Full |  |
| 2. The company applies generally accepted approaches to internal audit and risk management. |
| 6.1 | The company and its operations are transparent for its shareholders, investors, and other stakeholders. | | | |
| 6.1.1 | The company has developed and implemented an information policy ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders. | 1. The company’s board of directors approved an information policy developed in accordance with the Code’s recommendations. | Full |  |
| 2. The board of directors (or one of its committees) reviewed the matters related to the company’s compliance with its information policy at least once in the reporting period. |
| 6.1.2 | The company discloses information on its corporate governance and practice, including detailed information on compliance with the principles and recommendations of the Code. | 1. The company discloses information on its corporate governance and general principles of corporate governance, including disclosure on its website. | Full |  |
| 2. The company discloses information on the membership of its executive bodies and board of directors, independence of the directors and their membership in the board of directors’ Committees (as defined by the Code ). |  |
| 3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out this person’s plans for the company’s corporate governance. |  |
| 6.2 | The company makes timely disclosures of complete, updated and reliable information to allow shareholders and investors to make informed decisions. | | | |
| 6.2.1 | The company discloses information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness and comparability of disclosed data. | 1. The company’s information policy sets out approaches to, and criteria for, identifying information that can have a material impact on the company’s evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information. | Full |  |
| 2. If the company’s securities are traded on foreign organized markets, the company ensured concerted and equivalent disclosure of material information in the Russian Federation and in such markets during the reporting year. |  |
| 3. If foreign shareholders hold a material portion of company shares, the relevant information was disclosed both in the Russian language and in one of the most widely used foreign languages in the reporting period. |  |
| 6.2.2 | The company avoids a formalistic approach to information disclosure and discloses material information on its operations, even if disclosure of such information is not required by law. | 1. In the reporting period, the company disclosed FY and 6M financial statements prepared under the IFRS. The company’s annual report for the reporting period included annual financial statements prepared under the IFRS, along with the auditor’s report. | Full |  |
| 2. The Company discloses complete information on its capital structure, as stated in Recommendation [290](consultantplus://offline/ref=50BA3A52E3BACAA64AFA1DA876CA93581BE926C6BE9CC9A8FCB563EB9558272D792D250813BBD6CEI0GEM) of the Code, in its annual report, and on the corporate website. |
| 6.2.3 | The company’s annual report, as one of the most important tools of its information exchange with shareholders and other stakeholders, contains information enabling assessment of the company’s annual performance results. | 1. The company’s annual report contains information on the key aspects of its operational and financial performance. | Full |  |
| 2. The company’s annual report contains information on the environmental and social aspects of the company’s operations. |
| 6.3 | The company provides information and documents requested by its shareholders in accordance with principles of fairness and ease of access | | | |
| 6.3.1 | The company provides information and documents requested by its shareholders in accordance with principles of fairness and ease of access | 1. The company’s information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders. | Full |  |
| 6.3.2 | When providing information to shareholders, the company ensures reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitive edge. | 1. In the reporting period, the company did not refuse any shareholder requests for information, or such refusals were justified. | Full |  |
| 2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality. |
| 7.1 | Actions that materially affect or may affect the company’s share capital structure and its financial position and accordingly the position of its shareholders (“material corporate actions”) are taken on fair terms ensuring that the rights and interests of the shareholders and other stakeholders are observed. | | | |
| 7.1.1 | Material corporate actions include reorganization of the company, acquisition of 30% or more of the company’s voting shares (takeover), execution by the company of major transactions, increase or decrease of the company’s authorized capital, listing or de-listing of the company’s shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The company’s Articles of Association provide for a list (criteria) of transactions or other actions classified as material corporate actions within the authority of the company’s board of directors. | 1. The company’s Articles of Association include a list of transactions or other actions deemed to be material corporate actions, and their identification criteria. Resolutions on material corporate actions are referred to the jurisdiction of the board of directors. When execution of such corporate actions is expressly referred by law to the jurisdiction of the general meeting of shareholders, the board of directors presents relevant recommendations to shareholders. | Partial | The Company partially complies with the principle of paragraph 1:  The Company’s Articles of Association do not include a list of transactions or other actions deemed to be material corporate actions, or their identification criteria.  The Corporate Governance Code classifies the following issues as material corporate actions: increases in the share capital, takeover, listing and delisting of securities, reorganization, material transactions.  According to Article 10 of the Articles of Association of PJSC “Lenenergo”, the following material corporate actions under the Corporate Governance Code fall within the competence of the Company’s General Meeting:  - Reorganization of the Company;  - increase or decrease in the Company;  - adoption of resolutions on approval of major transactions in cases provided for in Article 79 of the Federal Law *On Joint-Stock Companies*;  - adoption of resolutions on approval of transactions in cases provided for in Article 83 of the Federal Law *On Joint-Stock Companies*;  - Adopting resolutions on submitting an application to delist the Company’s shares and/or its issue-grade securities convertible into shares;  According to Article 15 of the Articles of Association of PJSC “Lenenergo”, the following material corporate actions under the Corporate Governance Code fall within the competence of the Company’s Board of Directors:  - acquisition of shares, bonds, and other securities offered by the Company in cases provided for in the Federal Law *On Joint-Stock Companies*;  - approval of major transactions in cases provided for in Chapter X of the Federal Law *On Joint-Stock Companies*;  - approval of transactions in cases provided for in Chapter XI of the Federal Law *On Joint-Stock Companies*;  - Filing for the listing of the Company’s shares and/or issue-grade securities convertible in the Company’s shares. |
| 2. The Company’s Articles of Association lists at least the following as material corporate actions: reorganization of the Company, acquisition of 30 or more percent of the Company’s voting shares (takeover), entry into material transactions by the Company, increase or decrease in the Company’s authorized capital, listing and delisting of the Company’s shares. | The Company partially complies with the principle of paragraph 2:  The Company’s Articles of Association do not include a list of transactions or other actions deemed to be material corporate actions, or their identification criteria.  However, the Company’s Articles of Association clearly differentiate between the powers of the General Meeting and the Board of Directors of the Company with regard to matters that, according to the recommendations of the Corporate Governance Code, can be reviewed as material corporate actions (Articles 10 and 15 of the Articles of Association of PJSC “Lenenergo”). |
| 7.1.2 | The board of directors plays a key role in passing resolutions or making recommendations on material corporate actions, relying on the opinions of the company’s independent directors. | 1. The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to their approval. | None | The Company does not comply with the principle:  The Company has no procedure enabling independent directors to express their opinions on material corporate actions prior to their approval. |
| 7.1.3 | For material corporate actions that would affect rights or legitimate interests of shareholders, equal terms and conditions are guaranteed to all shareholders; if the statutory procedure designed to protect shareholders’ rights proves insufficient, additional measures are taken to protect their rights and legitimate interests. In doing so, the company is guided by the corporate governance principles set out in the [Code](consultantplus://offline/ref=D3DC9DD927644EBFBC3A6B066F9303AED2175DFBF8F9A659F34E1F58649576A180B493DECBC7765240IAM), as well as by formal statutory requirements. | 1. Due to the profile of the company’s operations the company’s Articles of Association contain less stringent criteria for material corporate actions than required by law. | Partial | The Company partially complies with the principle of paragraph 1:  The Company’s Articles of Association do not include a list of transactions or other actions deemed to be material corporate actions, or their identification criteria.  At the same time, Article 15.1.35 of the Articles of Association of PJSC “Lenenergo” outlines the right of the Board of Directors to pre-approve decisions on the Company’s transactions with non-current assets worth more than ten (10) percent of the book value of non-current assets recognized in the Company’s financial statements as at the last reporting date. |
| 2. All material corporate actions in the reporting period were duly approved before they were taken. |  |
| 7.2 | The company performs material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when performing such actions. | | | |
| 7.2.1 | Information about material corporate actions is disclosed with explanations of the grounds, circumstances and consequences. | 1. In the reporting period, the company disclosed information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions. | Full |  |
| 7.2.2 | Rules and procedures related to material corporate actions taken by the company are set out in the company’s internal documents. | 1. The company’s internal documents set out a procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or an interested-party transaction. | Partial | The Company partially complies with the principle of paragraph 1:  Applicable Russian laws and the Company’s internal documents set out a mandatory procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or an interested-party transaction.  An appraiser is engaged in line with the requirements of the Federal Law *On Joint-Stock Companies* and the Uniform Procurement Standard of PJSC “Rosseti” (Procurement Regulations) governing the Company’s purchases. |
| 2. The company’s internal documents set out a procedure for engaging an independent appraiser to estimate the value of shares acquired and bought back by the company. |  |
| 3. The company’s internal documents provide for an expanded list of grounds on which members of the company’s Board of Directors as well as other persons as per applicable laws are deemed to be interested parties to the company’s transactions. | The Company partially complies with the principle of paragraph 3:  The Company’s internal documents do not provide for an expanded list of grounds on which members of the Company’s Board of Directors as well as other persons as per applicable Russian laws are deemed to be interested parties to the Company’s transactions in order to determine the actual interests of the respective parties.  When approving material transactions, the Board of Directors shall be guided by the requirements of the Federal Law "On JSCs" and the Company Charter as regards the list of grounds on which members of the Board of Directors and other persons stipulated by law are recognized as interested parties. Members of the Board of Directors shall independently determine whether they have an interest in the transaction. The internal documents of the Company recommend that members of the Board of Directors abstain from voting on approval of such transactions.  At the same time, the Company constantly strives to improve its corporate governance practices and, as a result, to implement the principles and recommendations of the Corporate Governance Code to the fullest extent possible. |

CEO of PJSC “Lenenergo” A.V. Ryumin

6.4. Report on Interested-Party Transactions Made by PJSC “Lenenergo” in 2018.

Information on interested-party transactions for less than 2% of the book value of assets of PJSC “Lenenergo”.

| **No.** | **Transaction date** | **Date of approval (consent to perform the transaction)** | **The Company’s body that made the decision to approve the transaction** | **Subject matter of the transaction and its material terms** | **Information on the person (persons) interested in the transaction and the reasons for their interest** |
| --- | --- | --- | --- | --- | --- |
| 1 | September 3, 2018 | On June 20, 2018, a notice on an interested party transaction was sent to persons provided for in Article 81.1 of Federal Law No. 208-FZ, *On Joint Stock Companies*, of December 26, 1995, which was not later than fifteen days prior to the date of the transaction.            No requests to hold a meeting of the Board of Directors of PJSC “Lenenergo” to decide on giving a consent to the interested party transaction were received from persons provided for in Article 81.1 of Federal Law No. 208-FZ, *On Joint Stock Companies*, of December 26, 1995. | | Parties:  1. PJSC “Lenenergo” (Customer)  2. Management of Fiber-Optic Communication Lines on Overhead Power Lines of Interregional Distribution Grid Companies, JSC (Contractor)  Subject matter:  1. The Contractor agrees, on the terms and conditions of the contract, to supply and perform work as part of installing 10 kV billing meters at the responsibility boundary, including organization of remote data collection, and the Agreement to supply equipment and materials listed in the Specification for Equipment and Materials, and the Customer agrees to accept the supplied equipment and materials and to pay for them the price provided for in the Agreement.  2. Addresses for the delivery of equipment and materials under the Agreement:  - Gatchinskiye Power Grid, a branch of PJSC “Lenenergo”, Tikhvin, Prigorodny, Lenenergo, 1;  - Novoladozhskiye Power Grid, a branch of PJSC “Lenenergo”, Novaya Ladoga, Sadovaya, 25;  - Tikhvinskiye Power Grid, a branch of PJSC “Lenenergo”, Tikhvin, Ulitov Ruchey, 1  - Prigorodniye Power Grid, a branch of PJSC “Lenenergo”, Pushkin, Setevaya, 22;  - Kingiseppskiye Power Grid, a branch of PJSC “Lenenergo”, Kingisepp, K. Marksa, 64;  - Vyborgskiye Power Grid, a branch of PJSC “Lenenergo”, Goncharovskoye Rural Community, village of Perovo, Zavodskaya, 1.  3. Timelines for delivery of equipment and materials under the Agreement: to be delivered in line with the timetable.  4. Cost of equipment and materials under the Agreement is sixteen million four hundred ninety-eight thousand two hundred fifty rubles 92 kopecks (RUB 16,498,250.92), including VAT of two million five hundred sixteen thousand six hundred eighty-two rubles 34 kopecks (RUB 2,516,682.34).  Price:  Subject to the Agreement, the maximum price of the services under the Contract during the Contract’s term is two hundred seventy-seven million eight hundred thirty-eight thousand nine hundred twenty-nine rubles 60 kopecks (RUB 277,838,929.60), including all taxes and charges payable under Russian laws.  Other material terms and conditions:  The Agreement becomes effective on the date of its signing and remains in effect until the Parties meet their obligations under the Agreement in full. | PJSC “Rosseti” (Controlling Person) |

There were no interested-party transactions worth 2% or more of the book value of the Company’s assets in 2018.

CEO of PJSC “Lenenergo” A.V. Ryumin

## Information on approved tariffs for electricity distribution for 2018–2019.

**Approved tariffs for electricity distribution for 2018**

**for Saint Petersburg:**

1. two-rate and one-rate pool tariffs with differentiation by voltage levels and with separate tariffs for households. Order No. 276-r of December 27, 2017.

From January 1, 2018 to June 30, 2018

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Consumer group | Rate for electric grid maintenance (RUB/MW per month) | Rate for electricity network losses (RUB/MWh) | One-rate tariff (RUB/MWh) |
| 1. | Other |  |  |  |
|  | HV | 682,675.35 | 52.99 | 1,205.53 |
|  | MV-1 | 1,110,539.73 | 110.06 | 2,317.68 |
|  | MV-2 | 1,254,885.69 | 268.81 | 3,139.72 |
|  | LV | 1,093,460.09 | 524.41 | 3,433.08 |
| 2. | Households and equivalent consumers |  |  |  |
| 2.1. | Households, except as specified in items 1.2 and 1.3 |  |  | 1,850 |
| 2.2. | Population living in urban settlements in houses duly equipped with stationary electric stoves and/or electric heaters |  |  | 950 |
| 2.3. | Population living in rural areas |  |  | - |
| 2.4. | Consumers equivalent to households, excluding those specified in item 71(1) of the Pricing Basics: |  |  |  |
| 2.4.1. | Gardening, vegetable gardening or dacha non-profit associations of individuals – non-profit organizations established by individuals on a voluntary basis to assist its members in addressing common social and economic tasks related to gardening, vegetable gardening, and dacha farming |  |  | 1,670 |
| 2.4.2. | Legal entities acquiring electricity (capacity) for consumption by persons serving a sentence of imprisonment in their living quarters, provided that separate electricity metering is available for such living quarters |  |  | 2,000 |
| 2.4.3. | Religious organizations financed by the congregation |  |  | 1,860 |
| 2.4.4. | Associations of individuals purchasing electricity (capacity) for use in their own outbuildings (cellars, barns); non-profit associations of individuals (garage construction cooperatives, garage cooperatives), and individuals owning standalone garages who purchase electricity (capacity) for consumption for residential needs and not used for commercial activities. |  |  | 1,830 |

From July 1, 2018 to December 31, 2018

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Consumer group | Rate for electric grid maintenance (RUB/MW per month) | Rate for electricity network losses (RUB/MWh) | One-rate tariff (RUB/MWh) |
| 1. | Other |  |  |  |
|  | HV | 789,883.89 | 59.72 | 1,277.86 |
|  | MV-1 | 1,255,569.59 | 125.73 | 2,456.74 |
|  | MV-2 | 1,342,633.46 | 302.91 | 3,328.11 |
|  | LV | 1,207,613.10 | 591.11 | 3,639.06 |
| 2. | Households and equivalent consumers |  |  |  |
| 2.1. | Households, except as specified in items 1.2 and 1.3 |  |  | 2,010 |
| 2.2. | Population living in urban settlements in houses duly equipped with stationary electric stoves and/or electric heaters |  |  | 1,060 |
| 2.3. | Population living in rural areas |  |  | - |
| 2.4. | Consumers equivalent to households, excluding those specified in item 71(1) of the Pricing Basics: |  |  |  |
| 2.4.1. | Gardening, vegetable gardening or dacha non-profit associations of individuals – non-profit organizations established by individuals on a voluntary basis to assist its members in addressing common social and economic tasks related to gardening, vegetable gardening, and dacha farming |  |  | 1,810 |
| 2.4.2. | Legal entities acquiring electricity (capacity) for consumption by persons serving a sentence of imprisonment in their living quarters, provided that separate electricity metering is available for such living quarters |  |  | 2,140 |
| 2.4.3. | Religious organizations financed by the congregation |  |  | 2,020 |
| 2.4.4. | Associations of individuals purchasing electricity (capacity) for use in their own outbuildings (cellars, barns); non-profit associations of individuals (garage construction cooperatives, garage cooperatives), and individuals owning standalone garages who purchase electricity (capacity) for consumption for residential needs and not used for commercial activities. |  |  | 2,000 |

1. Individual two-rate tariffs used for settlements between PJSC “Lenenergo” and allied grid organizations (for electricity distribution services provided via their grids) without differentiation by voltage level. Order No. 276-r of December 27, 2017.
2. KirovTEK, CJSC, an individual two-rate pool tariff (pays PJSC “Lenenergo” for electricity distribution services). Order No. 276-r of December 27, 2017.

From January 1, 2018 to June 30, 2018

|  |  |  |  |
| --- | --- | --- | --- |
| Allied grid company | Rate for electric grid maintenance (RUB/MW per month) | Rate for paying for network expenses (losses), RUB/MWh | One-rate tariff, RUB/MWh |
| KirovTEK, CJSC | 794,205.73 | 218.48 | 2,413.54 |

From July 1, 2018 to December 31, 2018

|  |  |  |  |
| --- | --- | --- | --- |
| Allied grid company | Rate for electric grid maintenance (RUB/MW per month) | Rate for paying for network expenses (losses), RUB/MWh | One-rate tariff, RUB/MWh |
| KirovTEK, CJSC | 1,242,726.79 | 228.42 | 3,688.47 |

d. Sea Port of Saint Petersburg, JSC, an individual two-rate pool tariff (pays PJSC “Lenenergo” for electricity distribution services).

Order No. 276-r of December 27, 2017.

From January 1, 2018 to June 30, 2018

|  |  |  |  |
| --- | --- | --- | --- |
| Allied grid company | Rate for electric grid maintenance (RUB/MW per month) | Rate for paying for network expenses (losses), RUB/MWh | One-rate tariff, RUB/MWh |
| Sea Port of Saint Petersburg, JSC | 175,609.45 | 77.09 | 597.42 |

From July 1, 2018 to December 31, 2018

|  |  |  |  |
| --- | --- | --- | --- |
| Allied grid company | Rate for electric grid maintenance (RUB/MW per month) | Rate for paying for network expenses (losses), RUB/MWh | One-rate tariff, RUB/MWh |
| Sea Port of Saint Petersburg, JSC | 384,726.73 | 77.09 | 1,283.10 |

**for the Leningrad Region:**

1. two-rate pool tariffs with differentiation by voltage level and separate tariffs for households

Order No. 659-p of December 27, 2017

From January 1, 2018 to June 30, 2018

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Consumer group | Rate for electric grid maintenance (RUB/MW per month) | Rate for electricity network losses (RUB/MWh) | One-rate tariff (RUB/MWh) |
| 1. | Other |  |  |  |
|  | HV | 1,352,493.49 | 53.11 | 1,654.38 |
|  | MV-1 | 1,346,323.01 | 148.83 | 2,304.37 |
|  | MV-2 | 1,147,962.63 | 270.46 | 2,275.05 |
|  | LV | 1,335,294.04 | 835.02 | 4,322.43 |
| 2. | Households and equivalent consumers |  |  |  |
| 2.1. | Households, except as specified in items 1.2 and 1.3 |  |  | 1,751.62 |
| 2.2. | Population living in urban settlements in houses duly equipped with stationary electric stoves and/or electric heaters |  |  | 892.01 |
| 2.3. | Population living in rural areas |  |  | 869.36 |
| 2.4. | Consumers equivalent to households, excluding those specified in item 71(1) of the Pricing Basics: |  |  |  |
| 2.4.1. | Gardening, vegetable gardening or dacha non-profit associations of individuals – non-profit organizations established by individuals on a voluntary basis to assist its members in addressing common social and economic tasks related to gardening, vegetable gardening, and dacha farming |  |  | 1,581.39 |
| 2.4.2. | Legal entities acquiring electricity (capacity) for consumption by persons serving a sentence of imprisonment in their living quarters, provided that separate electricity metering is available for such living quarters |  |  | 1,707.76 |
| 2.4.3. | Religious organizations financed by the congregation |  |  | 1,648.15 |
| 2.4.4. | Associations of individuals purchasing electricity (capacity) for use in their own outbuildings (cellars, barns); non-profit associations of individuals (garage construction cooperatives, garage cooperatives), and individuals owning standalone garages who purchase electricity (capacity) for consumption for residential needs and not used for commercial activities. |  |  | 1,720.36 |

From July 1, 2018 to December 31, 2018

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Consumer group | Rate for electric grid maintenance (RUB/MW per month) | Rate for electricity network losses (RUB/MWh) | One-rate tariff (RUB/MWh) |
| 1. | Other |  |  |  |
|  | HV | 1,611,173.45 | 55.77 | 1,829.41 |
|  | MV-1 | 1,636,536.34 | 156.27 | 2,556.24 |
|  | MV-2 | 1,377,241.33 | 283.98 | 2,616.31 |
|  | LV | 1,639,174.69 | 876.77 | 4,745.08 |
| 2. | Households and equivalent consumers |  |  |  |
| 2.1. | Households, except as specified in items 1.2 and 1.3 |  |  | 1,821.99 |
| 2.2. | Population living in urban settlements in houses duly equipped with stationary electric stoves and/or electric heaters |  |  | 906.51 |
| 2.3. | Population living in rural areas |  |  | 882.39 |
| 2.4. | Consumers equivalent to households, excluding those specified in item 71(1) of the Pricing Basics: |  |  |  |
| 2.4.1. | Gardening, vegetable gardening or dacha non-profit associations of individuals – non-profit organizations established by individuals on a voluntary basis to assist its members in addressing common social and economic tasks related to gardening, vegetable gardening, and dacha farming |  |  | 1,640.70 |
| 2.4.2. | Legal entities acquiring electricity (capacity) for consumption by persons serving a sentence of imprisonment in their living quarters, provided that separate electricity metering is available for such living quarters |  |  | 1,775.29 |
| 2.4.3. | Religious organizations financed by the congregation |  |  | 1,711.80 |
| 2.4.4. | Associations of individuals purchasing electricity (capacity) for use in their own outbuildings (cellars, barns); non-profit associations of individuals (garage construction cooperatives, garage cooperatives), and individuals owning standalone garages who purchase electricity (capacity) for consumption for residential needs and not used for commercial activities. |  |  | 1. 788.70 |

1. Individual two-rate tariffs used for settlements between PJSC “Lenenergo” and allied grid organizations (for electricity distribution services provided via their grids) without differentiation by voltage level. Order No. 659-p of December 27, 2017

**Approved tariffs for electricity distribution for 2019**

**Saint Petersburg:**

1. two-rate and single-rate pool tariffs with differentiation by voltage levels and with separate tariffs for households. Directive No. 276-r of December 27, 2018

from January 1, 2019 to June 30, 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Consumer group | Rate for electric grid maintenance (RUB/MW per month) | Rate for electricity network losses (RUB/MWh) | One-rate tariff (RUB/MWh) |
| 1. | Other |  |  |  |
|  | HV | 789,883.89 | 59.72 | 1,277.86 |
|  | MV-1 | 1,255,569.59 | 125.73 | 2,456.74 |
|  | MV-2 | 1,342,633.46 | 302.91 | 3,328.11 |
|  | LV | 1,207,613.10 | 591.11 | 3,639.06 |
| 2. | Households and equivalent consumers |  |  |  |
| 2.1. | Households, except as specified in items 1.2 and 1.3 |  |  | 2,010 |
| 2.2. | Population living in urban settlements in houses duly equipped with stationary electric stoves and/or electric heaters |  |  | 1,068 |
| 2.3. | Population living in rural areas |  |  | - |
| 2.4. | Consumers equivalent to households, excluding those specified in item 71(1) of the Pricing Basics: |  |  |  |
| 2.4.1. | Gardening, vegetable gardening or dacha non-profit associations of individuals – non-profit organizations established by individuals on a voluntary basis to assist its members in addressing common social and economic tasks related to gardening, vegetable gardening, and dacha farming |  |  | 1,821 |
| 2.4.2. | Legal entities acquiring electricity (capacity) for consumption by persons serving a sentence of imprisonment in their living quarters, provided that separate electricity metering is available for such living quarters |  |  | 2,147 |
| 2.4.3. | Religious organizations financed by the congregation |  |  | 2,023 |
| 2.4.4. | Associations of individuals purchasing electricity (capacity) for use in their own outbuildings (cellars, barns); non-profit associations of individuals (garage construction cooperatives, garage cooperatives), and individuals owning standalone garages who purchase electricity (capacity) for consumption for residential needs and not used for commercial activities. |  |  | 2,007 |

from July 1, 2019 to December 31, 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Consumer group | Rate for electric grid maintenance (RUB/MW per month) | Rate for electricity network losses (RUB/MWh) | One-rate tariff (RUB/MWh) |
| 1. | Other |  |  |  |
|  | HV | 899,539.16 | 65.49 | 1,427.86 |
|  | MV-1 | 1,429,873.47 | 137.96 | 2,683.08 |
|  | MV-2 | 1,529,023.94 | 330.56 | 3,571.40 |
|  | LV | 1,375,259.44 | 642.38 | 3,764.60 |
| 2. | Households and equivalent consumers |  |  |  |
| 2.1. | Households, except as specified in items 1.2 and 1.3 |  |  | 1,986 |
| 2.2. | Population living in urban settlements in houses duly equipped with stationary electric stoves and/or electric heaters |  |  | 1,015 |
| 2.3. | Population living in rural areas |  |  | - |
| 2.4. | Consumers equivalent to households, excluding those specified in item 71(1) of the Pricing Basics: |  |  |  |
| 2.4.1. | Gardening, vegetable gardening or dacha non-profit associations of individuals – non-profit organizations established by individuals on a voluntary basis to assist its members in addressing common social and economic tasks related to gardening, vegetable gardening, and dacha farming |  |  | 1,824 |
| 2.4.2. | Legal entities acquiring electricity (capacity) for consumption by persons serving a sentence of imprisonment in their living quarters, provided that separate electricity metering is available for such living quarters |  |  | 2,096 |
| 2.4.3. | Religious organizations financed by the congregation |  |  | 2,006 |
| 2.4.4. | Associations of individuals purchasing electricity (capacity) for use in their own outbuildings (cellars, barns); non-profit associations of individuals (garage construction cooperatives, garage cooperatives), and individuals owning standalone garages who purchase electricity (capacity) for consumption for residential needs and not used for commercial activities. |  |  | 1,982 |

1. Individual two-rate tariffs used for settlements between PJSC “Lenenergo” and allied grid organizations (for electricity distribution services provided via their grids) without differentiation by voltage level. Directive No. 298-r of December 27, 2018
2. KirovTEK, CJSC, an individual two-rate pool tariff (pays PJSC “Lenenergo” for electricity distribution services). Order No. 276-r of December 27, 2018

from January 1, 2019 to June 30, 2019

|  |  |  |  |
| --- | --- | --- | --- |
| Allied grid company | Rate for electric grid maintenance (RUB/MW per month) | Rate for paying for network expenses (losses), RUB/MWh | One-rate tariff, RUB/MWh |
| KirovTEK, CJSC | 1,242,726.79 | 228.42 | 3,372.80 |

from July 1, 2019 to December 31, 2019

|  |  |  |  |
| --- | --- | --- | --- |
| Allied grid company | Rate for electric grid maintenance (RUB/MW per month) | Rate for paying for network expenses (losses), RUB/MWh | One-rate tariff, RUB/MWh |
| KirovTEK, CJSC | 1,380,285.34 | 285.20 | 3,848.63 |

**Leningrad Region:**

1. two-rate pool tariffs with differentiation by voltage level and separate tariffs for households

Order No. 727-p of December 29, 2018

From January 1, 2019 to June 30, 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Consumer group | Rate for electric grid maintenance (RUB/MW per month) | Rate for electricity network losses (RUB/MWh) | One-rate tariff (RUB/MWh) |
| 1. | Other |  |  |  |
|  | HV | 1,611,173.45 | 55.77 | 1,829.40 |
|  | MV-1 | 1,636,536.34 | 156.27 | 2,556.24 |
|  | MV-2 | 1,377,241.33 | 283.98 | 2,616.31 |
|  | LV | 1,639,174.69 | 876.77 | 4,745.08 |
| 2. | Households and equivalent consumers |  |  |  |
| 2.1. | Households, except as specified in items 1.2 and 1.3 |  |  | 1,822 |
| 2.2. | Population living in urban settlements in houses duly equipped with stationary electric stoves and/or electric heaters |  |  | 907 |
| 2.3. | Population living in rural areas |  |  | 882 |
| 2.4. | Consumers equivalent to households, excluding those specified in item 71(1) of the Pricing Basics: |  |  |  |
| 2.4.1. | Gardening, vegetable gardening or dacha non-profit associations of individuals – non-profit organizations established by individuals on a voluntary basis to assist its members in addressing common social and economic tasks related to gardening, vegetable gardening, and dacha farming |  |  | 1,641 |
| 2.4.2. | Legal entities acquiring electricity (capacity) for consumption by persons serving a sentence of imprisonment in their living quarters, provided that separate electricity metering is available for such living quarters |  |  | 1,775 |
| 2.4.3. | Religious organizations financed by the congregation |  |  | 1,712 |
| 2.4.4. | Associations of individuals purchasing electricity (capacity) for use in their own outbuildings (cellars, barns); non-profit associations of individuals (garage construction cooperatives, garage cooperatives), and individuals owning standalone garages who purchase electricity (capacity) for consumption for residential needs and not used for commercial activities. |  |  | 1,789 |

from July 1, 2019 to December 31, 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Consumer group | Rate for electric grid maintenance (RUB/MW per month) | Rate for electricity network losses (RUB/MWh) | One-rate tariff (RUB/MWh) |
| 1. | Other |  |  |  |
|  | HV | 1,611,173.45 | 59.62 | 1,929.17 |
|  | MV-1 | 1,701,048.12 | 167.05 | 3,067.49 |
|  | MV-2 | 1,599,695.76 | 303.57 | 3,183.38 |
|  | LV | 1,862,826.10 | 938.14 | 5,399.56 |
| 2. | Households and equivalent consumers |  |  |  |
| 2.1. | Households, except as specified in items 1.2 and 1.3 |  |  | 1,840 |
| 2.2. | Population living in urban settlements in houses duly equipped with stationary electric stoves and/or electric heaters |  |  | 956 |
| 2.3. | Population living in rural areas |  |  | 899 |
| 2.4. | Consumers equivalent to households, excluding those specified in item 71(1) of the Pricing Basics: |  |  |  |
| 2.4.1. | Gardening, vegetable gardening or dacha non-profit associations of individuals – non-profit organizations established by individuals on a voluntary basis to assist its members in addressing common social and economic tasks related to gardening, vegetable gardening, and dacha farming |  |  | 1,661 |
| 2.4.2. | Legal entities acquiring electricity (capacity) for consumption by persons serving a sentence of imprisonment in their living quarters, provided that separate electricity metering is available for such living quarters |  |  | 1,773 |
| 2.4.3. | Religious organizations financed by the congregation |  |  | 1,670 |
| 2.4.4. | Associations of individuals purchasing electricity (capacity) for use in their own outbuildings (cellars, barns); non-profit associations of individuals (garage construction cooperatives, garage cooperatives), and individuals owning standalone garages who purchase electricity (capacity) for consumption for residential needs and not used for commercial activities. |  |  | 1,758 |

1. Individual two-rate tariffs used for settlements between PJSC “Lenenergo” and allied grid organizations (for electricity distribution services provided via their grids) without differentiation by voltage level. Order No. 727-p of December 29, 2018

## Information on approved tariffs for grid connection for 2018–2019.

**Approved payment rates for grid connection for 2018**

**Saint Petersburg**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Connection category | | UOM | Fee rate | |
| Capacity range, kW | Voltage level at the connection point, kV |
| 1 | 2 | 3 | 4 | |
| **Connection fee rates per unit of maximum capacity** | | | | |
| С1 Rate per unit of maximum capacity for activities provided in item 16 (except sub-item “b”) of the Guidelines for Grid Connection in Urban Areas | LV | RUB/kW | 797 | |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB/kW | 381 | |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB/kW | 416 | |
| **Rate per unit of maximum capacity for “last mile” activities** | х | х | |
| С2 Construction of 10(6) kV overhead lines | х | х | |
| up to 150 kW, inclusive | RUB/kW | х | |
| above 150 kW and less than 670 kW | RUB/kW | 107 | |
| at least 670 kW | RUB/kW | х | |
| С3 Construction of 10(6) kV cable lines | х | х | |
| up to 150 kW, inclusive | х | х | |
| above 150 kW and less than 670 kW | RUB/kW | 3,584 | |
| at least 670 kW | RUB/kW | 5,658 | |
| С3 Construction of 0.4 kV cable lines | х | х | |
| up to 150 kW, inclusive | RUB/kW | х | |
| above 150 kW and less than 670 kW | RUB/kW | 6,156 | |
| at least 670 kW | RUB/kW | 6,946 | |
| С5 Rates per unit of maximum capacity for construction of transformer substations (TSS) | х | х | |
| above 150 kW and less than 670 kW | RUB/kW | 3,708 | |
| at least 670 kW | RUB/kW | 4,484 | |
| С1 Rate per unit of maximum capacity for activities provided in item 16 (except sub-item “b”) of the Guidelines for Grid Connection in Urban Areas | MV2 | RUB/kW | 797 | |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB/kW | 381 | |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB/kW | 416 | |
| Rate per unit of maximum capacity for “last mile” activities | х | х | |
| С2 Construction of 10(6) kV overhead lines | х | х | |
| up to 150 kW, inclusive | RUB/kW | х | |
| above 150 kW and less than 670 kW | RUB/kW | 107 | |
| at least 670 kW | RUB/kW | х | |
| С3 Construction of 10(6) kV cable lines | х | х | |
| up to 150 kW, inclusive | х | х | |
| above 150 kW and less than 670 kW | RUB/kW | 3,584 | |
| at least 670 kW | RUB/kW | 6,326 | |
| С3 Construction of 0.4 kV cable lines | х | х | |
| up to 150 kW, inclusive | RUB/kW | х | |
| above 150 kW and less than 670 kW | RUB/kW | х | |
| at least 670 kW | RUB/kW | х | |
| С5 Rates per unit of maximum capacity for construction of transformer substations (TSS) | х | х | |
| above 150 kW and less than 670 kW | х | х | |
| at least 670 kW | х | х | |
| **Standardized tariff rates for grid connection\*** | | | | |
| С1 Standardized tariff rate to cover expenses for grid connection of electricity receiving appliances of electricity consumers, electric grid facilities owned by grid companies or other entities, for activities referred to in item 16 (excluding sub-item “b”) of the Guidelines | LV | RUB per connection | | 39,420 |
| Preparation and issuance of technical specifications to the Customer by the grid organization | RUB per connection | | 23,370 |
| Verification by the grid organization of the customer’s compliance with technical specifications | RUB per connection | | 16,050 |
| С2 Standardized tariff rate to cover expenses for the construction of overhead lines per 1 km of the line | х | | х |
| SSIW 2 3 х 120+1х70 | RUB/km | | 642,039 |
| SSIW 2 3 х 95+1 х 95 | RUB/km | | 783,476 |
| SSIW 2 3 х 120+1х95 | RUB/km | | 869,009 |
| С3 Standardized tariff rate to cover expenses for the construction of cable lines per 1 km of the line | RUB/km | | х |
| APvBbShp 4Х120 | RUB/km | | 4,562,079 |
| (one cable per trench) |
| APvBbShp 4Х120 | RUB/km | | 6,386,908 |
| (two cables per trench) |
| APvBbShp 4Х150 | RUB/km | | 4,701,707 |
| (one cable per trench) |
| APvBbShp 4Х150 | RUB/km | | 6,582,388 |
| (two cables per trench) |
| APvBbShp 4Х185 | RUB/km | | 5,274,754 |
| (one cable per trench) |
| APvBbShp 4Х185 | RUB/km | | 7,384,656 |
| (two cables per trench) |
| APvBbShp 4Х240 | RUB/km | | 5,327,502 |
| (one cable per trench) |
| APvBbShp 4Х240 | RUB/km | | 7,458,502 |
| (two cables per trench) |
| ASB2l 4Х120 | RUB/km | | 3,932,826 |
| (one cable per trench) |
| ASB2l 4Х120 | RUB/km | | 5,505,955 |
| (two cables per trench) |
| ASB2l 4Х150 | RUB/km | | 3,932,901 |
| (one cable per trench) |
| ASB2l 4Х150 | RUB/km | | 5,506,064 |
| (two cables per trench) |
| ASB2l 4Х185 | RUB/km | | 3,932,976 |
| (one cable per trench) |
| ASB2l 4Х185 | RUB/km | | 5,506,174 |
| (two cables per trench) |
| ASB2l 4Х240 | RUB/km | | 5,192,322 |
| (one cable per trench) |
| ASB2l 4Х240 | RUB/km | | 7,269,246 |
| (two cables per trench) |
| С5 Standardized tariff rate to cover expenses for the construction of transformer substations (TS), excluding distribution transformer substations (DTSS) with voltage up to 35 kV | LV | х | | х |
| PTS 1Х63, terminal type | RUB/kW | | 14,272 |
| PTS 1Х100, terminal type | RUB/kW | | 11,302 |
| PTS 1Х160, terminal type | RUB/kW | | 7,468 |
| PTS 1Х250, terminal type | RUB/kW | | 5,186 |
| PTS 1Х400, terminal type | RUB/kW | | 3,671 |
| PTS 1Х630, terminal type | RUB/kW | | 2,974 |
| PTS 1Х1000, terminal type | RUB/kW | | 2,365 |
| 2PTS 2Х63 | RUB/kW | | 10,624 |
| 2PTS 2Х100 | RUB/kW | | 8,133 |
| 2PTS 2Х160 | RUB/kW | | 5,451 |
| 2PTS 2Х250 | RUB/kW | | 3,861 |
| 2PTS 2Х400 | RUB/kW | | 2,693 |
| 2PTS 2Х630 | RUB/kW | | 2,178 |
| 2PTS 2Х1000 | RUB/kW | | 3,791 |
| UPTS 1X100 | RUB/kW | | 41,463 |
| UPTS 1X160 | RUB/kW | | 26,638 |
| UPTS 1X250 | RUB/kW | | 17,980 |
| UPTS 1X400 | RUB/kW | | 25,362 |
| UPTS 1X630 | RUB/kW | | 16,669 |
| UPTS 1X1000 | RUB/kW | | 10,714 |
| UPTS 1X1250 | RUB/kW | | 9,810 |
| UPTS 1X1600 | RUB/kW | | 3,708 |
| UPTS 2X100 | RUB/kW | | 30,918 |
| UPTS 2X160 | RUB/kW | | 19,885 |
| UPTS 2X250 | RUB/kW | | 13,443 |
| UPTS 2X400 | RUB/kW | | 12,185 |
| UPTS 2X630 | RUB/kW | | 8,002 |
| UPTS 2X1000 | RUB/kW | | 6,052 |
| UPTS 2X1250 | RUB/kW | | 6,141 |
| UPTS 2X1600 | RUB/kW | | 4,484 |
| С6 Standardized tariff rate to cover expenses for the construction of distribution transformer substations (DTS), with voltage up to 35 kV | х | | х |
| UPDTS 2x1000 | RUB/kW | | 21,502 |
| UPDTS 2x1250 | RUB/kW | | 18,273 |
| UPDTS 4x1000 | RUB/kW | | 10,854 |
| UPDTS 4x1250 | RUB/kW | | 9,216 |
| С1 Standardized tariff rate to cover expenses for grid connection of power receiving appliances of electricity consumers, electric grid facilities owned by grid companies or other entities, for activities referred to in item 16 (excluding sub-item “b”) of the Guidelines | MV2 | RUB per connection | | 39,420 |
| Preparation and issuance of technical specifications to the Customer by the grid organization | RUB per connection | | 23,370 |
| Verification by the grid organization of the customer’s compliance with technical specifications | RUB per connection | | 16,050 |
| С2 Standardized tariff rate to cover expenses for the construction of overhead power lines per 1 km of the line | х | | х |
| SSIW 3 1х35 | RUB/km | | 1,196,306 |
| SSIW 3 1х50 | RUB/km | | 1,216,507 |
| SSIW 3 1х70 | RUB/km | | 1,265,279 |
| SSIW 3 1х95 | RUB/km | | 1,326,229 |
| SSIW 3 1х120 | RUB/km | | 1,374,707 |
| С3 Standardized tariff rate to cover expenses for the construction of cable lines per 1 km of the line | х | | х |
| ASB2l 3х70 | RUB/km | | 2,376,383 |
| (one cable per trench) |
| ASB2l 3х70 | RUB/km | | 4,292,700 |
| (two cables per trench) |
| ASB2l 3х120 | RUB/km | | 2,905,166 |
| (one cable per trench) |
| ASB2l 3х120 | RUB/km | | 5,268,788 |
| (two cables per trench) |
| ASB2l 3х150 | RUB/km | | 3,362,332 |
| (one cable per trench) |
| ASB2l 3х150 | RUB/km | | 5,688,854 |
| (two cables per trench) |
| ASB2l 3Х185 | RUB/km | | 3,465,987 |
| (one cable per trench) |
| ASB2l 3Х185 | RUB/km | | 6,371768 |
| (two cables per trench) |
| ASB2l 3Х240 | RUB/km | | 3,783,095 |
| (one cable per trench) |
| ASB2l 3Х240 | RUB/km | | 7,383,727 |
| (two cables per trench) |
| APvPu2g 3(1х120/50) | RUB/km | | 2,905,146 |
| (one cable per trench) |
| APvPu2g 3(1х120/50) | RUB/km | | 5,708,555 |
| (two cables per trench) |
| APvPu2g 3(1х70/50) | RUB/km | | 2,455,512 |
| (one cable per trench) |
| APvPu2g 3(1х70/50) | RUB/km | | 4,438,766 |
| (two cables per trench) |
| APvPu2g 3(1х120/70) | RUB/km | | 2,905,146 |
| (one cable per trench) |
| APvPu2g 3(1х120/70) | RUB/km | | 5,708,555 |
| (two cables per trench) |
| APvPu2g 3(1х150/50) | RUB/km | | 3,322,462 |
| (one cable per trench) |
| APvPu2g 3(1х150/50) | RUB/km | | 6,544,395 |
| (two cables per trench) |
| APvPu2g 3(1х185/50) | RUB/km | | 3,568,318 |
| (one cable per trench) |
| APvPu2g 3(1х185/50) | RUB/km | | 7,034,899 |
| (two cables per trench) |
| APvPu2g 3(1х240/50) | RUB/km | | 3,783,095 |
| (one cable per trench) |
| APvPu2g 3(1х240/50) | RUB/km | | 7,383,727 |
| (two cables per trench) |
| APvPu2g 3(1х240/70) | RUB/km | | 3,783,095 |
| (one cable per trench) |
| APvPu2g 3(1х240/70) | RUB/km | | 7,464,453 |
| (two cables per trench) |
| APvPu2g 3(1х300/70) | RUB/km | | 4,038,585 |
| (one cable per trench) |
| APvPu2g 3(1х300/70) | RUB/km | | 7,976,641 |
| (two cables per trench) |
| APvPu2g 3(1х400/70) | RUB/km | | 4,687,688 |
| (one cable per trench) |
| APvPu2g 3(1х400/70) | RUB/km | | 9,274,846 |
| (two cables per trench) |
| С5 Standardized tariff rate to cover expenses for the construction of transformer substations (TS), excluding distribution transformer substations (DTS) with voltage up to 35 kV | х | | х |
| PTS 1Х63, terminal type | RUB/kW | | 14,272 |
| PTS 1Х100, terminal type | RUB/kW | | 11,302 |
| PTS 1Х160, terminal type | RUB/kW | | 7,468 |
| PTS 1Х250, terminal type | RUB/kW | | 5,186 |
| PTS 1Х400, terminal type | RUB/kW | | 3,671 |
| PTS 1Х630, terminal type | RUB/kW | | 2,974 |
| PTS 1Х1000, terminal type | RUB/kW | | 2,365 |
| 2PTS 2Х63 | RUB/kW | | 10,624 |
| 2PTS 2Х100 | RUB/kW | | 8,133 |
| 2PTS 2Х160 | RUB/kW | | 5,451 |
| 2PTS 2Х250 | RUB/kW | | 3,861 |
| 2PTS 2Х400 | RUB/kW | | 2,693 |
| 2PTS 2Х630 | RUB/kW | | 2,178 |
| 2PTS 2Х1000 | RUB/kW | | 3,791 |
| UPTS 1X100 | RUB/kW | | 41,463 |
| UPTS 1X160 | RUB/kW | | 26,638 |
| UPTS 1X250 | RUB/kW | | 17,980 |
| UPTS 1X400 | RUB/kW | | 25,362 |
| UPTS 1X630 | RUB/kW | | 16,669 |
| UPTS 1X1000 | RUB/kW | | 10,714 |
| UPTS 1X1250 | RUB/kW | | 9,810 |
| UPTS 1X1600 | RUB/kW | | 3,708 |
| UPTS 2X100 | RUB/kW | | 30,918 |
| UPTS 2X160 | RUB/kW | | 19,885 |
| UPTS 2X250 | RUB/kW | | 13,443 |
| UPTS 2X400 | RUB/kW | | 12,185 |
| UPTS 2X630 | RUB/kW | | 8,002 |
| UPTS 2X1000 | RUB/kW | | 6,052 |
| UPTS 2X1250 | RUB/kW | | 6,141 |
| UPTS 2X1600 | RUB/kW | | 4,484 |
| С6 Standardized tariff rate to cover expenses for the construction of distribution transformer substations (DTS), with voltage up to 35 kV | х | | х |
| UPDTS 2x1000 | RUB/kW | | 21,502 |
| UPDTS 2x1250 | RUB/kW | | 18,273 |
| UPDTS 4x1000 | RUB/kW | | 10,854 |
| UPDTS 4x1250 | RUB/kW | | 9,216 |
|  |  |  | |  |
| \* Standardized tariff rates are approved for connection of 150+ kW power receiving appliances | | | | |

**Leningrad Region**

|  |  |  |  |
| --- | --- | --- | --- |
| **Standardized tariff rates for grid connection\*** | | | |
| С1 Standardized tariff rate to cover expenses for organizational activities under item 16 (excluding sub-item “b”) of the Guidelines | MV2 | RUB per connection | 31,139 |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB per connection | 13,205 |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB per connection | 17,937 |
| С2 Standardized tariff rate to cover expenses for the construction of single-circuit overhead lines | MV2 |  |  |
| territories of urban settlements | RUB/km | 1,885,149 |
| territories not related to urban settlements | RUB/km | 1,982,054 |
| С2 Standardized tariff rate to cover expenses for the construction of double-circuit overhead lines | х | х |
| territories of urban settlements | RUB/km | 2,047,859 |
| territories not related to urban settlements | RUB/km | 2,352,512 |
| С3 Standardized tariff rate to cover expenses for the construction of single-circuit cable lines | х | х |
| territories of urban settlements | RUB/km | 3,417,003 |
| territories not related to urban settlements | RUB/km | 3,536,123 |
| С3 Standardized tariff rate to cover expenses for the construction of double-circuit cable lines | х | х |
| territories of urban settlements | RUB/km | 6,131,635 |
| territories not related to urban settlements | RUB/km | 6,177,944 |
| С3 Standardized tariff rate to cover expenses for the construction of cable lines using horizontal directional drilling (piercing) | х | х |
| territories of urban settlements | RUB/km | 16,510,028 |
| territories not related to urban settlements | RUB/km | 18,358,396 |
| С4 Standardized tariff rate to cover expenses for the construction of 10 MVA distribution points | х | х |
| territories of urban settlements | RUB/unit | 14,020,519 |
| territories not related to urban settlements | RUB/unit | 14,020,519 |
| С5 Standardized tariff rate to cover expenses for the construction of pole-mounted transformer substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| С5 Standardized tariff rate to cover expenses for the construction of package transformer substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| С5 Standardized tariff rate to cover expenses for the construction of unit-type package transformer substations (UPTS) |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| С5 Standardized tariff rate to cover expenses for the construction of 2PTS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| С5 Standardized tariff rate to cover expenses for the construction of 2UPTS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| С1 Standardized tariff rate to cover the costs of organizational activities under item 16 (excluding sub-item “b”) of the Guidelines | LV | RUB per connection | 31,139 |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB per connection | 13,205 |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB per connection | 17,937 |
| С2 Standardized tariff rate to cover expenses for the construction of single-circuit overhead lines | х | х |
| territories of urban settlements | RUB/km | 1,351,890 |
| territories not related to urban settlements | RUB/km | 1,568,844 |
| С2 Standardized tariff rate to cover expenses for the construction of double-circuit overhead lines | х | х |
| territories of urban settlements | RUB/km | 2,207,595 |
| territories not related to urban settlements | RUB/km | 2,207,595 |
| С3 Standardized tariff rate to cover expenses for the construction of single-circuit cable lines | х | х |
| territories of urban settlements | RUB/km | 3,453,434 |
| territories not related to urban settlements | RUB/km | 3,666,822 |
| С3 Standardized tariff rate to cover expenses for the construction of double-circuit cable lines | х | х |
| territories of urban settlements | RUB/km | 5,174,998 |
| territories not related to urban settlements | RUB/km | 4,236,655 |
| С3 Standardized tariff rate to cover expenses for the construction of cable lines using horizontal directional drilling | х | х |
| territories of urban settlements | RUB/km | 16,510,028 |
| territories not related to urban settlements | RUB/km | 18,358,396 |
| С4 Standardized tariff rate to cover expenses for the construction of 10 MVA distribution points | х | х |
| territories of urban settlements | RUB/unit | х |
| territories not related to urban settlements | RUB/unit | х |
| С5 Standardized tariff rate to cover expenses for the construction of pole-mounted transformer substations |  |  |
| territories of urban settlements | RUB/kW | 6,844 |
| territories not related to urban settlements | RUB/kW | 6,844 |
| С5 Standardized tariff rate to cover expenses for the construction of package transformer substations |  |  |
| territories of urban settlements | RUB/kW | 5,341 |
| territories not related to urban settlements | RUB/kW | 5,341 |
| С5 Standardized tariff rate to cover expenses for the construction of unit-type package transformer substations (UPTS) |  |  |
| territories of urban settlements | RUB/kW | 8,968 |
| territories not related to urban settlements | RUB/kW | 8,968 |
| С5 Standardized tariff rate to cover expenses for the construction of 2PTS substations |  |  |
| territories of urban settlements | RUB/kW | 3,749 |
| territories not related to urban settlements | RUB/kW | 3,749 |
| С5 Standardized tariff rate to cover expenses for the construction of 2UPTS substations |  |  |
| territories of urban settlements | RUB/kW | 6,638 |
| territories not related to urban settlements | RUB/kW | 6,638 |
| **Connection fee rates per unit of maximum capacity** | | | |
| С1 Rate per unit of maximum capacity for activities provided in item 16 (except sub-item “b”) of the Guidelines for Grid Connection in Urban Areas | MV2 | RUB/kW | 642 |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB/kW | 272 |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB/kW | 370 |
| **Rate per unit of maximum capacity for “last mile” activities** | | | |
| С2 Construction of 10(6) kV overhead lines, including: | MV2 |  |  |
| construction of single-circuit overhead lines |  |  |
| territories of urban settlements | RUB/km | 8,908 |
| territories not related to urban settlements | RUB/km | 8,908 |
| construction of double-circuit overhead lines |  |  |
| territories of urban settlements | RUB/km | 10,670 |
| territories not related to urban settlements | RUB/km | 10,670 |
| С3 Construction of 10(6) kV cable lines, including: |  |  |
| construction of cable lines (one cable per trench) |  |  |
| territories of urban settlements | RUB/km | 10,578 |
| territories not related to urban settlements | RUB/km | 10,309 |
| construction of cable lines (two cables per trench) |  |  |
| territories of urban settlements | RUB/km | 11,298 |
| territories not related to urban settlements | RUB/km | 11,366 |
| C4 Construction of distribution points |  |  |
| territories of urban settlements | RUB/unit | 1,134 |
| territories not related to urban settlements | RUB/unit | 1,134 |
| С5 Construction of transformer substations with voltage up to 35kV, including |  |  |
| construction of pole-mounted transformer substations |  |  |
| territories of urban settlements | MV2 | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| construction of PTS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| construction of UPTS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| construction of 2PTS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| construction of 2UPTS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| **Connection fee rates per unit of maximum capacity** | | | |
| С1 Rate per unit of maximum capacity for activities provided in item 16 (except sub-item “b”) of the Guidelines for Grid Connection in Urban Areas | LV | RUB/kW | 642 |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB/kW | 272 |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB/kW | 370 |
| **Rate per unit of maximum capacity for “last mile” activities** | | | |
| С2 Construction of 10(6) kV overhead lines, including: | LV |  |  |
| Construction of single-circuit overhead lines |  |  |
| territories of urban settlements | RUB/km | 8,832 |
| territories not related to urban settlements | RUB/km | 8,177 |
| construction of double-circuit overhead lines |  |  |
| territories of urban settlements | RUB/km | 10,581 |
| territories not related to urban settlements | LV | RUB/km | 10,581 |
| С3 Construction of 10(6) kV cable lines, including: |  |  |
| construction of cable lines (one cable per trench) |  |  |
| territories of urban settlements | RUB/km | 10,200 |
| territories not related to urban settlements | RUB/km | 10,465 |
| construction of cable lines (two cables per trench) |  |  |
| territories of urban settlements | RUB/km | 12,339 |
| territories not related to urban settlements | RUB/km | 12,655 |
| C4 Construction of distribution points |  |  |
| territories of urban settlements | RUB/unit | х |
| territories not related to urban settlements | RUB/unit | х |
| С5 Construction of transformer substations with voltage up to 35kV, including |  |  |
| construction of pole-mounted transformer substations |  |  |
| territories of urban settlements | RUB/kW | 6,844 |
| territories not related to urban settlements | RUB/kW | 6,844 |
| construction of TPS substations |  |  |
| territories of urban settlements | RUB/kW | 5,341 |
| territories not related to urban settlements | RUB/kW | 5,341 |
| construction of UPTS substations |  |  |
| territories of urban settlements | RUB/kW | 8,968 |
| territories not related to urban settlements | RUB/kW | 8,968 |
| construction of 2PTS substations |  |  |
| territories of urban settlements | RUB/kW | 3,749 |
| territories not related to urban settlements | RUB/kW | 3,749 |
| construction of 2UPTS substations |  |  |
| territories of urban settlements | RUB/kW | 6,638 |
| territories not related to urban settlements | RUB/kW | 6,638 |
| \* Standardized tariff rates are approved for connection of 150+ kW power receiving appliances | | | |  |

**Approved payment rates for grid connection for 2019**

**Saint Petersburg**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Connection category | | UOM | Fee rate | |
| Capacity range, kW | Voltage level at the connection point, kV |
| 1 | 2 | 3 | 4 | |
| **Connection fee rates per unit of maximum capacity** | | | | |
| С1 Rate per unit of maximum capacity for activities provided in item 16 (except sub-item “b”) of the Guidelines for Grid Connection in Urban Areas | LV | RUB/kW | 715 | |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB/kW | 449 | |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB/kW | 266 | |
| **Rate per unit of maximum capacity for “last mile” activities** | х | Х | |
| С2 Construction of 10(6) kV overhead lines | х | Х | |
| up to 150 kW, inclusive | RUB/kW | Х | |
| above 150 kW and less than 670 kW | RUB/kW | 254 | |
| at least 670 kW | RUB/kW | х | |
| С3 Construction of 10(6) kV cable lines | х | х | |
| up to 150 kW, inclusive | х | х | |
| above 150 kW and less than 670 kW | RUB/kW | 3,595 | |
| at least 670 kW | RUB/kW | 5,540 | |
| С3 Construction of 0.4 kV cable lines | х | х | |
| up to 150 kW, inclusive | RUB/kW | х | |
| above 150 kW and less than 670 kW | RUB/kW | 6,288 | |
| at least 670 kW | RUB/kW | 7,199 | |
| С5 Rates per unit of maximum capacity for construction of transformer substations (TSS) | х | х | |
| above 150 kW and less than 670 kW | RUB/kW | 3,882 | |
| at least 670 kW | RUB/kW | 4,695 | |
| С1 Rate per unit of maximum capacity for activities provided in item 16 (except sub-item “b”) of the Guidelines for Grid Connection in Urban Areas | MV2 | RUB/kW | 715 | |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB/kW | 449 | |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB/kW | 266 | |
| Rate per unit of maximum capacity for “last mile” activities | х | х | |
| С2 Construction of 10(6) kV overhead lines | х | х | |
| up to 150 kW, inclusive | RUB/kW | х | |
| above 150 kW and less than 670 kW | RUB/kW | 254 | |
| at least 670 kW | RUB/kW | х | |
| С3 Construction of 10(6) kV cable lines | х | х | |
| up to 150 kW, inclusive | х | х | |
| above 150 kW and less than 670 kW | RUB/kW | 3,595 | |
| at least 670 kW | RUB/kW | 5,540 | |
| С3 Construction of 0.4 kV cable lines | х | х | |
| up to 150 kW, inclusive | RUB/kW | х | |
| above 150 kW and less than 670 kW | RUB/kW | х | |
| at least 670 kW | RUB/kW | х | |
| С5 Rates per unit of maximum capacity for construction of transformer substations (TSS) | х | х | |
| above 150 kW and less than 670 kW | х | х | |
| at least 670 kW | х | х | |
| **Standardized tariff rates for grid connection\*** | | | | |
| С1 Standardized tariff rate to cover expenses for grid connection of power receiving appliances of electricity consumers, electric grid facilities owned by grid companies or other entities, for activities referred to in item 16 (excluding sub-item “b”) of the Guidelines | LV | RUB per connection | | 41,011 |
| Preparation and issuance of technical specifications to the Customer by the grid organization | RUB per connection | | 24,525 |
| Verification by the grid organization of the customer’s compliance with technical specifications | RUB per connection | | 16,486 |
| С2 Standardized tariff rate to cover expenses for the construction of overhead lines per 1 km of the line | х | | х |
| SSIW 2 3 х 120+1х70 | RUB/km | | 672,215 |
| С3 Standardized tariff rate to cover expenses for the construction of cable lines per 1 km of the line | RUB/km | | х |
| APvBbShp 4Х120 | RUB/km | | 4,776,497 |
| (one cable per trench) |
| APvBbShp 4Х120 | RUB/km | | 6,687,093 |
| (two cables per trench) |
| APvBbShp 4Х150 | RUB/km | | 4,922,687 |
| (one cable per trench) |
| APvBbShp 4Х150 | RUB/km | | 6,891,760 |
| (two cables per trench) |
| APvBbShp 4Х185 | RUB/km | | 5,522,667 |
| (one cable per trench) |
| APvBbShp 4Х185 | RUB/km | | 7,731,735 |
| (two cables per trench) |
| APvBbShp 4Х240 | RUB/km | | 5,577,895 |
| (one cable per trench) |
| APvBbShp 4Х240 | RUB/km | | 7,809,052 |
| (two cables per trench) |
| APvBbShp 4Х240 | RUB/km | | 17,621,616 |
| (1 HDD CL, 2 pipes) |
| ASB2l 4Х120 | RUB/km | | 4,117,669 |
| (one cable per trench) |
| ASB2l 4Х120 | RUB/km | | 5,764,735 |
| (two cables per trench) |
| ASB2l 4Х150 | RUB/km | | 4,117,747 |
| (one cable per trench) |
| ASB2l 4Х150 | RUB/km | | 5,764,849 |
| (two cables per trench) |
| ASB2l 4Х185 | RUB/km | | 4,117,826 |
| (one cable per trench) |
| ASB2l 4Х185 | RUB/km | | 5,764,964 |
| (two cables per trench) |
| ASB2l 4Х240 | RUB/km | | 5,436,361 |
| (one cable per trench) |
| ASB2l 4Х240 | RUB/km | | 7,610,901 |
| (two cables per trench) |
| С5 Standardized tariff rate to cover expenses for the construction of transformer substations (TS), excluding distribution transformer substations (DTSS) with voltage up to 35 kV | LV | х | | х |
| PTS 1Х63, terminal type | RUB/kW | | 14943 |
| PTS 1Х100, terminal type | RUB/kW | | 11,833 |
| PTS 1Х160, terminal type | RUB/kW | | 7,819 |
| PTS 1Х250, terminal type | RUB/kW | | 5,430 |
| PTS 1Х400, terminal type | RUB/kW | | 3,844 |
| PTS 1Х630, terminal type | RUB/kW | | 3,114 |
| PTS 1Х1000, terminal type | RUB/kW | | 2,476 |
| 2PTS 2Х63 | RUB/kW | | 11,123 |
| 2PTS 2Х100 | RUB/kW | | 8,515 |
| 2PTS 2Х160 | RUB/kW | | 5,707 |
| 2PTS 2Х250 | RUB/kW | | 4,042 |
| 2PTS 2Х400 | RUB/kW | | 2,820 |
| 2PTS 2Х630 | RUB/kW | | 2,280 |
| 2PTS 2Х1000 | RUB/kW | | 3,969 |
| UPTS 1X100 | RUB/kW | | 43,412 |
| UPTS 1X160 | RUB/kW | | 27,890 |
| UPTS 1X250 | RUB/kW | | 18,825 |
| UPTS 1X400 | RUB/kW | | 26,554 |
| UPTS 1X630 | RUB/kW | | 17,452 |
| UPTS 1X1000 | RUB/kW | | 11,218 |
| UPTS 1X1250 | RUB/kW | | 10,271 |
| UPTS 1X1600 | RUB/kW | | 3,882 |
| UPTS 2X100 | RUB/kW | | 32,371 |
| UPTS 2X160 | RUB/kW | | 20,820 |
| UPTS 2X250 | RUB/kW | | 14,075 |
| UPTS 2X400 | RUB/kW | | 12,758 |
| UPTS 2X630 | RUB/kW | | 8,378 |
| UPTS 2X1000 | RUB/kW | | 6,336 |
| UPTS 2X1250 | RUB/kW | | 6,430 |
| UPTS 2X1600 | RUB/kW | | 4,695 |
| С6 Standardized tariff rate to cover expenses for the construction of distribution transformer substations (DTSS), with voltage up to 35 kV | х | | х |
| UPDTS 2x1000 | RUB/kW | | 22,513 |
| UPDTS 2x1250 | RUB/kW | | 19,132 |
| UPDTS 4x1000 | RUB/kW | | 11,364 |
| UPDTS 4x1250 | RUB/kW | | 9,649 |
| С1 Standardized tariff rate to cover expenses for grid connection of electricity receiving appliances of electricity consumers, electric grid facilities owned by grid companies or other entities, for activities referred to in item 16 (excluding sub-item “b”) of the Guidelines | MV2 | RUB per connection | | 41,011 |
| Preparation and issuance of technical specifications to the Customer by the grid organization | RUB per connection | | 24,525 |
| Verification by the grid organization of the customer’s compliance with technical specifications | RUB per connection | | 16,486 |
| С2 Standardized tariff rate to cover expenses for the construction of overhead power lines per 1 km of the line | х | | х |
| SSIW 3 1х35 | RUB/km | | 1,252,532 |
| С3 Standardized tariff rate to cover expenses for the construction of cable lines per 1 km of the line | х | | х |
| ASB2l 3х70 | RUB/km | | 2,488,073 |
| (one cable per trench) |
| ASB2l 3х70 | RUB/km | | 4,494,457 |
| (two cables per trench) |
| ASB2l 3х120 | RUB/km | | 3,041,709 |
| (one cable per trench) |
| ASB2l 3х120 | RUB/km | | 5,516,421 |
| (two cables per trench) |
| ASB2l 3х150 | RUB/km | | 3,520,362 |
| (one cable per trench) |
| ASB2l 3х150 | RUB/km | | 5,956,230 |
| (two cables per trench) |
| ASB2l 3Х185 | RUB/km | | 3,628,888 |
| (one cable per trench) |
| ASB2l 3Х185 | RUB/km | | 6,671,241 |
| (two cables per trench) |
| ASB2l 3Х240 | RUB/km | | 3,960,900 |
| (one cable per trench) |
| ASB2l 3Х240 | RUB/km | | 7,730,762 |
| (two cables per trench) |
| APvPu2g 3(1х70/50) | RUB/km | | 2,570,921 |
| (one cable per trench) |
| APvPu2g 3(1х70/50) | RUB/km | | 4,647,388 |
| (two cables per trench) |
| APvPu2g 3(1х120/50) | RUB/km | | 3,041,688 |
| (one cable per trench) |
| APvPu2g 3(1х120/50) | RUB/km | | 5,976,857 |
| (two cables per trench) |
| APvPu2g 3(1х120/70) | RUB/km | | 3,041,688 |
| (one cable per trench) |
| APvPu2g 3(1х120/70) | RUB/km | | 5,976,857 |
| (two cables per trench) |
| APvPu2g 3(1х150/50) | RUB/km | | 3,478,618 |
| (one cable per trench) |
| APvPu2g 3(1х150/50) | RUB/km | | 6,851,982 |
| (two cables per trench) |
| APvPu2g 3(1х185/50) | RUB/km | | 3,736,029 |
| (one cable per trench) |
| APvPu2g 3(1х185/50) | RUB/km | | 7,365,539 |
| (two cables per trench) |
| APvPu2g 3(1х240/50) | RUB/km | | 3,960,900 |
| (one cable per trench) |
| APvPu2g 3(1х240/50) | RUB/km | | 7,730,762 |
| (two cables per trench) |
| APvPu2g 3(1х240/70) | RUB/km | | 3960,900 |
| (one cable per trench) |
| APvPu2g 3(1х240/70) | RUB/km | | 7,815,282 |
| (two cables per trench) |
| APvPu2g 3(1х240/70) | RUB/km | | 23,393,429 |
| (1 HDD CL, 2 pipes) |
| APvPu2g 3(1х240/70) | RUB/km | | 34,298,878 |
| (2 HDD CL, 4 pipes) |
| APvPu2g 3(1х300/70) | RUB/km | | 4,228,398 |
| (one cable per trench) |
| APvPu2g 3(1х300/70) | RUB/km | | 8,351,543 |
| (two cables per trench) |
| APvPu2g 3(1х400/70) | RUB/km | | 4,908,009 |
| (one cable per trench) |
| APvPu2g 3(1х400/70) | RUB/km | | 9,710,764 |
| (two cables per trench) |
| С5 Standardized tariff rate to cover expenses for the construction of transformer substations (TS), excluding distribution transformer substations (DTS) with voltage up to 35 kV | х | | х |
| PTS 1Х63, terminal type | RUB/kW | | 14,272 |
| PTS 1Х100, terminal type | RUB/kW | | 11,302 |
| PTS 1Х160, terminal type | RUB/kW | | 7,468 |
| PTS 1Х250, terminal type | RUB/kW | | 5,186 |
| PTS 1Х400, terminal type | RUB/kW | | 3,671 |
| PTS 1Х630, terminal type | RUB/kW | | 2,974 |
| PTS 1Х1000, terminal type | RUB/kW | | 2,365 |
| 2PTS 2Х63 | RUB/kW | | 10,624 |
| 2PTS 2Х100 | RUB/kW | | 8,133 |
| 2PTS 2Х160 | RUB/kW | | 5,451 |
| 2PTS 2Х250 | RUB/kW | | 3,861 |
| 2PTS 2Х400 | RUB/kW | | 2,693 |
| 2PTS 2Х630 | RUB/kW | | 2,178 |
| 2PTS 2Х1000 | RUB/kW | | 3,791 |
| UPTS 1X100 | RUB/kW | | 41,463 |
| UPTS 1X160 | RUB/kW | | 26,638 |
| UPTS 1X250 | RUB/kW | | 17,980 |
| UPTS 1X400 | RUB/kW | | 25,362 |
| UPTS 1X630 | RUB/kW | | 16,669 |
| UPTS 1X1000 | RUB/kW | | 10,714 |
| UPTS 1X1250 | RUB/kW | | 9,810 |
| UPTS 1X1600 | RUB/kW | | 3,708 |
| UPTS 2X100 | RUB/kW | | 30,918 |
| UPTS 2X160 | RUB/kW | | 19,885 |
| UPTS 2X250 | RUB/kW | | 13,443 |
| UPTS 2X400 | RUB/kW | | 12,185 |
| UPTS 2X630 | RUB/kW | | 8,002 |
| UPTS 2X1000 | RUB/kW | | 6,052 |
| UPTS 2X1250 | RUB/kW | | 6,141 |
| UPTS 2X1600 | RUB/kW | | 4,484 |
| С6 Standardized tariff rate to cover expenses for the construction of distribution transformer substations (DTSS), with voltage up to 35 kV | х | | х |
| UPDTS 2x1000 | RUB/kW | | 21,502 |
| UPDTS 2x1250 | RUB/kW | | 18,273 |
| UPDTS 4x1000 | RUB/kW | | 10,854 |
| UPDTS 4x1250 | RUB/kW | | 9,216 |
|  |  |  | |  |
| \* Standardized tariff rates are approved for connection of 150+ kW power receiving appliances | | | | |

**Leningrad Region**

|  |  |  |  |
| --- | --- | --- | --- |
| **Standardized tariff rates for grid connection\*** | | | |
| С1 Standardized tariff rate to cover the costs of organizational activities under item 16 (excluding sub-item “b”) of the Guidelines | MV2 | RUB per connection | 31,139 |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB per connection | 13,205 |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB per connection | 17,937 |
| С2 Standardized tariff rate to cover expenses for the construction of single-circuit overhead lines | MV2 |  |  |
| territories of urban settlements | RUB/km | 1,885,149 |
| territories not related to urban settlements | RUB/km | 1,982,054 |
| С2 Standardized tariff rate to cover expenses for the construction of double-circuit overhead lines | х | х |
| territories of urban settlements | RUB/km | 2,047,859 |
| territories not related to urban settlements | RUB/km | 2,352,512 |
| С3 Standardized tariff rate to cover expenses for the construction of single-circuit cable lines | х | х |
| territories of urban settlements | RUB/km | 3,417,003 |
| territories not related to urban settlements | RUB/km | 3,536,123 |
| С3 Standardized tariff rate to cover expenses for the construction of double-circuit cable lines | х | х |
| territories of urban settlements | RUB/km | 6,131,635 |
| territories not related to urban settlements | RUB/km | 6,177,944 |
| С3 Standardized tariff rate to cover expenses for the construction of cable lines using horizontal directional drilling (HDD) | х | х |
| territories of urban settlements | RUB/km | 16,510,028 |
| territories not related to urban settlements | RUB/km | 18,358,396 |
| С4 Standardized tariff rate to cover expenses for the construction of 10 MVA distribution points | х | х |
| territories of urban settlements | RUB/unit | 14,020,519 |
| territories not related to urban settlements | RUB/unit | 14,020,519 |
| С5 Standardized tariff rate to cover expenses for the construction of pole-mounted transformer substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| С5 Standardized tariff rate to cover expenses for the construction of package transformer substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| С5 Standardized tariff rate to cover expenses for the construction of unit-type package transformer substations (UPTS) |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| С5 Standardized tariff rate to cover expenses for the construction of 2PTS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| С5 Standardized tariff rate to cover expenses for the construction of 2UPTS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| С1 Standardized tariff rate to cover the costs of organizational activities under item 16 (excluding sub-item “b”) of the Guidelines | LV | RUB per connection | 31,139 |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB per connection | 13,205 |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB per connection | 17,937 |
| С2 Standardized tariff rate to cover expenses for the construction of single-circuit overhead lines | х | х |
| territories of urban settlements | RUB/km | 1,351,890 |
| territories not related to urban settlements | RUB/km | 1,568,844 |
| С2 Standardized tariff rate to cover expenses for the construction of double-circuit overhead lines | х | х |
| territories of urban settlements | RUB/km | 2,207,595 |
| territories not related to urban settlements | RUB/km | 2,207,595 |
| С3 Standardized tariff rate to cover expenses for the construction of single-circuit cable lines | х | х |
| territories of urban settlements | RUB/km | 3,453,434 |
| territories not related to urban settlements | RUB/km | 3,666,822 |
| С3 Standardized tariff rate to cover expenses for the construction of double-circuit cable lines | х | х |
| territories of urban settlements | RUB/km | 5,174,998 |
| territories not related to urban settlements | RUB/km | 4,236,655 |
| С3 Standardized tariff rate to cover expenses for the construction of cable lines using horizontal directional drilling | х | х |
| territories of urban settlements | RUB/km | 16,510,028 |
| territories not related to urban settlements | RUB/km | 18,358,396 |
| С4 Standardized tariff rate to cover expenses for the construction of 10 MVA distribution points | х | х |
| territories of urban settlements | RUB/unit | х |
| territories not related to urban settlements | RUB/unit | х |
| С5 Standardized tariff rate to cover expenses for the construction of pole-mounted transformer substations |  |  |
| territories of urban settlements | RUB/kW | 6,844 |
| territories not related to urban settlements | RUB/kW | 6,844 |
| С5 Standardized tariff rate to cover expenses for the construction of package transformer substations |  |  |
| territories of urban settlements | RUB/kW | 5,341 |
| territories not related to urban settlements | RUB/kW | 5,341 |
| С5 Standardized tariff rate to cover expenses for the construction of unit-type package transformer substations (UPTS) |  |  |
| territories of urban settlements | RUB/kW | 8,968 |
| territories not related to urban settlements | RUB/kW | 8,968 |
| С5 Standardized tariff rate to cover expenses for the construction of 2PTS substations |  |  |
| territories of urban settlements | RUB/kW | 3,749 |
| territories not related to urban settlements | RUB/kW | 3,749 |
| С5 Standardized tariff rate to cover expenses for the construction of 2UPTS substations |  |  |
| territories of urban settlements | RUB/kW | 6,638 |
| territories not related to urban settlements | RUB/kW | 6,638 |
| **Connection fee rates per unit of maximum capacity** | | | |
| С1 Rate per unit of maximum capacity for activities provided in item 16 (except sub-item “b”) of the Guidelines for Grid Connection in Urban Areas | MV2 | RUB/kW | 642 |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB/kW | 272 |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB/kW | 370 |
| **Rate per unit of maximum capacity for “last mile” activities** | | | |
| С2 Construction of 10(6) kV overhead lines, including: | MV2 |  |  |
| Construction of single-circuit overhead lines |  |  |
| territories of urban settlements | RUB/km | 8,908 |
| territories not related to urban settlements | RUB/km | 8,908 |
| construction of double-circuit overhead lines |  |  |
| territories of urban settlements | RUB/km | 10,670 |
| territories not related to urban settlements | RUB/km | 10,670 |
| С3 Construction of 10(6) kV cable lines, including: |  |  |
| construction of cable lines (one cable per trench) |  |  |
| territories of urban settlements | RUB/km | 10,578 |
| territories not related to urban settlements | RUB/km | 10,309 |
| construction of cable lines (two cables per trench) |  |  |
| territories of urban settlements | RUB/km | 11,298 |
| territories not related to urban settlements | RUB/km | 11,366 |
| C4 Construction of distribution points |  |  |
| territories of urban settlements | RUB/unit | 1,134 |
| territories not related to urban settlements | RUB/unit | 1,134 |
| С5 Construction of transformer substations with voltage up to 35kV, including |  |  |
| construction of pole-mounted transformer substations |  |  |
| territories of urban settlements | MV2 | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| construction of TPS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| construction of UPTS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| construction of 2PTS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| construction of 2UPTS substations |  |  |
| territories of urban settlements | RUB/kW | х |
| territories not related to urban settlements | RUB/kW | х |
| **Connection fee rates per unit of maximum capacity** | | | |
| С1 Rate per unit of maximum capacity for activities provided in item 16 (except sub-item “b”) of the Guidelines for Grid Connection in Urban Areas | LV | RUB/kW | 642 |
| С1,1 Preparation and issuance of technical specifications to the Customer by the grid organization | RUB/kW | 272 |
| С1,2 Verification by the grid organization of the customer’s compliance with technical specifications according to Section IX of the Grid Connection Rules | RUB/kW | 370 |
| **Rate per unit of maximum capacity for “last mile” activities** | | | |
| С2 Construction of 10(6) kV overhead lines, including: | LV |  |  |
| Construction of single-circuit overhead lines |  |  |
| territories of urban settlements | RUB/km | 8,832 |
| territories not related to urban settlements | RUB/km | 8,177 |
| construction of double-circuit overhead lines |  |  |
| territories of urban settlements | RUB/km | 10,581 |
| territories not related to urban settlements | LV | RUB/km | 10,581 |
| С3 Construction of 10(6) kV cable lines, including: |  |  |
| construction of cable lines (one cable per trench) |  |  |
| territories of urban settlements | RUB/km | 10,200 |
| territories not related to urban settlements | RUB/km | 10,465 |
| construction of cable lines (two cables per trench) |  |  |
| territories of urban settlements | RUB/km | 12,339 |
| territories not related to urban settlements | RUB/km | 12,655 |
| C4 Construction of distribution points |  |  |
| territories of urban settlements | RUB/unit | х |
| territories not related to urban settlements | RUB/unit | х |
| С5 Construction of transformer substations with voltage up to 35kV, including |  |  |
| construction of pole-mounted transformer substations |  |  |
| territories of urban settlements | RUB/kW | 6,844 |
| territories not related to urban settlements | RUB/kW | 6,844 |
| construction of TPS substations |  |  |
| territories of urban settlements | RUB/kW | 5,341 |
| territories not related to urban settlements | RUB/kW | 5,341 |
| construction of UPTS substations |  |  |
| territories of urban settlements | RUB/kW | 8,968 |
| territories not related to urban settlements | RUB/kW | 8,968 |
| construction of 2PTS substations |  |  |
| territories of urban settlements | RUB/kW | 3,749 |
| territories not related to urban settlements | RUB/kW | 3,749 |
| construction of 2UPTS substations |  |  |
| territories of urban settlements | RUB/kW | 6,638 |
| territories not related to urban settlements | RUB/kW | 6,638 |
| \* Standardized tariff rates are approved for connection of 150+ kW power receiving appliances | | | |  |

## Information on the structure of assets and its changes in 2018

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Name** | **Physical parameters:**  **for overhead lines and cable grids – circuit length (km);**  **for substations, other assets – count** | **Book (residual) value as at January 1, 2018**  **(RUB thousand)** | **Acquired from January 1, 2018 to December 31, 2018**  **(RUB thousand)** | **Disposed from January 1, 2018 to December 31, 2018**  **(RUB thousand)** | **Depreciation and amortization accrued from January 1, 2018 to December 31, 2018**  **(RUB thousand)** | **Book (residual) value as at December 1, 2018**  **(RUB thousand)** |
| **I** | **II** | **III** | **IV** | **V** | **VI** | **VII** | **VIII** |
| **1.** | **Assets classified as electric grid facilities, including** |  | **141,067,148** | **22,473,329** | **48,424** | **11,596,371** | **151,895,682** |
| 1.1 | 220+ kV OL |  |  |  |  |  |  |
| 1.2. | 110 kV OL | 7,296.39 | 7,068,350 | 488,787 | 10,150 | 990,624 | 6,556,363 |
| 1.3. | 35 kV OL | 3,719.657 | 6,064,170 | 1,123991 | 5,133 | 1,109,498 | 6 0730530 |
| 1.4. | 10– kV OL | 34,198.58 | 5,242,237 | 1,105,010 | 1,377 | 921,489 | 5,424,381 |
| 1.5. | 220+ kV SS |  |  |  |  |  |  |
| 1.6. | 110 kV SS | 219 | 14,928,503 | 1,496,666 | 12,885 | 1,801,909 | 14,610,375 |
| 1.7. | 35 kV SS | 177 | 30,131,359 | 6,428,263 | 8,844 | 2,155,240 | 34,395,538 |
| 18 | 10– kV SS | 19,440 | 671,419 | 442,346 | 156 | 106,926 | 1,006,683 |
| 19 | Cable grids (all voltage classes) | 23,830.9271 | 60,938,072 | 7,235,604 | 225 | 2,537,945 | 65,635,506 |
| 110 | Other assets to support electric grids |  | 16,023,039 | 4,152,662 | 9,654 | 1,972,740 | 18,193,307 |
| **2.** | **Non-core Assets included in the Non-Core Asset Register** | **4** | **144** | **0** | **0** | **0** | **144** |
| **3.** | **Other assets (item 3 = item 4 – item 2 – item 1), including:** |  | **3,333,632** | **1,045,362** | **95** | **143,121** | **4,235,778** |
| 3.1. | Owned land plots | **64** | **118,594** | **800** |  |  | **119,394** |
| **4.** | **Fixed Assets (balance sheet line)** |  | **144,400,924** | **23,518,691** | **48,519** | **11,739,492** | **156,131,604** |
| **5.** | **Leased Assets classified as electric grid facilities, including:** |  | **35,947,715** | **3,230,617** | **2,600,173** | **no depreciation and amortization for fixed assets recognized in the off-balance-sheet account** | **36,578,159** |
| 5.1. | 220+ kV OL |  |  |  |  |  |  |
| 5.2. | 110 kV OL | 16 | 0 | 1,971,233 | 0 | 0 | 1,971,233 |
| 53 | 35 kV OL | 3 | 0 | 1,418 | 0 | 0 | 1,418 |
| 54 | 10– kV OL | 1,498 | 1,127,213 | 0 | 758,113 | 0 | 369,100 |
| 55 | 220+ kV SS |  |  |  |  |  |  |
| 5.6. | 110 kV SS | 14 | 1,814,439 | 1,199,237 | 0 | 0 | 3,013,676 |
| 5.7. | 35 kV SS | 1 | 1,760,326 | 0 | 238,809 | 0 | 1,521,517 |
| 5.8. | 10– kV SS | 1,179 | 10,534,608 | 0 | 998,689 | 0 | 9,535,919 |
| 5.9. | Cable grids (all voltage classes) | 3,333.04 | 18,304,160 | 58,729 | 604,562 | 0 | 17,758,327 |
| 5.10. | Other leased Assets to support electric grids |  | 2,406,969 | 0 | 0 | 0 | 2,406,969 |
| **6.** | **Other leased Assets, including:** |  | **1,028,682** |  | **330,081** | **no depreciation and amortization for fixed assets recognized in the off-balance-sheet account** | **698,601** |
| 61 | Land plots | **18, 038 including: 4,751 (under spatial facilities), 13,467 (under linear facilities)** | 29,835 | 29,195 | 4,029 |  | 55,001 |
| **7.** | **Assets used under hire purchase agreements and classified as electric grid facilities, including:** |  | **0** | **0** | **0** | **0** | **0** |
| 71 | 220+ kV overhead lines |  |  |  |  |  |  |
| 72 | 110 kV OL |  |  |  |  |  |  |
| 73 | 35 kV OL |  |  |  |  |  |  |
| 74 | 10– kV OL |  |  |  |  |  |  |
| 75 | 220+ kV SS |  |  |  |  |  |  |
| 76 | 110 kV SS |  |  |  |  |  |  |
| 78 | 35 kV SS |  |  |  |  |  |  |
| 79 | 10– kV SS |  |  |  |  |  |  |
| 710 | Cable grids (all voltage classes) |  |  |  |  |  |  |
| **8.** | **Other Assets used under lease agreements and designed to support electric grids** |  | **0** | **0** | **0** | **0** | **0** |
| **9.** | **Other Assets used under hire purchase agreements** |  | **0** | **0** | **0** | **0** | **0** |
| **10.** | **Total leased assets, including under hire purchase agreements (item 10= item 5 + item 6 + item 7 + item 8 + item 9)** |  | **36,976,397** | **3,230,617** | **2,930,254** | **no depreciation and amortization for fixed assets recognized in the off-balance-sheet account** | **37,276,760** |
| **11.** | **TOTAL (item 11 = item 4 + item 10)** |  | **181,377,321** | **26,749,308** | **2,978,773** | **11,739,492** | **193,408,364** |
|  |  |  |  |  |  |  |  |

## Changes in the breakdown of capital investments in 2016–2018;

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **PJSC “Lenenergo”** | **2016** | **2017** | **2018** | | |
| **Plan** | **Actual** | **% completed** |
| **Investment target area – total:** | **22,210** | **28,203** | **20,664** | **20,722** | **100%** |
| **Electric grid facilities, including:** | **19,598** | **25,228** | **17,741** | **18,474** | **104%** |
| **Retrofitting and renovation, including** | **4,016** | **4,485** | **5,630** | **4,573** | **81%** |
| **overhead lines, including** | **467** | **339** | **1,386** | **928** | **67%** |
| 110–220 kV OL (HV) | 190 | 92 | 848 | 472 | 56% |
| 35 kV OL (MV1) | 0 | 7 | 12 | 12 | 102% |
| 1–20 kV OL (MV2) | 242 | 201 | 342 | 276 | 81% |
| 0.4 kV OL (LV) | 35 | 39 | 185 | 169 | 91% |
| **cable lines, including** | **255** | **264** | **592** | **539** | **91%** |
| 110 kV CL (HV) | 7 | 14 | 26 | 24 | 93% |
| 20–35 kV CL (MV1) | 25 | 29 | 16 | 1 | 3% |
| 3–10 kV CL (MV2) | 218 | 200 | 496 | 472 | 95% |
| up to 1 kV CL (LV) | 5 | 21 | 54 | 42 | 78% |
| **Substations, including** | **2,902** | **3,141** | **3,171** | **2,425** | **76%** |
| Incoming voltage level HV | 2,455 | 1,831 | 1,735 | 1,479 | 85% |
| Incoming voltage level MV1 | 301 | 782 | 797 | 467 | 59% |
| Incoming voltage level MV2 | 146 | 527 | 639 | 479 | 75% |
| **Other electric grid facilities (automation, communications)** | **392** | **741** | **482** | **681** | **141%** |
| **New builds and expansion of existing facilities, including:** | **15,582** | **20,743** | **12,111** | **13,901** | **115%** |
| **overhead lines, including** | **5,960** | **5,371** | **1,925** | **1,970** | **102%** |
| 110–220 kV OL (HV) | 94 | 314 | 196 | 145 | 74% |
| 35 kV OL (MV1) | - | - | - | - | - |
| 1–20 kV OL (MV2) | - | - | 254 | 403 | 159% |
| 0.4 kV CL (LV) | 5,866 | 5,057 | 1,475 | 1,422 | 96% |
| **cable lines, including** | **8,712** | **11,989** | **1,802** | **2,617** | **145%** |
| 110 kV CL (HV) | 987 | 779 | 278 | 214 | 77% |
| 20–35 kV CL (MV1) | - | - | 1 | 1 | 107% |
| 3–10 kV CL (MV2) | 7,724 | 11,211 | 1,389 | 2,032 | 146% |
| up to 1 kV CL (LV) | - | - | 133 | 371 | 278% |
| **Substations, including** | **911** | **3,383** | **7,944** | **8,966** | **113%** |
| Incoming voltage level HV | 796 | 3,328 | 5,988 | 3,848 | 64% |
| Incoming voltage level MV1 | 6 | 25 | 37 | 15 | 41% |
| Incoming voltage level MV2 | 109 | 30 | 1,919 | 5,103 | 266% |
| **Other electric grid facilities (automation, communications)** | **-** | **-** | **440** | **346** | **79%** |
| **Electricity metering and monitoring facilities** | **98** | **213** | **402** | **316** | **79%** |
| **Design and survey for future construction** | **-** | **-** | **27** | **7** | **25%** |
| **Other production and business facilities** | **1,474** | **1,889** | **1,358** | **628** | **46%** |
| **Equipment not included in the construction cost estimates** | **391** | **665** | **840** | **855** | **102%** |
| **Non-production facilities** | **-** | **-** | **-** | **-** | **-** |
| **Capital investments in intangible assets** | **20** | **48** | **268** | **259** | **97%** |
| **Long-term financial investments** | **-** | **-** | **-** | **-** | **-** |
| **Acquisition of fixed assets** | **599** | **134** | **-** | **153** | **-** |
| **R&D** | **31** | **25** | **28** | **32** | **112%** |

## Organizational structure of the Company

**Organizational structure of the executive office of PJSC "Lenenergo"**



Director of the branch «Directorate of Facilities under Construction»

Director of the branch «Tikhvinskiye Power Grid»

Director of the branch «Energoouchet»

Director of the branch «Saint Petersburg High Voltage Power Grid»

Director of the branch «Prigorodniye Power Grid»

Director of the branch «Novoladozhskiye Power Grid»

Director of the branch «Kingiseppskiye Power Grid»

Director of the branch «Cable Grid»

Director of the branch «Gatchinskiye Power Grid»

Director of the branch «Vyborgskiye Power Grid»

Department of Logistics and MTO

Internal Audit Department

Department of corporate and technological automated control systems

Internal Control and Risk Management Division

Public Relations Department

Administrative Office

Training Facility

Human Resources Mana-gement and Organizational Design Department

Deputy CEO – Head of the Administrative Office

Anti-Corruption Compliance Unit

Mobilization and Civil Defense Unit

State Secret Protection Unit

Security Department

Deputy CEO for Security

Deputy CEO

Department for Legal Support

Property Management Department

Corporate Governance and Shareholder Relations Department

Deputy CEO for Legal and Corporate Governance

Department of metrolo-gy and power quality control

Engineering Prepa-ration Department

Technological Deve-lopment and Innova-tion Department

Deputy Chief Engineer for Technological Development and Innovation

Quality Management Service

Operational Process Control and Situational Management Department

Deputy Chief Engineer for Operational Process Control and Situational Management – Head of Department

Production and technical department

Production Safety and Production Control Department

Mechanization and Transportation Service

Deputy Chief Engineer for Production Safety and Production Control – Head of Department

Distribution High Voltage Grids

Distribution Grids Department

Deputy Chief Engineer for Distribution Grids

Deputy Chief Engineer for High Voltage Grids – Head of Department

First Deputy CEO – Chief Engineer

Long-Term Development Department

Grid Connection Reporting Department

Grid Connection Department

Deputy CEO for Grid Connection

Cost Estimate and Contract Support Department

Construction Inspection Department

Technical Planning Department

Capital Construction Department

Deputy CEO for Capital Construction

Energy Saving and Energy Efficiency Division

Electricity Metering and Distribution Department

Deputy CEO for Electricity Distribution

Financial and Tax Accounting and Reporting Department

Chief Accountant – Head of the Financial and Tax Accounting and Reporting Department

Investment Planning Department

Economic Department.

Tariff Design Department

Treasury

Finance Department

Deputy CEO for Economic Affairs and Finance

**CEO**

## Customer service centers in Saint Petersburg and the Leningrad Region;

| **No.** | **Name** | **Phone** | **Working hours** |
| --- | --- | --- | --- |
| 1 | *Tsentralny* office, customer service center in Saint Petersburg and the Leningrad Region; | 8 800 700 14 71 | Monday – Friday from 9:00 am to 8:00 pm  Saturday from 9:00 am to 5:00 pm  Sunday – day-off |
| *Vyborgsky* office, Customer Service Center for the Leningrad Region | 8 800 700 14 71 | Monday – Friday  From 8: 30 am to 5: 30 am (no break for lunch) Saturday and Sunday – days-off |
| *Gatchinsky* office, Customer Service Center for the Leningrad Region | 8 800 700 14 71 | Monday – Friday  From 8: 30 to 17 30 am (no break for lunch) Saturday and Sunday – days-off |
| *Kingiseppsky* office, Customer Service Center for the Leningrad Region | 8 800 700 14 71 | Monday – Thursday  from 9:00 am to 12:00 am, from 2:00 pm to 5:00 pm Friday from 9:00 am to 12:00 am  Saturday and Sunday – days-off |
| *Luzhsky* office, Customer Service Center for the Leningrad Region | 8 800 700 14 71 | Monday – Thursday  from 9:00 am to 12:00 am, from 2:00 pm to 5:00 pm Friday from 9:00 am to 12:00 am  Saturday and Sunday – days-off |
| *Novoladozhsky* office, Customer Service Center for the Leningrad Region | 8 800 700 14 71 | Monday – Thursday  from 9:00 am to 12:00 am, from 2:00 pm to 5:00 pm Friday from 9:00 am to 12:00 am  Saturday and Sunday – days-off |
| *Prigorodny* office, Customer Service Center for the Leningrad Region | 8 800 700 14 71 | Monday – Friday  From 8: 3017 30 am (no break for lunch) Saturday and Sunday – days-off |
| *Tikhvinsky* office, Customer Service Center for the Leningrad Region |  | Closed, no applications are accepted |
| 2 | Hot line | 8-800-700-14-71, (812)595-86-62,(812) 494-31-71 | 24/7 (no days-off or holidays) |
| 3 | JSC “Energoservice Company Lenenergo” Contact Center | 8-800-700-14-71 | Monday – Friday from 9:00 am to 8:00 pm  Saturday from 9:00 am to 5:00 pm  Sunday – day-off |

## Functions of participants of the internal control system of PJSC “Lenenergo”

| **Stakeholder** | **Key internal control functions** |
| --- | --- |
| Internal Audit Commission | * Monitors financial and business activities of the Company and prepares proposals/recommendations for improvements to the internal control system based on the results of its monitoring; * Independently evaluates the reliability of data in the Company’s annual report and annual financial statements |
| Board of Directors | * Determines the principles of, and approaches to, organization of the internal control system; * Monitors the activities of the Company’s executive bodies across key (priority) focus areas; * Reviews the Management Board’s report on the organization and operation of the internal control system; * Annually reviews reports by the internal auditor on the effectiveness of the internal control system; * Reviews the results of the external independent evaluation of the internal control system’s effectiveness. |
| Audit Committee of the Board of Directors | * Previews, prior to approval by the Board of Directors, the Company’s internal documents that outline the organization and operation of the Company’s internal control system, the Internal Control Policy, and subsequent amendments thereto; * Previews, prior to approval by the Board of Directors, the results of the internal control system’s effectiveness based on the internal control system’s effectiveness evaluation report by the internal auditor, and information about the results of an independent external internal control system’s effectiveness evaluation; prepares proposals/recommendations regarding improvements to the Company’s internal control system; * Monitors the internal control system for reliability of the Company's accounting (financial) statements, selection of the external auditor, performance of external audit, compliance with regulatory requirements, review of the Management Board’s report on the organization and operation of the internal control system, as well as matters related to the analysis and evaluation of compliance with the Internal Control Policy |
| Other committees of the Board of Directors | * Monitor, within their competence set by the Board of Directors, the achievement of the established financial and operational targets, compliance with applicable laws and rules and procedures set by local regulatory acts, as well as reliability and timeliness of the Company’s reporting |
| Executive bodies (CEO and the Management Board of the Company) | * ensure the creation and effective operation of the internal control system; * Are responsible for implementing the resolutions of the Board of Directors regarding the organization and operation of the internal control system. |
| Management Board | * Determines the focus areas and prepares the plans for developing the internal control system; * Prepare reports on the Company’s financial and business activities and on organization and operation of the Company’s internal control system; * Reviews the results of the independent external assessment of the internal control system’s effectiveness, and prepares measures to develop and improve the internal control system; |
| CEO | * Approves the Company’s regulations and guidelines on the organization and operation of the internal control system, excluding documents that lie within the competence of the Company’s Board of Directors; * Ensure implementation of the Company’s action plans required to address its objectives; * Organize the financial and management accounting, and the preparation of accounting (financial) and other reports; * Submit reports on the Company’s financial and business activities and on the organization and operation of the Company’s internal control system for review by the Company’s Board of Directors |
| Heads of functions and structural units  (First Deputy CEOs, Deputy CEOs, Business Line Directors, Heads of Departments) | * Design, document, implement, monitor, and develop the internal control system across the functional areas of the Company’s operations for which they are responsible under the Company’s regulatory documents/regulations for structural units * Ensure implementation of the internal control principles; * Set up effective processes (focus areas), including the development and implementation of new control procedures to address newly identified risks or changes to existing control procedures; * Ensure the codification of the supervised processes (focus areas); * Organize the implementation of control procedures; * Evaluate (follow up) the implementation of control procedures; * Evaluate whether the supervised processes (focus areas) need to be streamlined to increase their effectiveness and aligned with the changing external or internal environment; organize the development of proposals on improvements to control procedures; * Ensure that deficiencies identified in control procedures and processes (focus areas) are addressed. |
| Employees of the Company’s structural units and branches performing control procedures *ex officio*: | * Implement control procedures; * Timely inform their immediate supervisors of any cases in which the execution of the control procedures has become impossible for any reason and/or the design of the control procedures needs to be changed due to changes in the internal and/or external operating environment of the Company * Submit proposals on implementing control procedures in their relevant focus areas to their immediate supervisors for review |
| Administrative Office | * Follows up instructions set out in orders of the Company, minutes of meetings and instructions of the Company’s CEO so as to minimize risks related to failure to carry out important instructions in a timely manner |
| Anti-Corruption Compliance Unit | * Monitors compliance by all employees of the Company with the requirements of the Anti-Corruption Policy and internal documents adopted to promote and implement it so as to minimize corruption risks |
| Security Department | * Sets up a system of measures to effectively protect the Company’s assets and intellectual property * Organizes and conducts audits and control procedures at the Company to ensure information, economic, and anti-terrorist security |
| Legal | * Oversees the Company’s compliance with legal requirements through legal review and approval, in line with the procedure set out in the Company’s organizational and administrative documents, of draft contracts and agreements, draft administrative documents, draft resolutions of the Company’s management bodies, draft powers of attorney for representing the Company’s interests before third parties, draft applications, letters, requests, and complaints filed on the Company's behalf with legislative and executive, and legal enforcement authorities, as well as tracks and informs the Company’s Management on regulatory legal acts adopted by the Russian Federation that materially affect the Company’s operations so as to minimize the risks of incompliance with statutory requirements and the Company’s interests |
| Corporate Governance and Shareholder Relations Department | * Monitors compliance of decisions made by the Company’s executive bodies with Russian laws, Company standards, organizational and administrative documents of the Company, as well as the Company’s interests so as to, minimize the risks of non-compliance with the requirements of laws on shareholders and internal regulatory documents on management of subsidiaries and affiliates; * Follows up instructions set out in minutes of meetings of the Board of Directors, Committees of the Board of Directors, and the Management Board of the Company so as to minimize risks related to failure to carry out important instructions in a timely manner |
| Internal Control and Risk Management Division | * Develops and ensures implementation of core documents and guidelines on building and improving the internal control system; * Assist management in building a control environment, develops recommendations on describing and integrating control procedures in processes (focus areas) and assigning responsibilities to officers; * Coordinates the activities for maintaining and monitoring the target state of the internal control system; * Prepares information on the state of the internal control system for stakeholders; * Liaises with state control and supervisory bodies on matters related to internal control. * Develops, based on the results of internal audits, recommendations to improve control procedures, and individual components (elements) of internal control and the internal control system. |
| Internal Audit Department | * Carries out internal independent evaluation of the effectiveness of the internal control system and issues recommendations to improve the efficiency and effectiveness of the internal control system. |

## RAS financial statements of PJSC “Lenenergo”

1. Data by SO UES, JSC [↑](#footnote-ref-1)
2. Data by SO UES, JSC [↑](#footnote-ref-2)
3. *Hereinafter the personal details of members of governing and control bodies is provided with the written consent of such persons, with their place of work and position as at the time of election.* [↑](#footnote-ref-3)
4. In line with the Listing Rules of PJSC “Moscow Exchange” approved by the Supervisory Board of PJSC “Moscow Exchange” on September 10, 2018 (registered by the Bank of Russia on February 2, 2018) [↑](#footnote-ref-4)