Annex No. 1
to the Minutes No.___ of the annual General Shareholders Meeting
of PJSC IDGC of the North-West
as of June 13, 2017

APPROVED
By the Annual General Shareholders Meeting

of PJSC IDGC of the North-West
Minutes No.__ as of June 13, 2017

Chairman of the meeting

_____ / _____

Preliminarily approved
by the Board of Directors
of PJSC IDGC of the North-West
Minutes No.241/32 as of May 5, 2017

ANNUAL REPORT of Public Joint Stock Company Interregional Distribution Grid Company of the North-West on performance results for 2016

Director General
PJSC IDGC of the North-West

A.V.Letyagin

PJSC IDGC of the North-West's draft Annual Report was preliminary approved by the Board of Directors of PJSC IDGC of the North-West on May 05, 2017 (Mitutes No.241/32). In case of any discrepancies between the Russian and the English versions of the draft Annual Report, the Russian language version shall prevail. It can be found on the website: http://www.mrsksevzap.ru/shareholdersmeetinginfo.

ANNUAL REPORT of
of PJSC IDGC of the North-West
on performance results for
2016

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1. PREAMBLE (STRATEGIC REPORT)

Some definitions and forward-looking statements (disclaimer)

This 2016 Annual Report of Interregional Distribution Grid Company of the North-West PJSC was compiled based on the information available to the Company as of the moment of its preparation.

This Annual Report contains information on the Company's performance in 2016, as well as assessments and forecasts made by the Company's authorized management bodies regarding future events and/or actions, future development of the industry where PJSC IDGC of the North-West carries out its core activities, results of the Company's operations, including its plans, and probability of certain events and certain actions.

Investors should not fully rely on the assessments and forecasts of the Company's management bodies since those are only one of multiple scenarios, and the Company's actual performance in future may differ from forecast results for multiple reasons.

Some of the statements herein are not actual facts, but forward-looking statements. Such words as "plans", "will", "expected", "will occur", "estimates", "will total", "will happen" and etc. are forecast-related and involve the risk of possible non-occurrence of implied events and actions. The Company therefore warns that actual results or the course of certain events may considerably differ from forecast statements included in this Annual Report as of the moment of its preparation.

The Company is not liable for any losses that may be incurred by individuals or legal entities acting based on forecast statements.

Except for cases stipulated by the legislation, the Company undertakes no obligations to review or verify any expectations or estimates or to publish updated and revised forecast statements of the Annual Report due to further events or receipt of new information.

For the purposes of this Annual Report, words "the Company" and "the Organization" are used for and identical to PJSC IDGC of the North-West.

The information about the Company's management is provided according to Federal Law No. 152-FZ "On personal data" dated July 27, 2006.

Some values in the tables, graphs and diagrams herein may differ from a sum of summands, earlier published data due to the difference caused by rounding.

Information on the Report

This Annual Report (hereinafter – "the Report") describes the performance of PJSC IDGC of the North-West (hereinafter – "the Organization, the Company") and its subsidiaries and affiliates. The Report contains production and financial results, as well as certain aspects of the Company's performance in sustainable development (GRI 4) for 2016.

The Report was prepared in compliance with the regulators' requirements and documents regarding information disclosure, namely:

- the requirement of the Central Bank of the Russian Federation to information disclosure in joint stock companies' annual reports;
- the requirement of PJSC Moscow Exchange to information disclosure in annual reports;
- the Corporate Governance Code recommended for use by the Central Bank of the Russian Federation;
- the requirement of PJSC Rosseti to preparation of subsidiaries' reporting.

The Report was compiled using the Sustainability Reporting Guidelines (GRI G4).

The Report was formed based on the 2016 financial statements of PJSC IDGC of the North-West prepared according to the Russian Accounting Standards. Some sections hereof

contain data of the 2016 consolidated financial statements prepared in compliance with the International Financial Reporting Standards.

Presentation of the Company

Block – Portrait of the Company

PJSC IDGC of the North-West is a leading power grid company in the Northwestern Federal District of Russia. The Company is the main provider of power transmission and technological power grid connection services to the population, industrial companies, governmental and social facilities. We service the territory of seven constituent entities of the Russian Federation inhabited by 3.95% of the population and delivering 4% of the country's gross domestic product.

The Company was founded in 2004 in the course of the reform in the Russian electric power industry, as a result of which various assets of RAO Unified Energy Systems of Russia were grouped by regions. PJSC IDGC of the North-West became one of the fourteen interregional power grid companies. The Company's principal shareholder is PJSC Rosseti (55.38%).

The Company is a natural monopoly controlled and regulated by state bodies. Tariffs for the Company's services are established by the state – regional regulators subject to resolutions of the Federal Antimonopoly Service.

Stable consumer demand in the conditions of the country's economic development is the Company's competitive advantage.

Territory of operations

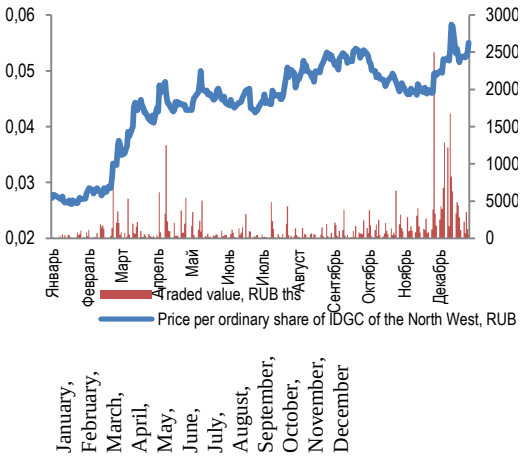
PJSC IDGC of the North-West carries out its operations in the territory with a total area of 1,409,726 sq km (8.23% of the territory of Russia). The number of people living in the Company's service area totals 5,797.95 thousand (3.95% of Russia's population).

Block – Information for the Shareholder

Ticker	MRKZ
Market capitalization as of the year end, RUB m	5,201.2
EV, RUB m	20,335.3
Free float	24.56%[1]
Ordinary share price as of the year end, RUB	0.055

Share price fluctuations

[1] http://www.mrsksevzap.ru/stockcapitalsctructure



Block – Geography

Service area: Republic of Karelia, Komi Republic, Arkhangelsk Region, Vologda Region, Murmansk Region, Novgorod Region, and Pskov Region.

Murmansk
Murmansk Region
Republic of Karelia
Petrozavodsk
Saint Petersburg
Pskov
Pskov Region
Veliky Novgorod
Novgorod Region
Arkhangelsk
Arkhangelsk Region
Vologda Region
Vologda
Komi Republic

Syktyvkar

PJSC IDGC of the North-West carries out its operations in the territory of seven constituent entities of the Russian Federation, with a total area of 1,409,726 sq km (8.23% of the territory of Russia). The number of people living in the Company's service area totals 5,798 thousand (3.95 % of Russia's population).

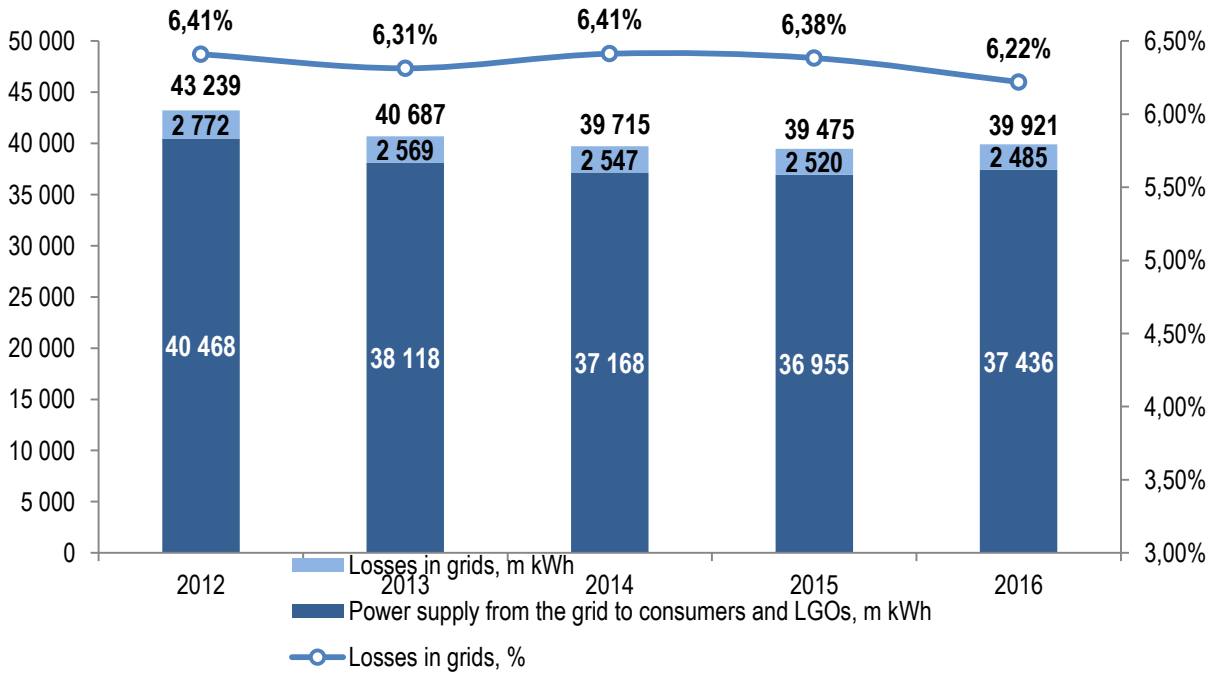
Block – Consumers

Share in the market of power transmission services in the service area – 74%.

1.1. Key Performance Indicators

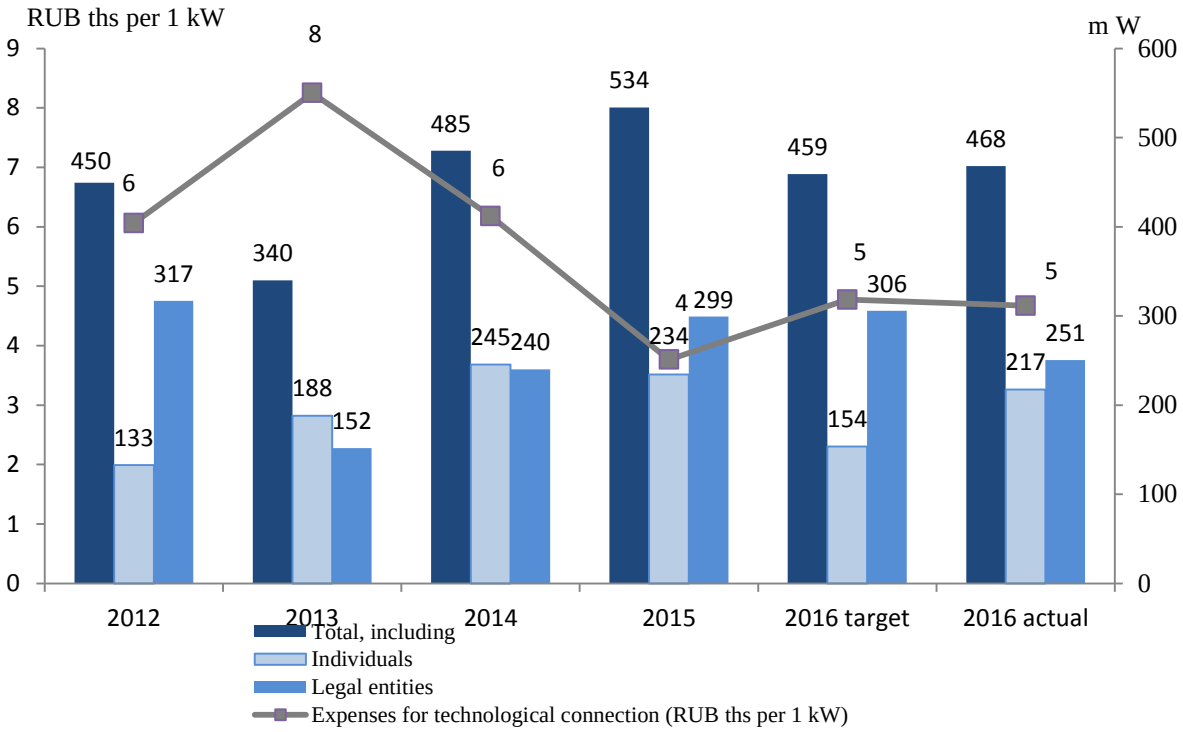
a) Power supply to the grid

m kWh	2012	2013	2014	2015	2016
Supply to the grid, including	43,239	40,687	39,715	39,475	39,921
Supply from the grid to consumers and local grid operators, m kWh	40,468	38,118	37,168	36,955	37,436
Grid losses, m kWh	2,772	2,569	2,547	2,520	2,485
Grid losses, %	6.41%	6.31%	6.41%	6.38%	6.22%



Over the period of 2012–2015, power supply to the grid decreased by 7.5%, which was due to direct contracts ("last mile") concluded by consumers with PJSC Federal Grid Company of Unified Energy System in relation to points of connection to the Unified National Power Grid and changes in power consumption by large consumers of the region. Losses in 2016 reduced versus losses in 2012 by 0.19 percentage points.

b) Technological connection



MW	2012	2013	2014	2015	2016 target	2016 actual
Total, including	450	340	485	534	459	468
Individuals	133	188	245	234	154	217
Legal entities	317	152	240	299	306	251
Technological connection costs (RUB ths per 1 kW)	6	8	6	4	5	5

By the end of 2016, the actual volume of connected capacity exceeded the target. Technological connection costs in 2016 totaled RUB 5 ths per 1 kW.

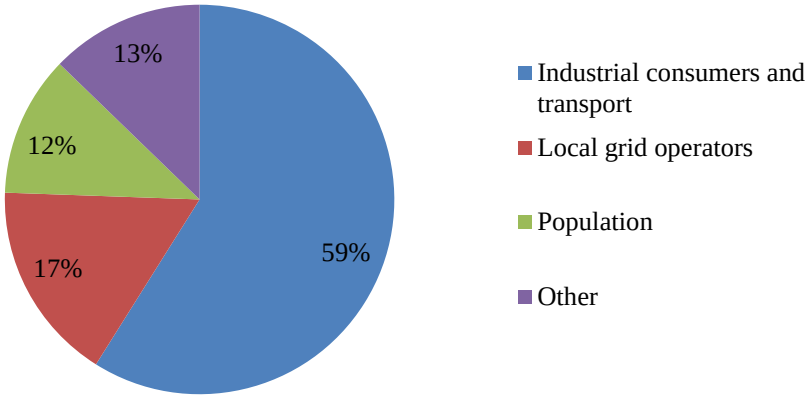
c) Fixed assets

km	2012	2013	2014	2015	2016 target	2016 actual
Overall power grid length, including	175,945	175,442	175,823	175,031	175,535	175,372
Overhead power lines, km	167,946	167,327	167,723	166,891	167,349	167,123
Cable lines, km	7,999	8,115	8,100	8,140	8,186	8,248
Total transformer capacity of substations,	18,163	18,345	19,026	19,031	19,108	19,249

MVA						

The increase of fixed assets is owing to the implementation of the investment program involving reconstruction and technical upgrade, commissioning of new equipment.

d) Power supply structure



Industrial consumers and transport	59%
Local grid operators[2]	17%
Population	12%
Other	13%

e) Major consumers

Major industrial consumers and transport

Name	2015, m kWh	2016, m kWh
PJSC Severstal	2,533	2,451
Khibinskaya Power Supply Company LLC	1,642	1,983
JSC Kondopoga	922	1,053
PJSC Acron	795	965
Regionenergoservis LLC	2,081	2,068
EuroChem-Energo LLC	734	777
Remenergoresurs LLC	806	857
LUKOIL-ENERGOSERVIS LLC	508	544
JSC Vorkutaugol (M871/11-A)	494	480

[2] Local grid operator (LGO) is a commercial organization rendering power transmission services using electric grid facilities not belonging to the Unified National (All-Russian) Power Grid. Article 3, Federal Law No. 35-FZ dated March 26, 2003 (as revised on December 28, 2016) "On the Power Industry"

Major LGOs

Name	2015, m kWh	2016, m kWh
JSC Novgorodoblelektro	1,089	1,092
JSC Murmansk Regional Power Grid Company	1,103	1,088
JSC KKT (since March 1, 2016 – Republican Grid Company LLC)	1,473	1,439
JSC Vologda Regional Energy Company	957	960
Elektroset Municipal Unitary Enterprise	312	332
Arkhangelsk Specialized Energy Company LLC	170	192

f) Labor protection

	2012	2013	2014	2015	2016
number of accidents (total)	12	13	9	6	5
including fatalities	1	3	4	1	3
Total accident frequency rate per 1,000 employees	0.94	1.0	0.61	0.40	0.34
Total loss caused by occupational injuries (RUB m)	2.214	1.395	0.943	1.219	2.110

The total injury rate decreased owing to the implemented preventive measures. Two fatalities in 2016 were not related to officials' failures to perform their duties and violations committed by the victims themselves. In 2015–2016, there were no electrical shock fatalities.

g) Revenue, EBITDA

RUB m	2012	2013	2014	2015	2016 target	2016 actual
Revenue under IFRS	33,419	44,615	46,935	42,370	44,527	45,541
EBITDA (under IFRS)	4,107	5,321	4,487	6,846	6,813	6,422
EBITDA margin (%)	12.29%	11.93%	9.56%	16.16%	15.30%	14.1%

Revenue growth predominantly resulted from increased power transmission volumes, higher number of consumers, and changes in load loss cost.

The positive deviation of actual 2016 EBITDA versus the target is minimal and is owing to improved financial performance in the reporting period.

h) Year-end dividend

	2012	2013	2014	2015
Dividend per one ordinary share, RUB	0.0001614	0.0008	-	0.004254
Dividend payout ratio, %	25	25.5	-	63.27

i) EV/EBITDA versus peers

Company	EV/EBITDA 2016
IDGC of the Center	2.9
IDGC of the Center and Volga Region	3.1
Moscow United Electric Grid Company	3.4
Lenenergo	3.6
IDGC of Volga	1.9
IDGC of the North-West	3.1
IDGC of the North Caucasus	-5.3
IDGC of the South	6.6
Kubanenergo	4.9
IDGC of the Urals	2.9
IDGC of Siberia	4.8
Tomsk Distribution Company	4.0
Federal Grid Company	4.5

j) Key financial indicators

	2012	2013	2014	2015	2016
Total revenue, RUB m, including	31,169	42,050	44,262	39,623	42,433
from power transmission	29,276	29,650	31,343	36,881	40,583
from technological connection	1,412	955	882	804	1,123
from power sale	0	10,799	11,017	946	0
other	481	646	1,020	991	726
Cost, RUB m	28,129	38,293	40,030	35,547	38,177
EBITDA*, RUB m	3,926	5,283	4,821	6,856	6,619
EBITDA margin, %	13	13	11	17	16
Net debt/EBITDA ratio	2.56	3.03	3.81	2.25	2.16
Gross profit, RUB m	3,040	3,757	4,232	4,076	4,255
Profit before tax, RUB m	422	733	-529	880	745
Net profit, RUB m	62	300**	-620	644	457
Net profit margin, %	0.2	0.7	-1.4	1.6	1.1
Operating cash flow, RUB m	2,896	585	6,630	6,055	6,099
Cash flow return on equity, %	-0.98	0.22	-3.77	0.68	1.13
Value of net assets, RUB m	27,442	27,695	26,995	27,636	27,683
Capitalization as of the period end, RUB m	6,116	2,712	2,433	2,624	5,201

* The indicator was calculated based on earnings before interest, taxes, depreciation and amortization, without account of adjustment for change in the current market value of financial investments (including provision for impairment) in 2014.
** In 2014, retrospective adjustments were introduced for more precise recognition in the accounting statements of tax differences related to estimated liabilities for holiday and annual remuneration payments, on legal cases having relevant impact on the financial result in 2013 that totaled RUB 275 m with account of the introduced changes.

1.2. History

2001

Start of the reform in Russia's power industry. Instead of 73 regional power companies within holding JSC RAO Unified Energy Systems of Russia that combined the functions of power generation and distribution, transmission and sale to consumers, it was decided to create independent companies by types of activities: power generation, transmission and sale.

2004

Interregional Distribution Grid Company of the North-West JSC was established and registered on December 23, 2004 subject to the decision of its sole founder – RAO UES of Russia. As of the moment of its founding, the Company's charter capital totaled RUB 10 m and was divided into 100 million of ordinary shares.

The initial structure of JSC IDGC of the North-West comprised distribution networks of the Unified Power System of the North-West: JSC Arkhenergo, JSC Karelenergo, JSC Kolenergo, JSC AEK Komienergo, JSC Lenenergo, JSC Novgorodenergo, JSC Pskovenergo, and JSC Yantarenergo.

2007

According to the decision of the Board of Directors of JSC RAO UES of Russia, JSC Vologdaenergo (earlier – a part of IDGC of the Center and North Caucasus) was included into the structure of JSC IDGC of the North-West, while JSC Lenenergo was excluded from it. After the reorganization of JSC RAO UES of Russia, the shares of JSC Yantarenergo held by JSC RAO UES of Russia, based on the spin-off balance sheet, passed into the ownership of JSC IDGC Holding (since April 8, 2013 – JSC Russian Grids, since June 30, 2015 – PJSC Russian Grids) established on July 1, 2008 by way of spin-off as a result of the reorganization of JSC RAO UES of Russia.

The Government of the Russian Federation adopted Resolution No. 1857-r dated December 19, 2007 to form by December 31, 2008 interregional distribution grid companies on the basis of the shares of the joint-stock power and electrification companies held by JSC UES of Russia in order to ensure control of the Russian Federation over operations of local grid operators.

On December 25, 2007 the Extraordinary General Meeting of Shareholders of JSC IDGC of the North-West approved the decision to reorganize the Company by way of merger with JSC Arkhenergo, JSC Vologdaenergo, JSC AEK Komienergo, JSC Karelenergo, JSC Kolenergo, JSC Novgorodenergo, and JSC Pskovenergo. It was also decided to increase the charter capital of JSC IDGC of the North-West by RUB 9,568,700,000 through conversion of shares of the seven distribution grid companies and placement of 95,687,000,000 additional ordinary registered shares at a par value of RUB 0.1.

2008

Since April 1, 2008 JSC IDGC of the North-West has been operating as an integrated company. It includes seven branches – Arkhenergo, Vologdaenergo, Karelenergo, Kolenergo, Komienergo, Novgorodenergo, and Pskovenergo. In April 2008, the Company established its collective executive body – the Management Board of JSC IDGC of the North-West.

On May 27, 2008 ordinary registered shares of JSC IDGC of the North-West were admitted to trading on the RTS Stock Exchange, and on May 29, 2008 – to trading on the MICEX Stock Exchange. In December 2008, the Company was listed at MICEX. The Company's ordinary registered uncertified shares were included in the Quotation List B of the List of securities.

2011

On May 24, 2011 shares of PJSC IDGC of the North-West were transferred from Quotation List B of CJSC MICEX Stock Exchange into its Quotation List A (Level 2).

On December 19, 2011 the Company's shares were excluded from the List of securities admitted to trading due to the cessation of the RTS activities.

2014

On June 9, 2014 the Company's shares were included in the Level 1 Quotation List of MICEX Stock Exchange CJSC.

2015

On July 3, 2015 the Company's legal name was changed for Public Joint Stock Company "Interregional Distribution Grid Company of the North-West" (PJSC IDGC of the North-West).

* On January 31, 2017 the Company's shares were transferred to the Level 2 Quotation List of MICEX Stock Exchange PJSC within the reform of listing.

Major events in 2016 (including after the reporting date)

In 2016	In 2016, IDGC of the North-West and Autonomous Non-Commercial Organization "Strategic Partnership of the North-West" supported by the Presidential Plenipotentiary to the Northwestern Federal District continued the implementation of the project of regional investment energy trade fairs. In all 7 regions serviced by the Company, meetings with industry experts, business representatives and authorities took place to discuss issues of efficient and mutually beneficial technological connection to the grid and optimized use of the power distribution infrastructure. 8 energy trade fairs have been held and 113 contracts have been signed since the beginning of the project. The total amount of eventually connected capacity exceeded 230 MW. An interregional energy trade fair is planned to be held in 2017.
January	Start of implementation of the roadmap to conclude direct agreements with consumers for power transmission. The roadmap is intended to resolve the issue of accumulation of receivables by sales companies having the status of guaranteeing suppliers in the regions. The switch to direct agreements guarantees bona fide customers that their money will be received by payees and they will not be disconnected because of a negligent intermediary who failed to timely pay for the grid company's services.
February	Claim-related work with debtors due to changes in the federal legislation. The Company prepares claims to debtors according to newly effective Federal Law No. 307-FZ that increased the penalty for delayed payments for supplied power from 1/300 to 1/130 of the refinancing rate of the Central Bank of Russia for each day of delay, which approximates 30% market loan interest rate p.a. In 2016, the Company's penalty claims to debtors exceeded RUB 726 m.
March	Required Gross Revenue (RGR) was increased by RUB 282.2 m. Regional energy commissions increased the amount of Required Gross Revenue of PJSC IDGC of the North-West by RUB 282.2 m. That became possible owing to improved power supply reliability and quality of services provided. The aggregate indicator of power grid companies' operation quality is used by regional energy commissions to adjust RGR. The funds will be invested in development of the regional power grid facilities.
May	Implementation of the Digital Substation national project. Experts of IDGC of the North-West started designing the 110 kV Yuzhnaya substation in the Vologda Region. This facility will be the first Company's substation fully conforming to the IEC 61850 standard requirements. The new substation in Cherepovets will be the next step in development not only at the regional level, but for the entire Northwestern Federal District. The Digital Substation pilot intends to reduce the number of cable connections, improve measurement accuracy, and ensure better interference resistance, fire protection and environmental compatibility. The substation is planned to be commissioned in 2017.
May	In May 2016, the 110/10 kV Moglino substation was put in operation – this is a key infrastructure project for the Pskov Region implemented in the Moglino special economic zone (SEZ). The official ceremony was timed to the start of construction of the plants and delivery of symbolic stone signs to the first two tenants of the special economic zone. The Moglino industrial special economic zone is intended to host manufacturers of equipment for public utilities, railway transport and agriculture, industrial and domestic electronic equipment, construction materials, vehicle components, as well as logistics providers.
December	The RAEX (Expert RA) rating agency confirmed the Company's A++.gq rating (the highest management quality level). According to the agency, the Company's rating is positively affected by efficient organization of the executive bodies' work, strict control over the Company's financial and business operations, and a high level of corporate social responsibility. Analysts also noted a high level of information disclosure and proper organization of the Board of Directors and its committees.
December	Reconstruction of the 110 kV Zapadnaya substation in Vologda was accomplished. Owing to that investment project for the substation reconstruction, the Company is able to meet future consumers' demand for capacity and ensure high-quality, reliable and uninterrupted power supply for Vologda residents, including those of the Belozersky and Kurolit microdistricts being constructed. There are special four-chain multisided metal towers at the substation that will enable to string wires of different voltage classes.

January 2017	IDGC of the North-West completed the construction of the 110 kV Zelenoborsk-Izhma high-voltage line in the Komi Republic at the section from the 110/10 kV Lemyu substation to the 110/10 kV Izhma substation. The 3rd stage of the large-scale investment project aimed to increase reliability of power supply to the Izhemsky and Ust-Tsilemsky Districts was completed. Increased capacity of the new power line makes it possible to connect oil production and titanium mining facilities of the Pizhma titanium deposit. Since 2014, the Komienergo branch has been implementing the investment project included in the Power Sector Development Program of the Komi Republic. The project will be completed in 2019; total investment in the project will approximate RUB 1 bn.

Further development

2017	Reduction of power loss in power lines of PJSC IDGC of the North-West. The Company's Board of Directors approved the power loss reduction program for 2017-2021. In 2017, it is planned to decrease power loss down to 6.59% of the total power supply to the grid. This will save RUB 128.69 m.
2021	Reduction of power loss in power lines of PJSC IDGC of the North-West. The Company's power loss reduction program for 2017-2021 provides for power loss decrease during power transmission by 427 m kWh, or RUB 1.15 bn over the next 5 years.
2025	26 top-priority investment projects in 7 regions of the Company's operation. The top-priority projects include 13 substation reconstruction and upgrading projects, construction of 8 new substations and 622 km of high-voltage overhead power lines, their overall cost amounting to RUB 13.8 bn, including VAT. Within the long-term investment program for 2016-2021(25), the Company plans to put in operation 5,879 km of power lines and substations with a total capacity of over 1,715 MVA. The cost of the investment program is expected to total RUB 32.9 bn, including VAT.

1.3. Speech of the Chairman of the Board of Directors

Dear shareholders, partners, and colleagues,

2016 was a year of sustainable development for IDGC of the North-West. Increased operational efficiency and better investment attractiveness of the Company resulted from its systematic work aimed to ensure reliable operation and modernization of the power grid, to upgrade production assets and improve corporate governance.

Being a key participant in the power market of the Northwestern Federal District of Russia, our Company ensured reliable power supply for customers in the regions of its operation and completely fulfilled its obligations as the largest taxpayer and a socially committed employer.

Complying with the principles of transparency, accountability and responsibility in corporate governance, the Board of Directors and the Company's executives were able to arrange efficient cooperation with the shareholders and business community and to keep investors interested. In 2016, the RAEX (Expert RA) rating agency awarded the A++.gq rating (the highest management quality level) to IDGC of the North-West, having thus confirmed that the Company's corporate governance system fully guarantees respect and protection of the stakeholders' rights.

Last year, the Company also improved its financial stability – its net profit amounted to RUB 456 m. In 2016, the market capitalization of IDGC of the North-West increased by 98.18% having exceeded RUB 5 bn for the first time during the last 3 years.

Guided by its top priority in corporate governance, the Company seeks to achieve balance of interests between the Company and its shareholders, which also results in an increase of dividend payments.

In 2016, IDGC of the North-West completely fulfilled its production plans, improved reliability of power supply, and continued its efforts to ease the access to power supply and to simplify technological connection to power grids. The Company established efficient cooperation with the state authorities in regard to coordinated implementation of the industry investment programs and region development projects to enhance the use of the power infrastructure. The funds allocated in 2016 for the investment program of PSJC IDGC of the North-West totaled RUB 5 bn. One of the Company's tasks for 2017 is to increase this amount to RUB 7 bn.

The Board of Directors and the Company's executives continued improving the quality of management in all areas of the Company's business. The Company's management bodies approved the power loss reduction program for 2017-2021 and the Guidelines for devising and implementing the innovation development program of PJSC IDGC of the North-West. Special attention was paid to ensure the Company's long-term financial stability and to optimize its operational costs. The Board of Directors approved the Plan of measures to enhance the Company's business efficiency and financial standing for 2016-2020. The implementation of the Plans of measures aimed to decrease overdue receivables for power transmission services is being continuously monitored. IDGC of the North-West approved a new version of the Rules for developing and adjusting the investment program, preparing reports on the investment program implementation, increasing investment efficiency, and decreasing costs.

Complying with the best Russian and international corporate governance principles, the Board of Directors approved new versions of the Company's internal regulations in 2016: the Risk Management Policy, Internal Control Policy, and Internal Audit Policy of PJSC IDGC of the North-West. To organize the risk management system, the Company approved the Register of key operational risks, the Register of operational risks for core business processes, and the Register of operational risks for other business processes and assigned respective risk owners.

In 2017, the Company, while performing its main production task to ensure reliability of the power grid complex in the regions of the Company's operation, will continue its work for acquiring and upgrading assets and increasing the Company's investment attractiveness and profitability.

I would like to thank members of the Board of Directors and executives of IDGC of the North-West for their coordinated and efficient work in 2016.

Chairman of the Board of Directors of
IDGC of the North-West Y. N. Mangarov

1.4. Speech of the Director General

Dear shareholders,

Complying with its mission to ensure efficient and reliable power supply to consumers in seven regions of the Northwestern Federal District of Russia, PJSC IDGC of the North-West completely fulfilled all the tasks set for 2016. The Company achieved all reliability and power loss decrease targets and continued systematic development of the grid infrastructure.

Last year, the Company's market capitalization almost doubled having reached RUB 5 bn for the first time since 2012, which is the evidence that investors regain their interest in power grid assets of the region. Besides, undervaluation of the Company's shares versus similar shares noted by many market participants and its positive economic performance accompanied by a gradual increase in dividend payments open prospects for further share price growth.

Revenue of IDGC of the North-West reached RUB 42.4 bn. The total increase versus 2015 amounted to RUB 2.8 bn. The revenue growth was owing to the changes in the uniform tariff scheme of mutual settlements in the Murmansk Region and higher power consumption by industrial enterprises in the regions serviced by the Company. Net profit in 2016 calculated according to RAS amounted to RUB 457 m. For the first time in its history, the Company reached a break-even point of RUB 82 m for power transmission services.

The Company generated a positive free cash flow, and that upward trend is expected to continue according to the business plan until 2021.

Investment activities of IDGC of the North-West focus on timely upgrade of the existing facilities and commissioning new ones to satisfy the demand in the regions and implement the region development program.

Capital investments in 2016 totaled RUB 4.16 bn. The cost of fixed assets put into operation amounted to RUB 4.83 bn, which in physical terms comprises 517 MVA of transformer capacity and 1,127 km of 0.4-150 kV power lines.

The upgrade of the 110 kV Zapadnaya substation of the Vologdaenergo branch was completed in 2016, which was one of the most important investment projects. The 110 kV Verkhovye substation of the Komienergo branch was put into operation. In order to increase reliability of power supply in the Komi Republic, the Company constructed the 110 kV Zelenoborsk-Izhma high-voltage power line. The Pskovenergo branch commissioned the 2nd startup complex for upgrading the Zavelichye 283 substation and the 110 kV high-voltage power line to the 110 kV Moglino substation located in the Moglino Special Economic Zone.

The 2016 repair and maintenance campaign of IDGC of the North-West ensured proper functioning of the power grid equipment and high-quality power supply to customers. The cost of repairs and maintenance totaled RUB 1.8 bn, which ensured reliable equipment operation during the 2016-2017 autumn and winter period.

Reliability improved in the reporting period as compared to 2015: the breakdown rate decreased by 4%, while power undersupply to consumers due to technological disturbances reduced by 18%.

Owing to the implementation of the production programs, the Company was able to properly prepare for the autumn and winter period and to avoid any serious power outages. When there was a snowstorm in the Novgorod Region in November 2016, the well-coordinated work of mobile teams from all the Company's branches enabled to promptly eliminate consequences of numerous malfunctions caused by adverse weather conditions. Power supply to all consumers was restored within a day.

PJSC IDGC of the North-West assigned 21 maintenance teams comprising 105 workers and 25 special vehicles to help the colleagues in the Moscow Region in restoration of power supply interrupted due to bad weather. The events of the 2016-2017 autumn and winter period demonstrated a high professional level of power industry workers and their readiness to help their colleagues at any time.

In 2016, the Company implemented a complex of measures aimed to decrease power loss. As compared to 2015, power loss in power lines reduced to 2,485 m kWh. Power savings amounted to 58.1 m kWh, while the last mile consumers continued to leave.

IDGC of the North-West maintains consistent interaction with the state authorities

and public organizations both at the federal and regional levels in all seven constituent entities of Russia serviced by the Company.

During the meetings with the heads of the regions serviced by the Company, issues related to implementing measures to ensure reliable power supply and to create proper conditions for technological connection of consumers to power grids, power tariff regulation, consolidation of regional power grid complexes, and improvement of consumers' payment discipline were discussed. In 2016, agreements on consolidation of power grid assets in the Komi Republic and the Murmansk Region were signed.

Successful fulfilment of the Company's Development Plan and efficient collaboration with our main shareholder PJSC Rosseti made it possible to start the construction of the 110/35/10 kV Yuzhnaya digital substation in Cherepovets and the 110 kv high-voltage power line between 110 kV Zavelichye substation No. 283 and the 330 kV Velikoretskaya substation. Implementation of those projects is an important component of the dialog between the Company and the regions, as well as the key to improving the tariff-and-balance decisions.

In order to ensure sufficient load of the existing power supply centers, IDGC of the North-West supported by the Presidential Plenipotentiary to the Northwestern Federal District continued holding investment energy trade fairs. This project creates a unified platform for interregional and interindustry planning of the power grid complex development in the Northwestern Federal District of Russia. Since the beginning of the project, 8 trade fairs have been held and 113 contracts have been signed with investors for connecting 239 MW of capacity. Optimal load of the power supply centers can contribute to tariff improvement and

decrease of the time for connecting new consumers. An interregional investment trade fair is planned to be held in 2017.

In the reporting year, the Company continued measures to reduce receivables. Owing to a special approach implemented in that area, the Company carried out claim-related work and concluded direct agreements with consumers. As a result, the Company's overall receivables decreased in 2016 by RUB 1,857 m and totaled RUB 13,459 m as of the end of the reporting period. For the first time, collection of payments exceeded 101.4%.

As a result of repayment of debts to suppliers and contractors, overall payables for 2016 decreased by RUB 779 m and totaled RUB 12,699 m as of the end of the reporting period.

In 2017, we will continue implementing measures to ensure reliable power supply to our customers. Special attention will be paid to occupational safety and health, as well as to professional growth of the staff. The Company will continue implementing comprehensive measures aimed to restructure its receivables.

Important projects will be implemented to provide power supply to new facilities, including a section of the Moscow – Saint Petersburg highway in the Novgorod Region, as well as coal mining and oil and gas production facilities in the Komi Republic.

Professional excellence and responsibility are our priorities in work with our customers, shareholders and partners. I am confident that complying with these principles we will be able to ensure successful and sustainable development of IDGC of the North-West.

Director General A. V. Letyagin

1.5. Geographical Footprint

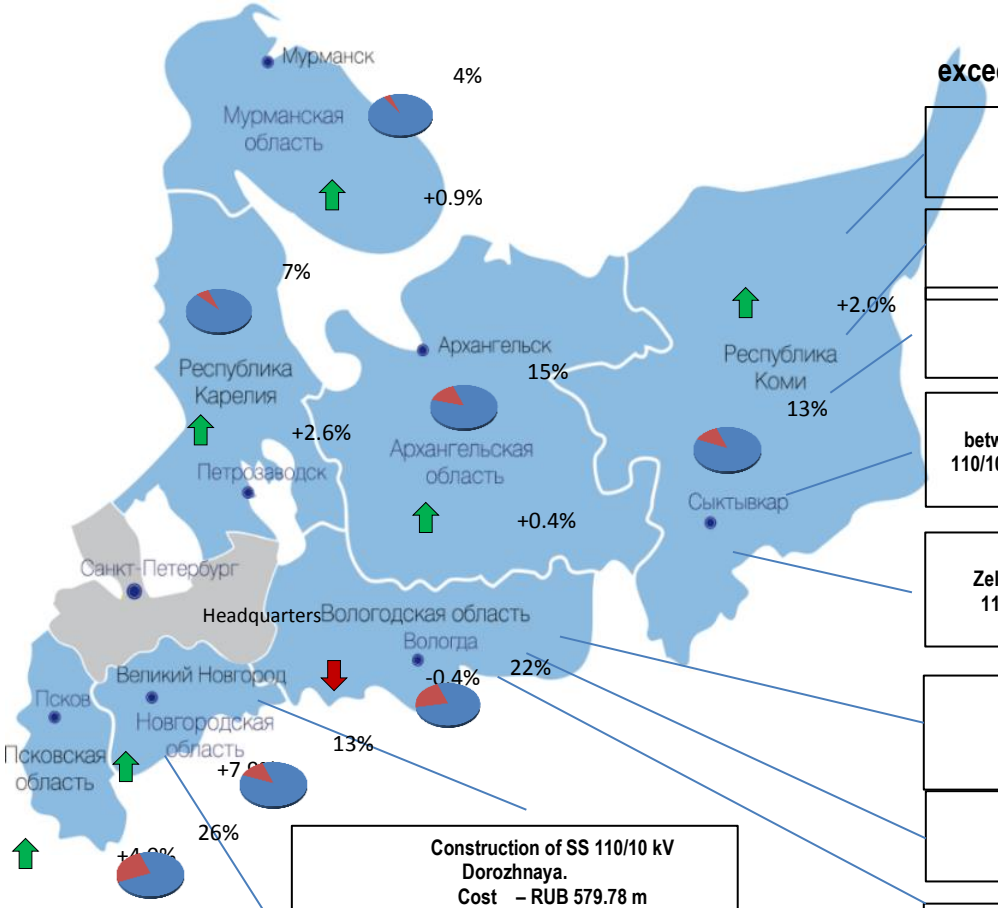
We provide services to 3.95% of the Russian population at a total area of 8.23% of Russia's territory to form 4.0% of the country's GDP*

Our regions

Region	Area	Population	Rating of region's development level	Share of power transmission market (in terms of gross revenue requirement)
Vologda Region	144.5	1,184	21	74%
Arkhangelsk Region	589.9	1,166	59	70%
Republic of Karelia	180.5	627	46	56%
Murmansk Region	144.9	758	2	74%
Komi Republic	416.8	851	38	75%
Novgorod Region	54.5	613	17	73%
Pskov Region	55.4	642	56	98%

Our assets

Region	Total spread of network	Capacity of substations	Share of personnel
Saint Petersburg	-	-	2%
Vologda Region	39,436.7	2,478.6	18%
Arkhangelsk Region	26,434	2,216.99	15%
Republic of Karelia	11,796.19	1,835.73	9%
Murmansk Region	6,239.4	5,286.5	9%
Komi Republic	22,364.4	3,401.5	19%
Novgorod Region	23,575.27	2,016.3	11%
Pskov Region	45,525.67	2,013.5	16%



Investment projects exceeding RUB 600 m

- Construction of the 110 kV HVL, SS 110/35/6 kV Verkhovye. Cost – RUB 870.11 m
- Construction of 110 kV HVL Taezhnaya-Lemyu. Cost – RUB 576.89 m
- Construction of the 110 kV HVL, SS 110/10 kV Olkhovey. Cost – RUB 1,055.54 m
- Construction of the 110 kV HVL between SS 220/110/10 kV Syktyvkar and SS 110/10 kV Krasnozatonskaya (Southern Electric Grids).
- Construction of 110 kV HVL Zelenoborsk-Izhma in the section from SS 110/10 kV Lemyu to SS 110/10 kV Izhma. Cost – RUB 1,112.88 m
- Construction of SS 110/35/10 kV Yuzhnaya and HVL-110\35\10 kV. Cost – RUB 617.51 m
- Reconstruction of SS 110/35/10/6 kV Zapadnaya. Cost – RUB 961.39 m
- Reconstruction of 110 kV high-voltage line Sheksninskaya 1,2 with branch lines at SS 110/10 kV Iskra, SS 110/10 kV Zayagorba, SS 110/10 kV Nifantovo and the Sheksninskaya HPP. Cost – RUB 698.94 m
- Construction of SS 110/10 kV Dorozhnaya. Cost – RUB 579.78 m
- Expansion of SS 110/10 / 6kV Bazovaya. Cost – RUB 880.25 m

* According to the Federal State

1.6. Business Model

Project of the business model of IDGC of the North-West

<table>
<tr><td>Capital
Financial capital
RUB 20.8 bn – equity
RUB 14.8 bn – borrowed capital</td><td></td><td>Results 2016
Capital widening
1.1 thousand km of power transmission lines put into operation
22 thousand completed contracts for technological connection</td></tr>
<tr><td>Production capital
167.1 ths km of overhead power lines
8.2 ths km of cable power lines
1,172 substations (> 35 kV)
Human capital
84% with professional education
14,702 people, average headcount</td><td rowspan="2">Our business is power transmission

[See the scheme on the next page]</td><td>Value creation
for consumers:
37,436 m kWh – net power supply from the grid
for the shareholders:
98.2% capitalization growth
RUB 407.5 m of dividends by year-end 2015
for the state:
RUB 4.3 bn of tax payments
RUB 2.3 bn of insurance contributions
for the staff:
RUB 8.8 bn for remuneration of labor</td></tr>
<tr><td>Intellectual capital
RUB 35 m of intangible assets
Natural capital
1.4 m km^2 – area of the service region</td><td>Sustainable development
9.9% increase in labor productivity
In 2016, various trainings were provided to 9,329 employees
RUB 12,998 thousand is aimed at environmental protection
21.8% reduction of water consumption
23.4% reduction in waste</td></tr>
<tr><td>Strategic priorities

Interests of shareholders
Profit earning
Increase in the Company's value</td><td>Higher reliability and efficiency of power supply Ensuring reliable, high-quality and safe power supply to consumers, as well as continuous improvement of quality and availability of the services provided
Prevention of increase in the number of people injured in accidents
Ensuring staff performance efficiency</td><td>Development interests
Development of the unified management system (on the basis of unified approaches, methodologies, principles) for all business processes up to the power distribution zone level
Development of an efficient system of the Company's resource utilization
Efficient investment activities</td></tr>
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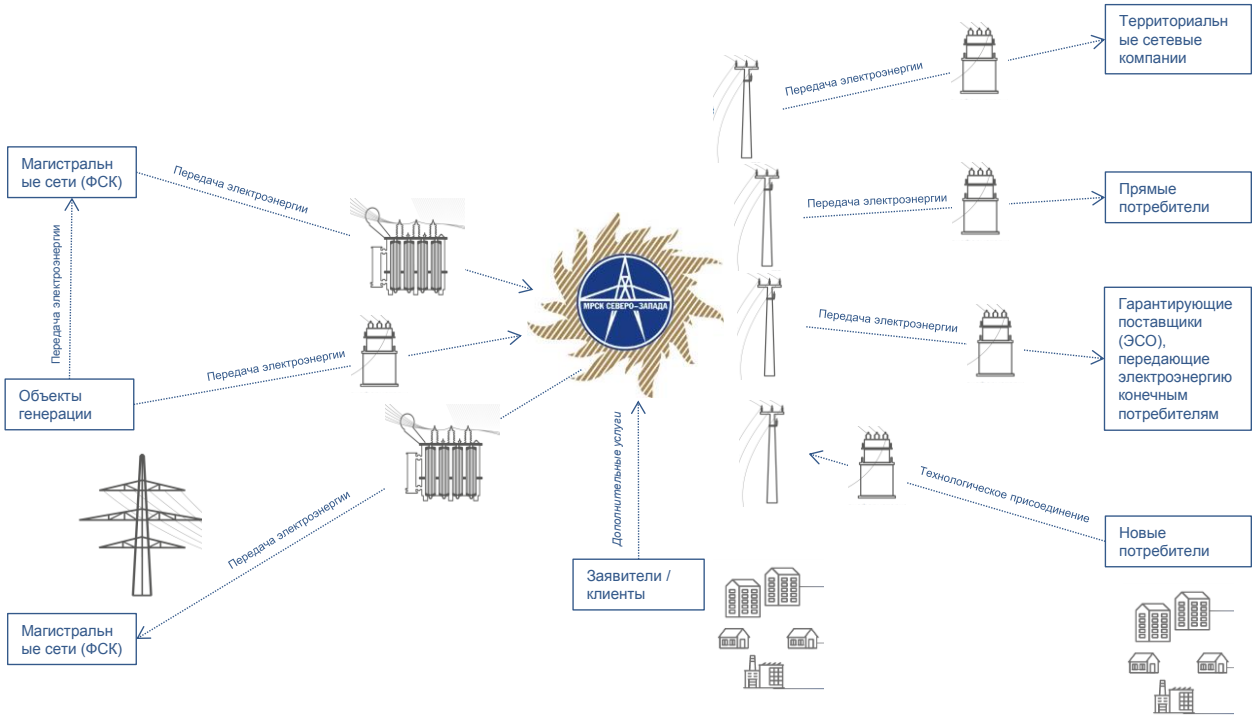
Business model scheme



Long distance power grids (FGC) – Магистральные сети (ФСК)
Power transmission – Передача электроэнергии
Generation facilities – Объекты генерации
Extra services – Дополнительные услуги
Applicants / consumers – Заявители/клиенты
Local grid operators – Территориальные сетевые компании
Direct consumers – Прямые потребители
Guaranteeing suppliers (Maintenance and Sales Organizations) transmitting power to ultimate consumers
Technological connection – Технологическое присоединение
New consumers – Новые потребители

1.7. Industry Situation, Competitive Review

Macroeconomic situation in Russia in 2016

The key factors that affected the economic situation in the Russian Federation in 2016 were complicated foreign economic conditions, including low prices for oil and other commodities, a challenging geopolitical situation, continuing economic sanctions imposed by Western countries, and investment activity slowdown. By the end of the year, net capital outflow decreased 3.7 times to USD 15.4 bn.

Against that background, Russia's GDP remained almost unchanged in 2016, having decreased by 0.2% (according to Rosstat's assessments).

The GDP decline was largely due to the downward trend of investments in fixed assets that abated in 2016, but still remains under pressure of high cost of borrowed funds and imported investment goods, as well as investors' general skepticism. The continuing uncertainty of the economic and political situation is a negative factor for investment restoration, production modernization and innovation.

Industrial output in Russia increased by 1.1% in 2016 versus 2015 mostly influenced by the output of export-oriented mining enterprises, which is due to the ruble devaluation. Power, gas and water production and distribution increased by 1.5%.

According to Rosstat, the average annual inflation was 7.1% in 2016 compared to 15.5% in 2015.

Main results of the electric power industry

According to the data of JSC System Operator of the Unified Energy System (hereinafter – "the System Operator"), power consumption in the Unified Energy System of Russia (UES of Russia) in 2016 amounted to 1,026.9 billion kWh, which is higher than in 2015 by 18.6 billion kWh (+1.85%).

Market position of the Company

PJSC IDGC of the North-West operates in the territory of seven constituent entities of the Russian Federation of the Northwestern Federal District and is the largest grid organization in the regions of presence.

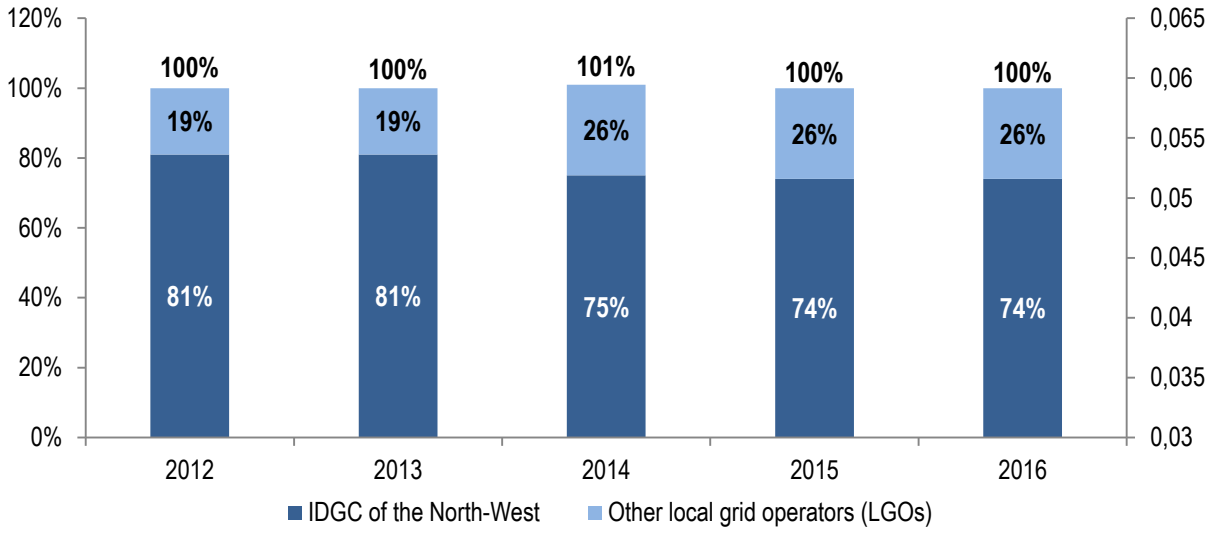
The Company's core activity is power transmission. In accordance with the decision of the Federal Tariff Service of Russia (Order No. 191-E dated June 3, 2008), PJSC IDGC of the North-West was included under No. 47.1.116 into the register of natural power transmission monopoly.

The Company's share in the power transmission market in the territory of its operation totals about 74%, including power, a part of which was transferred through the networks of local grid operators (LGOs) - payees.

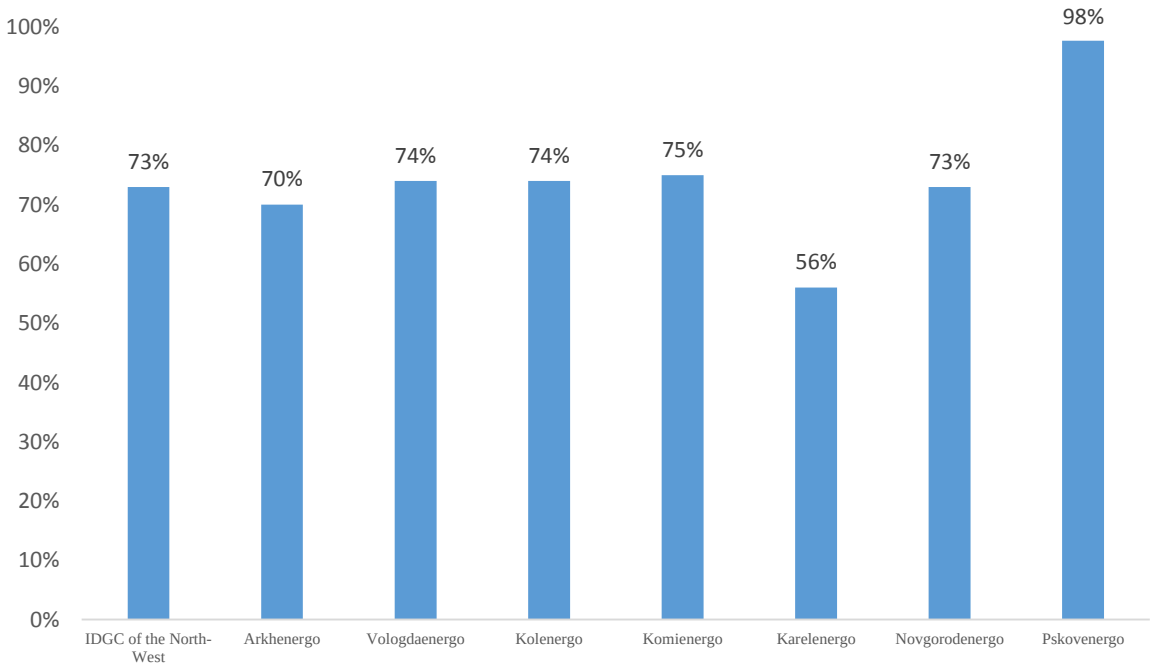
Dynamics of the Company's share in the power **transmission** market in 2012-2016 in the regions of the Company's operation (according to RGR)*

	2012	2013	2014	2015	2016
PJSC IDGC of the North-West	81%	81%	75%	74%	74%
Other local grid operators (LGOs)	19%	19%	26%	26%	26%

*The market share was measured based on data of the tariff-and-balance decisions on establishment of uniform tariffs for a given constituent entity of the Russian Federation.



Share of the Company's branches in the power transmission market in 2016 (by RGR)



Largest local grid operators

Region	Company	Share in 2016 by RGR (%)
Republic of Karelia	JSC Prionezhskaya Grid Company	31%
Vologda Region	JSC Vologda Regional Energy	14%

	Company	
Arkhangelsk Region	Arkhangelsk Specialized Energy Company LLC	6%
Komi Republic	JSC Komi Communal Technologies	22%
Murmansk Region	JSC Murmansk Regional Electric Grid Company	7%
Novgorod Region	JSC Novgorodoblelektro	24%

Competition for equity capital

When PJSC IDGC of the North-West is assessed in the stock market for attractiveness of investment in its shares, the Company is usually compared to other IDGCs, although the companies are not physically competitors and, moreover, are part of the same holding company - they are subsidiaries of PJSC Rosseti.

In terms of its assets and volume of services provided, PJSC IDGC of the North-West has mean values among the subsidiaries of PJSC Rosseti.

Competitive advantages of PJSC IDGC of the North-West:

- Medium-size company. Having mean values in terms of its size, quality of assets and share in the service market, PJSC IDGC of the North-West is equally influenced without individual imbalances by the system of regulation of the power distribution sector. Thus, the Company can be viewed as a "benchmark" of the sector among other IDGCs in terms of positive and negative effects of the existing regulatory system.
- Positive free cash flow. In 2015 and 2016, PJSC IDGC of the North-West generated a positive free cash flow, and according to the Company's Business Plan until 2021 an upward trend of this indicator should remain.
- Developing dividend history. PJSC IDGC of the North-West increased dividend payments for 2015. In 2016, the dividend yield amounted to 15.06%[3]. According to the Company's Business Plan, a stable upward trend of net profit is expected until 2021.

Risk areas for IDGC of the North-West:

- Payment discipline of sales companies and major consumers. One of the largest counterparties of IDGC of the North-West is PJSCArkhenergosbyt which is a controlled company of CJSC MRSEN. As of March 1, 2017, overdue receivables of PJSC Arkhenergosbyt totaled 37% (RUB 3.6 bn) of the Company's overall overdue receivables. Starting from 2013, overdue receivables are paid only subject to court decisions. Constantly increasing overdue receivables combined with a low payment discipline constitute a threat to the Company's financial performance and the energy security of the Arkhangelsk Region as a whole.

Comparison with other grid companies by key financial ratios

[3] Dividend yield of shares is calculated as of the date of making the decision on the amount of annual dividends as the ratio of annual dividends paid per share and the median value of market prices for this share in the reporting year.

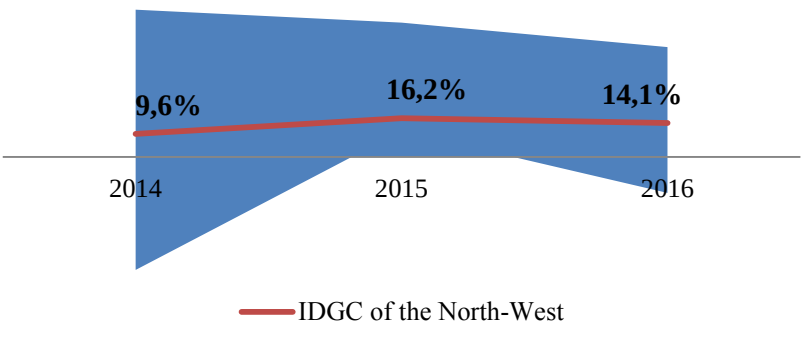
Ratios of PJSC IDGC of the North-West were compared to ratios of the following grid companies: PJSC IDGC of the Center, PJSC IDGC of the Center and Volga Region, PJSC Moscow United Power Grid Company, PJSC Lenenergo, PJSC IDGC of Volga, PJSC IDGC of the North Caucasus, PJSC IDGC of the South, PJSC Kubanenergo, PJSC IDGC of the Urals, PJSC IDGC of Siberia, PJSC TRK, and PJSC FGC UES.

EBITDA margin is a measurement of a company's operating profitability as a percentage of its total revenue. It is equal to earnings before interest, tax, depreciation and amortization (EBITDA) divided by total revenue. Because EBITDA excludes interest, depreciation, amortization and taxes, EBITDA margin can provide a clear view of a company's operating profitability and cash flow.

EBITDA margin, %

	2014	2015	2016
IDGC of the Center	9.0%	18.4%	20.8%
IDGC of the Center and Volga Region	9.9%	18.0%	17.1%
Moscow United Power Grid Company	27.3%	33.7%	26.4%
Lenenergo	26.6%	30.6%	40.5%
IDGC of Volga	15.4%	16.1%	18.2%
IDGC of the North-West	9.6%	16.2%	14.1%
IDGC of the North Caucasus	-46.9%	44.9%	-14.9%
IDGC of the South	-8.6%	17.3%	12.9%
Kubanenergo	-21.7%	19.1%	21.2%
IDGC of the Urals	10.6%	12.3%	12.4%
IDGC of Siberia	-11.2%	10.9%	13.4%
Tomsk Distribution Company	8.9%	20.9%	11.8%
Federal Grid Company	61.2%	55.8%	45.7%

EBITDA margin compared to other grid companies



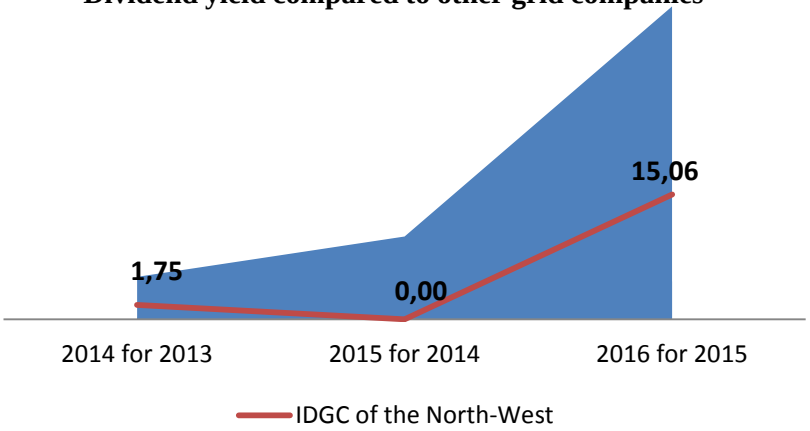
Note: the upper and lower limits show the maximum and minimum ranges of values of other electric grid companies.

Dividend yield is calculated as of the date of making the decision on the amount of annual dividends as the ratio of annual dividends paid per share and the median value of market prices for this share in the reporting year (*calculation method of the Moscow Stock Exchange).

Dividend yield

	2014 for 2013	2015 for 2014	2016 for 2015
IDGC of the Center	0.48	8.22	4.56
IDGC of the Center and Volga Region	4.46	3.45	11.87
Moscow United Power Grid Company	4.68	3.92	14.99
JSC Lenenergo	0.83	-	-
IDGC of Volga	0.19	0.45	5.66
IDGC of the North-West	1.75	-	15.06
IDGC of the North Caucasus	5.12	-	-
IDGC of the South	0.36	-	8.83
Kubanenergo	-	-	8.71
IDGC of the Urals	0.66	9.98	19.04
IDGC of Siberia	-	0.36	-
JSC Tomsk Distribution Company	2.40	1.91	37.73
Federal Grid Company	-	1.17	20.86

Dividend yield compared to other grid companies



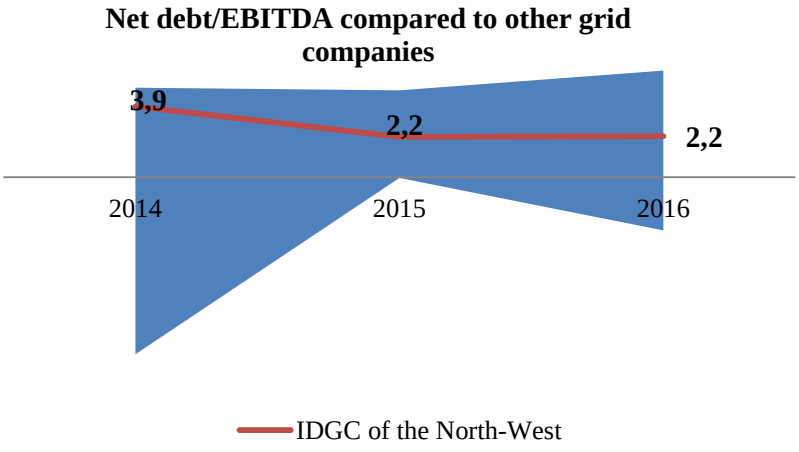
Note: the upper and lower limits show the maximum and minimum ranges of values of other electric grid companies.

The net debt to EBITDA ratio is a measurement of leverage calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. The net debt

to EBITDA ratio is a debt ratio that shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant. If a company has more cash than debt, the ratio can be negative.

Net debt/EBITDA

	2014	2015	2016
IDGC of the Center	4.7	2.8	2.3
IDGC of the Center and Volga Region	3.6	1.8	1.7
Moscow United Power Grid Company	2.0	1.6	2.2
Lenenergo	4.4	1.2	1.0
IDGC of Volga	1.8	1.2	0.6
IDGC of the North-West	3.9	2.2	2.2
IDGC of the North Caucasus	-0.8	1.1	-2.9
IDGC of the South	-9.7	4.5	5.8
Kubanenergo	-1.6	1.9	2.0
IDGC of the Urals	1.4	1.3	1.2
IDGC of Siberia	-2.3	4.8	3.6
Tomsk Distribution Company	0.2	-0.04	0.2
Federal Grid Company	2.0	2.1	1.9



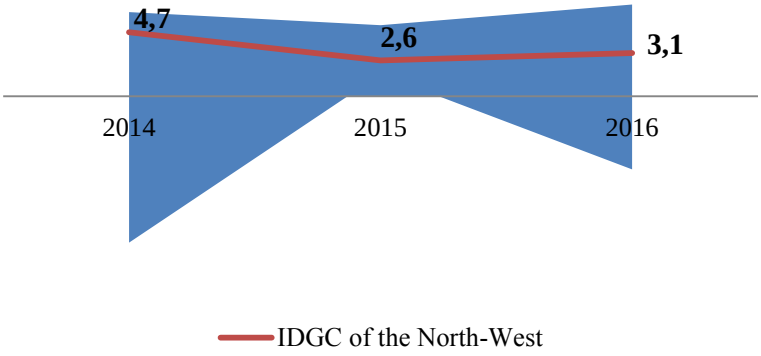
Note: the upper and lower limits show the maximum and minimum ranges of values of other electric grid companies.

EV (enterprise value) / EBITDA is a ratio that compares a company's value with its earnings before interest, tax, depreciation and amortization. This ratio is widely used as an assessment tool; it compares a company's value, including debts and liabilities, with actual cash receipts. Lower values of the ratio may indicate that a company is currently undervalued.

EV/EBITDA

	2014	2015	2016
IDGC of the Center	6.1	3.4	2.9
IDGC of the Center and Volga Region	5.1	2.6	3.1
Moscow United Power Grid Company	3.9	2.5	3.4
Lenenergo	5.9	5.2	3.6
IDGC of Volga	2.7	1.9	1.9
IDGC of the North-West	4.7	2.6	3.1
IDGC of the North Caucasus	-1.4	1.6	-5.3
IDGC of the South	-10.6	5.1	6.6
Kubanenergo	-4.6	4.5	4.9
IDGC of the Urals	2.7	2.7	2.9
IDGC of Siberia	-3.8	4.9	4.8
Tomsk Distribution Company	3.7	1.6	4.0
Federal Grid Company	3.0	3.4	4.5

EV / EBITDA compared to other grid companies



Note: the upper and lower limits show the maximum and minimum ranges of values of other electric grid companies.

Economic forecast for 2017-2019

Already at the end of 2016, the Russian economy experienced a transition from stagnation to economic recovery. According to the basic forecast of the Ministry of Economic Development of Russia, in 2017 the GDP growth rate will become positive and will amount to 0.6%, in 2018 the GDP growth rate will increase up to 1.7%, and in 2019 - up to 2.1%.

According to Rosstat, Russia's total industrial output increased in 2016 by 1.1%. In 2017 - 2019, production of investment goods is expected to gradually recover. A stable position will be maintained in the exporting sectors with more competitive products: the fuel and energy complex, metallurgy, and chemical production. Implementation of state infrastructure projects will ensure demand for construction sector services. Growth in the food industry will continue more moderately (compared to 2015 - 2016) taking into account the continued implementation of the import substitution program. An upward trend will resume in the light industry.

In 2017, industrial production is expected to grow by 1.1%, followed by an increase up to 2.1% in 2019.

Dynamics of macroeconomic indicators of the Russian Federation in 2016 and forecast for 2017-2019*

	2016	2017	2018	2019
GDP growth rate, %	-0.2	0.6	1.7	2.1
Industrial production index, %	1.1	1.1	1.7	2.1
Investments in fixed assets, %	-1.4	-0.5	0.9	1.6
Consumer price index, by year-end, %	5.4	4.0	4.0	4.0

*Basic scenario of the Forecast of social and economic development of the Russian Federation for 2017 - 2019.

Taking into account the forecast development of the country's economy, power production is expected to amount to 1,085.9 billion kWh by 2019 compared with 1,087 billion kWh in 2016. Power consumption in the domestic market will increase to 1,076.6 billion kWh versus 1,054.4 billion kWh in 2016. Since power consumption in the domestic market is highly dependent on the temperature factor, production and consumption growth rates may fluctuate within 0.3-0.6% per year depending on temperature deviations from long-term annual average values.

Power production growth (decrease), %

	2015 report	2016 assessment	2017	2018	2019	2019 vs 2015, %
			forecast			
Power generation	0.3	0.4	0.1	0.5	0.8	1.6

Indexation of tariffs in 2017-2019

According to the forecast of the Ministry of Economic Development of Russia, indexation of grid companies' power transmission tariffs for all categories of consumers, excluding the population, will be carried out according to the formula "forecast inflation in the respective year minus 1 percentage point" and in 2017-2019 will equal 3% per annum.

Besides, indexation of power transmission tariffs for the population will exceed the grid tariff growth for other consumers by 2 percentage points and in 2017-2019 will amount to 5% per annum. This is due to the need to reduce the amount of cross-subsidization in the power grid complex.

Indexation of tariffs for individual grid organizations can be differentiated to ensure their break-even. However, the growth rate of the power transmission tariff established in the Russian Federation on average should not be exceeded. In addition, work will continue to increase the accessibility of technological connection to electric grids within the implementation of the relevant roadmap.

1.8. Strategy

Mission

The mission of PJSC IDGC of the North-West is to provide reliable and uninterrupted power supply to consumers, stable income for shareholders through efficient management of the distribution grid complex on the basis of unified strategic approaches to doing business.

Strategy

The Company's development plans are based on the Development Strategy of the Electric Grid Complex of the Russian Federation approved by Regulation of the Government of the Russian Federation No. 511-r dated April 3, 2013.

The key tasks of the state policy in the electric grid management are as follows:

- development of economic methods to boost power grid organizations' performance;
- ensuring appropriate conditions to stabilize tariffs;
- attraction of new capital to the power grid complex in an amount sufficient for modernization and reconstruction of networks and maintenance of high power supply reliability.

The development strategy of the power grid complex defines the following targets for electric grid companies:

- higher power supply reliability and quality to meet consumers' needs;
- improved power supply safety, including reduction in the total number of accidents;
- higher performance of the power grid complex.

The top-priority areas of strategic development of PJSC IDGC of the North-West are defined by the Innovative Development, Energy Saving and Energy Efficiency Promotion Policy of PJSC Rosseti, the Quality Policy of PJSC IDGC of the North-West, the Environmental Policy of PJSC IDGC of the North-West, and other organizational and regulatory documents of PJSC Rosseti and the Company based on the targets of the Energy Strategy of Russia and the Development Strategy of the Russian Electric Grid Complex.

Shareholders' interests	Competitive advantage growth	Development interests
Strategic priorities		
• Profit earning	Ensuring reliable, high-quality and safe power supply to consumers, as well as continuous improvement of quality and availability of the services provided Prevention of an increase in the number of accident victims Ensuring personnel performance efficiency	Building a unified management system (on the basis of unified approaches, methodologies, principles) for all business processes up to the power distribution zone level Building an efficient system for the Company's resource utilization Efficient investment activities
Top level targets for 2017		
• Profit earning in an amount exceeding the 2017 business plan targets by 20%	Absence of group accidents and (or) fatal accidents due to the fault of the Company's officials Labor productivity of at least 80.47 conventional units/person Twofold increase in disposed non-core assets compared to 2016	Level of payment for provided power transmission services of at least 100% to the revenue for December 2016 - November 2017 Investments in development of modern production technologies and management practices of at least 3.5% of the investment program
2017 KPI		
Increase of consolidated net cash flow	Decrease of specific operating expenses Reduction of power losses Achievement of the reliability level of the services rendered Observance of technological connection deadlines Labour productivity enhancement Increase of power grid equipment load	Reduction of specific investment costs Compliance with the commissioning schedule Innovation activity efficiency

Fulfillment of strategic objectives of the development strategy of the power grid complex

Objective	Target	2014	2015	2016	Objective for 2017
Higher consumer service quality	Reduction in the number of stages required for	5 stages	4 stages	3 stages	The target was

	technological connection to power grids from 10 in 2015 to 5 in 2018				achieved by year-end 2016
Reduction in power undersupply	Reduction in power undersupply to consumers caused by technological disturbances compared to the previous year	Reduction by 17%	Reduction by 38%	Reduction by 18 %	Reduction by 12%
Reduction of technological connection costs for small and medium enterprises	Reduction in average costs for technological connection of preferential customers' power receivers with the maximum capacity of up to 15 kW compared to the previous year	Reduction by 33%	Reduction by 44%	Reduction by 10% Adjustment of the target due to the objective fulfillment	
	Ensuring the quality target of compliance with technological connection deadlines at the level not exceeding 1.1				Max. 1.1
Reduction in occupational injuries	Reduction in the number of accident victims compared to the previous year, %	Reduction by 40%	Reduction by 33%	Reduction by 17%	Prevention of an increase in the number of accident victims
Increase in capacity utilization	Rate of maximum actual capacity utilization as of December, 31	59.5%	57.9%	56.6%	56%
Reduction in specific investment costs	Reduction in specific investment costs by 30% compared to 2012 (in rubles per physical unit (km, MVA))	Reduction by 11.9%	Reduction by 18.4%	Reduction by 22.8%	Reduction by 30%
Reduction in specific operating expenses	Reduction in specific operating expenses by 15% versus 2017, taking into account inflation versus 2012, calculated based on maintenance costs per electric equipment unit	Reduction by 12.62%	Reduction by 21.34%	Reduction by 23.55%	The target was achieved by year-end 2016
Reduction in specific operating costs (expenses) by at least 3% annually pursuant to Directives of the Government of the Russian Federation No. 2303p-P13 dated April 16, 2015 and No. 2073p-P13 dated March 29, 2016	Annual reduction in specific operating costs (expenses) by at least 3 % compared to the previous year	x	Reduction by 3%	Reduction by 3%	Reduction by 3%
Reduction in losses	11% reduction in losses by 2017 compared to 2012	Reduction by 6.8%	Reduction by 7.2%	Reduction by 9.6%	Reduction by 11%

The strategic objectives set to the Company in accordance with Regulation of the Government of the Russian Federation No. 511-r dated April 3, 2013 were being consistently fulfilled in 2016, and the majority of them have been planned for further implementation in 2017. Consumer service quality in terms of reduction of stages required for technological connection to grids has improved; power undersupply due to technological disturbances has considerably reduced (by 18%); cost of technological connection of requesters' power receivers with the maximum capacity of up to 15 kW has decreased by 10% versus 2015. Specific investment and operating expenses, as well as the level of power losses in grids have been reducing according to the target slowdown rates.

Successful implementation of the strategic goals will enable IDGC of the North-West to ensure high quality of provided services, to efficiently manage its power grid assets in the regions of the Company's operation, taking into account fulfillment of the objectives set by the Government within the power grid complex development, and to be a customer-focused, modern company aimed to grow and increase its market power.

System of Key Performance Indicators

Achievement of the Company's priority development objectives is assessed on the basis of the KPI system used by the Company[4].

The Company's system of Key Performance Indicators (KPI) was established by the decision of the Company's Board of Directors dated March 31, 2016 (Minutes No. 200/15).

The KPI list and calculation methods were adjusted in 2016 subject to the decisions of the Company's Board of Directors dated April 29, 2016 (Minutes No. 206/21) and December 30, 2016 (Minutes No. 227/18) pursuant to Directives of the Government of the Russian Federation dated No. 1472-p-P13 March 3, 2016 and No. 4750-p-P13 July 4, 2016 with regard to KPIs "Innovation Activity Efficiency" and "Reduction in Specific Operating Costs (Expenses)".

In accordance with the above decisions of the Company's Board of Directors, the following list and calculation methods of Key Performance Indicators were established for 2016 for the Company's Director General.

QUARTERLY INDICATORS:

List of indicators	Target in 2016
Zero increase in the number of major accidents	Zero increase
Prevention of an increase in the number of accident victims	Zero increase
Financial stability and liquidity	Equity Capital (EC) / Credit capital (CC) ≥ 0.67 Current Liquidity Ratio (CLR) ≥ 1

ANNUAL INDICATORS

List of indicators	Target in 2016
Total shareholder return (TSR)	> change in MOEX RCI (Regulated Companies Index) for the reporting period + 0.01 percentage point
Return on Invested Capital (ROIC)	≥ target value calculated according to the Company's forecast targets established subject to the business

[4] The system of Key Performance Indicators (hereinafter - KPI) is a complex of interrelated indicators to measure the Company's performance; it includes the list of KPIs and their specific ratios in the bonus system, calculation methods and assessment of KPI achievement.

	plan formed in compliance with the consolidated financial reporting principles (IFRS).
Reduction in specific operating costs (expenses)	≥ 10%
Power loss level	≤ 6.30%
Achievement of the reliability level of provided services	≤ 1
Reduction in specific investment costs	≤ 1
Compliance with the commissioning schedule	≥ 95%
Observance of technological connection deadlines	≤ 1.1
Increase in labour productivity	≥ 898 RUB/man-hour
Innovation activity efficiency	≥ 90%

Actual values of the indicators were not drawn up and were not approved by the Company's Board of Directors as of the moment of the Annual Report preparation, given the time period and the procedure for compiling the reporting that is the source of information for calculating those values.

Values of the current year are not compared to values in the previous years due to changes in the approaches to the procedure for establishing target KPIs and calculating actual KPI values.

The system of Key Performance Indicators used in the Company is interconnected with the amount of the management team's variable remuneration part - ratios are set for each of the indicators in the amount of paid bonuses; quarterly and yearly bonuses are paid upon achievement of relevant KPIs.

1.9. Investment Program

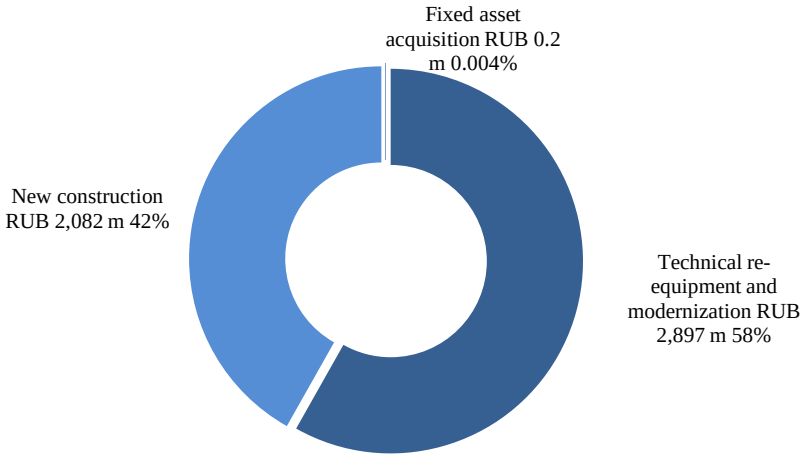
The 2016 investment program of IDGC of the North-West was formed given the goals and tasks of the Uniform Technical Policy in the Distribution Grid Sector and was approved by Order of the Ministry of Energy of the Russian Federation No. 1333 dated December 16, 2016.

The Company's investment activity is aimed to enhance reliability and performance of the power grid complex, and to reduce losses in power grids. Achievement of investment goals will enable to reduce operating expenses, ensure commissioning of extra capacities for connecting new consumers, and eliminate power shortage.

Cost and physical parameters of investment activities in 2016

Disbursement,	Formation of new fixed assets	Financing	Commissioning of capacities	
			MVA	km
RUB m (net of VAT)				
4,160.12	4,834.67	4,978.79	517.03	1,126.69

Capital investment financing structure in 2016



While the Company's total amount of financing remained the same in 2016, its shares in new construction, in technical re-equipment and modernization (hereinafter - TRE&M), as well as in acquisition of fixed assets also nearly did not change versus the previous period. The share of TRE&M amounted to 58%, new construction - 42%, fixed asset acquisition - 0.004%. Slight 7% increase in financing of capital investment in new construction is due to large technological connection facilities.

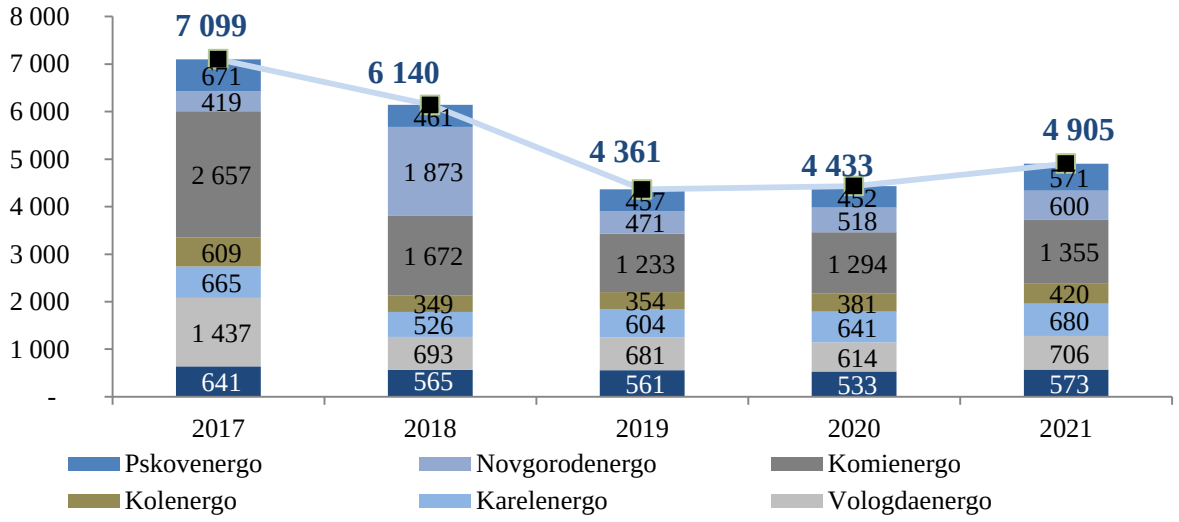
Capital investment financing structure, RUB m

	2014	2015	2016
Total	5,191	4,811	4,979
Priority projects, including	798	1,125	1,793
TRE&M	671	522	465
New construction	127	603	1,328
Programs, including	941	859	612
TRE&M	801	622	598
New construction	140	237	14
Technological connection (hereinafter – TC), including	2,545	2,136	1,683
TC facilities with the capacity exceeding 670 kW (HV, MV1)	395	521	716
TC facilities with the capacity of 150 - 670 kW (MV2)	479	255	157
TC facilities with the capacity of 15 - 150 kW	231	174	115
TC facilities with the capacity of up to 15 kW	1,441	1,186	694
Generation	-	-	-
Distribution grids	332	174	238
TRE&M	296	163	221
New construction	35	11	17
Technological control automation (except for the automated power consumption metering system (APCMS))	107	118	118
Power metering and control equipment	128	67	134
Safety programs	11	57	41
Acquisition of power grid assets, land plots and other facilities	14	0.5	0.2
Other programs and measures	315	273	360
For reference:			
TRE&M	3,858	3,116	2,897

Reduction in the amount of financing in 2013-2014 was due to the RAB parameters. Further decrease in 2015 was caused by the growth rate restriction for power transmission tariffs and deterioration of the general economic situation in the country, which entailed power consumption decline. Investment program financing in 2016 remained at the 2015 level with a slight increase by 3%. The increase was caused by the need to finance concluded TC agreements,

agreements on relocation of the Company's grids from construction zones, and agreements on acquisition of fiber-optic communication lines.

Capital investment dynamics
Financing dynamics for 2017-2021, RUB m (including VAT)



Financing of the investment program for 2017 and 2018 has been increased due to conclusion of the technological connection agreements being performed within the construction of power supply facilities for the Moscow - Saint Petersburg highway. Subsequent reduction in capital investments beginning from 2019 is due to the growth rate restriction for power transmission tariffs and a forecast decline in power consumption.

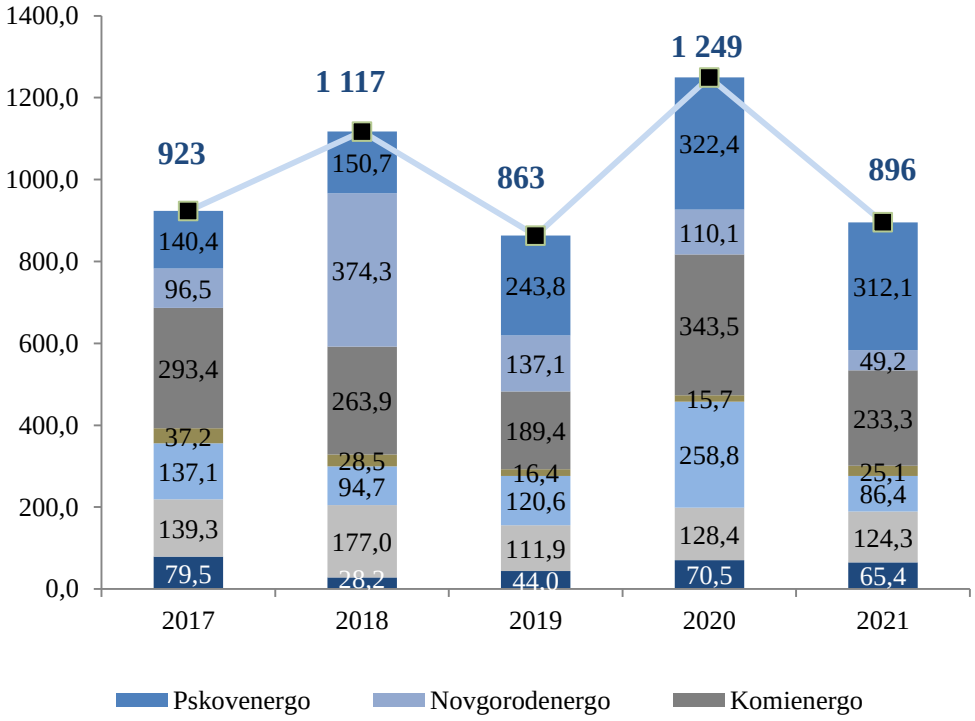
The investment program of IDGC of the North-West for 2016-2020 was developed taking into account the territory development plans, technical conditions of power grids, significance of power supply facilities, and the current situation in the economic development of the Russian Federation.

The decisions made in the course of development of the investment program comply with the goals and tasks of the Uniform Technical Policy in the Distribution Grid Sector and with the provisions of the effective legislation.

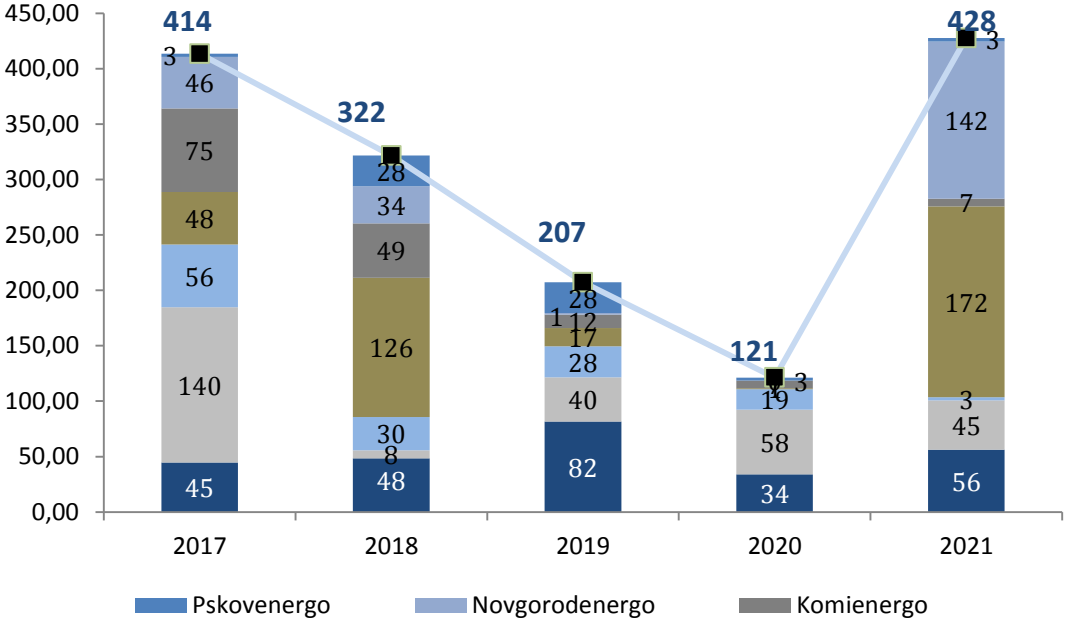
The amount of capital investment implementation was determined by way of calculation to comply with the scenario conditions of the investment program development subject to the requirement that payables as of the end of the annual reporting period should not exceed 50% of the annual amount of investment program financing.

In accordance with the scenario conditions of the investment program development, investment project in the Komienergo branch "Construction of the 110 kV HVL, SS 110/10 kV Olkhovey" (facility CS-5 Usinskaya, CY-2) was included into the investment program for 2016-2017 due to the payment receipt from the requester (CJSC Yamalgazinvest).

Dynamics of power line commissioning for 2017-2021, km

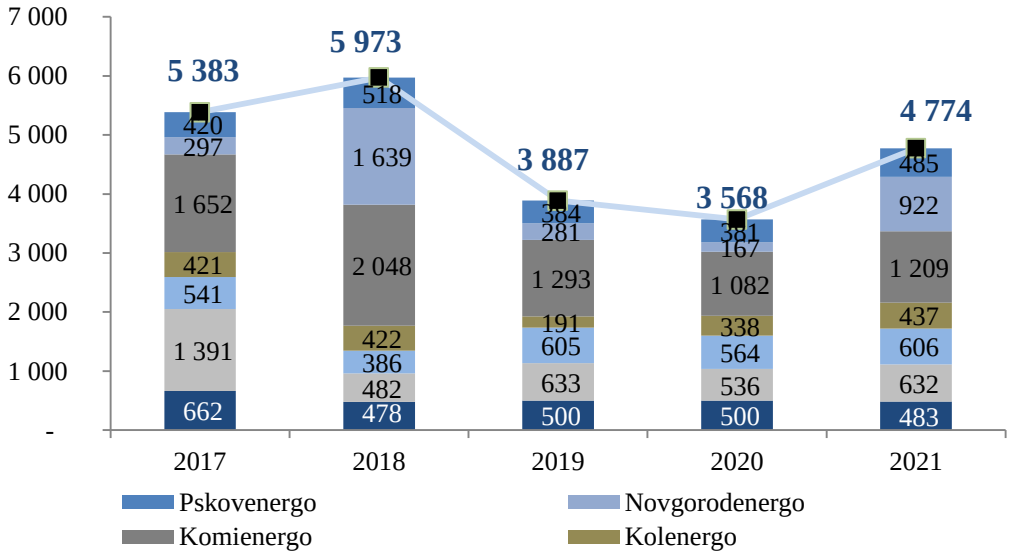


Dynamics of capacity commissioning for 2017-2021, MVA



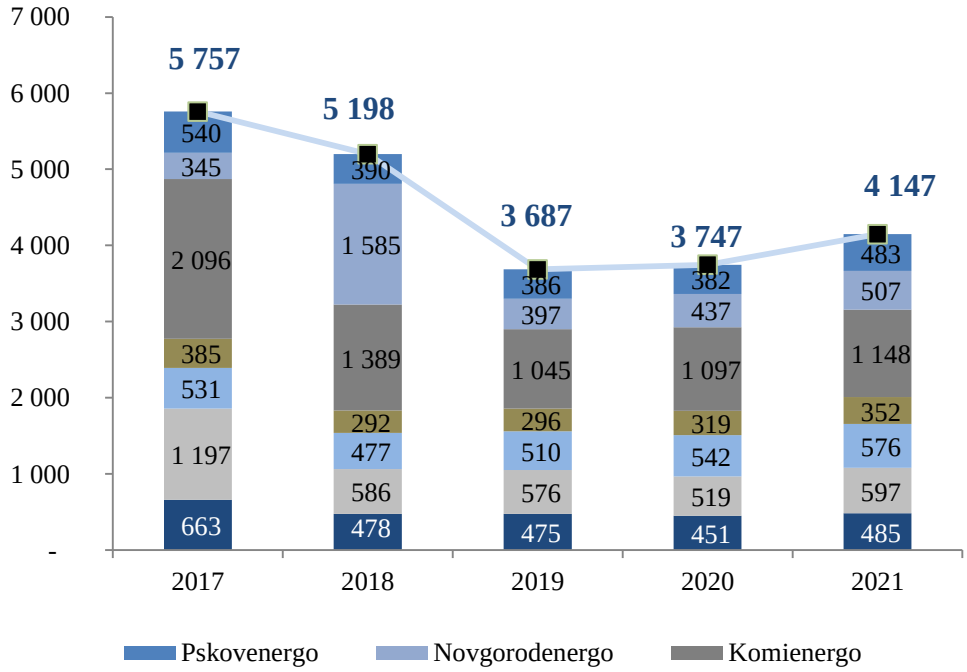
Nonuniform dynamics of power line commissioning from year to year is due to implementation of the dedicated program involving uninsulated wire replacement for self-supporting insulated wire, as well as implementation of large project "Construction of the 110 kV HVL" and SS 110/10 kV Olkhovey in the Komienergo branch.

Commissioning dynamics for 2017-2021, RUB m (net of VAT)



New fixed asset dynamics is determined by dynamics of capital investment implementation, while nonuniformity from year to year is due to commissioning of large investment projects planned for 2017 and 2018.

Dynamics of implementation amounts for 2017 - 2021, RUB m (net of VAT)



A forecast capital investment decline in 2019-2021 is due to the growth rate restriction for power transmission tariffs.

Information on key projects of PJSC IDGC of the North-West

No.	IP No.	Branch	Project	Implementation period	Total cost, RUB m, including VAT	Design capacity	
						MVA	km
1	000-11-1-03.13-2518	Arkhenergo	Modernization of 110/35/6 SS No. 7 in Arkhangelsk involving replacement of power transformers with the capacity of 2x25 MVA for transformers with the capacity of 2x40 MVA (MRTS Terminal) 15-02787A/15 dated September 28, 2015)	2017 - 2019	318.48	80	0
2	000-25-2-03.13-0001	Vologdaenergo	Construction of SS 110/35/10 kV Yuzhnaya and the 110/35/10 kV HVL in the Zasheksninsky District of Cherepovets	2011 - 2017	617.51	64	11.349
3	000-21-1-03.13-0014	Vologdaenergo	Modernization of SS 110/35/10/6 kV Zapadnaya	2008 - 2023	961.39	126	7.214
4	000-21-1-03.13-0101	Vologdaenergo	Modernization of SS 35 kV Iskra in the Vologodsky District, with uprating to the 110 kV voltage class	2013 - 2018	444.19	50	4.066
5	000-25-1-01.12-0033	Vologdaenergo	Modernization of 100 kV HVL Sheksninskaya 1, 2 with branch lines to SS 110/10 kV Iskra, SS 110/10 kV Zayagorba, SS 110/10 kV Nifantovo and the Sheksninskaya HPP	2011 - 2024	698.94	0	63.793
6	000-21-1-01.21-0018	Vologdaenergo	Modernization of the 35 kV HVL in the dimensions of the 110 kV East - City - North - West in 2-chain design	2012 - 2023	312.53	0	11.513
7	000-31-1-03.13-0008	Karelenergo	Modernization of SS-34 Lakhdenpokhya with replacement of 2x10 MVA power transformers for 2x25 MVA, equipment 110, 35, 10 kV	2013 - 2019	510.55	50	0
8	000-33-1-03.13-0001	Karelenergo	Modernization of the SS 41 Olonets substation with replacement of power transformers for 2*25 MVA, isolating switches and short-circuiting switches for 110 kV SF6 circuit breakers in the amount of 2 pcs, 35 kV oil-break switches for vacuum switches in the amount of 5 pcs, installation of a 35 kV block with a vacuum switch, replacement of 10 kV oil-break switches for vacuum switches in the amount of 15 pcs.	2010 - 2017	315.21	50	0

9	000-33-1-03.13-0800	Karelenergo	Technical re-equipment of SS-69 Stankozavod to enhance transit reliability between the 110 kV Verkhnesvirskaya HPP-12 and SS-2 Drevlyanka (replacement of 110 kV isolating switches and short-circuiting switches for SF6 circuit breakers, replacement of current transformers, voltage transformers, replacement of 110 kV disconnecting devices, replacement of the 10 kV integrated switchgear	2007 - 2022	386.20	0	0
10	000-41-2-01.11-0708	Kolenergo	Construction of two 150 kV HVL from SS 150 kV No. 53 to SS 330 kV Murmanskaya and overhang construction for 150kV HVL No. L-172, L-179 at SS 330 kV Murmanskaya (HVL 150 - 22 km)	2016 - 2021	276.16	0	22
11	000-54-2-01.12-0003	Komienergo	Construction of the 110 kV HVL, SS 110/35/6 kV Verkhovye for technological connection of the oil production facilities from the Yarega oil and titanium deposit (No. 50-02/521 dated August 1, 2013) (Central Electric Grids)	2014 - 2017	870.11	126	37.27
12	000-54-2-01.12-0511	Komienergo	Construction of 110 kV HVL Taezhnaya-Lemyu for technological connection of CS Maloperanskaya of the Bovanenkovo-Ukhta gas pipeline system (No. 50-02/440 dated July 3, 2013) (TES)	2013 - 2017	576.89	0	22
13	000-51-2-01.12-0022	Komienergo	Construction of the 110 kV HVL, SS 110/10 kV Olkhovey (facility Usinskaya CS-5, CY-2 of CJSC Yamalgazinvest No. 56-01885V/14 dated January 26, 2015) (Eastern Electric Network)	2015 - 2018	1055.54	10	153
14	000-51-2-01.12-0023	Komienergo	Construction of the 110 kV HVL and SS 110/6.3/6.6 kV Sinega in Vorkuta, Komi Republic (Vorkutaugol Contract No. 56-02125B/14 dated March 20, 2015) (SS 110/6 - 32 MVA; 110 kV HVL - 15 km)	2016 - 2017	378.32	32	15
15	000-54-1-01.12-0671	Komienergo	Modernization of 110 kV HVL No. 165, No. 166 at SS Pashnya - SS Vuktyl-1,2 in the Vuktyl District of the Komi Republic 31.5 km long (Central Electric Networks)	2020 - 2022	497.87	0	31.5
16	000-55-2-01.12-0026	Komienergo	Construction of the 110 kV HVL, SS 220/110/10 kV Syktyvkar - SS 110/10 kV Krasnozatonskaya (Southern Electric Networks)	2008 - 2020	887.43	32	27.268
17	000-54-2-01.12-0967	Komienergo	Construction of 110 kV HVL Zelenoborsk-Izhma on the section from SS 110/10 kV Lemyu to SS 110/10 kV Izhma (Central Electric Networks)	2009 - 2020	1112.88	0	109.549
18	000-61-2-03.13-4120	Novgorodenergo	Construction of SS 110/10 kV Bor, sections of 110 kV HVL Krestetskaya-1, Ruchyevskaya-2 from the existing 110 kV HVL and outgoing 10 kV power lines for power supply of technological connection facilities of State company Russianhighways (Avtodor) (Block Distribution Transformer Substation No. 157a, BDTS No. 167)	2017 - 2018	405.49	8	59.5

19	000-61-2-03.13-4119	Novgorodenergo	Construction of SS 110/10 kV Vargusovo, sections of 110 kV HVL Okulovskaya-3, Okulovskaya-5 from the existing HVL-110 and outgoing 10 kV power lines for power supply of technological connection facilities of State company Russianhighways (Avtodor) (BDTS No. 141, BDTS No. 149)	2017 - 2018	339.96	8	49.5
20	000-63-2-03.13-4118	Novgorodenergo	Construction of SS 110/10 kV Dorozhnaya, sections of the 110 kV HVL from the existing 110 kV HVL and outgoing 10 kV power lines for power supply of technological connection facilities of State company Russianhighways (Avtodor) (BDTS No. 176, BDTS No. 190) (installation of power transformers 2x6.3 MVA)	2017 - 2018	579.78	12.6	98
21	000-63-1-03.13-0073	Novgorodenergo	Modernization of 110/10 kV Savino SS with replacement of equipment and transformers (2x6.3 MVA by 2x10MVA)	2010 - 2026	407.12	20	0
22	000-63-1-03.13-0934	Novgorodenergo	Modernization of SS 110/10 kV Podberezye (replacement of equipment and transformers of 2x10 MVA for 2x16 MVA, implementation of measures within the information acquisition and transmission system program approved on May 21, 2015).	2012 - 2022	342.84	32	0
23	000-63-2-03.13-0066	Novgorodenergo	Expansion of SS 110/10/6 kV Bazovaya in Veliky Novgorod (replacement of equipment and transformers of 10 MVA, 25 MVA 63 MVA for 2x63 MVA)	2006 - 2021	880.25	126	0
24	000-73-2-01.12-0002	Pskovenergo	Construction of the 110 kV HVL to SS No. 102 - SS Moglino	2012 - 2017	117.80	0	3.5798
25	004-73-2-01.12-0001	Pskovenergo	Construction of the 110 kV HVL between SS 110 kV Zavelichye No. 283 and SS 330 kV Velikoretskaya (Oboronenergo scientific and technical enterprise in accordance with technical specifications TS No. 76-04478/14-001 dated September 18, 2014) (13.7 km)	2016 - 2017	153.99	0	13.7
26	000-73-1-03.13-0012	Pskovenergo	Modernization of SS 283 Zavelichye (replacement of T-1, T-2 2 x25 MVA for 2x40 MVA, outdoor switchgear-110 V-110 kV - 8 pcs)	2013 - 2018	347.40	80	0

2. RESULTS

2.1. Production Results

2.1.1. Power Transmission

The Company's core production activity is provision of power transmission services.

Based on the results of PJSC IDGC of the North-West, the 2016 output from grid to consumers and related LGOs within the balance and operational responsibility totaled 37,436 m kWh, which is 481 m kWh, or 1.30% more YoY (36,955 m kWh in 2015). That increase was owing to higher power consumption, including by major consumers, such as PJSC Acron and JSC Kondopoga.

Output to grid, m kWh	Output from grid to consumers and related LGOs within the balance and operational responsibility, m kWh	Power losses	
		m kWh	%
39,921	37,436	2,485	6.22

See Tables 2.1.1.1 - 2.1.1.4 for target and actual balance sheet figures over 5 years

2.1.1.1. Output to grid, m kWh

Indicator	2012	2013	2014	2015	2016 target	2016 actual
Output to grid, m kWh	43,239	40,687	39,715	39,475	39,206	39,921

2.1.1.2. Productive supply, m kWh

Indicator	2012	2013	2014	2015	2016 target	2016 actual
Output from grid, m kWh	40,468	38,118	37,168	36,955	36,735	37,436

In 2012-2015, the output to and from grid reduced by 7.5% due to the conclusion by consumers of direct contracts with PJSC FGC UES regarding points of connection to the UNPG ("last mile") and changed power consumption by large consumers in the region. In 2015, the output from the grids of the Karelenergo branch to service consumer Nadvoitsy Aluminium Smelter (a branch of JSC SUAL) was terminated due to the acquisition by JSC SUAL of the Ondskaya HPP, which entailed reduction in the transmission service volume by 1,048 m kWh against the level of 2012.

The Company's overall output to grid in 2016 increased by 1.1% against 2015 actual results and by 1.8% compared to the business plan targets. Growth of output from grid - 1.3% compared to 2015 and 1.9% versus targets.

2.1.1.3. Power losses, m kWh

Indicator	2012	2013	2014	2015	2016 target	2016 actual
Losses, m kWh	2,772	2,569	2,547	2,520	2,472	2,485
Losses, %	6.41	6.31	6.41	6.38	6.30	6.22

In 2012-2016, power losses in the Company's grids reduced by 287 m kWh. In terms of output to grid, power losses decreased by 0.19 percentage point.

2.1.1.4. Actual power losses in 2015-2016

Power losses						
Actual in 2015		Actual in 2016			Change*	
m kWh	%	m kWh	%	% (in comparable conditions**	m kWh*	p.p.
2,520	6.38	2,485	6.22	6.22	-35	-0.16

*Calculated as a difference between the results in 2016 and 2015.

**Power losses in 2016 were calculated in the conditions comparable to those in 2015.

Actual power losses in power grids of PJSC IDGC of the North-West in 2016 amounted to 2,485 m kWh, or 6.22% of the output to grid. As compared to the similar period in 2015, the output to grid increased by 1.13%, while power losses reduced by 35 m kWh, or 0.16 p.p. (Table 2.1.1.4). Power losses reduced by 0.08 p.p. compared to the target (6.30%). That trend was owing to a series of organizational and technical measures aimed to improve (reduce) the loss rate.

The series of measures undertaken in 2016 to decrease losses helped to reduce losses by 58.1 m kWh (or RUB 208.8 m). As a result of the organizational measures, such as disconnection of transformers at seasonal load substations, phase load balancing in power grids, detection of unaccounted electric power in the course of special raids, and reduced power consumption by substations, power losses decreased by 39.0 m kWh (or RUB 158.2 m). The technical measures (rewiring at overloaded power lines, replacement of overloaded power transformers, installation and commissioning of additional transformers at operated substations, and power grid load optimization) enabled to reduce power losses by 8.6 m kWh (RUB 20.4 m), while power metering improvement helped to decrease losses by 10.5 m kWh (RUB 30.2 m). The 2016 power loss reduction plan (in physical terms) was fulfilled by 6.35%.

Additional information is provided in Annex 3. Operating Results by Branches.

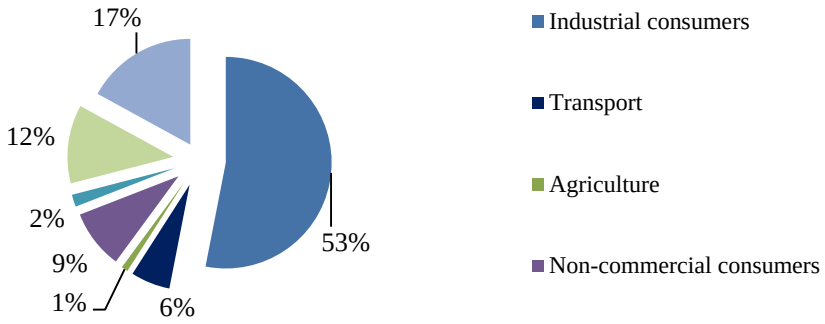
2.1.1.5. Amounts of power transmission services rendered, m kWh

Indicator	2012	2013	2014	2015	2016 target	2016 actual
Amounts of power transmission services rendered, m kWh	39,912	37,701	36,777	36,220	35,839	36,540

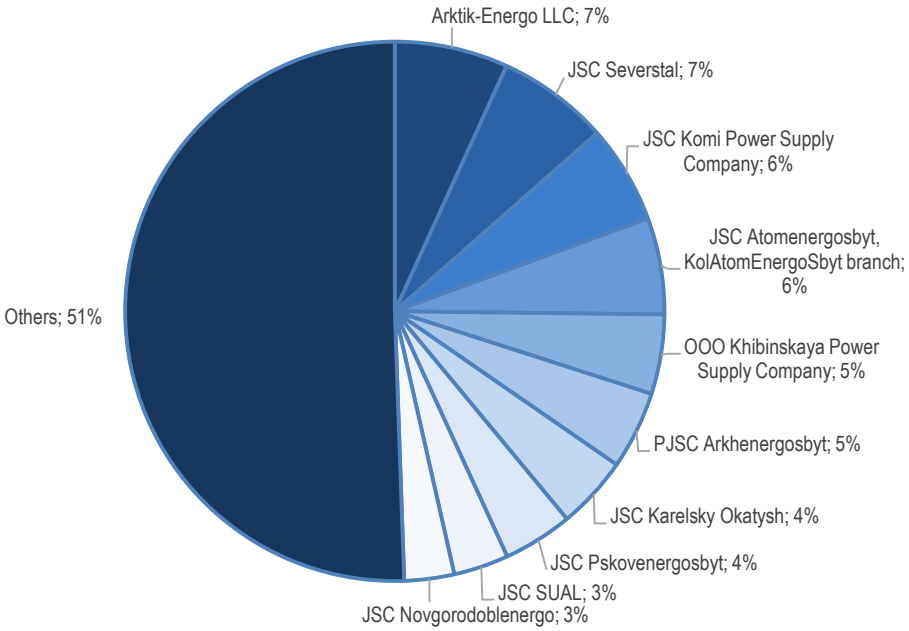
The amount of power transmission services rendered in 2012-2015 reduced by 8.4% due to the conclusion by consumers of direct contracts with PJSC FGC UES regarding points of connection to the UNPG ("last mile") and changed energy consumption by large consumers in the region.

Against the actual 2015 results and approved targets, the amount of power transmission services rendered in 2016 increased by 0.9% and 1.9% respectively owing to higher power consumption, including by major consumers, such as PJSC Acron and JSC Kondopoga.

Based on the results of PJSC IDGC of the North-West in 2016, the amount of power transmission services totaled 36,540 m kWh, which is 320 m kWh,or 0.9 % more as compared to 2015 (36,220 m kWh).

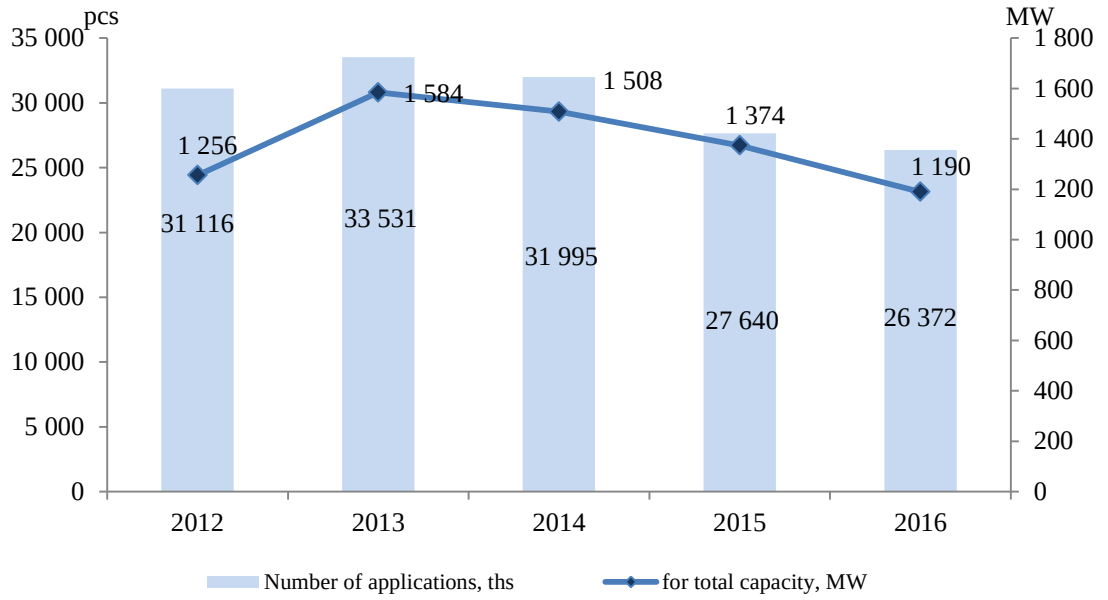


Power consumption from the grids of PJSC IDGC of the North-West by 10 largest consumers, %



2.1.2. Technical Connection

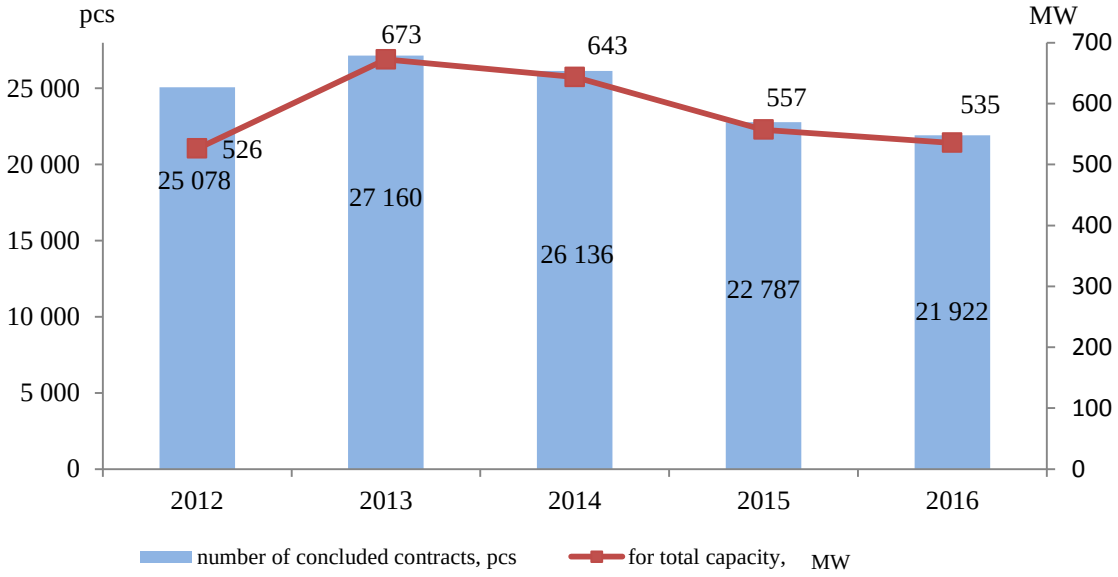
2.1.2.1. Number of applications submitted, ths*



*excluding power generation facilities

Indicator	2012	2013	2014	2015	2016
Number of applications submitted, ths	31	34	32	28	26

2.1.2.2. Number of concluded contracts, ths*



*excluding power generation facilities

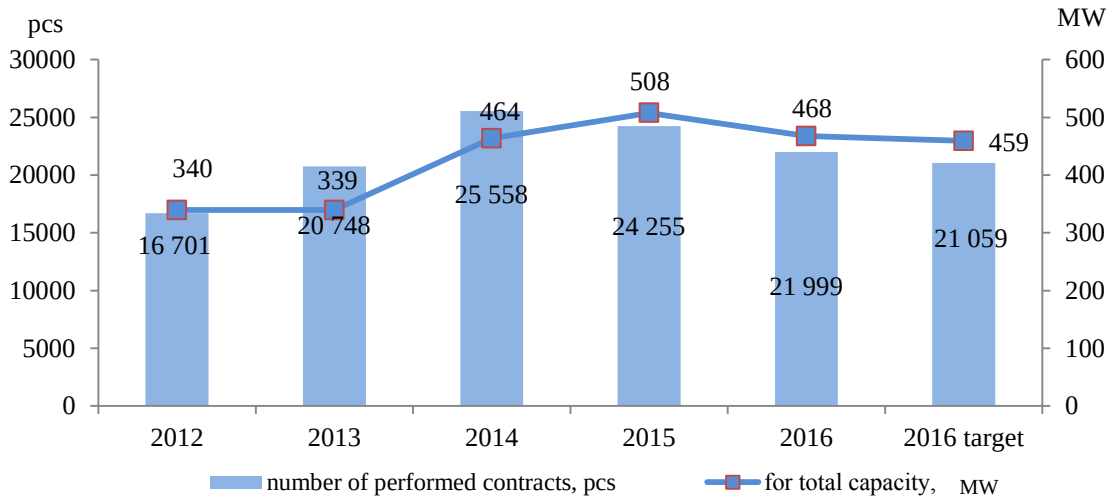
Indicator	2012	2013	2014	2015	2016
Number of concluded contracts, ths	25	27	26	23	22

Starting from 2014, there has been a trend for reduction in the number of technical connection contracts being concluded due to a lower number of submitted technological connection applications from 'subsidized' categories of applicants. The reduction was due to the

amendments introduced into Resolution of the Russian Government No. 861 dated December 27, 2004 regarding the possibility to conclude technological connection contracts at the rate of RUB 550 once in three years (amendments were introduced subject to Resolution of the Russian Government No. 915 dated October 12, 2013).

2.1.2.3. Number of contracts performed, ths

Number of technical connection contracts performed in 2012-2016, number of contracts and MW (excluding power generation facilities)



Indicator	2012	2013	2014	2015	2016 target	2016 actual
Number of contracts performed, ths	17	21	26	24	21	22

By year-end 2016, the ratio of contracts performed to contracts concluded was 1.0, which implies a zero increase in accrued liabilities. That result was achieved through the following:

- increased share of technological connection contracts fulfilled using in-house resources;
- performance of design and survey works using in-house resources for the construction, reconstruction or upgrade of 0.4-10 KW distribution grids;
- streamlining of procurement processes;
- work with applicants using the feedback mechanism.

2.1.2.4. Contracted capacity, MW

Indicator	2012	2013	2014	2015	2016
Contracted capacity, MW	1,256	1,584	1,508	1,374	1,190

2.1.2.5. Maximum capacity under concluded contracts, MW

Indicator	2012	2013	2014	2015	2016
Maximum capacity under concluded contracts, MW	526	673	643	557	535

2.1.2.6. Installed capacity, MW

Indicator	2012	2013	2014	2015	2016 target	2016 actual
Installed capacity, MW	340	339	464	508	459	468

The largest and most significant facilities connected in 2016.

Vologdaenergo branch: technological connection of the facilities of applicant JSC Vologdaoblenergo with a maximum capacity of 2.7 MW.

Komienergo branch:

- technological connection of the facilities of applicant Energotrade LLC with a maximum capacity of 4.4 MW;
- technological connection of the Sosnogorsk Alumina Refinery of applicant JSC Komi Aluminium with a maximum capacity of 5.1 MW

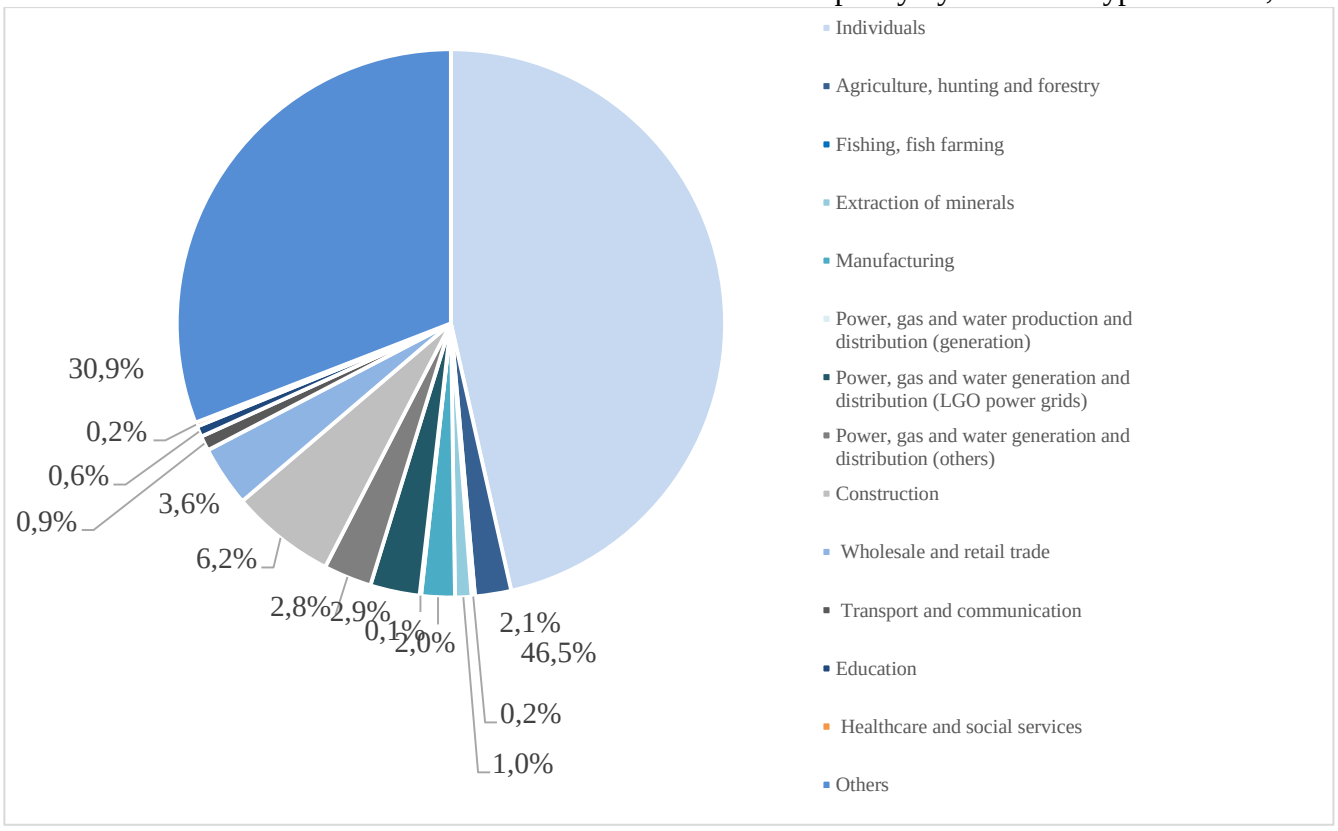
Novgorodenergo branch:

- technological connection of the facilities of applicant JSC Novgorodoblenergo with a maximum capacity of 4 MW.

Pskovenergo branch:

- technological connection of the Moglino Industrial Special Economic Zone of applicant SEZ Moglino with a maximum capacity of 37.5 MW at the first connection stage.

2.1.2.7. Structure of connected maximum capacity by consumer types in 2016, %



Structure of applications in 2012-2016 (including power generation facilities)

	2012	2013	2014	2015	2016

	total capacity, MW	applications	total capacity, MW	applications	total capacity, MW	applications	total capacity, MW	applications	total capacity, MW	applications
Individuals	284.1	26,334	315.7	28,104	294.8	26,430	254.4	22,857	244	21,515
Legal entities	1,007.6	4,787	1,338.9	5,439	1,302.1	5,580	1,472.0	4,789	1,203.6	4,863
Total	1,291.7	31,121	1,654.6	33,543	1,596.9	32,010	1,726.4	27,646	1,447.5	26,378

The total number of technological connection applications received in 2016 decreased by 4.6% YoY. The number of contracts concluded in the reporting period reduced by 3.8%. The reduction was due to the amendments introduced into Resolution of the Russian Government No. 861 dated December 27, 2004 regarding the possibility to conclude technological connection contracts at the rate of RUB 550 once in three years (amendments were introduced subject to Resolution of the Russian Government No. 915 dated Octoner 12, 2013), as well as due to the work carried out with applicants aimed at utilization of the existing capacities, implementation of mechanisms for indirect technological connection and maximum capacity redistribution.

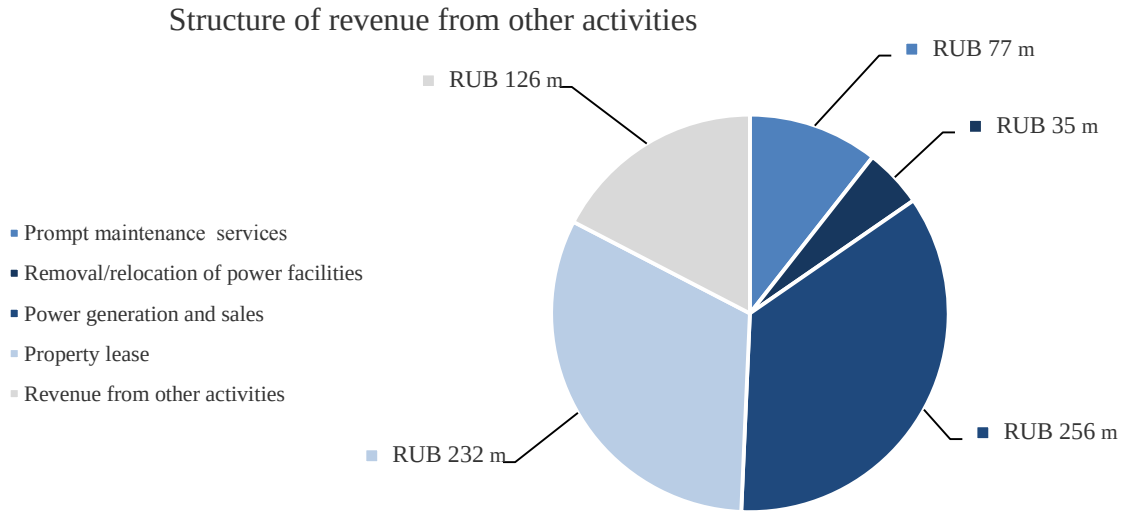
2.1.3. Other Activities

Structure of revenue from other activities in 2016.

Core activities of PJSC IDGC of the North-West subject to the state regulation are power transmission services and technological connection to power grids.

The Company also performs the following regulated activities: power production, heat production and cold water supply services. The share of these activities is below 1% of the total revenue generated by regulated activities.

Revenue generated by other activities in 2016 totaled RUB 726 m, which is RUB 265 m or 27% lower YoY. See the diagram for the revenue structure:

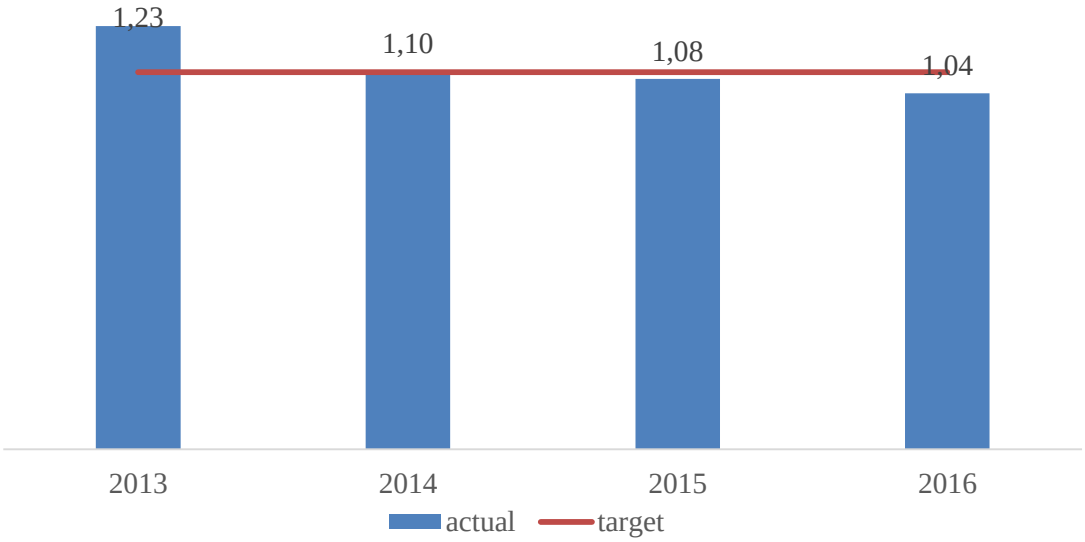


The variance was due to reduced revenue from the 'removal (relocation) of power facilities' activity in the Vologdaenergo branch (RUB 295 m) caused by decline in applicants' demand for those services in 2016.

2.1.4. Improving Power Supply Efficiency, Reliability and Quality

2.1.4.1. Compliance with technological connection deadlines

Indicator	Target in 2016
Compliance with technological connection deadlines	≤ 1.1



Since 2014, there has been no exceedance of the actual value of indicator "Compliance with TC deadlines" above the approved target. The indicator improved due to the following:

- development of interactive services at the stage of receiving TC applications;
- development of tools for online monitoring of TC operations, which enables to control the TC process and promptly make appropriate decisions;
- automation of the TC contract coordination process through the ADMS;
- encouraging the practice of performing works using in-house resources, which enables the Company to reduce the period required for TC.

2.1.4.2. Achievement of the reliability level of provided services.

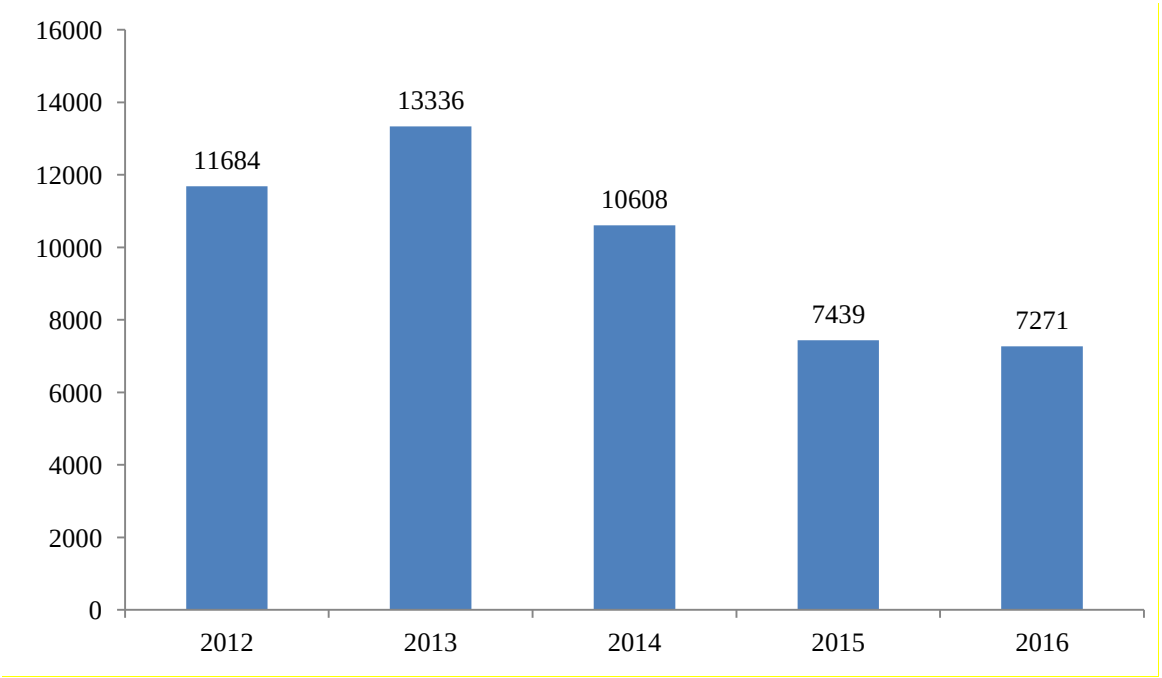
In 2016, all branches of PJSC IDGC of the North-West met the reliability and quality targets for provided services established by the executive authorities of the Russian constituent entities in the area of state tariff regulation according to the regulatory acts (the overall SQ index is higher than or equal to zero).

Branch	Indicator	2016	Overall index of

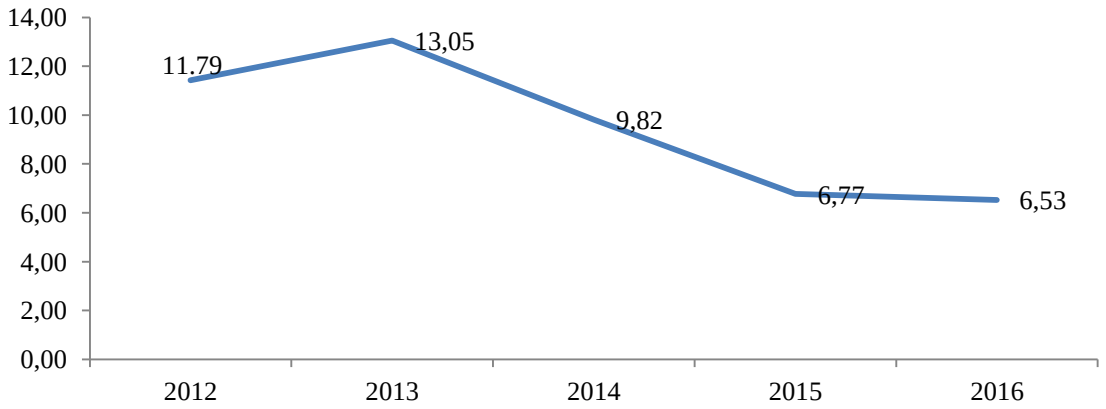
		Target	Actual	service reliability and quality, SQ
Arkhenergo	reliability level	0.0953	0.0274	0.65
	quality level	0.8975	0.8006	
	TC quality level	1.5029	1.03	
Vologdaenergo	reliability level	0.0613	0.0209	0.65
	quality level	0.8975	0.8589	
	TC quality level	1.3007	1.03	
Karelenergo	reliability level	0.267	0.0469	0.65
	quality level	1.0102	0.9194	
	TC quality level	Not established		
Kolenergo	reliability level	0.0424	0.0446	0.25
	quality level	0.8975	0.8811	
	TC quality level	1.4959	1.01	
Komienergo	reliability level	0.0306	0.0306	0
	quality level	0.8975	0.9085	
	TC quality level	1.1757	1.04	
Novgorodenergo	reliability level	0.236	0.1886	0
	quality level	1.0102	0.9964	
	TC quality level	Not established		
Pskovenergo	reliability level	0.091	0.0674	0
	quality level	1.0102	0.9612	
	TC quality level	Not established		

Dynamics of power system disturbances

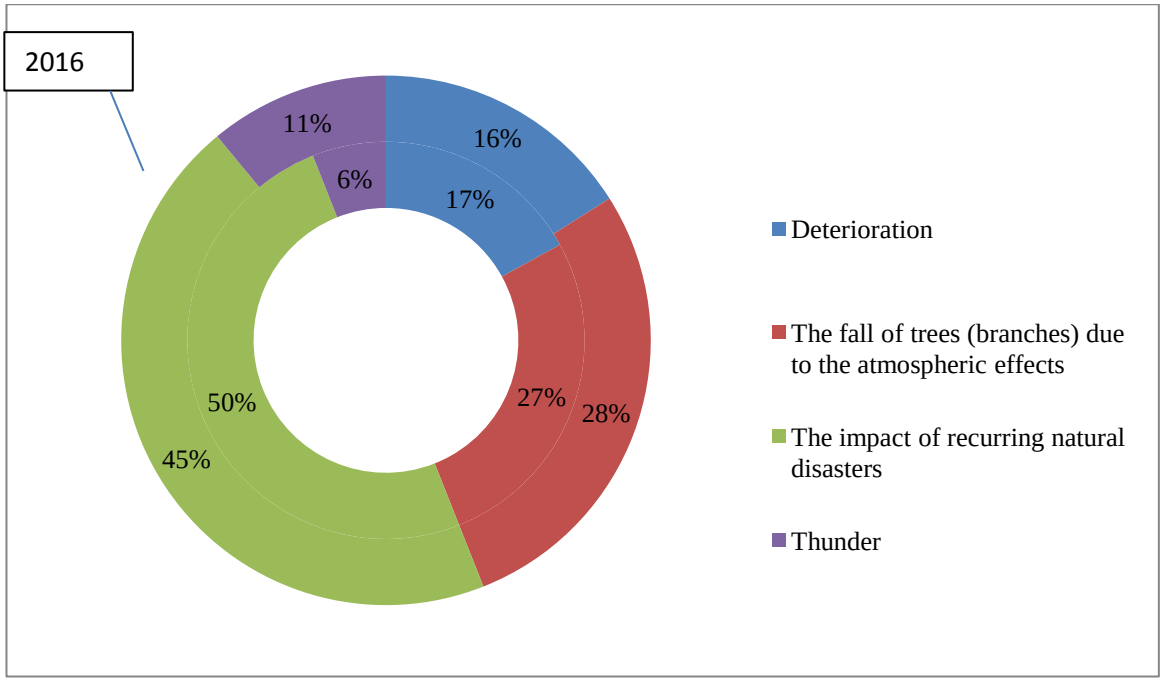
Dynamics of the number of accidents at facilities



Dynamics of the accident rate at facilities (number of accidents per 1,000 c.u.)



Main causes of accidents in the reporting and previous years



2.1.4.2.1. Zero increase in the number of major accidents

Indicator	1Q 2016	2Q 2016	3Q 2016	4Q 2016

Zero increase in the number of major accidents	0	1	0	0

The overall number of power system disturbances recorded by PJSC IDGC of the North-West in 2016 in the grids of 6 KW and more totaled 7,271, including one accident subject to the criteria set by clause 4 of the Rules for Accident Investigation in the Electric Power Industry approved by Resolution of the Government of the Russian Federation No. 846 dated October 28, 2009.

On April 12, 2016, overhead lines 163, 164, and 221 shut down at SS 21 of the production division of the Northern Power Grids during the switching aimed to release busbar system-2-150 KW for repair when performing the operations for transferring voltage circuits of busbar system-2-150 KW connections from voltage transformer-2-150 KW to voltage transformer-1-150 KW. Overhead lines 163, 164, and 221 did not reclose automatically. That power system disturbance (accident) was investigated by the commission of the North-Western Department of the Federal Environmental, Industrial and Nuclear Supervision Service.

PJSC IDGC of the North-West implemented organizational and technical measures to prepare the power grid complex for operation during special periods. Organizational and executive documents were developed, commissions were created, and inspections were carried out to control proper implementation of main and additional measures for ensuring operational readiness of the power grid complex in special operation periods. Based on the results of the commissions' work, Acts were obtained regarding operational readiness for the 2016 high-water period, the 2016-2017 autumn and winter period (AWP), and the Certificate of Operational Readiness for the AWP. Proper fulfillment of organizational and technical measures secured reliable power supply to consumers during special modes of operation.

2.1.4.2.2. Prevention of an increase in the number of accident victims

Indicator	1Q 2016	2Q 2016	3Q 2016	4Q 2016
Prevention of an increase in the number of accident victims	3	0	1	1

Six industrial accidents with six people injured were registered in 2015, including one fatality.

Five industrial accidents with five people injured were registered in 2016, including three fatalities.

See Annex 4. Occupational Safety Report for more details

2.1.4.3. Decrease in investment costs per unit

Indicator	Target in 2016 (target)	Target in 2016 (actual)
Decrease in investment costs per unit	≤1	0.9

In 2014, the Company started implementing the "Method for planning 30 percent investment cost reduction versus 2012" during development of investment programs (adjustments) of PJSC IDGC of the North-West. The reduction in investment costs through using the "Method for planning 30 percent investment cost reduction versus 2012" is calculated as the ratio of actual construction (reconstruction) costs per unit to target (full) construction

(reconstruction) costs per unit. Indicator "Decrease in investment costs per unit" in the reporting period is deemed to have been fulfilled since its actual value does not exceed "1".

Besides, the implementation of the "Method for planning 30 percent investment cost reduction versus 2012" resulted in 22.7% decrease of investment costs per unit in 2016 as compared to the 22.5% target. Further reduction in investment costs per unit is planned for 2017 so as to achieve 30% versus 2012 (in rubles per physical unit (km, MVA)). The actual result from reducing investment costs during the fulfilment of the investment program in 2016 totaled RUB 572 m against the target of RUB 448 m.

2.1.4.4. Fulfilment of the facilities commissioning plan

Indicator	Target in 2016 (target)	Target in 2016 (actual)
Fulfilment of the facilities commissioning plan	≥95%	96%

To calculate the indicator, both target and actual costs of the facilities put in operation are taken into account. The actual number of fixed assets put into operation is calculated based on the number of KS-14 forms (certificate of acceptance of a completed constructed facility by the acceptance commission) signed in the current planned year for the facilities included into the Company's current investment program approved according to the requirements of the effective Russian legislation. Indicator "Fulfilment of the facilities commissioning plan" is deemed to have been achieved in the reporting year since its actual value exceeds the target. In 2016, the facilities included into the Company's investment program were commissioned in the amount of RUB 4,548.821 m against the target of RUB 4,756.507 m.

See Annex 23 for the main productive assets in 2014-2016.

2.1.4.5. Reduction in operating expenses per unit

Indicator	Target in 2016 (target)	Target in 2016 (actual)
Reduction in operating expenses per unit	22.18%	23.55%

Strategic reduction targets for operating expenses per unit for the last 5 years against the level of 2012 were established by the Development Strategy of the Electric Grid Complex of the Russian Federation subject to Regulation of the Russian Government No. 511r dated April 3, 2013. The key to successful fulfillment of this Strategy is enhancement of the Company's internal operational efficiency through implementing the cost management process aimed to reduce resource consumption and maximize return on the resources.

Indicator	Units	2012	2013	2014	2015	2016
Number of conditional units	ths c.u.	1,021,214	1,081,247	1,087,959	1,122,860	1,129,634
CPI	%		6.8%	7.8%	7.4%	7.10%
Total expenses, including selling and administrative expenses, of which:	RUB m	29,057	30,824	31,674	39,011	39,318
manageable costs	RUB m	10,803	11,566	11,639	13,201	13,011
unmanageable costs	RUB m	18,255	19,258	20,035	25,810	26,307
Effect	%		-5.32%	-12.16%	-22.18%	-23.55%

The Company's Business Plan for 2016 was developed with account of reduction in operational costs per c.u. by 22.8%, while the actual year-end value of the indicator improved by 1.37% compared to the target and totaled 23.55%.

2.1.4.6. Level of power losses

Indicator	Target in 2016 (target)	Target in 2016 (actual)
Level of power losses	6.30	6.22

2.1.4.7. Repair and maintenance program indicators

Name of work item	2014	2015	2016
Overhaul of overhead lines, km	9,989	9,940	9,500
Clearing of overhead line routes, ha	19,190	17,918	16,805
Repair of transformers and autotransformers, pcs	18	20	27
Repair of switching devices, pcs	2,797	2,522	2,763
Repair and maintenance campaign (RUB m)	1,690	1,795	1,811

Within the 2016 repair and maintenance campaign, PJSC IDGC of the North-West implemented all measures needed for maintaining the operational state of the power grid complex equipment, successful going through the autumn and winter period and securing reliable power supply to consumers.

The repair and maintenance fund was used in the amount of RUB 1,810.8 m (against the target of RUB 1,819.3 m), or 100%.

As of year-end 2016, a whole range of physical indicators of the repair and maintenance program were outperformed, which was due to the emergency recovery works, additional measures undertaken following the results of inspections, checkups of overhead lines and equipment tests, and measures implemented to prepare for the 2016-2017 autumn and winter period. Physical volumes exceeded the targets due to savings achieved through the improved procurement processes within the repair and maintenance program, as well as owing to the redistribution of works by type of their performance in terms of shifting a part of works from the fulfilment by contractors into the in-house fulfilment.

Clearing of overhead line routes from trees and shrubs is a key activity of PJSC IDGC of the North-West. Clearing of overhead line routes is scheduled according to the comprehensive program for ensuring the required state of clearcuts, taking into account the route inspection results. The actual volume of works related to overhead line route clearing in 2016 exceeded the target by 3%: the actual value totaled 16,805.01 ha against the target of 16,291.78 ha.

2.1.5. Information Technology and Innovative Development

2.1.5.1.Information technology.

PJSC IDGC of the North-West is a modern energy company whose performance greatly depends on application of information technology (hereinafter – IT) and automation systems. In modern conditions, the operation of the power grid industry as a whole and PJSC IDGC of the North-West in particular can only be possible with such elements as:

- Automated technological process management systems improving the efficiency of the production and technological complex of PJSC IDGC of the

North-West (cost efficiency and reliable power transmission and distribution) owing to the maximum personnel performance achieved through comprehensive automation of data collection, processing, storage and communication, decision making processes and implementation of technological management functions, based on cutting edge software and hardware automation tools, computing and information technologies.

- Automated business management systems designed to improve the Company's performance in general by unifying and standardizing business processes, ensuring transparency and comparability of information reported by the Company's units.
- Communication systems and IT infrastructure that support the functioning of all the above-mentioned automation systems and ensure stable communication for all employees of the Company.

Information technologies play a crucial role for fulfilling the Company's key business objectives, such as ensuring reliable and stable power supply, improving the quality of service and the level of customer satisfaction. The expanding scope of process automation enhances the performance of the power grid complex as a whole.

The role of information technology in achieving the Company's key business objectives.

Assuring a reliable and uninterruptible power supply
Increasing the transparency and controllability level of the power supply network
Decreasing the number and duration of technological disturbances
Controlling power supply network assets, optimizing maintenance programs in order to decrease the probability of equipment failure

Improving service, assuring customer satisfaction
Improving customer service quality
Developing and providing access to remote and electronic (interactive) customer service

Improving power grid complex operational efficiency
Ensuring completeness and reliability of current managerial information
Optimizing territorial distribution of care and maintenance service

Ensuring personnel performance efficiency, decreasing specific operating costs, reducing expenses for support functions

Assuring infrastructure accessibility and creating conditions for economic growth
Long-term planning

Implementing new IT projects, developing the existing ones, and supporting the implemented projects are part of our continuous activities.

For more detailed information see Annex 5. IT Engineering Principles.

2.1.5.1.1. Automated Process Control Systems (APCS)

In order to improve observability and controllability of the power grid facilities of PJSC IDGC of the North-West, the Company accomplished measures in 2016 aimed to upgrade the existing telemetry systems and to install new microprocessor-based systems for data collection and communication from the facilities. The systems to be integrated collect and communicate data to the dispatch control centers, conveying the status of geographically distributed power grid facilities, and transfer dispatch control commands by equipment of these facilities operating in the common mode.

Teleautomation status of 35-220 kV substations (units)

Branch /IDGC	110-220 kV substation				35 kV substation			
	Total	Teleautomation completed total	including those conforming to modern requirements	Teleautomation completed in 2016	Total	Teleautomation completed total	including those conforming to modern requirements	Teleautomation completed in 2016
Arkhenergo	87	61	13	0	97	39	4	0
Vologdaenergo	94	86	32	1	126	96	12	0
Karelenergo	55	55	18	0	105	77	5	0
Kolenergo	83	36	18	3	48	44	2	0
Komienergo	95	95	54	3	106	59	44	1
Novgorodenergo	74	73	39	0	60	58	10	0
Pskovenergo	100	94	39	3	70	52	9	0
IDGC of the North-West	588	500	213	10	612	425	86	1

The Company continuously increases the number of substations with telemetry systems. Installation of telemetry systems is carried out together with construction of new facilities and reconstruction of substations as part of investment projects. In 2016, telemetry systems were installed at ten 110-220 kV substations and one 35 kV substation. Telemetry systems at some

substations were upgraded to increase volumes of information communication and to improve observability of the facilities under control.

2.1.5.1.2. Automation of business processes

The share of centralized projects implemented by the Company increased in the reporting period, the electronic document flow system was developed and expanded, the Omni-UtilitieS AIS used for electricity metering and accounting is being implemented in the Company's branches, and a number of other projects are underway. The Company's plans were revised and updated, given substantial economic limitations. Top priority tasks were identified.

Below is the list of projects implemented in the reporting year

No.	Project/initiative	Resulting benefits / quality improvements / comments
	Business applications	
1	Developing a centralized electronic document flow system in PJSC IDGC of the North-West.	Developing the Company's single centralized document management system – ADMS (3,000 jobs) – implementation of additional modules
2	Developing a power transmission management and consumer communication system based on the OMNI-US AIS (4 branches).	Automating the process of power transmission between the Company's branches. Implementing the system in all the Company's branches.
3	Developing a single centralized investment automation system in PJSC IDGC of the North-West – Investments AIS (in-house method).	Implementing an in-house solution developed by Arkhenergo in all the Company's branches, unifying the standards through automation of investment project accounting and support.
4	Developing the Operational Asset Management System (OAMS) and improving the Forga-Energo software package.	Implementing additional modules and functions for the OAMS: maintenance and repair, including vegetation clearance, Interruptions Log, and others.
5	Upgrading the AMS through financial and economic activities.	Updating the AMS through financial and economic activities.
6	Increasing the level of automation through upgrading the existing systems. Increasing the general level of IT maturity.	Increasing the level of automation through updating the existing systems, expanding the functionality of the systems, enhancing automated business process coverage, automating related business processes (in the course of operation), increasing the number of users.

The main task is to implement and operate the main platform ensuring comprehensive automation of the Company's core operational, economic, and financial business processes - 1C:Enterprise 8.3 platform, corporate version. In this connection, the maintenance and repair system is up for implementation using this platform.

2.1.5.1.3. Developing the telecommunication and information technology infrastructure (hereinafter - ITI)

Installing communication channels at substations

A gradual transition to digital communication channels ensuring higher capacity and communication quality takes place as part of the communication system reconstruction process implemented by PJSC IDGC of the North-West. Digital networks are scalable and provide better observability and controllability of extensive telecommunication networks, thus substantially decreasing operating costs.

Installing digital communication channels at 35-220 kV substations (in units)

Branch/IDGC	110-220 kV substation			35 kV substation		
	Total	Digital lines installed	Digital lines installed in 2016	Total	Digital lines installed	Digital lines installed in 2016
Arkhenergo	87	51	0	97	9	0
Vologdaenergo	94	56	1	126	27	0
Karelenergo	55	29	10	105	10	2
Kolenergo	83	27	2	48	0	0
Komienergo	95	67	3	106	40	5
Novgorodenergo	74	61	0	60	20	0
Pskovenergo	100	32	6	70	7	0
IDGC of the North-West	588	332	22	612	115	7

The Company continuously increases the number of substations with digital communication channels. Over the reporting period, digital communication channels were installed at twenty nine 35-220 kV substations.

The main principles of IT infrastructure engineering are securing fail-safe and highly efficient performance of the systems in use, ensuring data security and protection, and using the Company's single information space.

2.1.5.1.4. IT cost reduction

Comprehensive IT development enabled significant decrease in the Company's IT operation costs in 2016.

The Company reduced unit costs in the following IT areas with adjustment for 2016 inflation:

1. For the APCS support per unit of substations with telemetry systems – by RUB 4.81 ths;
2. For operation of the enterprise resource planning system per unit of automated workstations – by RUB 0.486 ths;
3. For operation of application systems per unit of systems – by RUB 4.73 ths.

2.1.5.1.5. Further IT development plans

The main task within the development of enterprise resource planning system is to implement and operate an integrated platform for comprehensive automation of the Company's core operational, economic, and financial business processes - 1C:Enterprise 8.3 platform, corporate version.

The Company's priority is to develop far-reaching plans for subsequent stages of development using the new comprehensive automation platform.

The major area of the APCS development is implementing technological process control systems using modern standards and protocols based on digital data collection, processing and communication systems.

PJSC IDGC of the North-West undertakes measures to reduce its dependence on imported equipment, technical devices, spare parts, foreign companies' services/works, and foreign software.

The Company continues reducing its operating costs by increasing operational efficiency.

2.1.5.2. Innovative development

PJSC IDGC of the North-West devised the 2016-2020 Innovative Development Program with a view until 2025 (hereinafter - the Program) taking into account the top-priority areas outlined in the Policy of Innovative Development, Energy Saving, and Increased Energy Efficiency of PJSC Rosseti.

The Program aims at switching to innovative power grids with improved reliability, efficiency, availability, controllability, and customer focus characteristics.

The Company outlined the following top-priority areas of its innovative development for 2016:

1. Construction of digital 35-110 kV substation Yuzhnaya.
2. Transition to digital active-adaptive networks with the distributed intelligent system of automation and management.
3. Securing comprehensive efficiency of business processes and automation of management systems.
4. Development of a system for engineering and implementing cutting-edge technology and products (development and implementation of the R&D strategy, commercialization of R&D results).
5. Usage of new technologies and materials in the power industry (constructing a 0.95 kV power grid, installing 35 kV reclosers, pilot and field testing of new equipment).
6. Continuous personnel education - implementing up-to-date staff management technologies.

Implementation costs of the Program in 2016 totaled RUB 308.3 m, which is 105.2% of the target.

Main areas, RUB m (excluding VAT)	2016 target	2016 actual	**Variance**	
			absolute	**%**
Innovation, including	**292.4**	**308.3**	**15.2**	**5.2**
Transition to digital substations of various voltage classes 35-110 (220) kV	104.033	35.433	-68.6	-66
Transition to digital active-adaptive networks with the distributed intelligent system of automation and management	176.19	238.2	62.0	35.0
Securing comprehensive efficiency of business processes and automation of management systems	0.40	0.4	0	0
Usage of new technologies and materials in the power industry	2.30	23.7	21.3	926
Development of a system for engineering and implementing cutting-edge technology and products	5.17	6.59	0	0
Development of human resources and partnership in education	4.1	4.48	0.38	9.3

The outcomes of the implementation of the Innovative Development Program of PJSC IDGC of the North-West are assessed and monitored using special indicators - the Program's Performance Indicators.

The Program's Key Performance Indicators (KPIs).

Area assessed	Indicator	unit of measurement	Values	
			2016 target	2016 actual
Increase in labor efficiency (through design and survey)	Labor efficiency	%	78.3	78.4
Improvement of production processes efficiency, reduction of costs, decrease in unit costs for product manufacture and service rendering (through design and survey)	Reduction of per unit operating costs for 1 kWh, productive power supply through design and survey ($OPEX_{design\ and\ survey}$)	%	0.032	0.044
	Decrease in the average aggregate duration of sustained interruptions per consumer per year through design and survey ($SAIDI_{design\ and\ survey}$)	%	0.528	0.557
	Decrease in the average frequency of sustained interruptions per consumer per year through design and survey ($SAIFI_{design\ and\ survey}$)	%	0.4	0.5
Implementation of modern production technologies and management practices (through design and survey)	Share of expenses for implementation of cutting-edge products (technologies, solutions, goods, works, and services)	%	7.39	7.16
	Share of expenses for (key) comprehensive infrastructure projects	%	60	89
Improvement of energy efficiency of production (through design and survey)	Reduction of the ratio of power losses to power supply from grid, through design and survey	%	0.028	0.038

Research and Development

A key priority within the innovative development of the power grid complex is implementing the R&D Program, including measures to develop breakthrough technologies designed to create revolutionary solutions and methods, and application-specific areas ensuring improvement of the existing technologies and products.

At the moment, PJSC IDGC of the North-West has focused on research in development of an operational asset management system. In 2016, the Company completed research "Development of the methodology and technical requirements for systems automating operational asset failure probability forecasts" that enabled to develop the methodology and the model for measuring the operational asset failure probability, and the technical requirements for systems automating operational asset failure probability forecasts within PJSC IDGC of the North-West. The methodology and the model will make it possible to monitor the current equipment state and to forecast the equipment failure probability, which is critical for quality improvement in planning maintenance and repair (M&R) and technical re-equipment and modernization (TRE&M), for reliable power supply to consumers, and the Company's financial stability.

Expenses for research and development carried out by third-party organizations amounted to RUB 6.172 m in 2016.

2.1.5.3.Research and Development Board

In order to enhance its technical activities and promote a coherent technical policy in development, engineering, construction, reconstruction, and operation of the power grid facilities, PJSC IDGC of the North-West has its Research and Development Board (hereinafter - the RDB). The RDB is a permanent collective advisory body providing scientific and technical support for the Company's operation and development.

The RDB's work is governed by the Provision on the Company's Research and Development Board. The Provision on the Research and Development Board was approved by Order of PJSC IDGC of the North-West No. 11 dated January 14, 2015. The revised membership of the Research and Development Board was approved by Order of PJSC IDGC of the North-West No. 393 dated June 29, 2016.

In 2016, the RDB worked in compliance with the plan approved by the First Deputy Director General – Chief Engineer of the Company and held 3 (three) physical meetings.

At its meetings, the RDB considered practical aspects of implementation of the solutions designed to boost the reliability and operation quality of the power grid complex, to ensure fail-safe power supply to consumers, to fulfill the action plan for improving the Company's efficiency and financial and economic performance.

The RDB's decisions sought to upgrade the equipment at substations, to ensure prompt liquidation of power system disturbances, to conduct a series of diagnostic measures aimed at preventing equipment failures, etc. The RDB especially focused on occupational health and safety. The RDB outlined top-priority areas of research and technological development for 2016-2020, considered the Company's program for innovative development of the power grid complex which aims first and foremost at yielding specific results for the Company: power loss reduction, protection of health and safety of the personnel and third parties, increased share of unattended self-monitoring equipment, and high reliability of power supply to consumers.

See Annex 6 for attendance, the number of meetings, and the list of issues considered by the RDB. Report on Work of the Research and Development Board in 2016.

2.2. Financial Performance Analysis

Information on the Company's performance in 2016 is provided in Annex 7. Financial and Economic Performance.

2.2.1. Prices and Tariffs

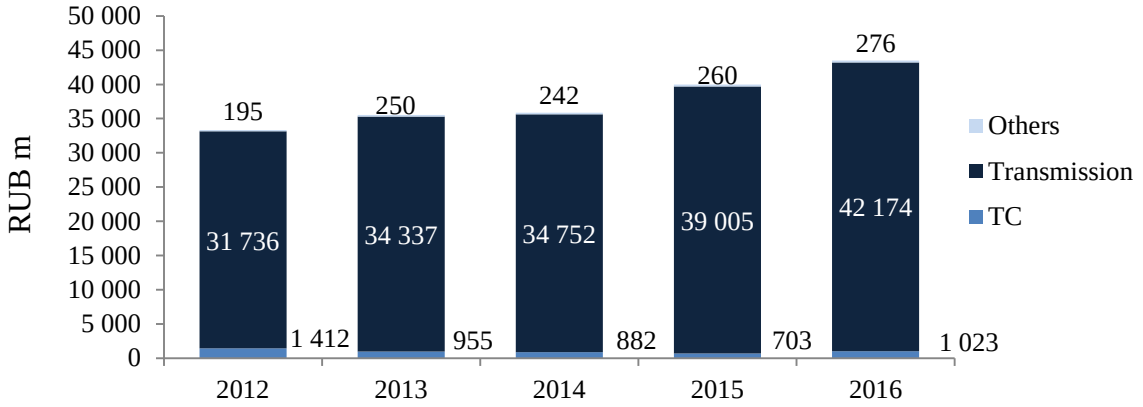
Tariff Policy of the Company

Core activities of PJSC IDGC of the North-West subject to the state regulation are power transmission services and technological connection to power grids.

The Company also performs the following regulated activities: power production, heat production and cold water supply services. The share of these activities is below 1% of the total revenue generated by regulated activities.

With the approved tariffs, the Company's 2016 revenue from the provided services totaled RUB 43.474 bn, which is 8.8% more than in 2015.

Revenue of PJSC IDGC of the North-West in 2012 - 2016



Power transmission tariffs

The power transmission tariffs in 2016 for all the branches of PJSC IDGC of the North-West were approved based on the established long-term parameters. The Company's branches are regulated through the following methods:

Method of return on invested capital:

Volodgaenergo branch - first long-term period from 2011 to 2017;

Karelenergo branch - first long-term period from 2012 to 2017;

Novgorodenergo branch - first long-term period from 2010 to 2017;

Pskovenergo branch - first long-term period from 2011 to 2017.

Method of long-term indexation of required gross revenue (hereafter - RGR):

Arkhenergo branch - second long-term period from 2014 to 2018;

Kolenergo branch - second long-term period from 2014 to 2018;

Komienergo branch - second long-term period from 2014 to 2018;

In 2016, the existing long-term regulation parameters were not reviewed. However, the Company performed annual mandatory adjustment of the branches' required gross revenue stipulated by the effective legislation in the area of state tariff regulation.

In 2016, the required gross revenue approved for 2016 was revised due to the following factors:

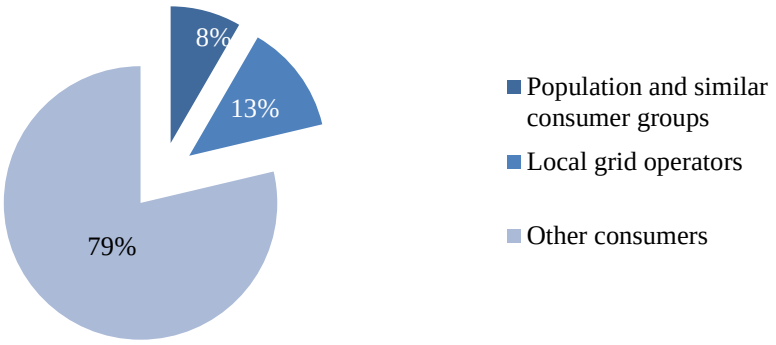
- the change in the number of regional grid organizations complying with the requirements stipulated by Resolution No. 184 of the Government of the Russian Federation "On qualifying owners of electrical grid facilities as local grid operators" dated February 28, 2015;

in accordance with Clause 17 of the Rules for State Regulation (Revision,

Application) of Prices (Tariffs) in the Electric Power Industry" approved by Resolution No. 1178 of the Government of the Russian Federation dated December 29, 2011, regulated organizations' expenses are to be considered in view of the investment program or draft investment program for grid organizations;

- based on the orders of the Federal Tariff Service of Russia regarding adjustment of the retail markup of JSC Komienergosbytovaya Kompaniya

RGR structure for power transmission services provided in 2016 by consumer groups

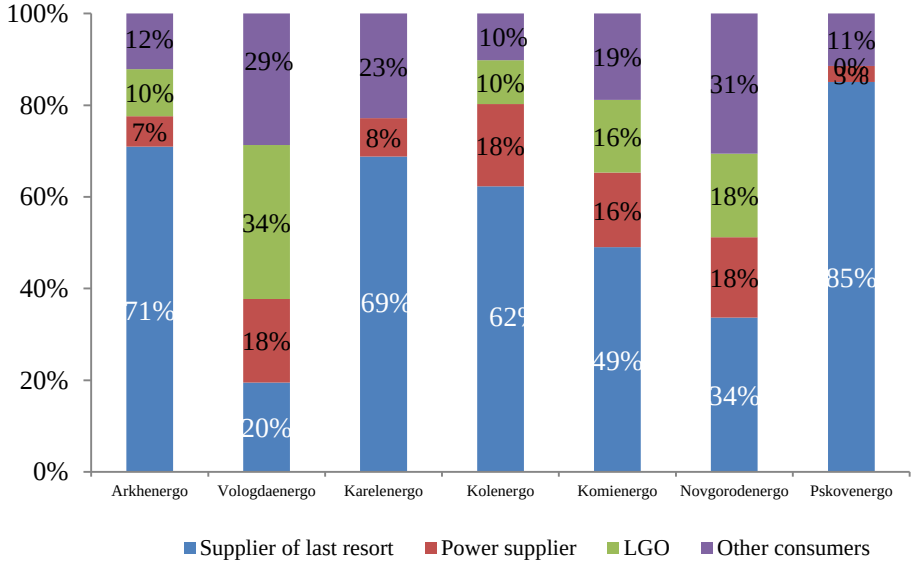


Group "Other consumers" accounts for the largest share of revenue (80%) in PJSC IDGC of the North-West. This group includes regional retail energy companies and large industrial consumers, the most important of which are PJSC Severstal (20% of Vologdaenergo's revenue), PJSC Acron (28% of Novgorodenergo's revenue), JSC Kondopoga (15% of Karelenergo's revenue), and JSC Karelsky Okatysh (12% of Karelenergo's revenue).

The major share of group "Population and similar consumer groups" accounts for Pskovenergo (28%), Karelenergo (19%), and Komienergo (15%).

Structure of revenue for power transmission services provided in the reporting year by consumer groups for each branch of PJSC IDGC of the North-West. The structure is shown as a percentage ratio of the volume of power supplied to a particular consumer group* to the aggregate volume.

Structure of revenue earned by PJSC IDGC of the North-West for power transmission services provided in 2012 - 2016 broken down by consumer groups



** Category "Other consumers" includes consumers having direct power transmission service contracts with grid companies.*

Analysis of changes in the average tariff for power transmission services broken down by branches, RUB/kWh

Branch	2012	2013	2014	2015	2016
Arkhenergo	1,416.06	1,680.05	1,686.59	1,826.35	1,891.32
Vologdaenergo	730.68	866.72	938.76	1,021.50	1,061.20
Karelenergo	534.37	630,31	803.50	1,389.37	1,511.82
Kolenergo	451.62	488.74	534.34	582.62	689.57
Komienergo	1,128.89	1,213.60	1,246.01	1,318.23	1,355.86
Novgorodenergo	917.32	1,020.52	1,015.17	1,077.55	1,197.20
Pskovenergo	1,690.58	1,751.26	1,911.49	2,086.20	2,318.67
IDGC of the North-West	776.07	879.33	955.05	1,106.56	1,195.69
Growth, %		113%	109%	116%	108%

The 2016 tariffs for power transmission services varied largely across the regions covered by PJSC IDGC of the North-West. Strong differentiation was due to voltage level differences among consumers. The branches running mostly low-voltage power grids, such as Arkhenergo, Komienergo and Pskovenergo, are characterized by high tariffs due to a more expensive operation of power grids as compared to those branches that run mostly high-voltage power grids, such as Vologdaenergo, Kolenergo, and Novgorodenergo. The most significant average tariff growth (18%) in 2016 was registered in the Kolenergo branch, which was due to increased investment costs. In Novgorodenergo and Pskovenergo, the average tariff growth totaled 11%, which was due to the inclusion into RGR of the sum of adjustments provided for in the tariff regulation based on the performance in the previous years. The tariff growth in Vologdaenergo totaled 9%, as RGR additionally included the shortfall in revenue of the earlier periods. In the Arkhenergo, Vologdaenergo and Komienergo branches, the average tariff growth approximated 3%.

Required gross revenue for power transmission services broken down by branches, RUB m

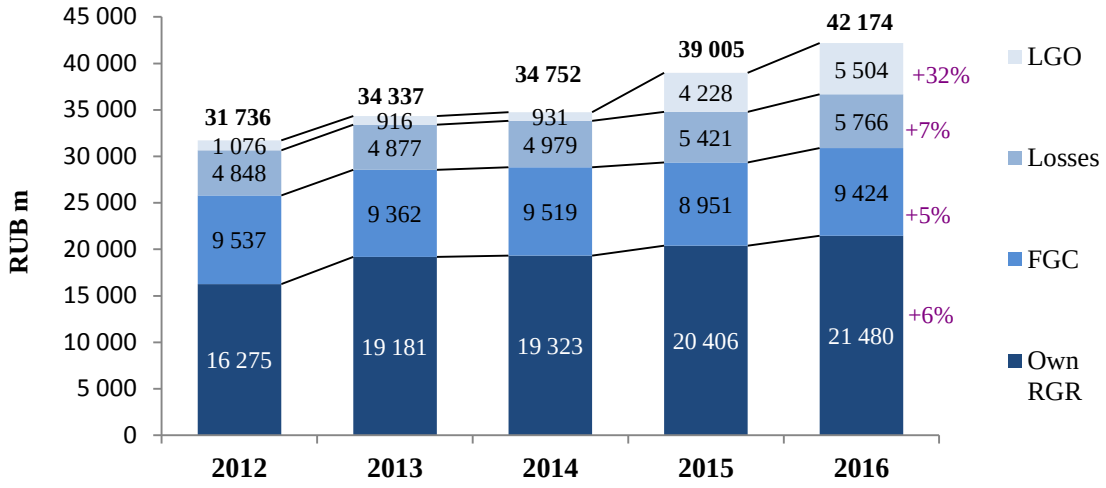
Branch	2012		2013		2014		2015		2016	
	total	own	total	own	total	own	total	own	total	own
Arkhenergo	4,360	2,194	4,923	3,138	4,746	3,029	4,712	2,903	4,915	3,007
Vologdaenergo	6,531	3,577	6,682	3,654	6,556	3,593	7,150	4,181	7,502	4,348
Karelenergo	3,913	1,835	4,516	2,194	4,520	2,455	7,534	2,627	7,997	2,856
Kolenergo	5,114	1,888	5,287	2,527	5,706	2,463	5,975	2,840	7,138	2,609
Komienergo	5,726	3,149	6,228	3,646	6,329	3,644	6,614	3,817	6,711	3,918
Novgorodenergo	3,118	1,727	3,593	2,057	3,461	1,910	3,588	1,843	3,965	2,103
Pskovenergo	2,974	1,905	3,108	1,965	3,434	2,229	3,434	2,195	3,947	2,638
IDGC of the North-West	31,736	16,275	34,337	19,181	34,752	19,323	39,006	20,406	42,174	21,480

The Company's total required gross revenue grew by 8.2% and its own RGR – by 5.1%. The difference between the total and own RGR growth rates is due to the fact that expenses to pay for losses increased by 7.4%, while expenses to pay for local grid operators' services increased by 30.2%. The highest growth of expenses to pay for LGOs' services in Kolenergo (3 times) and Arkhenergo (40%) was the result of changes in the uniform tariff scheme and amounts of settlements between LGOs within the region.

Required Gross Revenue Structure

In the reporting year, there was 5.1% increase in own RGR and 5.3% increase in payment for the services of PJSC FGC UES brought about by the growing indices in accordance with Resolution No. 1178 of the Government of the Russian Federation dated December 29, 2011 "On pricing in the area of regulated prices (tariffs) in the electric power industry". The 30.2% increase in expenses for local grid operators' services in 2016 was mostly brought about by changes in the uniform tariff scheme and amounts of settlements between LGOs within the region. Loss-related expenses increased by 7.4%, which was caused by a higher price for power purchase to compensate for losses.

Changes in the structure of RGR for power transmission in PJSC IDGC of the North-West



Tariffs for technological connection services

The rates of payment for technological connection approved by the regulating body for 2016, the regulatory framework for activities, the methods for tariff regulation of technological connection services, as well as most important changes in the regulatory documents on technological connection and long-term development measures are described in Annex 11. Methods of Tariff Regulation for TC services, Annex 26. Regulatory Framework for TC Activity, Annex 27. Regulatory Framework for Long-Term Development.

Information about the tariffs on technological connection services is disclosed at the Company's official website in section "Information Disclosure Standards for participants of wholesale and retail electric power markets. Grid company".

On January 10, 2016 Federal Law No. 450-FZ dated December 30, 2015 came into effect and thus changed the technological connection tariff regulation:

"standardized tariff rates defining the size of payment for technological connection to power supply networks of local grid operators are calculated and approved by regional executive authorities of the constituent entities of the Russian Federation engaged in the state tariff regulation to be the same for all local grid operators in a given constituent entity of the Russian Federation, and specifically by using the peer comparison method. The above standardized tariff rates should be differentiated based on particular technological connection activities depending,

among other factors, on the types and technical characteristics of power grid facilities, the voltage level in the connection point of power receivers, the maximum capacity of connected power receivers and the power supply reliability category, as well as based on other parameters stipulated by federal laws in accordance with the principles for pricing in the area of regulated prices (tariffs) in the electric power industry approved by the Government of the Russian Federation."

Accordingly, in 2016 the technological connection tariffs were approved individually for each local grid operator for the last time. Beginning from 2017 on, tariffs will be adopted to be the same for all local grid operators in a given constituent entity of the Russian Federation.

With the adopted tariffs, the Company's 2016 revenue from its technological connection services totaled RUB 1,123.2 m, which is 39.7% more YoY.

Payment for a Requester submitting an application for technological connection of power receivers with a maximum capacity of 15 kW inclusively (with account of the capacity already connected in a given connection point) should not exceed RUB 550 for connecting facilities included into the third reliability category (by one power supply source), provided that the distance from the borders of a Requester's land plot to the power grid facilities at a voltage level of up to 20 kW inclusively of the voltage level that a Requester needs in the grid organization where the application was submitted is no more than 300 meters in cities and urban-type localities and no more than 500 meters in rural areas.

Small and medium enterprises can use an interest-free installment payment amounting to 95 percent of the due payment for technological connection under the condition that quarterly payments are made in equal installments of the total installment payment amount, for a period of up to 3 years since the date of execution by the parties of the act of technological connection.

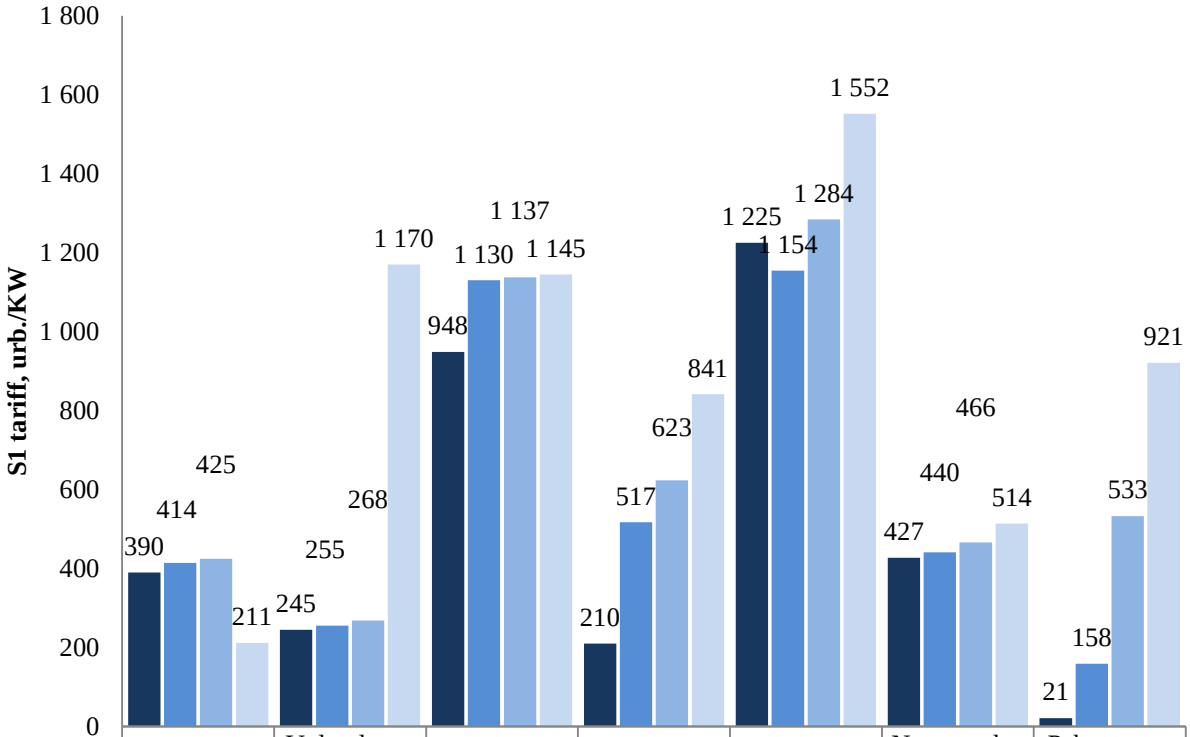
Information about changes to the legislation in terms of connecting requesters of up to 15 kW, the number of applications submitted and contracts concluded, the improved accessibility of connection for requesters, and the problems arising for PJSC IDGC of the North-West when concluding the above contracts can be found in the "Technological Connection" section.

Analysis of changes in the averaged rate for a unit of power S1 (RUB/kW) by the Company's branches

Period (year)	Arkhenergo	Vologdaenergo	Karelenergo	Kolenergo	Komienergo	Novgorodenergo	Pskovenergo
2013	390	245	948	210	1,225	427	21
2014	414	255	1,130	517	1,154	440	158
2015	425	268	1,137	623	1,284	466	533
2016	211	1,170	1,145	841	1,552	514	921

Note: the S1 rate was adopted in 2013 in the Company's Pskovenergo branch according to the 2001 prices. In 2014 - 2016, all rates were approved according to the prices effective in the regulatory period.

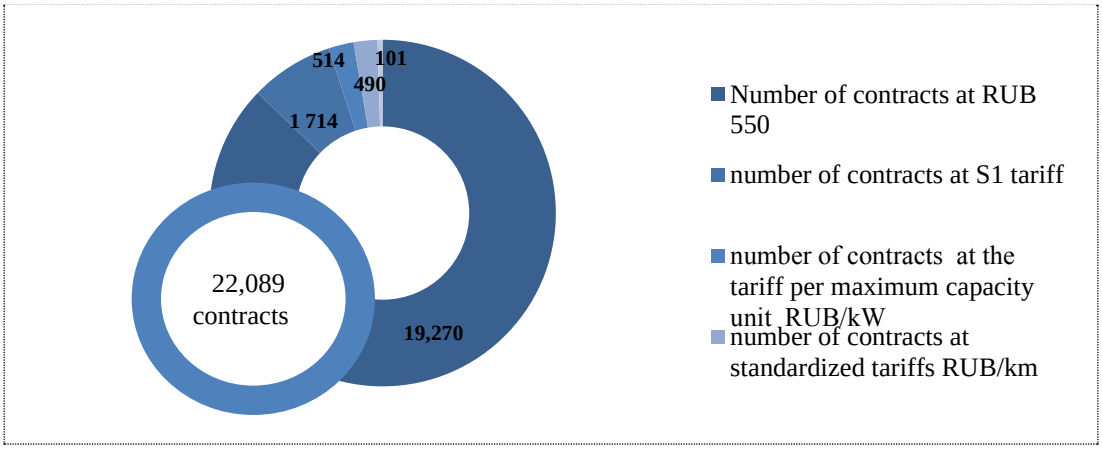
Changes in the average S1 rate by the Company's branches, 2013 - 2016



	Arkhenergo	Vologdaenergo	Karelenergo	Kolenergo	Komienergo	Novgorodenergo	Pskovenergo
2013	390	245	948	210	1 225	427	21
2014	414	255	1 130	517	1 154	440	158
2015	425	268	1 137	623	1 284	466	533
2016	211	1 170	1 145	841	1 552	514	921

The average S1 rate was calculated based on the aggregate rate approved by the state tariff regulation authorities for interventions organized to ensure technological connection. The S1 standardized tariff rate for interventions organized to ensure technological connection was mainly changed due to the growing consumer price index.

The number of technological connection contracts, including part-time TC, effective as of December 31, 2016



Adoption of standardized technological connection rates enabled to reduce the number of contracts with individually calculated prices. In 2016, the number of requesters whose contracts were concluded with individually calculated prices totaled 101 across the entire Company. While

the overall number of technological connection contracts totaled 22,089. Subsidized technological connection contracts for up to 15 kW at the rate of RUB 550 account for the largest share of concluded contracts.

Monitoring of effective subsidized technological connection contracts for up to 15 kW in 2016

Branch/IDGC	The aggregate value of effective contracts for up to 15 kW in 2016	Expenses for implementation of interventions under TC contracts for up to 15 kW accounted for in the investment program, RUB m	Actual expenses accounted for in the 2016 investment program
	RUB m	RUB m	RUB m
Arkhenergo	3.4	78.4	71.9
Vologdaenergo	3.9	150.0	200.9
Karelenergo	4.2	60.1	54.6
Kolenergo	0.1	19.4	22.2
Komienergo	10.4	119.5	122.9
Novgorodenergo	2.8	35.9	82.4
Pskovenergo	10.3	88.6	92.5
PJSC IDGC of the North-West	35.1	551.8	647.4

The amount of payment for technological connection under effective contracts totaled RUB 35.1 m (excluding VAT). Capital investments in implementation of interventions to ensure technological connection of subsidized requesters' power units totaled RUB 647.4 m in 2016.

2.2.2. Summary Information on Financial Performance

Key financial and economic indicators, RUB m

Revenue from sales of goods (services) in 2016 totaled RUB 42,433 m, which is RUB 2,810 m (7%) more than in 2015, including revenue from power transmission – RUB 40,583 m (RUB 3,702 m more than in 2015). That growth was due to an increase in power transmission volumes by 487 m kWhwhich ensured revenue rise by RUB 518 m, to the increased average power supply tariff that ensured revenue rise by RUB 3,212 m, as well as to the increased average tariff for load losses accompanied by the decreased volume of load losses.

Cost value in 2016 was RUB 38,177 m, which is RUB 2,630 m (7%) more than in 2015. The growth was mostly due to an increase in uncontrollable costs by RUB 1,841 m or 9%, as well as to an increase in total expenses for labor remuneration, including contributions, by RUB 677 m or 7%.

Profit before tax amounted to RUB 745 m, which is RUB 135 m less than in 2015.

The Company's net profit in 2016 totaled RUB 457 m (RUB 187 m less than in 2015). The drop was due to the outstripping growth rate of other expenses as compared to other earnings, mainly caused by the need to create provisions for doubtful debts.

Indicator, RUB m	2012	2013	2014	2015	2016	%, 2016/2015
Revenues from sales, including:	31,169	42,050	44,262	39,623	42,433	7%
revenue from power transmission	29,276	29,650	31,343	36,881	40,583	10%
revenue from TC	1,412	955	882	804	1,123	40%
revenues from power sales	0	10,799	11,017	946	0	-100%
revenue from other activities	481	646	1,020	991	726	-27%
Cost value	28,129	38,293	40,030	35,547	38,177	7%
Gross profit	3,040	3,757	4,232	4,076	4,255	4%
Selling expenses	29	474	487	112	56	-50%
Administrative expenses	900	889	853	984	1,104	12%
Sales profit	2,112	2,394	2,892	2,981	3,095	4%
Balance of other earnings and expenses	-1,689	-1,661	-3,421	-2,101	-2,350	12%
Profit before tax	423	733	-529	880	745	-15%
Profit taxation	361	433	91	236	288	22%
Net profit	62	300*	-620	644	457	-29%
EBITDA**	3,926	5,283	4,821	6,856	6,619	-3%

* In 2014, retrospective adjustments were introduced for more precise recognition in the accounting statements of tax differences related to estimated liabilities for holiday and annual remuneration payments, for legal cases having relevant impact on the financial result in 2013 that totaled RUB 275 m with account of the changes introduced.

** The indicator was calculated based on earnings before interest, tax, depreciation and amortization, without account of adjustment for change in the current market value of financial investments (including provision for impairment) in 2014.

2.2.3. Revenue and Expenditure Structure

Revenue from sales of goods (services) in 2016 totaled RUB 42,433 m, which is RUB 2,810 m or 7% more than in 2015. As of the end of 2016, the trend of revenue broken down by types of activities and compared to the previous period is characterized as follows:

- Power transmission services – RUB 40,583 m, which is RUB 3,702 m or 10% more than in 2015. A substantial change in revenue from power transmission services was due to a range of factors, including:
  - revenue growth resulting frompower transmission volume increase by 487 m kW totaled RUB 518 m versus 2015;
  - rise of the actual average power supply tariff by RUB 87.93/ths kWh(or 8.3%) versus 2015 caused revenue growth by RUB 3,212 m;
  - rise in the average tariff for load losses by RUB 62.44/ths kWhaccompanied by decrease in their volume by 56 m kWhentailed a drop of power transmission revenue by RUB 28 m.
- Technological connection to power grids – RUB 1,123 m, which is RUB 319 m or 40% more than in 2015. The growth was was largely due to acts drawn up on major Komienergo branch contracts, such as the technological connection contract for 35/6 kV substation, 6/0.4 kV complete transformer substation, and 6 kV closed switchgear with LUKOIL-Komi LLC for an amount of RUB 353 m; the technological connection

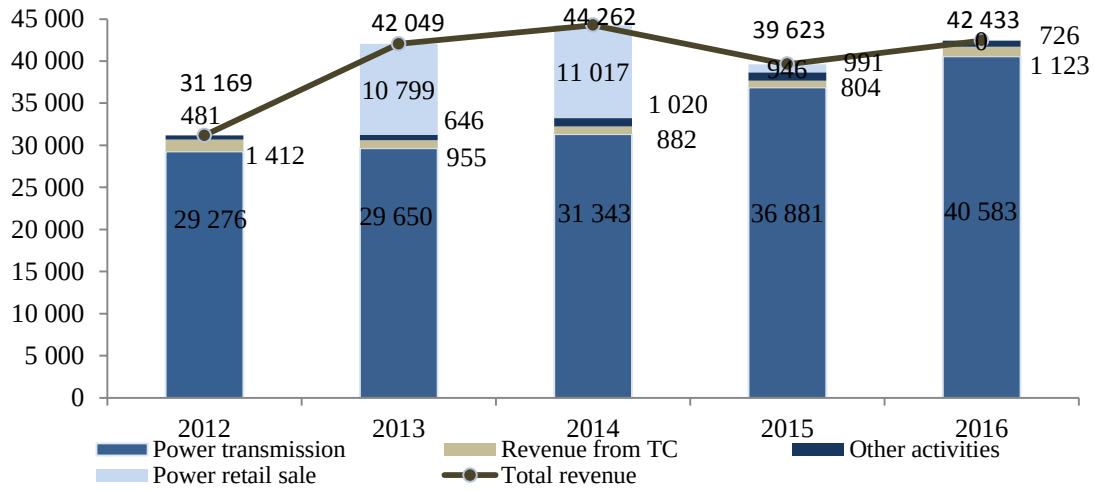
contract for the Chikshinskaya compressor station-8, compressor yard-2 within the construction of the Bovanenkovo-Ukhta gas pipeline system with CJSC Yamalgazinvest for RUB 256 m.

- Revenue from other activities in 2016 totaled RUB 726 m, which is RUB 265 m or 27% less YoY. The variation was due to reduced revenue from the 'removal (transfer) of power facilities' for the Vologdaenergo branch (RUB 295 m) caused by a lower demand for those services on the part of requesters in 2016.
- Revenue from power sales. From January 01, 2015 to February 01, 2015, PJSC IDGC of the North-West carried out retail power sales in the Murmansk Region (JSC Kolskaya Energosbytovaya Kompaniya). Revenue from power sales in 2015 totaled RUB 946 m. In 2016, the Company did not act as a provider of last resort.

Actual revenue trend in 2012 - 2016

Indicator, RUB m	2012	2013	2014	2015	2016	Variation %, 2015/2016
Revenue from power transmission	29,276	29,650	31,343	36,881	40,583	10%
Revenue from TC	1,412	955	882	804	1,123	40%
Revenue from power sales	0	10,799	11,017	946	0	-100%
Revenue from other activities	481	646	1,020	991	726	-27%
Total	31,169	42,050	44,262	39,623	42,433	7%

Revenue from sales, RUB m



Aggregate actual cost value in 2016, selling and administrative expenses included, totaled RUB 39,338 m, which is RUB 2,696 m or 7% more than in 2015. The YoY growth of expenses was mostly due to an increase in uncontrollable costs by RUB 1,841 m or 9%, as well as to an increase in total expenses for labor remuneration, including contributions, by RUB 677 m or 7%. Below is the analysis of the expense structure:

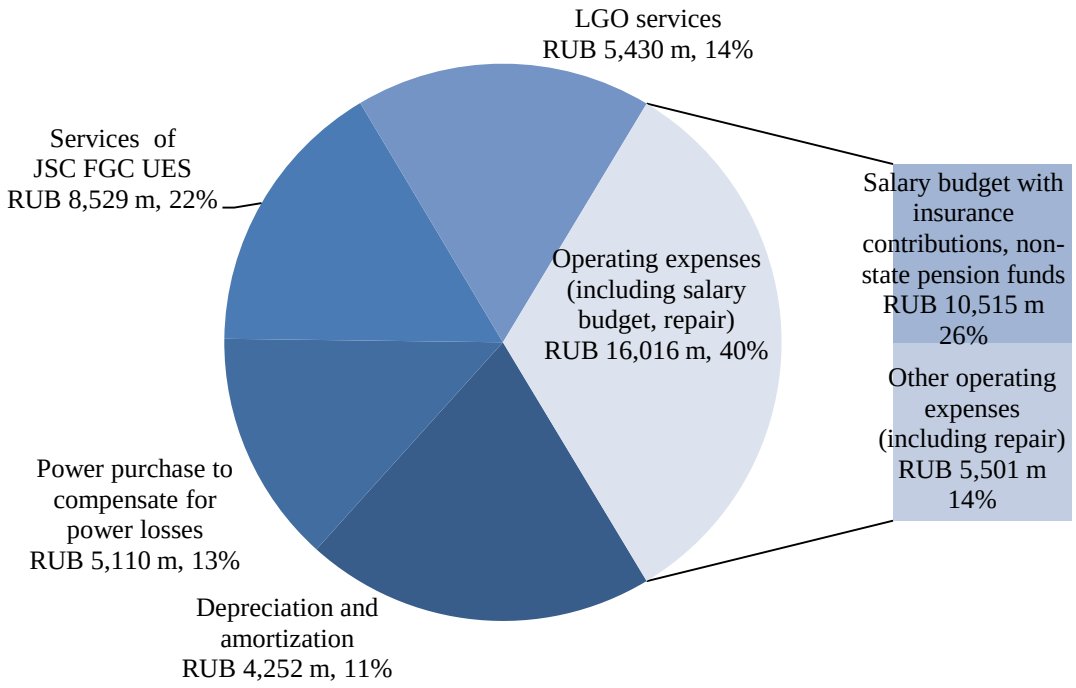
Analysis of cost value and administrative and selling expenses

Expenses, RUB m	2012	2013	2014	2015	2016

Expenses, RUB m	2012	2013	2014	2015	2016
Total expenses	29,057	39,656	41,370	36,642	39,338
Uncontrollable costs	15,824	25,347	26,817	21,469	23,322
Services of PJSC FGC UES	8,371	8,339	8,439	7,887	8,529
LGO services	819	2,812	4,045	4,291	5,430
Power purchase to compensate for power losses*	3,629	4,257	4,341	4,629	5,110
Power purchase for sale	0	6,429	6,037	487	0
Depreciation and amortization	3,005	3,511	3,955	4,176	4,252
Controllable costs	13,234	14,309	14,553	15,172	16,016
Raw and other materials	1,696	1,780	1,774	1,901	1,975
Power for internal needs	302	315	311	260	285
Production services	1,062	1,132	1,165	1,017	1,009
Expenses for labor remuneration with contributions (including to non-governmental pension funds)	8,223	9,020	9,257	9,837	10,515
Utility services	107	107	97	98	91
IT services	118	116	161	169	147
Demarcation	58	118	93	84	132
Security services	209	217	215	226	237
Taxes	161	276	348	410	463
Other expenses	1,296	1,229	1,132	1,170	1,162

*Taking into account compensation for losses related to power supply activity

Cost value structure (including administrative and selling expenses) in 2016



By year-end 2016, expenses for power purchase to compensate for losses totaled RUB 5,110 m (13% of total expenses). By 2015, the growth amounted to RUB 481 m, including due to the following factors:

- the increase of the weighted average price for power purchase to compensate for losses by RUB 222/ths kWhas compared to 2015 drove the costs up by RUB 551 m.

- aYoY reduction in the volume of losses by 26 m kWh drove the expenses for power purchase to compensate for losses down by RUB 54 m;

- a YoY increase in the load loss cost by RUB 16 m caused the related reduction in overall expenses for power purchase to compensate for losses.

Expenses on power purchase to compensate for losses grew most tangibly in the following branches: Arkhenergo - by RUB 200 m YoY, Vologdaenergo - by RUB 140 m YoY, and Kolenergo - by RUB 80 m YoY.

Expenses for the services of PJSC FGC UES totaled RUB 8,529 m, or 22% of total expenses. The YoY growth totaled RUB 642 m in absolute terms and was due to the following factors:

- a 3 MW increase of contracted capacity together with growth of the rate for the UNPG facilities maintenance by RUB 10,476/MW per month versus 2015 drove the expenses for the services of PJSC FGC UES up by RUB 536 m.

-growth of net power flow from the UNPG grid by 423 m kWh versus 2015 together with an increase in the volume of normative losses by 46 m kWhand in the average rate for compensating for normative losses in the UNPG grids by RUB 50/ths kWhdrove the overall expenses for the services of PJSC FGC UES up by RUB 126 m.

- decrease in the volume of load losses in the UNPG grids, accounted for in power prices on the wholesale electric power and capacity market, by 35 m kW as compared to 2015, together with growth of the price for load losses by RUB 74/ths kWh drove the overall expenses for the services of PJSC FGC UES down by RUB 20 m.

Expenses for the services of PJSC FGC UES grew most tangibly in the following branches as compared to 2015: Arkhenergo - by RUB 155 m, Vologdaenergo - by RUB 107 m, Kolenergo - by RUB 177 m, and Komienergo - by RUB 105 m.

By year-end 2016, expenses for local grid operators' services totaled RUB 5,431 m (14% of total expenses). As compared to the previous year, the expense growth totaled RUB 1,140 m. The increase in expenses for LGOs' services was mostly brought about by changes in the uniform tariff scheme of mutual settlements between the Kolenergo and Karelenergo branches in 2016.

Depreciation and amortization in 2016 totaled RUB 4,252 m, or 11% of total expenses, which is RUB 76 m more than in 2015. Depreciation growth was determined by the number of fixed assets put into operation over the period under analysis.

Personnel expenses totaled RUB 10,515 m in 2016 (or 26% of total expenses), which is 7% more than in 2015. The main factor driving personnel expenses is the need to comply with the terms and conditions of the Collective Agreement.

Other expenses totaled RUB 5,501 m in 2016, or 14% of total expenses, which is RUB 166 m or 3% more YoY. Those expenses rose mostly due to an increase in expenses for taxes and levies by RUB 54 m or 13%, in expenses for registration of property rights (demarcation) by RUB 48 m or 57%, etc.

Operational Efficiency Increase and Cost Reduction Program

The Company is implementing the Operational Efficiency Increase and Cost Reduction Program for 2016 - 2020 (hereinafter - "the Program"). A series of measures developed within the Program aims to achieve the following key goals:

- managing the Company's current expenses by implementing Directive No. 4750p-P13 of the Government of the Russian Federation dated July 4, 2016 on annual reduction of operating costs by at least 10%.
- improving working capital management efficiency by creating provisions for doubtful debts according to the procedure and within the period provided for by the effective legislation of the Russian Federation, by reducing the financial resource loss risk, by optimizing current liabilities, and by optimizing the inventory.
- improving fixed asset management efficiency by reducing investment expenses and by decreasing overdue receivables.
- optimizing the employee incentive system, improving the organizational and functional structure, and optimizing the headcount.
- improving energy efficiency (managing the energy saving and loss reduction system).
- improving the maintenance and repair management process efficiency.
- improving efficiency of the procurement and supply chain management system.

In compliance with the Development Strategy of the Electric Grid Complex of the Russian Federation approved by Regulation of the Russian Government No. 511-r dated April 3, 2013, the Company implements the cost management process aimed to reduce resource consumption and maximize return on the resources. Actual reduction in controlled per-unit operating costs in 2016 as compared to 2012 amounted to RUB 2,544 m, or 23.55%.

In compliance with Directive No. 4750p-P13 of the Government of the Russian Federation dated July 4, 2016, the Company implemented a series of measures that ensured actual reduction in per-unit operating costs by 10.8% versus 2015, which improved the target by 0.8%.

Measures aimed to reduce operating costs (expenses) by at least 10% versus 2015 were implemented through the following:

- Reducing the warehouse inventory, implementing a mechanism of quarterly control of unused inventory and supplies, implementing a vertically integrated structure for warehouse management;
- Improving the Company's organizational and functional structure, optimizing standard structures of production units and power distribution zones (including by liquidating and merging a number of structural units in the Arkhenergo, Vologdaenergo, Komienergo, and Pskovenergo branches);
- Implementing measures to manage receivables and improve the payment discipline;
- Implementing other measures.

Besides, the Company has implemented the Action Plan for improving the Company's efficiency and financial and economic performance for 2016 - 2020 (hereinafter - "the Action Plan"). The Action Plan is aimed at ensuring sustainable social and economic development and includes a detailed schedule of measures to secure financial stability of the Vologdaenergo branch of PJSC IDGC of the North-West whose financial and economic status was unsatisfactory. Based on the outcomes of the Action Plan implementation in 2016, the said branch reached a satisfactory financial and economic level, while actual operating costs dropped by RUB 124 m against the level set in the course of tariff regulation; actual payments for services totaled 101.8% (against the target of 91.1% in the business plan), and the branch's net profit reached RUB 344 m by year-end 2016, which is RUB 307 m more than the target.

2.2.4. EBITDA and Profit for the Year

Consolidated financial reporting of PJSC IDGC of the North-West for the year that ended on December 31, 2016, prepared under the IFRS[5]includes indicators achieved by the Company itself and its subsidiaries: JSC Pskovenergosbyt, JSC Pskovenergoagent, JSC Energoservice of the North-West, and JSC Lesnaya Skazka.

Key financial indicators of the Company under the IFRS

Indicator, RUB m	2012	2013	2014	2015	2016	Growth rate, % 2015/2016
Revenue, including:	33,419	44,616	46,935	42,370	45,541	7.48
Power transmission	26,565	26,911	28,518	33,685	37,327	10.81
Power sales	4,994	16,139	16,548	6,917	6,353	-8.15
Technological connection	1,412	955	882	804	1,123	39.68
Other revenue	448	611	987	964	738	-23.44
Cost value of services	-32,705	-43,337	-47,593	-40,479	-44,324	9.50
Results of operations	716	1,346	-517	2,845	2,432	-14.52
Financial costs, net	-515	-1,062	-2,897	-1,765	-1,670	-5.38
Profit/(loss) before tax	508	683	-2,501	1,080	761	-29.54
Income tax (expense)/benefit	-112	-297	284	-265	-176	-33.58
Profit/(loss) over the year	396	387	-2,217	815	585	-28.22
Gross overall profit/(loss) over the year	294	168	-2,183	703	628	-10.67
EBITDA (earnings before interest, tax, depreciation, and amortization)	4,107	5,321	4,487	6,846	6,422	-6.19
DEBT/EBITDA (net debt to EBITDA ratio)	2.47	3.03	5.94	2.19	2.25	2.61
Fixed assets	33,251	35,915	35,276	35,474	35,219	-0.72
Accounts receivable and advances paid	5,755	12,339	14,655	15,500	14,172	-8.57
Equity capital	21,966	22,118	19,859	20,562	20,783	1.07
Long-term loans and borrowings	10,629	13,953	14,913	9,941	14,319	44.04
Short-term loans and borrowings	19	2,777	3,539	5,204	474	-90.89
ROE (return on equity ratio)	0.02	0.02	-0.11	0.04	0.03	-29.63
QR (quick ratio)	1.26	1.32	1.08	0.87	1.26	45.36

Revenue for 2016 totaled RUB 45,541 m, including from power transmission services – RUB 37,327 m, from power sales – RUB 6,353 m, and from technological connection services – RUB 1,123 m.

The overall revenue growth as compared to 2015 totaled RUB 3,171 m (7%), while revenue from power transmission services increased by RUB 3,642 m (11%). That variation was due to changes in the uniform tariff scheme of mutual settlements in the Murmansk Region and higher power consumption by industrial enterprises in the regions of the Company's operation. Revenue from technological connection services grew by RUB 319 m (40%).

[5] The consolidated financial statements of PJSC IDGC of the North-West for the year ended on December 31, 2016, prepared under the IFRS, are published on the IDGC of the North-West website at: http://www.mrsksevzap.ru/id_1yearfinreport#tab2

The rise in operating costs amounted to RUB 3,845 m versus 2015, which was caused by an increase in uncontrollable costs: expenses for the services of PJSC FGC UES and LGOs, expenses for loss compensation, and impairment of fixed assets.

As of December 31, 2016, non-current assets accounted for 69% in the Group's asset structure, 96% of those non-current assets being fixed assets (RUB 35,219 m).

Since the Company revealed signs of impairment of certain assets generating cash flows, it carried out impairment testing. The result showed that asset impairment loss as of December 31, 2016 amounted to RUB 505 m, including RUB 182 m in the Arkhenergo branch and RUB 323 m in the Komienergo branch.

The current asset structure consists largely (88%) of accounts receivable (RUB 14,172 m). The main debtors are the following retail companies: PJSC Arkhangelskaya Sbytovaya Kompaniya, JSC Vologodskaya Sbytovaya Kompaniya, and JSC Komi Energosbytovaya Kompaniya. Over the reporting period, receivables decreased by RUB 1,328 m (9%) due to the receipt of funds from major debtors (PJSC Arkhangelskaya Sbytovaya Kompaniya, JSC Vologodskaya Sbytovaya Kompaniya, and JSC Kondopoga) subject to the effective court rulings.

Loans and borrowings account for 46% of the liabilities, their amount totaling RUB 14,793 m by year-end 2016, which is RUB 352 m less than as of the beginning of the year. Accounts payable dropped by RUB 1,740 m (14%) by year-end 2016, mainly due to repayment of debts to suppliers and contractors.

The 2016 financial result – net profit totaling RUB 585 m. EBITDA (earnings before interest, tax, depreciation, and amortization) amounted to RUB 6,422 m. The DEBT/EBITDA ratio was 2.25 as of the end of 2016.

2.2.5. Liquidity and Equity Capital

Indicator	2015	2016	% 2016/2015
Net cash flow from operating activities	6,055	6,099	0%
Net cash flow from investment activities.	-4,803	-4,977	3%
Net cash flow from financial activities	-2,172	-840	-61%

Negative value of net cash flow from investment activities was due to the fact that the Company complied with the amounts of financing stipulated by the Company's approved investment program.

Negative value of net cash flow from financial activities in 2015 was caused by the Company's repayment of a significant amount of its loans (RUB 3,408 m). In 2016, the Company further reduced its loan burden by RUB 500 m and diversified its loan portfolio, which decreased the Company's debt service expenses by RUB 122 m versus the approved 2016 Business Plan (Minutes of the Board of Directors No. 203/18 dated April 21, 2016).

2.2.6. Capital Investments

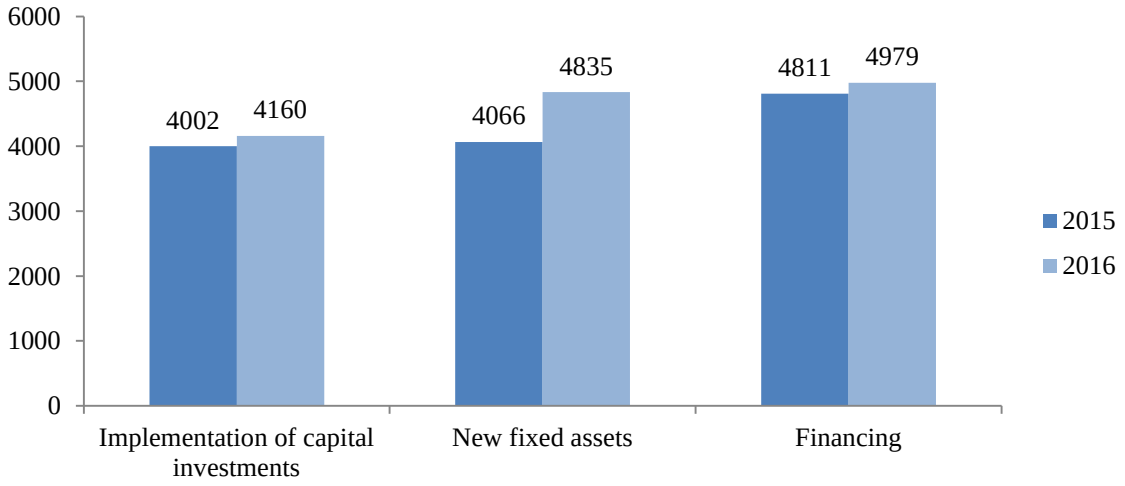
The investment program of IDGC of the North-West for 2016 was formed with account of the goals and objectives set by the Uniform Technical Policy in the Distribution Grid Sector.

Capital investments in 2016 totaled RUB 4,160 m. New fixed assets put into operation in 2016 - RUB 4,835 m, in physical terms: 517 MVA of transformer capacity and 1,127 km of 0.4-150 kV power transmission lines.

2.2.6.1. Capital investment trend by segments for the last 2 years

Cost and physical parameters of investment activities in 2015-2016

	Expenditure, RUB m (net of VAT)	New fixed assets RUB m (net of VAT)	Financing, RUB m (including VAT)	Capacity commissioning	
				MVA	
2015	4,002	4,066	4,811	243	2015
2016	4,160	4,835	4,979	517	2016



Capital investments and financing in 2016 remained almost the same as in 2015 despite the continuing restriction of the growth rate for power transmission tariffs, deterioration of the general economic situation in the Russian Federation, and decline in power consumption. A slight increase in implementation of capital investments by 4% and the amount of financing by 3.5% compared to 2015 was caused by the need to finance the concluded technological connection contracts, relocate the Company's grids from the construction zone, and purchase fiber-optic communication lines. Increase in the new fixed assets by 19% was due to the completion of the capital construction projects carried over from previous years.

2.2.6.2. Areas and Structure of Capital Investment Financing

In 2016, the actual amount of financing totaled:

- for facility technical re-equipment and modernization - RUB 1,892 m, including VAT;
- for new construction and expansion of the functioning facilities - RUB 323 m, including VAT;
- for technological connection - RUB 2,764 m, including VAT;
- for other investment program facilities (including acquisition of new fixed assets, R&D) - RUB 0.2 m, including VAT;

In accordance with the Company's investment program, the below key projects were completed in 2016:

As part of the technical re-equipment and modernization:

Vologdaenergo branch

Modernization of the 110/35/10/6 kV Zapadnaya SS, Vologda.

In the current year, the second stage was commissioned - the 110/35/10 kV substation with installed 2*63 MVA power transformers and two matching 10/6 kV - 2*25 MVA power

transformers. 110/35 kV overhead line overhangs were reorganized at multisided four catenary poles; 6 kV CL were relaid to new 6 kV closed switchgear; a new 10 kV closed switchgear was installed to enable subsequent connection of consumers. Within the import substitution program, the Company adjusted the project requiring replacement of imported 110 kV outdoor switchgear equipment for domestic equivalents manufactured by Plant of Electrotechnical Equipment (CJSC ZETO). The project implementation will enable to satisfy the demand for power output for the Belozersky and Kurolit residential microdistricts within the housing scheme in Vologda with the expected load of 19.7 MVA.

Capital investments totaled RUB 216.795 m , financing - RUB 346.332 m, new fixed assets - RUB 646.625 m, expressed in physical terms - 126 MVA and 4.048 km.

Kolenergo branch

Reconstruction of the 150 kV L-201 overhead line with replacement of 20 poles at the pole 139 - pole 159 section.

The branch replaced poles, wires, lightning protection cable, line hardware and insulation at the overhead line section located in the environment of heavy wind load and exposure to industrial drifts from the ANBP-2 plant (Apatite-Nepheline Beneficiation Plant) of JSC Apatite, Severonikel. In 2016, 5.462 km were put into operation, fifteen U-330 poles and twenty eight P-330-3 poles were installed.

The purpose of overhead line modernization is to enhance the reliability and safety of the 150 kV L-201 line operation.

Capital investments in 2016 amounted to RUB 26.15 m, financing totaled RUB 44.65 m. New fixed assets amounted to RUB 63.38 m.

Reconstruction of SS 110 kV No. 4 with 2x25 transformer replacement for 2x40 MVA.

2x25 MVA transformers were replaced for two TRDN-40000/110-UXL1 , two PASS MO SBB bays were installed.

The purpose of the project implementation is to ensure availability of technological connection for new consumers, as well as to enhance power supply reliability for current consumers in the Pervomaysky District of Murmansk.

Capital investments in 2016 amounted to RUB 75.69 m, financing totaled RUB 125.01 m. New fixed assets amounted to RUB 75.69 m, in physical terms - 80 MVA.

Reconstruction of the SS-64 with replacement of the 25 MVA 110/35/6 kV T-1 transformer for a 40 MVA 110/35/6 kV transformer.

The T-1 transformer with the capacity of 25 MVA was replaced for a TDTN--40000/110-UXL1 transformer, the modular substation control building was replaced (1 building), as well as the RTST6-4000-0,10 U1 current limiting reactor (1 unit).

The project aims to enhance the reliability of power supply for consumers and ensure the possibility for connecting new consumers under technological connection contracts.

Capital investments in 2016 amounted to RUB 53.13 m, financing totaled RUB 51.90 m. New fixed assets amounted to RUB 78.64 m, in physical terms - 40 MVA.

Pskovenergo branch

Technical re-equipment of SS 283 Zavelichye (replacement of T-1, T-2 2 x25 MVA for 2x40 MVA, outdoor switchgear-110).

The project implementation will enable to develop the infrastructure and housing construction of the regional center. The replacement of power transformers at SS No. 283 with power increase from 2x25 MVA to 2x40 MVA was stipulated by the Power Sector Development Scheme and Program of the Pskov Region for 2016-2020 approved by Regulation of the Administration of the Pskov Region No. 23-UG dated April 29, 2016.

The project implementation comprises 3 stages. In 2015, the first start-up facility was commissioned, which included replacement of T-1 with the capacity of 25 MVA for a transformer with the capacity of 40 MVA. In 2016, the second start-up facility was commissioned with replacement of T-2 with the capacity of 25 MVA for a transformer with the capacity 40 MVA. In 2017-2018, technical re-equipment of the 110 kV outdoor switchgear is planned.

New fixed assets put into operation within the second stage of works totaled RUB 35,657 m, in physical terms - 40 MVA.

Within the new construction:

Vologdaenergo branch

Construction of the 110/35/10 kV Yuzhnaya SS and 110/35/10 kV overhead line in the Zasheksninsky District of Cherepovets.

During the current year, the 1st and 3rd start-up facilities were built and commissioned: 10 kV Matinga OL with 35 kV dimensions in dual circuit design to supply power to the project under construction, as well as dual circuit 110 kV Yuzhnaya OL 1,2 to connect the 110 kV Yuzhnaya SS to the power system from the 220 kV Zasheksninskaya SS.

Subject to the decision of PJSC ROSSETI, the facility was rated among national priority facilities and will be implemented in digital format with implementation of the automated protection and management system for new generation substations (ISAS APMS). Based on that decision, a turn-key conceptual design with the adjustment of design specifications and estimates was developed, a tender was held, the contractor was selected, and the contract was concluded with the commissioning deadline in December 2017.

Construction of the 110/35/10 kV Yuzhnaya SS in the Zasheksninsky District of Cherepovets is needed due to higher power consumption caused by annual expansion of residential microdistricts in this part of Cherepovets. The Zasheksninsky District accounts for 20-25% of the population in Cherepovets. The plans approved by the Government of the Vologda Region rate the Zasheksninsky District as a priority for the construction of residential buildings, kindergartens, schools, medical institutions, cultural and park zones, shopping and entertainment malls, including the Multifunctional Ice Sports Center. Accordingly, power consumption is growing.

Besides, the construction of the new 110/35/10 kV SS will enable to build the OL-110 kV semiring between the Severny, Zayagorbsky and Zasheksninsky Districts of Cherepovets, to ensure industrial and domestic household load sharing, and to reduce losses in 10 kV high-voltage lines, which in its turn will improve the quality of power supply by all parameters.

Capital investments totaled RUB 35.433 m, financing - RUB 45.354 m, new fixed assets - RUB 50.840 m, expressed in physical terms - 0.250 MVA and 6.166 km.

Karelenergo branch

Construction of OL-6 kV with installation of TSS-6/0.4 kV, construction of CL-0.4 kV for power supply to the helicopter landing site on the Valaam Island.

Implementation of that investment project ensures connection of power supply and control equipment to the lighting navigational aids at the helicopter landing site on the Valaam Island within the implementation of the program for development of hermitage life of the Valaam Monastery of the Transfiguration of the Savior, approved by His Holiness Patriarch Kirill of Moscow and All Russia. Construction and installation works were accomplished in 2015, and in February 2016 the facility was put into operation. New fixed assets amounted to RUB 0.424 m, commissioning of transformer capacity totaled 0.025 MVA and 0.06 km of 6 kV overhead lines.

Construction of the 6 kV aerial cable line with installation of two TSS-6/0.4 kV for power supply to the Skete of Saint Abraham of Rostov and the Skete of St. Andrew the First-Called Apostle on the Valaam Island.

Implementation of that investment project will ensure connection from two outdoor modular unitized transformer substations (6/0.4 kV) under construction to the Skete of Saint Abraham of Rostov and the Skete of St. Andrew the First-Called Apostle on the Valaam Island within the program for development of hermitage life of the Valaam Monastery of the Transfiguration of the Savior, approved by His Holiness Patriarch Kirill of Moscow and All Russia. Construction and installation works were accomplished in 2015, and in February 2016 the facility was put into operation. New fixed assets amounted to RUB 26.481 m, commissioning of transformer capacity totaled 0.41 MVA and 5.87 km of 6 kV aerial cable line.

Construction of CL-6kV from SS-49S with installation of TSS-6/0.4 kV for power supply to the Skete of the Kazan Icon of the Mother of God on the Valaam Island.

Implementation of that investment project will ensure connection from the outdoor modular unitized transformer substation (6/0.4 kV) under construction to the Skete of the Kazan Icon of the Mother of God on the Valaam Island within the program for development of hermitage life of the Valaam Monastery of the Transfiguration of the Savior, approved by His Holiness Patriarch Kirill of Moscow and All Russia. Construction and installation works were accomplished in 2015, and in February 2016 the facility was put into operation. New fixed assets amounted to RUB 13.897 m, commissioning of transformer capacity totaled 0.25 MVA and 2.404 km of 6 kV CL.

Komienergo branch

Construction of the 110 kV OL for power supply to Chikshinskaya CS - 8 within the construction of the Bovanenkovo-Ukhta gas pipeline system (No. 50-02/422 dated July 5, 2013) (TES).

Works completed: construction of 110 kV OL from switchgear-110 kv of the 110/10 kV Chikshino SS to the new 110/10 kV SS 12.63 km long; expansion of the switchgear-110 kv at the 110/10 kV Chikshino SS by one linear cell with installation of a 110 kV breaker.

The implementation of the project will enable to fulfill the obligations under Agreement No. 50-02/440 dated July 3, 2013 on technological connection to power grids of the Komienergo branch of IDGC of the North-West concluded with CJSC Yamalgazinvest, and to provide power supply to the Chikshinskaya CY-2 within the construction of the Bovanenkovo-Ukhta gas pipeline system.

In 2016, expenses for the facility totaled RUB 38.253 m, financing - RUB 182.575 m; new fixed assets - RUB 247.326 m, and 12.63 km were put into operation.

Construction of 110 kV OL Zelenoborsk-Izhma on the section from SS 110/10 kV Lemyu to SS 110/10 kV Izhma (3rd stage from pole No. 161 to SS 110/10 kV Lemyu).

Construction of OL 110 kV was completed from pole No. 161 to SS 110/10 kV Lemyu, 37.77 km long.

The project implementation enhances the reliability of power supply to consumers in the Izhemsky and Ust-Tsilemsky Districts, reduces power supply costs, and provides conditions for further development of 110 kV distribution grids in the region.

In 2016, expenses for the facility totaled RUB 198.368 m, financing - RUB 222.742 m, new fixed assets - RUB 219.371 m, and 37.77 km were put into operation.

Construction of the 110 kV Taezhnaya-Lemyu OL for technological connection of the Maloperanskaya CS of the Bovanenkovo-Ukhta gas pipeline system - 1st stage.

Works completed: construction of the 110 kV Tayezhnaya-Lemyu OL 11.96 km long, reconstruction of the 110/10 kV Lemyu SS.

The implementation of the project will enable to fulfill the obligations under Agreement No. 50-02/440 dated July 3, 2013 on technological connection to power grids of the Komienergo branch of IDGC of the North-West concluded with CJSC Yamalgazinvest, and to provide power supply to CS-9 Maloperanskaya of CY-2 within the construction of the Bovanenkovo-Ukhta gas pipeline system.

In 2016, expenses for the facility totaled RUB 243.528 m, financing - RUB 272.850 m, new fixed assets - RUB 342.150 m, and 11.96 km were put into operation.

Construction of the 110 kV OL, SS 110/35/6 kV Verkhovye for technological connection of the oil production facility of the Yarega oil and titanium deposit (No. 50-02/521 dated August 1, 2013).

In the 4th quarter of 2016, the branch completed the construction of SS 110/35/6 kV Verkhovye with transformer capacity of 2x63MVA and the construction of taps from the existing OL 110 kV No. 168 and OL-110 No. 159 under construction to SS Verkhovye, 3.133 km long.

The implementation of the project will enable to fulfill the obligations under Agreement No. 50-02/521 dated December 18, 2013 on technological connection to the power grids of the Komienergo branch of IDGC of the North-West concluded with JSC LUKOIL-Komi, and to provide power supply to 35/6 kV SS, complete transformer substation ITS 6/04 kV and closed switchgear 6 kV being constructed for power supply to the oil production facility of the Yarega oil and titanium deposit.

In 2016, expenses for the facility totaled RUB 457.282 m, financing - RUB 557.130 m, new fixed assets - RUB 396.113 m, and 3.13 km and 126 MVA were put into operation.

Pskovenergo branch

Construction of OL-110 kV to SS No. 102 - SS Moglino.

The implementation of the project will provide power supply to the Moglino special economic zone. The construction of SS 110 kV Moglino with 110 kV feed lines was stipulated by the Power Sector Development Scheme and Program of the Pskov Region for 2016-2020 approved by Regulation of the Pskov Region No. 23-UG dated April 29, 2016. Besides, the obligations for the 110 kV OL construction are fulfilled subject to technological connection agreement No. 6413/13 dated February 10, 2014 with the Moglino Industrial Special Economic Zone.

The branch accomplished the construction of two 110 kV overhead lines from SS 330/110 kV Velikoretskaya to the engineered 110/10 SS intended for power supply to the Moglino industrial park in the Pskovsky District of the Pskov Region, 6.532 km long. New fixed assets amounted to RUB 89.812 m.

In 2016, IDGC of the North-West launched or continued works within the following critical investment projects:

Vologdaenergo branch

Reconstruction of SS 35 kV Iskra in the Vologodsky District, with uprating to the 110 kV voltage class.

In the reporting year, the facility reconstruction was launched: substation territory was heaped up, OL 110/35/10 kV was overhauled, the foundation was laid for the power transformer, packaged switchgear 10 kV, light towers, and portal posts. Packaged switchgear 10 kV was purchased and installed.

The aim of the SS reconstruction is to increase productive supply and reliability of power supply to consumers by uprating the substation to 110 kV voltage, to enhance the substation

transformer capacity for removing restrictions to consumers' connection to the substation, and to replace life-expired equipment.

Power consumption growth is caused by an increase in the number of applications from potential consumers. Besides, the demand for extra capacities is expected to consistently grow in future. This is due to the proximity of the district to the regional center, which in its turn is attractive for individual housing construction and contributes to the development of small businesses and infrastructure in the existing settlements within the service area of the power supplier. The facility commissioning is scheduled for the 4th quarter of 2017.

Capital investments amounted to RUB 52.923 m, financing totaled RUB 10.912 m.

Komienergo branch

Construction of the 110 kV OL, SS 110/10 kV Olkhovey (CJSC Yamalgazinvest (facility CS Usinskaya CY-2) No. 56-01885V/14 dated January 26, 2015).

To implement the project, it is necessary to construct SS 110/10 kV Olkhovey, 163 km of 110 kV OL from SG 110 kV of Vorkutinskaya heat and power plant No. 2 to SS 110/10 kV Olkhovey and 6 km of OL 10 kV overhang.

The implementation of the project will enable to fulfill the obligations under Agreement No. 56-01885V/14 dated January 26, 2015 on technological connection to the power grids of the Komienergo branch of IDGC of the North-West concluded with CJSC Yamalgazinvest, and to provide power supply to CS-5 Usinskaya, CY-2 within the construction of the Bovanenkovo-Ukhta gas pipeline system.

In 2016, design and survey works were completed. Expenses for the facility amounted to RUB 41.722 m, financing totaled RUB 88.710 m.

Construction of the 110 kV OL and SS 110/6.3/6.6. kV Sinega in Vorkuta of the Komi Republic (Vorkutaugol Agreement No. 56-02125V/14 dated March 20, 2015).

To implement the project, it is necessary to construct SS 110/6.6/6.3 kV Sinega, tapped OL 110 kV from OL 110 kV No. 113, 114 with an overall length of 15 km.

The implementation of the project will enable to fulfill the obligations under Agreement No. 56-0212V/14 dated March 26, 2015 on technological connection to the power grids of the Komienergo branch of IDGC of the North-West concluded with JSC Vorkutaugol, and to provide power supply to the applicant's power receivers for power supply to consumers at the Zapolyarnaya mine.

Design and survey work started in 2016. Expenses for the facility amounted to RUB 15.741 m, financing totaled RUB 18.576 m.

Pskovenergo branch

Construction of the 110 kV OL between SS 110 kV Zavelichye No. 283 and SS 330 kV Velikoretskaya (Oboronenergo scientific and technical enterprise in accordance with technical specifications TS No. 76-04478/14-001 dated September 18, 2014).

The implementation of the project will enable to carry out compensatory measures for ensuring reliable operation of the Unified Power System of the North-West, if the Baltic Power System withdraws from the UES of Russia.

In 2016, design and survey works were completed; materials for construction were purchased. The facility commissioning is planned for 2017. Capital investments in the reporting year amounted to RUB 4.857 m, financing totaled RUB 4.920 m.

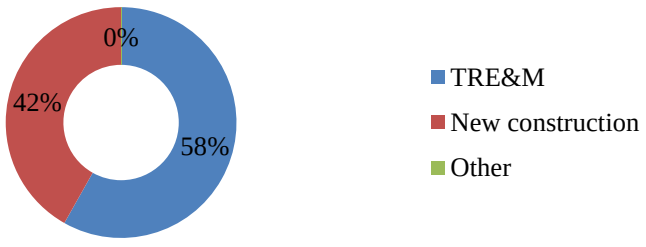
Capital investment financing structure, RUB m, including VAT

	2014	2015	2016
Total	5191	4811	4979
Key projects	798	1,125	1,793
TRE&M	671	522	465

New construction	127	603	1,329
Crucial programs	-	-	-
TRE&M	-	-	-
New construction	-	-	-
Programs	941	859	612
TRE&M	801	622	598
New construction:	140	237	14
Technological connection (hereinafter - TC), including	2,545	2,136	1,683
TC facilities with the capacity exceeding 670 kW (HV, MV1)	395	521	716
TC facilities with the capacity of 150 - 670 kW (MV2)	479	255	157
TC facilities with the capacity of 15 - 150 kW	231	174	115
TC facilities with the capacity of up to 15 kW	1,441	1,186	694
Generation	-	-	-
Distribution grids	332	174	238
TRE&M	296	163	221
New construction	35	12	17
Technological control automation (except for the automated power consumption metering system (APCMS))	107	123	118
Power metering and control equipment	128	67	137
Safety programs	11	57	41
Acquisition of power grid assets, land plots and other facilities	14	1	0.2
Other programs and measures	315	268	360
For reference:			
TRE&M	3,858	3,116	2,897
New construction	1,319	1,694	2,082
Miscellaneous	14	0.5	0.2

In 2013-2015 the investment program financing considerably decreased as compared to the previous years. The reduction of financing in 2013-2014 was due to the RAB parameters. Further decrease of financing in 2015 was caused by the growth rate restriction for power transmission tariffs and deterioration of the general economic situation in the Russian Federation, which entailed power consumption decline. In 2016 financing remained at the 2015 level with a slight increase by 3%. The increase was caused by the need to finance concluded TC contracts, contracts on relocation of the Company's grids from construction zones, and contracts on acquisition of fiber-optic communication lines.

Capital investment financing structure in 2016



While the Company's total amount of financing remained the same in 2016, its shares in new construction, in technical re-equipment and modernization (hereinafter - TRE&M), as well as in acquisition of fixed assets also nearly did not change versus the previous period. The share of TRE&M amounted to 58%, new construction - 42%, fixed asset acquisition - 0.004%. Slight

7% increase in financing of capital investment in new construction compared to 2015 was due to large technological connection facilities.

For more detailed information see Annex 8. Results of Implementation of the 2016 Investment Program, parameters of the long-term investment program, and the report on capital construction quality control.

2.2.7. Debt Liabilities

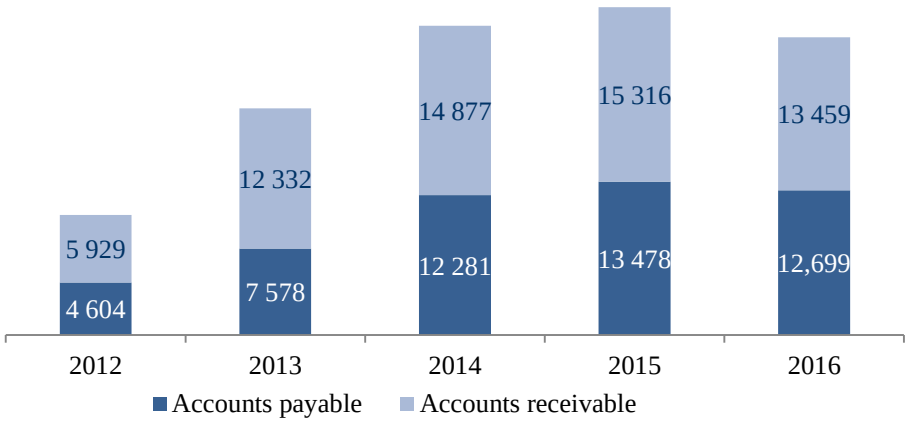
Debt and net debt trend, RUB m

	H1 2015	H2 2015	H1 2016	H2 2016
Debt	18,083	15,044	14,340	14,544
Net debt	17,181	14,990	14,232	14,206

Information on loans and borrowings

	31.12.2016	31.12.2015
Long-terms loans and borrowings, RUB m	14,319.493	9,940.611
Fixed interest rate loans and borrowings, RUB m	14, 319.493	9,940.611
Weighted average interest rate on fixed interest rate loans and borrowings	10.75%	10.97%
Variable interest rate loans and borrowings, RUB m	0	0
Weighted average interest rate on variable interest rate loans and borrowings	-	-
Total long-term loans and borrowings, RUB m	14,319.493	9,940.611
Current portion of long-term liabilities on loans and borrowings, RUB m	14,319.493	9,940.611
Total long-term debt liabilities, RUB m	14,319.493	9,940.611
Short-term loans and borrowings, RUB m	224.128	5,103.846
Fixed interest rate loans and borrowings, RUB m	150	5,026
Weighted average interest rate on fixed interest rate loans and borrowings	10.75%	10.97%
Variable interest rate loans and borrowings, RUB m	0	0
Weighted average interest rate on variable interest rate loans and borrowings	-	-
Current portion of short-term liabilities on loans and borrowings, RUB m	224.128	5,103.846
Total short-term debt liabilities, RUB m	224.128	5,103.846
Total borrowings, RUB m	14,543.621	15,044.457

Receivables and payables ratio, RUB m



Based on the Company's results for 2016, growth rates of receivables and payables are below 1, which implies their decrease versus 2015, while the reduction rate of receivables is lower than that of payables: 0.94 vs 0.88. Throughout 2013-2016, accounts receivable exceeded accounts payable.

Analysis of changes in receivables*, RUB m

Indicator	as of 31.12.2014	as of 31.12.2015	as of 31.12.2016
Accounts receivable, including:	14,877	15,316	13,459
Buyers and customers	13,897	14,395	12,532
including for power transmission	10,200	11,781	10,944
Bills receivable	0	0	0
Advances paid	205	205	73
Other receivables	775	716	854

* Indicators are provided in accordance with the Company's accounting statements for 2016

The Company's total receivables for 2016 decreased by RUB 1,857 m and amounted to RUB 13,459 m as of the end of the reporting period. That decrease was mainly due to the reduction in debts of customers of power transmission services and debts of ultimate consumers of power sales arisen during the period when the Company acted as a supplier of last resort in 2013-2015. The main portion (81%) of the Company's accounts receivable is the debt for rendered power transmission services.

Accounts receivable from buyers and customers amounted to RUB 12,532 m, which is RUB 1,863 m (or 13%) below receivables as of the beginning of the reporting period.

That reduction was due to:

- decrease in debts of customers of power transmission services by RUB 837 m;
- decrease in debts of ultimate consumers of power sales by RUB 785 m (including writing-off of RUB 483 m to provisions for doubtful debts);
- decrease in debt for removing power facilities from land plots by RUB 174 m. Principal stakeholders are JSC Avtodorogi (M-8 road renovation area, Arkhenergo branch) and CJSC

Yamalgazinvest (construction area for the Ukhta - Torzhok II line gas transmission pipeline (Yamal), Komienergo branch).

Debt for advances paid during the reporting period decreased by RUB 132 m due to the recovery from JSC Vologodskaya Sbytovaya Kompaniya of receivables for power loss compensation subject to court rulings.

Analysis of changes in payables*, RUB m

Indicator	as of 31.12.2014	as of 31.12.2015	as of 31.12.2016
Accounts payable, including:	12,281	13,478	12,699
Suppliers and contractors	7,701	7,824	5,756
Bills payable	0	0	0
Advances received	3,008	3,890	4,997
Taxes and levies	810	992	1,113
Other payables	762	772	833

* Indicators are provided in accordance with the Company's accounting statements for 2016 and include the total of balance sheet lines 'Other liabilities' 1450 and 'Accounts payable' 1520.

The Company's total payables for 2016 decreased by RUB 779 m and amounted to RUB 12,699 m at the end of the reporting period. The following changes can be outlined based on the results of the year:

- decrease of debt in balance sheet item 'Suppliers and contractors' by RUB 2,068 m, including:
  - debt to JSC FGC UES for power transmission services by RUB 1,412 m;
  - debt to material suppliers by RUB 363 m;
  - debt to construction companies by RUB 259 m;
  - debt to repair companies by RUB 106 m.

Debt on advances received increased by RUB 1,107 m (28%) and amounted to RUB 4,997 m at the end of the reporting year. Advances received for technological connection services account for the major portion of the advances received (96%). That increase was caused by the receipt of advances from State Company Avtodor due to conclusion of the contracts for technological connection of power receivers that will provide power supply to the section of the Moscow-Saint Petersburg toll highway in the area of the Company's operation in the Novgorod Region, and by fulfillment of the stages of advance payments under the contracts concluded in 2015 for technological connection to the Komienergo branch's power grids of JSC Vorkutaugol's power receivers to provide power supply to consumers at the Zapolyarnaya and Severnaya mines.

The Company's largest applicants in 2016 are:

- PJSC Gazprom (technological connection of power receivers to provide power supply to the facilities of the Bovanenkovo-Ukhta gas pipeline system, Komi Republic);

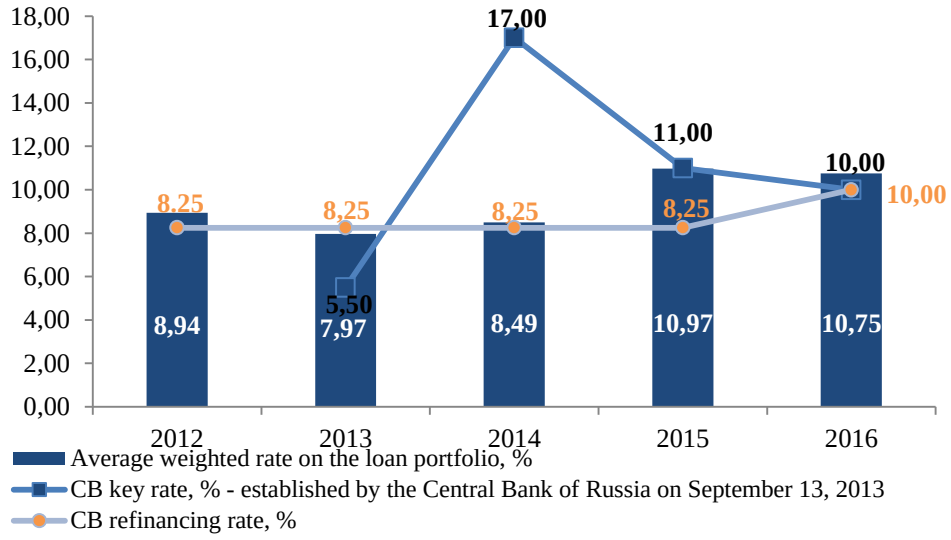
- State Company Avtodor (technological connection of power receivers to provide power supply to facilities of the Moscow-Saint Petersburg highway, Novgorod Region);
- Lukoil-Komi LLC (technological connection of power receivers to provide power supply to oil production facilities, including the Yarega oil and titanium deposit, Komi Republic);
- JSC Vorkutaugol (TC for power supply to the Zapolyarnaya and Severnaya mines);
- JSC North-Western Phosphorous Company (Oleny Ruchey mining and processing plant, Murmansk Region).

Loan portfolio

Indicator	2012	2013	2014	2015	2016	Change in 2016
Total loans and borrowings, RUB m	10,648	16,730	18,452	15,044	14,544	- 500
Long-term (1 to 5 years)	10,629	13,953	14,913	9,940	14,319	4 ,379
Short-term (less than 1 year)	19	2,777	3,539	5,104	225	- 4,879

The Company's debt load reduced compared to the beginning of the year (by RUB 500 m, or 3.3%).

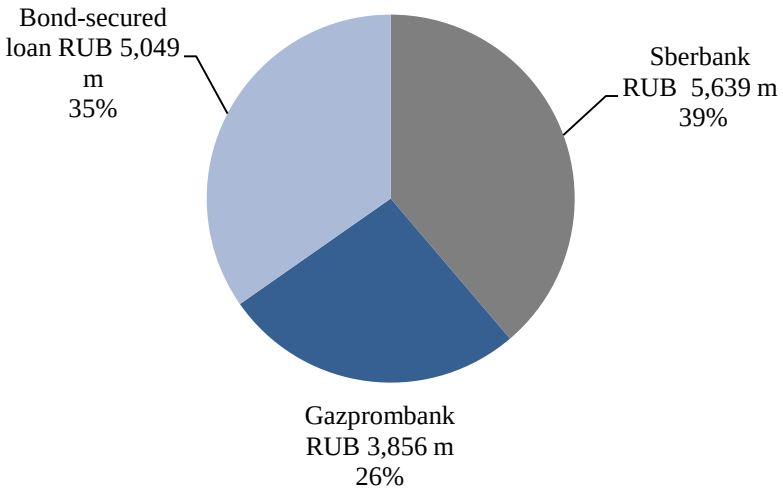
Changes in the Central Bank's refinancing rate and key rate and in the average weighted rate of the Company's loan portfolio



Based on the 2016 results, the average weighted rate of the Company's loan portfolio decreased by 0.22% vs 2015.

Since January 1, 2016 the value of the Bank of Russia refinancing rate is equal to the value of the Bank of Russia key rate as of the relevant date.

Loan portfolio structure as of December 31, 2016



Loan plan based on 2016 results, RUB m

Total loans and borrowings as of January 1, 2016 (net of interest)	14,967
Borrowing in 2016	14,827
including for investment activities	0
for refinancing	14,224
for business operation	603
for power supply	0
Repayment in 2016	15,325
Total loans and borrowings as of December 31, 2016 (net of interest)	14,469

To reduce costs for the Company's debt service in 2016, the Company refinanced the major portion of its loan portfolio in the amount of RUB 14,224 m, which enabled to reduce expenses for servicing the loan portfolio in 2016 by RUB 155 m compared to 2015.

Bond-secured loan, BO-01 series bonds (identification number of the issue and date of its assignment: 4B02-01-03347-D dated March 12, 2014).	
Principal debt as of the end of the reporting quarter, RUB m	5,000
Time before offering, (days)	1,092
Average loan interest, % per annum	12.42
Number of interest (coupon) periods with the set interest rate	6 of 20
Securities maturity (date)	May 23, 2025
Other information about the liability	Bond redemption date under offering terms - June 1, 2018.

In 2016, the Program of Listed Bonds was registered for a total amount of RUB 25,000 m (subject to the resolution of the Company's Board of Directors dated September 30, 2016, Minutes 220/11).

The Program of Listed Bonds of 001P series (program ID number and the date of its assignment: 4-03347-D-001P-02E dated November 11, 2016).	
Maximum amount of face values of listed bonds that may be placed within the Program of Listed Bonds, RUB m	25,000

Maximum maturity of listed bonds placed within the Program of Listed Bonds, (days)	10,920
Form of issuance of listed bonds that can be placed within the Program of Listed Bonds	documentary bonds in bearer form
Duration of the Program of Listed Bonds (from the date of assigning the identification number to the Program of Listed Bonds)	open-ended

2.3. Sustainable Development

2.3.1. Responsible Business Practice

a) Mission and corporate values

(G4-15).

The Company's mission is to provide consumers with reliable and uninterrupted power supply and shareholders with steady income through efficient management of the distribution grid complex based on the uniform strategic approaches to doing business.

The Company implemented its quality management system (QMS) in 2009.

The QMS is a part of the Company's general management system and is aimed to ensure high quality of provided services in line with the requirements of the regulatory documents, consumers' needs and expectations, and to satisfy all stakeholders, including the employees, shareholders, investors and partners of the Company.

The Company successfully went through certification audits in 2010, 2013 and 2016 for the QMS compliance with the international standard ISO 9001 (GOST ISO 9001) and QMS inspection audits in 2011-2015 (two audits every three years of the certificate validity). The next QMS inspection audit is scheduled for August 2017, and the certification audit subject to the new version of ISO 9001:2015 (GOST ISO 9001-2015) - for 2018.

Key QMS targets include the following:

a) Improved reliability and quality of power supply to meet consumer needs;

b) Improved safety of power supply, ensuring occupational health and safety during operations, including reduction in the number of accidents and compliance with the occupational health, safety and environment legislation;

c) Ensuring environmental safety.

Key QMS participants include:

- the Company's Board of Directors;
- the Company's executive bodies, i. e. the Director General and the Management Board;
- the Company's quality management representative;
- the structural unit responsible for organizing the System's functioning;
- other structural units of the Company, its subsidiaries and affiliates.

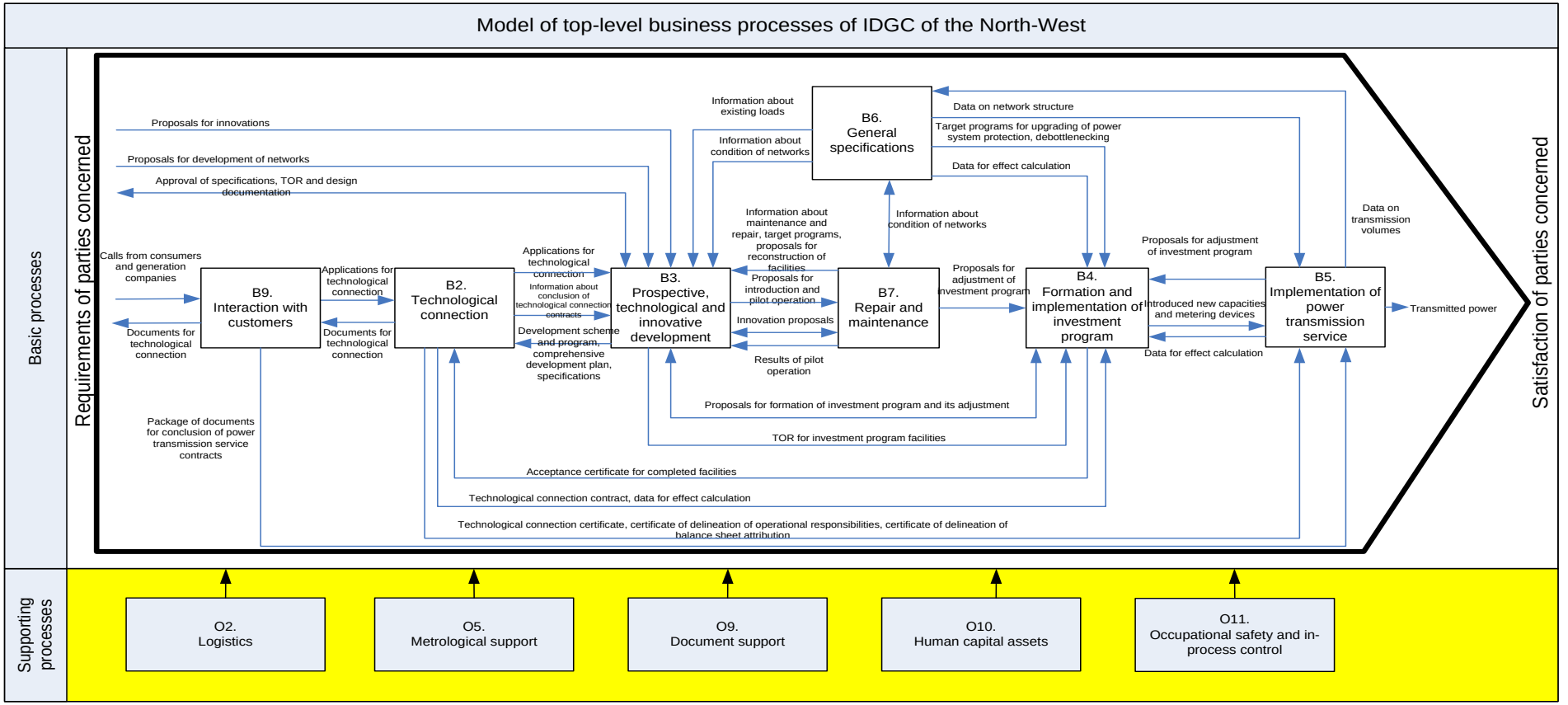
See page 93 for the top-level business processes model at PJSC IDGC of the North-West. The Company established performance indicators for each business process, whose structure is annually updated with account of problem management areas in the current business conditions. More detailed information is provided in Annex 14. Performance Indicators of Business Processes at PJSC IDGC of the North-West in 2014-2016.

The Company's QMS is in line with the international standard ISO 9001 (GOST R ISO 9001).

The Company successfully went through certification audits in 2010, 2013 and 2016 for the QMS compliance with the international standard ISO 9001 (GOST ISO 9001) and QMS inspection audits in 2011-2015 (two audits every three years of the certificate validity). The next QMS inspection audit is scheduled for August 2017, and the certification audit subject to the new version of ISO 9001:2015 (GOST ISO 9001-2015) - for 2018.

Certificates held by the Company

Management level	Certificate of QMS Compliance with GOST ISO 9001-2011	Certificate of QMS Compliance with ISO 9001:2008	Certificate of QMS Compliance with ISO 9001:2008 (within the IQNet certification system)
Executive Office (administration)	No. 16.1282.026 dd. 31.08.2016	No. 16.1280.026 dd. 31.08.2016	No. RU-16.1280.026 dd. 31.08.2016
Arkhenergo	No. 16.1284.026 dd. 31.08.2016	No. 16.1283.026 dd. 31.08.2016	No. RU-16.1283.026 dd. 31.08.2016
Vologdaenergo	No. 16.1286.026 dd. 31.08.2016	No. 16.1285.026 dd. 31.08.2016	No. RU-16.1285.026 dd. 31.08.2016
Karelenergo	No. 16.1288.026 dd. 31.08.2016	No. 16.1287.026 dd. 31.08.2016	No. RU-16.1287.026 dd. 31.08.2016
Kolenergo	No. 16.1291.026 dd. 31.08.2016	No. 16.1290.026 dd. 31.08.2016	No. RU-16.1290.026 dd. 31.08.2016
Komienergo	No. 16.1293.026 dd. 31.08.2016	No. 16.1292.026 dd. 31.08.2016	No. RU-16.1292.026 dd. 31.08.2016
Novgorodenergo	No. 16.1296.026 dd. 31.08.2016	No. 16.1281.026 dd. 31.08.2016	No. RU-16.1281.026 dd. 31.08.2016
Pskovenergo	No. 16.1295.026 dd. 31.08.2016	No. 16.1294.026 dd. 31.08.2016	No. RU-16.1294.026 dd. 31.08.2016


Model of top-level business processes of IDGC of the North-West
Basic processes
Requirements of parties concerned
Satisfaction of parties concerned
Supporting processes
B9. Interaction with customers
B2. Technological connection
B3. Prospective, technological and innovative development
B6. General specifications
B7. Repair and maintenance
B4. Formation and implementation of investment program
B5. Implementation of power transmission service
O2. Logistics
O5. Metrological support
O9. Document support
O10. Human capital assets
O11. Occupational safety and in-process control
Proposals for innovations
Proposals for development of networks
Approval of specifications, TOR and design documentation
Calls from consumers and generation companies
Documents for technological connection
Applications for technological connection
Documents for technological connection
Applications for technological connection
Information about conclusion of technological connection contracts
Development scheme and program, comprehensive development plan, specifications
Information about existing loads
Information about condition of networks
Information about maintenance and repair, target programs, proposals for reconstruction of facilities
Proposals for introduction and pilot operation
Innovation proposals
Results of pilot operation
Information about condition of networks
Proposals for adjustment of investment program
Data on network structure
Target programs for upgrading of power system protection, debottlenecking
Data for effect calculation
Proposals for adjustment of investment program
Introduced new capacities and metering devices
Data for effect calculation
Data on transmission volumes
Transmitted power
Package of documents for conclusion of power transmission service contracts
Proposals for formation of investment program and its adjustment
TOR for investment program facilities
Acceptance certificate for completed facilities
Technological connection contract, data for effect calculation
Technological connection certificate, certificate of delineation of operational responsibilities, certificate of delineation of balance sheet attribution

b) Membership in associations and organizations (commitments for participation in external initiatives)

The Company is a member of the following noncommercial organizations:

- Association "Noncommercial Partnership of Territorial Power Grid Organizations" (certificate No. 345698 dd. 18.03.2014). The Association was established in 2011 under the auspices of the Russian Ministry of Energy to improve efficiency of the power grid complex. The Association consolidates, represents and defends professional interests of its members in the authorities of all levels and in infrastructural, noncommercial and public organizations. The Partnership's platform serves as a center for communication between its members and for sharing best practices in the power grid industry. The Association's Supervisory Board consists of the heads of specialized divisions of the Energy Committee of the Russian State Duma, the Russian Ministry of Energy, and the Russian Ministry of Economic Development.

- Association "Noncommercial Partnership 'Market Council for Organizing Efficient System for Wholesale and Retail Trade in Electric Energy and Capacity" (certificate No. 551 dd. 24.12.2012). The Association was established in 2008 to unite through partnership the sellers and buyers of electric energy (capacity) that are wholesale market actors, participants in wholesale power trade, organizations providing commercial and technological infrastructure of the wholesale market, and other organizations operating in the electric power industry.

- Energostroy Self-Regulated Organization, Noncommercial Partnership (certificate No. 78-0053 dd. 07.10.2016). The Organization was established in 2009. It comprises over 300 organizations from 62 regions of the Russian Federation. It aims at establishing and promoting best safety practices in construction, reconstruction and capital renovation of power industry facilities, grids and substations, strengthening the efficiency of its members' businesses through developing business cooperation, organizing experience exchange, and providing guidance in business-related issues, as well as improving the quality of construction through an efficient system of control over compliance with self-regulation rules and standards and the professional development system.

- Association Noncommercial Partnership "Energoproekt Association of Organizations Preparing Design Documents for Power Facilities, Grids and Substations" (certificate No. P-0117-03-2010-0119 dd. 07.02.2013). The Association was established in 2009 at the initiative of and subject to the order of the Russian Minister of Energy as a base organization for uniting companies engaged in design activities for the energy construction industry. The Association's main goals are to prevent any harm to people's life and health, the environment, and various assets caused by defects in design works performed by the member companies, as well as to improve the quality of these works. The Association's scope of activities encompasses all types of design works that affect the safety of capital construction projects, including highly dangerous and technically sophisticated projects, and nuclear facilities. Over the period of its existence, the Association has become one of the largest and most reputable industry organizations that today unites over two hundred design, scientific, construction and installation, and production companies representing all regions of Russia, a number of CIS states and far-abroad countries.

- EnergoProfAudit Noncommercial Partnership Self-Regulated Organization (certificate No. 78-0088-2014 dd. 17.12.2014). The Organization was established in 2010, and is a self-regulated entity of the energy sector whose key objectives in energy inspections carried out by the noncommercial partnership include representing the interests of its member organizations and state authorities, as well as fostering the development of the business and legal framework in order to improve the performance of its members and boost energy efficiency and saving in the Russian Federation.

- All-Russian Industrial Association of Electric Power Employers of Russia (notice No. 158 dd. 11.11.2008). The Association was founded in 2003. Its main goal is to foster the development of the electric power industry through representing and protecting the employers' interests in the social and labor, economic and other areas, in relations with labor unions, state authorities, local government bodies, as well as developing and implementing a coordinated socially responsible policy for the Association's members. Today, it is the largest employer association in the fuel and energy complex in terms of the regional footprint of its member organizations and their structural divisions, the number of employees having labor relations with them, as well as the aggregate economic potential of the member companies.

- Anti-Corruption Charter of the Russian Business (certificate No. 2089 dd. 25.05.2015). Becoming a member of the Charter implies the Company's intent to comply with the international legislation, Russian anti-corruption legislation, and high ethical standards of business transparency and integrity.

c) Relations with the stakeholders

(G4-26)

PJSC IDGC of the North-West carries out internal and external communications according to the principles of the Uniform Information Policy of PJSC Rosseti and the Policy of Interacting with the Public, Consumers and Authorities of PJSC Rosseti.

Principles of interacting with the stakeholders:

- Compliance with the legislation and other obligations assumed by the Company;
- Maintaining regular and constructive interactions with all stakeholder groups, and respecting interests and expectations of the stakeholders;
- Ensuring openness and information transparency;
- Efficiency assessment and continuous enhancement of performance.

Stakeholder groups of PJSC IDGC of the North-West:

- State authorities and public organizations
- Business society
- Contractors
- Mass media
- Consumers
- Shareholders and investors
- Employees

The Company has a sustainable practice developed for interacting with each stakeholder group.

Stakeholder	Focus areas	Achievements
State authorities and public organizations	Interactions with state authorities at the federal (within the cooperation with the office of the Presidential Plenipotentiary to the Northwestern Federal District) and regional levels.	During the meetings between the Company's Director General A. V. Letyagin and the heads of the constituent entities of the Russian Federation within the territory of the Company's operations, the parties discussed issues related to the implementation of measures aimed to ensure reliable power supply and create conditions for consumers' technological connection to power grids, issues of tariff regulation, consolidation of the power grid industry of the regions, and strengthening customers' payment discipline.
	Cooperation aimed to align investment industry programs and territory development plans of the regions	- In 2016, the Company conducted seven investment energy fairs in all regions of the Company's operation jointly with the Strategic Partnership of the North-West, representatives of the authorities of the constituent entities of the Russian Federation and with the support of the Presidential Plenipotentiary to the Northwestern Federal District. - In 2016, the Company developed a roadmap to implement the procedure for interaction of the branches of PJSC IDGC of the North-West with the local authorities of municipalities and executive authorities of the constituent entities of the Russian Federation in the course of planning and performing the measures aimed to develop power grids. The Company's representatives are members of work groups devising regional electric power development schemes and programs.
	Support and development of the agroindustrial complex of the Northwestern Federal District, and implementation of the complex of measures for ensuring reliable and uninterrupted power supply to agroindustrial enterprises.	- Work continued under the agreements concluded between PJSC IDGC of the North-West and regional administrations - Registers of supported enterprises were updated
	Creating conditions for introducing autonomous public and private electric transport	In 2016, the Company continued its work within the All-Russian Program for the Development of Charging Infrastructure. The Company has effective agreements in the Komi Republic, the Pskov Region and the Republic of Karelia stipulating comprehensive joint efforts for implementing electric transport, including the development of technical standards and regulations, training and retraining of the staff, studying the experience related to the implementation of charging infrastructure and electric transport.
	Ensuring safe power supply	According to the regulations for implementing the uniform communication policy

<table>
<tr><td></td><td></td><td colspan="2">of PJSC IDGC of the North-West (approved by the Decision of the Company's Board of Directors
dated 18.11.2015 (Minutes No. 192/7)), the Company should perform information exchange with related electric power entities and divisions of the Russian Emergencies Ministry. The Company's representatives participate in interagency working groups, consumer councils, regional headquarters for ensuring safe power supply under executive authorities of the constituent entities of the Russian Federation.</td></tr>
<tr><td rowspan="5">Business community</td><td rowspan="5">Interregional cooperation, promoting investment potential,
studying the industry-related experience</td><td colspan="2">Congress and exhibition activities are a key form of the Company's business communication.
In 2016, the Company's employees participated in over 35 congresses and exhibitions, including research and practical conferences, industry shows of the fuel and energy complex, economic and investment forums.

Major events and outcomes:</td></tr>
<tr><td>Saint Petersburg International Economic Forum</td><td>- An agreement was reached with the Government of the Vologda Region on the construction period of the Yuzhnaya substation - the first digital substation in Cherepovets.
- The contracts signed by PJSC Rosseti and regional administrations form the basis for the cooperation between PJSC IDGC of the North-West and governments of the constituent entities of the Russian Federation in implementation of measures for consolidating the power grid complex in the Murmansk Region and the Komi Republic.</td></tr>
<tr><td>International Forum 'Rugrids-Electro. Infrastructure of Growth. Optimization. Capabilities', the key congress for the Russian electric power industry</td><td>The Company presented its R&D results at exposition site "Ecosystem of Innovation".</td></tr>
<tr><td>IV Russian International Energy Forum</td><td>The Company presented to the business community its stand on the legislative innovations aimed at strengthening the consumers' payment discipline.</td></tr>
<tr><td colspan="2">In 2016, PJSC IDGC of the North-West continued developing the system of</td></tr>
</table>

		proprietary forums and seminars engaging representatives of the authorities and business community, partners, and equipment suppliers. The Company conducted seven investment energy fairs in all regions of the Company's operation jointly with the Strategic Partnership of the North-West, representatives of the authorities of the constituent entities of the Russian Federation and with the support of the Presidential Plenipotentiary to the Northwestern Federal District. (http://www.mrsksevzap.ru/energofair). The format of the fairs enables direct interaction between investors and energy experts regarding efficient and mutually beneficial technological connection to the grid and improved use of the electric power infrastructure. As of early 2017, the Company signed 113 contracts with investors during the investment fairs aiming to carry out production projects in the regions of the Company's operation.
		PJSC IDGC of the North-West maintains the tradition to carry out the Corporate Presentation Days that have been organized for many years to communicate with leading producers of electrical equipment (http://www.mrsksevzap.ru/corporatepresentationday). Over 290 participants visited the Company's Corporate Presentation Days during the reporting year.
Contractors	Development of mutually beneficial relations	The Company interacts with contractors through procurement procedures. See details on procurement activities of PJSC IDGC of the North-West in subclause f) of clause 2.3.1 hereof.
Mass media	Prompt response to information risks in the public domain Ensuring comprehensive and unbiased coverage of the Company's activities Formation of a positive image of the Company	According to the results of independent monitoring of mass media6, in 2016 PJSC IDGC of the North-West was one of the top-5 companies most frequently mentioned by mass media among all enterprises of the power grid complex of PJSC Rosseti. In 72% of cases, PJSC IDGC of the North-West was given the major role. 85% of the publications were neutral, and 12.4% presented the Company in a positive context. The share of materials with a negative connotation did not exceed 3%. In 2016, over 1,200 press releases were posted on the Company's website; mass media made 12,834 publications; the Company's activities were covered in social media on its official pages on Facebook, Twitter, and Instagram. In 2016, over 20 press events were held, including press conferences of the Company's Director General and Deputy Directors General managing the branches.

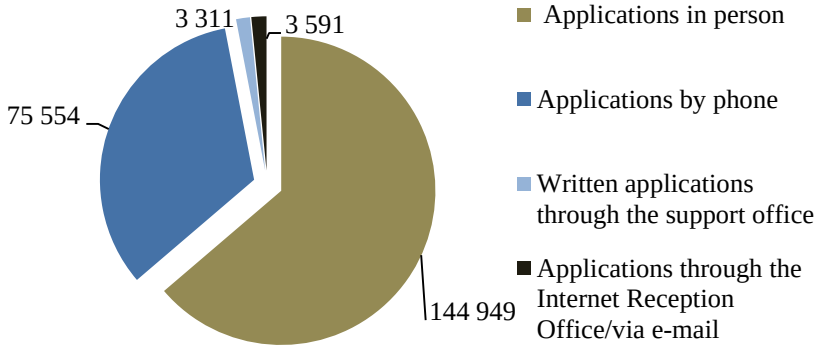
[6] Media activity monitoring was provided by the Gortis Investigation Center.

		PJSC IDGC of the North-West continued its communication project "Svetlye Lyudi" (Radiant People) on the pages of the related portal (http://www.mrsksevzap.ru/workpeople) publishing essays, interviews and sketches shaping the portrait of a person of productive labor, an ordinary representative of the electric power industry. Project "Svetlye Lyudi" is the basis for publications in regional media of editorial materials about the profession of a power industry worker on behalf of those who day by day ensure reliable operation of the power system in large cities and small villages. Over 10 thousand users visited the portal during the reporting period. The audience comprises readers from a dozen of regions in Russia, CIS countries and Europe.
	Mitigation of reputational risks	In 2016, the Public Relations Department carried out informational campaigns in the following areas: Strengthening the reliability of the power grid complex and implementation of programs aimed to prepare for and successfully go through the autumn and winter period; Aligning the Company's investment program with the development plans of the regions, holding regional investment energy fairs; Shortening the period for technological connection of applicants' electric power units to the grids; The role of the Company's workers (members of field service teams, substation staff, etc.) in securing reliable power supply to consumers in the regions of the Company's operation; Work with receivables in the context of its impact on fulfillment of industrial programs and enhancement of recovery efforts, implementation of the roadmap related to switching consumers to direct payments for power transmission services; Providing agroindustrial facilities with priority access to the power grid infrastructure; Increasing the participation share of SMEs in the Company's procurement activities; Preventing electric injuries among third parties; Corporate events.
Consumers	End-to-end servicing of consumers, and maintaining the uniform service and interaction standards	The Company organized both physical and remote customer servicing. Customer service centers were created in all seven branches of the Company. In total, 23 physical service offices are running, with 54 people employed there. Any consumer can apply for a consultation to specialists regarding technological connection issues, the quality and supply of electric power, or file a complaint, an application for technological connection, an application for concluding an electric

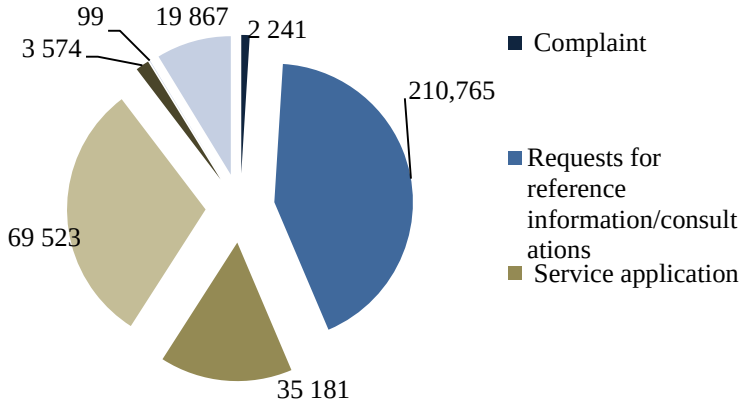
power transmission contract or for additional paid services.

The Company has its 24-hour hotline (8-800-333-02-52) since 2011. The calls to the hotline are toll-free within Russia, the telephone service operates on a 24-hour basis, and all conversations are recorded. The hotline phone numbers are included in all regional reference books, as well as in the Directory of Hotlines and Service Desks in the constituent entities of the Russian Federation.

The website of PJSC IDGC of the North-West is an efficient remote service (www.mrsksevzap.ru) offering the following online tools:
- Consumer's personal account (enabling consumers to track all stages of their TC power receiver applications from the date of submission up to actual connection and signing of the TC Act);
- Internet Reception Office (to submit applications / intents for TC, applications for additional services, file requests, fill in consumer questionnaires; it contains answers to most frequently asked questions).
In 2016, the Company received 227,405 customer requests. The requests were received through the following communication channels:



Of all requests received by the Company in 2016, 96,620 (43%) were the requests for reference information, and 35,181 were consumers' applications, of which 24,855 were applications for technical connection. 69,523 consumers requested to accept / receive documents. It should be noted that the Company received 88 letters of gratitude from consumers in the reporting period.
In 2016, the Company received 2,241 complaints, of which 1,678 (75%) were

		recognized as rightful. Most complaints were related to issues of technological connection of applicants' equipment to the grids of PJSC IDGC of the North-West and electric power transmission, including power quality (79%). Over 90% of complaints in the reporting period were filed directly by consumers of the Company's services. Corrective measures were planned for all justified complaints. On 1,252 complaints the relevant corrective measures were accomplished in the reporting period. Customer requests in 2016 by request categories: 
	Improved efficiency of interactions with consumers	All branches have approved schedules for regular reception of individual customers by the heads of the branches, production divisions and power distribution zones. The schedule is available on the Company's website https://clients.mrsksevzap.ru/customertimetable, and at all physical customer service offices.
	Improved availability of the grid infrastructure of PJSC IDGC of the North-West	The Company continues its efforts to shorten the period of technological connection of applicants' equipment to the grids.
	Strengthening the payment discipline among consumers	In 2016, commissions created upon the initiative of PJSC Rosseti under the executive authorities continued monitoring the situation related to customers' power payments in the entire territory of the Company's operation. In addition to power industry workers, the commissions include representatives of the regional administrations, financial monitoring services, tax agencies, law enforcement bodies, power retail companies and consumers.

	Rendering additional services	Additional services are rendered for a fee. The full list of services is accessible at the Company's physical service offices and website (http://www.mrsksevzap.ru). Each branch has approved fee rates for the services rendered; the cost of the services is regulated by market mechanisms. As of year-end 2016, additional paid services were rendered under 8,079 applications for a total amount of RUB 227,308.42 ths.
	Improving the quality of rendered services	The Company's service quality is assessed based on feedback received from consumers through the following channels: - Ongoing onsite surveying of consumers at physical offices; - Customer service quality surveying and filling in questionnaires. Based on 2016 year-end results, the customers seem to highly appreciate the completeness of information, competence and amiability of the staff, with the general grades across the Company being 4.82, 4.82 and 4,86 points respectively (on a 5-point scale). Measures taken in 2016 for improving the quality of services included the following: • Control of the work with customers through comprehensive inspections; • Introducing the practice of regular reception of individual consumers by the heads of the power grid organization; • Establishing offsite reception stations to receive and consult residents of remote hard-to-reach inhabited localities; • Defining the procedure for investigating consumer complaints about electric power quality – based on the Regulation of PJSC Rosseti STO 34.01-39.1-002-2016 "Procedure for investigating consumer complaints about electric power quality'" • Defining the algorithm of operation of the single hotline phone number of PJSC IDGC of the North-West 8-800-333-02-52 to guarantee efficient servicing of customers. Further efforts are scheduled for 2017 to develop online services, including the possibility to sign technological connection contracts with electronic digital signatures and their issuance to consumers, enabling online technological connection payments via the Company's website.
	Development of social communications	For the purposes of social communication, the Company is actively using alternative methods for distributing information, such as social networks, mass media and public events. In 2016, the Company's employees carried out over 500 theme classes across the Northwestern Federal District. The classes were attended by schoolers and

		preschoolers, students of technical colleges and higher education institutions, children from orphanages and special boarding schools. The coverage of the educational campaign increased by 40% up to over 22 thousand people. In 2016, over 55 thousand promotional printed materials and guidebooks addressed to risk group citizens were developed and distributed. The 'Secret of the Blue Desk' was a landmark innovation within the program - this is an exciting fantastic story for schoolers about electric safety and occupational guidance. Informative messages about power safety are regularly distributed via mass media, including radio and television. Moreover, all the Company's methodologies and suggestions are available at the dedicated online resources, including portals 'Power Safety for Adults' (https://clients.mrsksevzap.ru/powersafetyadult) and 'Make Friends with Electricity' (http://electrofriend.mrsksevzap.ru/).
Shareholders and investors	Interacting with institutional investors, the Company's minority shareholders and other representatives of the investment community Ensuring mandatory disclosure of information in line with legislative requirements	To meet the investment community's need to access essential information, the Company regularly carries out verbal and written two-way communications with the shareholders and investors, securities market professionals. See Section 3.8 hereof for detailed information on the organization of interaction with the shareholders and investors.
Employees	Increasing the occupational prestige of a power industry worker in the territory of the Company's operation	Efforts are undertaken to organize open days, onsite excursions, meetings with school leavers and students, as well as to promote specialized corporate publications. Within the work for creating a communication space in the Company based on the uniform corporate values, the Company continued quarterly issuance of the corporate newspaper in 2016 (the regional supplement of IDGC of the North-West to the newspaper of 'Rossiyskiye Seti').

Social Communications

Social activities within the dedicated communication programs enable PJSC IDGC of the North-West to create a positive image of a socially responsible company, develop relations with the stakeholders based on shared values, and improve the occupational prestige.

The Company's website www.mrsksevzap.ru is the main channel for communication with external audience ensuring efficient feedback from representatives of mass media and the public. The website traffic in 2016 exceeded 1.67 m views. For the purposes of social communication, the Company is actively using alternative methods for distributing information, such as social networks, mass media and public events.

The official website of PJSC IDGC of the North-West became the winner at the 7th ConTEKst competition organized under the auspices of the Russian Ministry of Energy in category "the best corporate website in the fuel and energy industry". The Company's social project aimed at preventing juvenile electric injuries - a reminder for teenagers #ElectricSafetySelfie was highly praised by the expert jury of the contest and became an award winner. The Company's media projects received diplomas of three contests at the 2016 Serebryanye Niti (Silver Threads) conference; the newspaper of PJSC IDGC of the North-West became the winner in category "The Best Interview in Corporate Media".

d) Anti-Corruption Policy

(G4-SO4)

The Company's activities are aimed to ensure transparency and integrity of its business, as well as to strengthen credibility among the key stakeholders, and improve the overall image.

In 2016, the Anti-Corruption Policy approved by the Company's Board of Directors on 30.12.2014, Minutes No. 172/14, was the fundamental document for PJSC IDGC of the North-West in the corruption control area.

The Anti-Corruption Policy of PJSC IDGC of the North-West is based on the following principles:

- Compliance with the applicable legislation and generally accepted standards;
- Safeguarding legal rights and interests, protecting business reputation of employees, partners, contractors and other parties, abiding by the commercial secret principles during implementation of anti-corruption measures;
- Personal example by the management aimed at promoting zero tolerance to corruption and establishing a corporate system for preventing and countering corruption;
- Personnel involvement: employees' awareness about the provisions of the anti-corruption legislation and their active participation in devising and implementing the anti-corruption standards and procedures;
- Adequacy of anti-corruption procedures and potential loss and probability of occurrence of the corruption risk at PJSC IDGC of the North-West;
- Efficiency of the anti-corruption procedures: implementation of simple, but efficient anti-corruption measures;
- Responsibility and inevitability of punishment for employees of PJSC IDGC of the North-West regardless of their position, length of service and other factors in case of committing corruption offences in the course of performing their job duties;
- Transparency of business practices: notification of partners, contractors and the public about the anti-corruption standards adopted by PJSC IDGC of the North-West;
- Ongoing control and regular monitoring of the efficiency of the implemented anti-corruption standards and procedures, as well as control over their fulfillment.

The Company's anti-corruption activities include the following:

- Setting up an efficient legal mechanism for preventing and countering corruption, and mitigating risks of engaging the Company's employees in corruption activities;
- Measures for preventing corruption and other legal offenses, ensuring liability for corruption-related and other offenses;
- Enhancing the employees' awareness about the anti-corruption rules and standards to form a common understanding among the employees of the Company's zero tolerance for all forms and types of corruption. Each employee knows the requirements of the Anti-Corruption Policy and other legislative documents regulating anti-corruption activities and assumed the responsibility for adhering thereto.
- Assessing trustworthiness of the partners and contractors, including assessment of whether they have adopted and comply with anti-corruption programs;
- Using the possibility to terminate contractual relations in case of breaching anti-corruption principles according to the stipulated procedure.

In 2016, the Company developed the Anti-Corruption Instruction to Employees of PJSC IDGC of the North-West and published it on the corporate website in the Guidance Materials section (hereinafter - the Instruction). This is a brief guide providing definitions of a range of corruption offenses (bribes, illicit payments, etc.) and specifying types of punishments for corruption-related offenses stipulated by the legislation. The Instruction recommends the Company's managers and employees to refrain from the behavior which may be interpreted by others as intent to commit or participate in the commitment of corruption-related and other offenses.

The list of local regulations approved within the implementation of the requirements of the federal anti-corruption legislation is given in Annex 10 Legal and Methodological Principles of the Anti-Corruption Policy.

e) Procurement activities

Procurement activity of PJSC IDGC of the North-West is based on the following principles:

- information openness;
- equality, fairness, no discrimination or unreasonable restrictions of competition in relation to procurement parties;
- targeted and cost-effective expenditure to purchase goods, works, services and implement measures aimed at reducing costs;
- no limitation of admission to participation in procurements by setting unmeasurable requirements to procurement parties;
- transparency and manageability of procurement activities;
- expertise and competence of employees participating in the procurement activities of PJSC IDGC of the North-West;
- compliance with the standards of the effective legislation regulating organization of procurement activities, as well as the anti-corruption legislation, including the Anti-Corruption Standard of Procurement Activities.

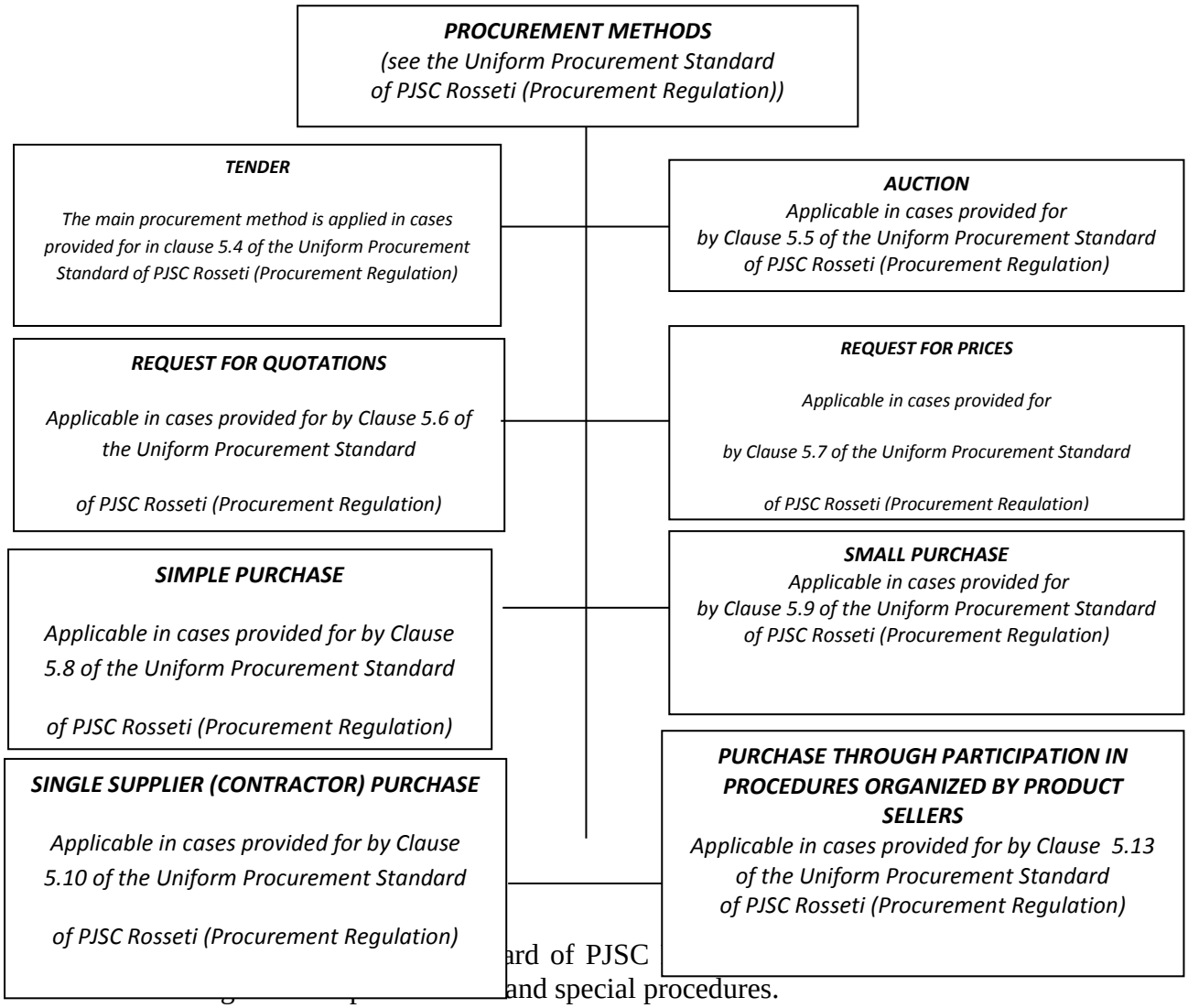
In 2016, the Company carried out its procurement activities in accordance with the Regulation on Procurement of Goods, Works and Services for the Company's Needs approved by the decision of the Company's Board of Directors dated July 22, 2013 (Minutes No. 130/1), taking into account the amendments introduced in accordance with the decision of the Company's Board of Directors dated April 24, 2015 (Minutes No. 188/22), the Uniform

Procurement Standard of PJSC Rosseti (Procurement Regulation) approved by the decision of the Company's Board of Directors dated December 29, 2015 (Minutes No. 195/10).

The detailed list is provided in Annex 34. List of Legal Acts Regulating Procurement Activities in PJSC IDGC of the North-West.

1. Methods of procurement procedures, specifying the conditions of their application.

To carry out procurement activities, the Company uses the following procurement methods stipulated by the Uniform Procurement Standard of PJSC Rosseti (Procurement Regulation).



ard of PJSC
and special procedures.

Forms of procurement:

- open and closed;
- in electronic form or using hard copies;
- with or without rebidding;
- with or without preliminary qualification selection of procurement parties;
- with or without the possibility to submit alternative proposals;
- in one-, two- or multi-stage form;
- special procedures for procuring complex products;
- with the option of selecting several winners/parties who submitted the best bids, for one lot (in case of procurement in a form, other than bidding);

- purchase for the right to conclude a framework contract with one or more procurement parties.

The main criteria influencing the choice of procurement methods, other than an open tender, are as follows:

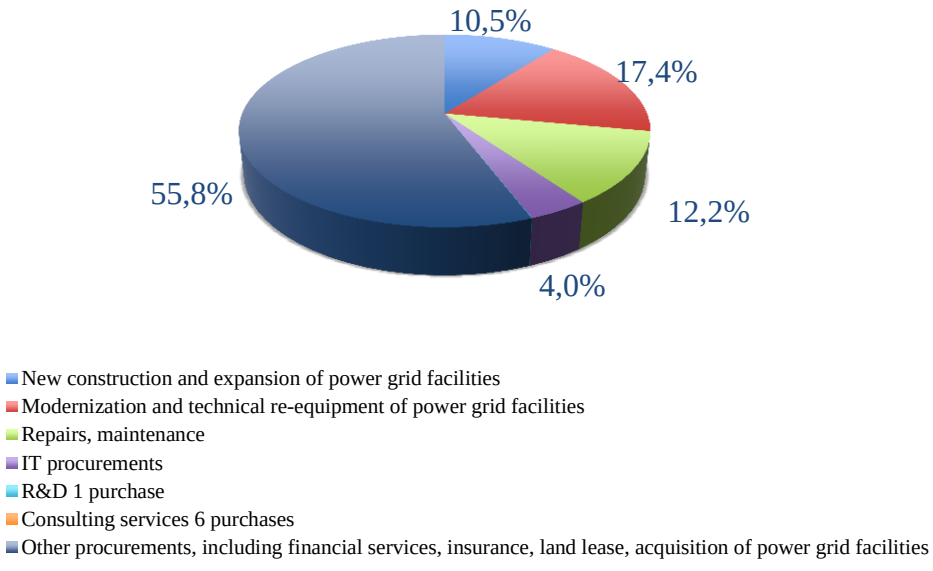
- level of complexity of purchased products;
- specifics of markets of purchased products;
- cost of purchase;
- the need to ensure confidentiality required to protect the Company's interests;
- procurement periods.

The list of mass media for publishing official documents about procurement procedures for the needs of PJSC IDGC of the North-West was determined by the decisions of the Board of Directors dated February 26, 2010 (Minutes No. 54/9) and December 28, 2011 (Minutes No. 89/10) and posted on the Company's website[7].

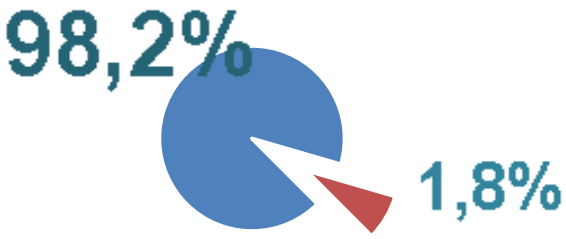
2. The structure of purchases, including the scope of open competitive procurement procedures, as well as procedures conducted using electronic commerce means (electronic trading platforms), and the amount of savings achieved.

The Company carried out (without taking into account power transmission services and power purchase to compensate for losses) 1,701 procurement procedures for a total amount of RUB 15.33 bn.

By types of activities, purchases broke down as follows:



Openness of procurement procedures:

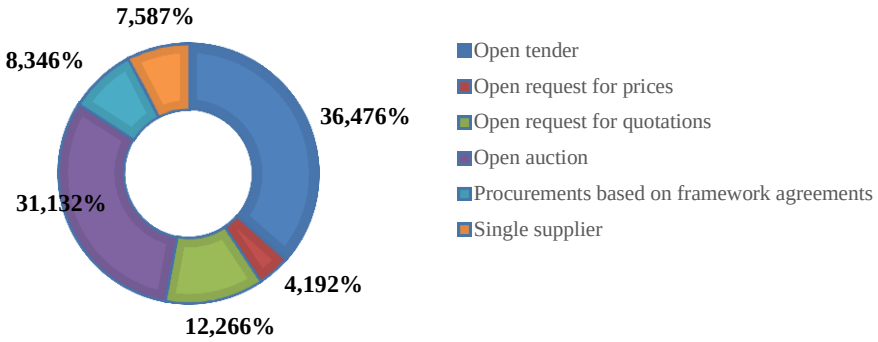


Open procurement procedures (98.2%)

ɔsite http://www.mrsksevzap.ru/ contains information on ment of procurement, Information on current procedures, ɪl value of contracts, Cooperation with small and medium

Share of procurements from a single source (1.8%) * Except for purchases, services regulated by the legislation of the Russian Federation (at prices (tariffs), power transmission (transit), power purchase to compensate losses in grids).

By methods of procurements, their structure was as follows:



The economic effect following the results of procurement procedures for the period amounted to RUB 1.64 bn excluding VAT, or 9% of the planned declared cost of competitive procurements.

The number of purchases using e-commerce tools totaled 1,371 purchases for an amount of RUB 14.12 bn excluding VAT (98.139% of the total number of purchases, 99.67% of the total volume of purchases (excluding purchases from a single supplier) in value terms.

3. The structure of purchases from small and medium enterprises, as well as purchases in which small and medium enterprises are involved as subcontractors.

As a result of the development of the system of procurements from small and medium enterprises, the share of SMEs in the total volume of the Company's procurements in 2016 amounted to RUB 5,157,101.65935 thousand excluding VAT (1,108 purchases) or 71.215% of the actual volume (87.589% in terms of quantity).

The volume of competitive procurements in which only small and medium enterprises participated according to the requirements of the tender/procurement documents amounted to RUB 2.2 bn excluding VAT (617 purchases), or 15.567% of the actual volume (44.166% in terms of quantity).

4. Information on the volume of purchases with characteristics meeting the criteria for classifying goods, works and services as innovative and (or) high-tech products: in 2016, the Company carried out 55 purchases, their actual value totaling RUB 243 m, excluding VAT.

Share of procurements from a single source

* Except for purchases, services regulated by the legislation of the Russian Federation (at prices (tariffs), power transmission (transit), power purchase to compensate for losses in grids).

5. Activities aimed at improving procurement activities.

Within the enhancement of the procurement activities in 2016, the Company developed and approved a number of organizational and administrative documents, the detailed list of

which can be found in Annex 34. List of Legal Acts Regulating Procurement Activities in PJSC IDGC of the North-West.

Within the development of the system of procurements from small and medium enterprises:

1) The Company organized interaction with Joint Stock Company "Federal Corporation for the Development of Small and Medium Enterprises" (hereinafter - JSC SME Corporation) on issues related to providing access for small and medium enterprises (hereinafter - SMEs) to procurement of goods, works and services carried out by the Company (Agreement dated February 5, 2016).

2) The Company and JSC SME Corporation created a working group aimed to support SMEs in participation in the Company's procurements, to improve the legislation of the Russian Federation on procurement of goods, works and services from SMEs (Order of PJSC IDGC of the North -West and JSC SME Corporation No. 70/39 dated February 5, 2016).

3) Meetings of the advisory body on issues related to ensuring efficiency of procurements conducted by IDGC of the North-West, including those from SMEs, are held. Composition of the advisory body was approved by Order No. 155 dated March 24, 2014 "On establishment of the Advisory Body for ensuring efficiency of procurements carried out by IDGC of the North-West, including from small and medium enterprises (roadmap)" taking into account the changes introduced by the Company's Order No. 326 dated June 3, 2016.

4) The Partnership Program between PJSC IDGC of the North-West and SMEs is being implemented (the Company's Order No. 143 dated March 19, 2014). As of January 1, 2017, 101 organizations joined the Partnership Program.

5) In compliance with Resolution of the Russian Federation No. 1352 dated December 11, 2014 "On specifics of participation of small and medium enterprises in the procurement of goods, works and services by certain types of legal entities", the Company approved the list of goods, works and services to be procured from SMEs (updated version of the Company's Order No. 348r dated December 4, 2015); information on the number and total value of contracts concluded by customers based on the results of procurements from SMEs are publicly available, as well as the annual report on such purchases.

6) In December 2016, JSC SME Corporation coordinated the Plan of Actions with the participation of small and medium enterprises to be carried out by PJSC IDGC of the North-West in 2017, namely five (5) training seminars on SME participation in procurements in accordance with Federal Law No. 223-FZ dated July 18, 2011 "On procurement of goods, works, services by certain types of legal entities" in Saint Petersburg, Murmansk, Syktyvkar, Petrozavodsk, Arkhangelsk (branches of PJSC IDGC of the North-West, Kolenergo, Komienergo , Karelenergo, Arkhenergo, as well as in the Executive Office).

2.3.2. HR and Social Policy

The key objectives of the Company's HR and Social Policy intended to ensure achievement of the targets are as follows:

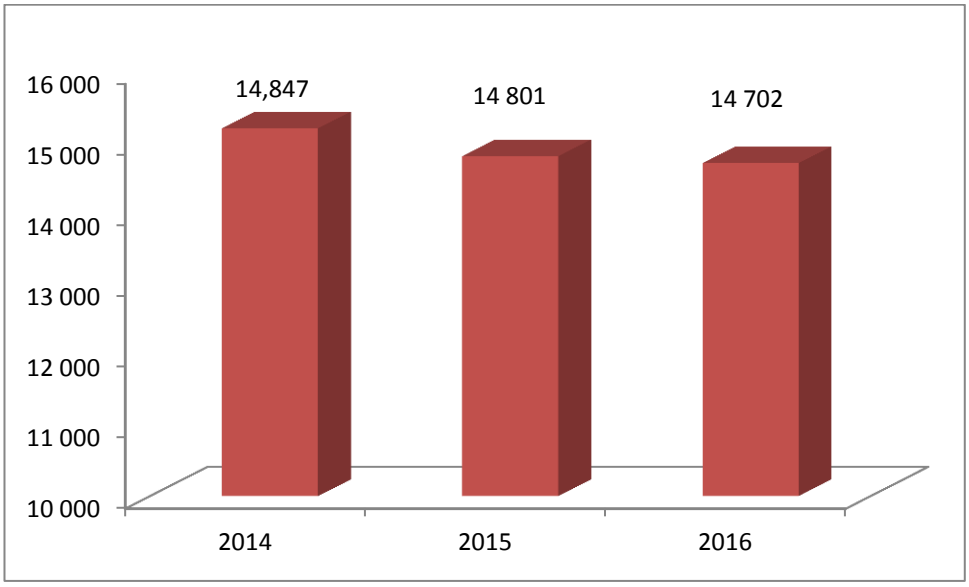
- ✓ planning of the staffing requirements - ensuring availability of reliable information on the operational and forecast quantitative and qualitative personnel requirements that is necessary and sufficient to fulfill the tasks assigned to a branch;
- ✓ timely meeting the Company's needs for personnel of required qualification;
- ✓ ensuring efficiency of personnel activities, labor productivity improvement.

The Company's HR Policy is based on the following principles:

- implementation of common principles and approaches to personnel management, taking into account regional specifics;
- maximum compliance of the mechanisms for implementing the HR Policy with the best practices of human resources management;
- providing employees with equal opportunities and zero tolerance to discrimination on any grounds;
- creating conditions for maximum fulfillment of the employees' performance potential;
- combination of the processes for preserving, updating and maintaining the optimal quantitative and qualitative composition of the personnel capable to ensure efficient achievement of current and future tasks.

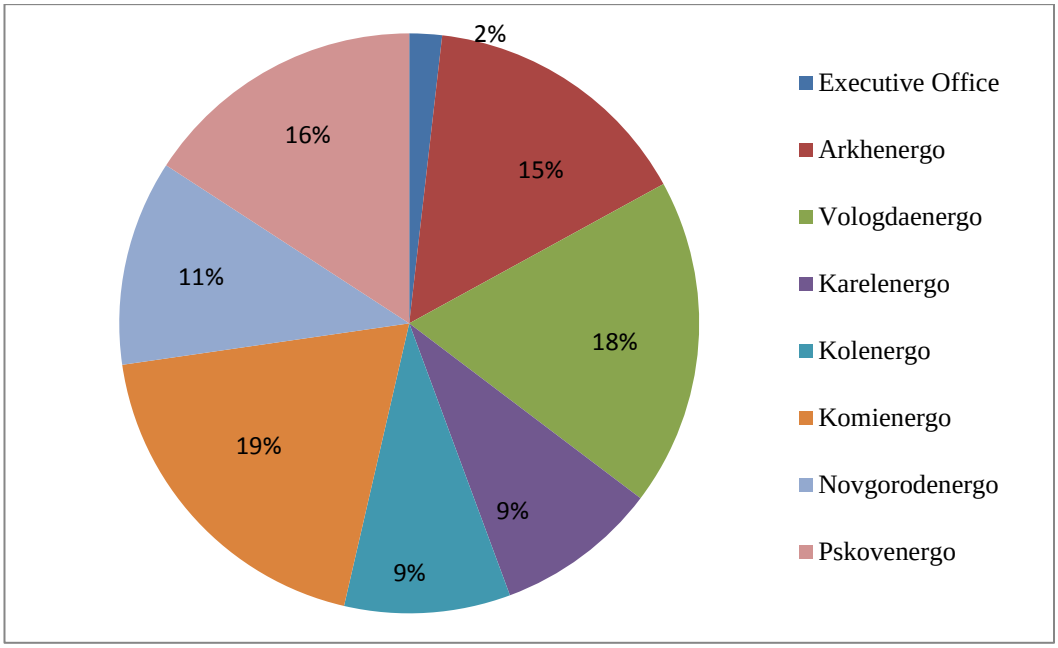
a) Number and structure of the personnel

The average headcount of PJSC IDGC of the North-West in 2016 was 14,702 people, which is 0.67% less than in 2015.



Average headcount in PJSC IDGC of the North-West in 2014-2016, people

The decrease in the average headcount was due to the implementation of measures aimed to optimize the number of the administrative and management personnel.



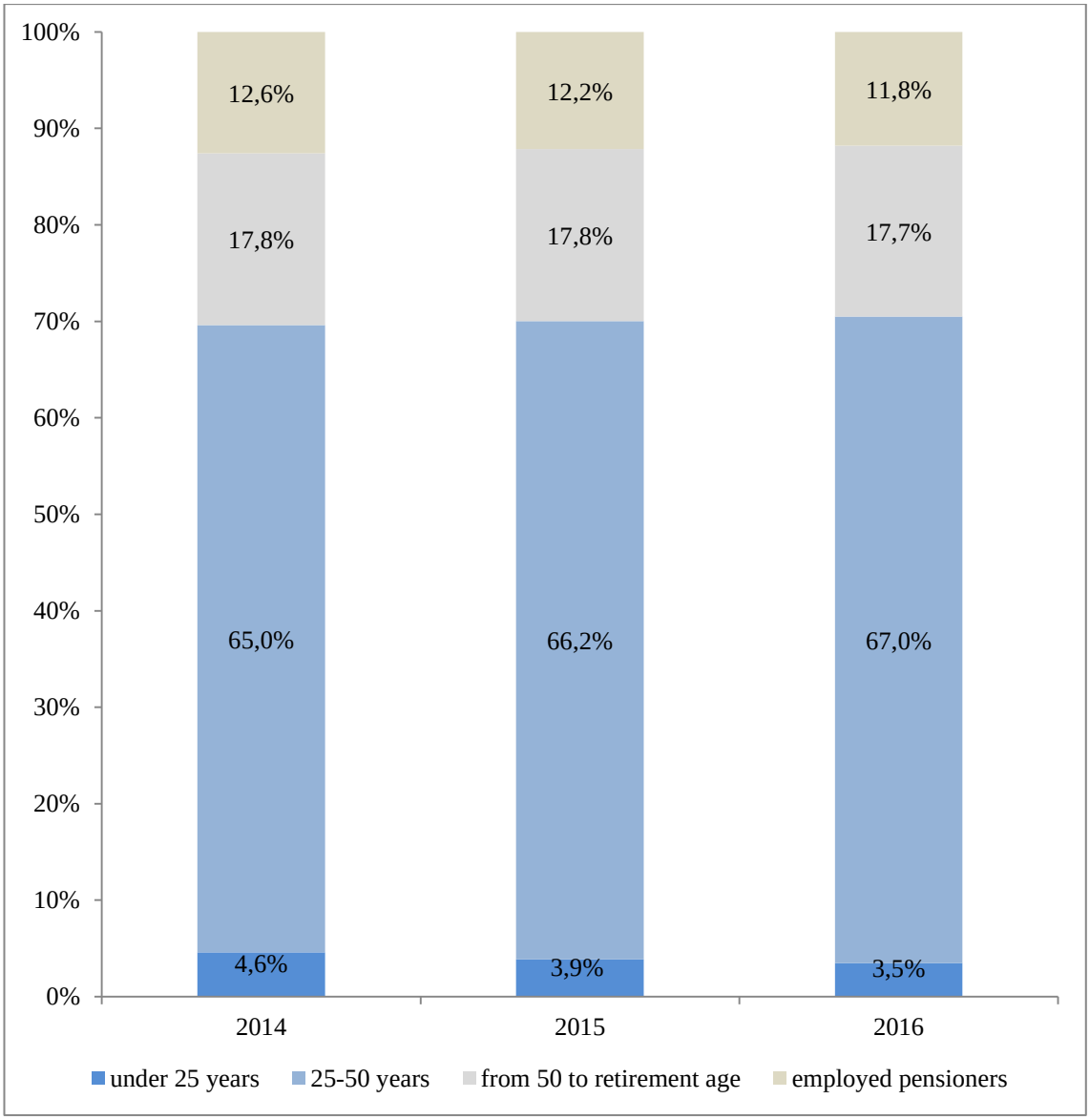
Breakdown of the average headcount in 2016, %

The staffing level of the Company for three years is maintained at a sufficiently high level - at least 96%.

The average age of the employees in 2016 remained at the level of 2015 - 42 years.

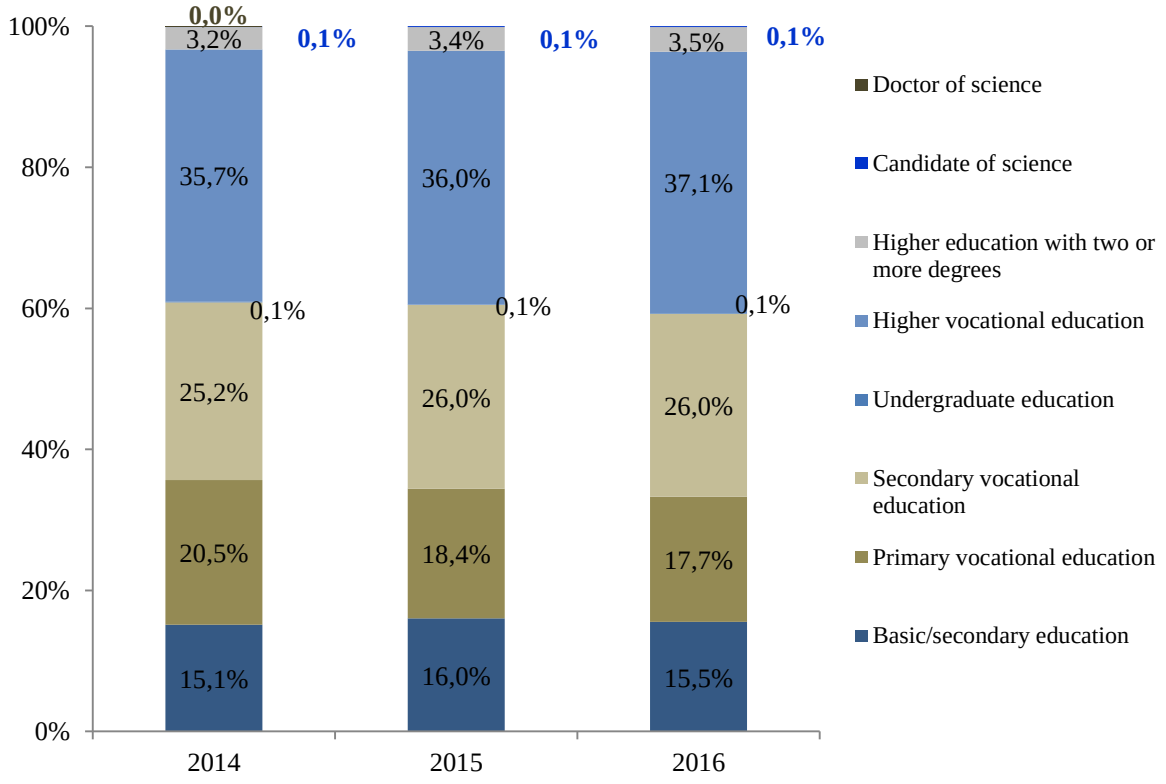
Employees aged from 25 to 50 (65%) constitute a significant portion of the staff of PJSC IDGC of the North-West. For the last three years, there has been a decrease in the staff age category "working pensioners" (by 0.8 p.p. beginning from 2014).

Structure of the personnel of PJSC IDGC of the North-West by age in 2014-2016, %



Employees of PJSC IDGC of the North-West have a sufficiently high level of qualification: 84.5% of the employees have vocational education.

Structure of the personnel of PJSC IDGC of the North-West by education level in 2014-2016, %



b) Remuneration of the staff

Remuneration in the Company's branches

The Company's system of labor remuneration paid to employees is based on the uniform principles of social partnership stipulated by the Collective Agreement of PJSC IDGC of the North-West, as well as the Regulation on Remuneration of Employees of PJSC IDGC of the North-West, effective from May 1, 2009 (as subsequently amended). The labor organization and remuneration system currently in force in the Company complies with the Recommendations for the uniform procedure of labor remuneration at base wage rates (official salaries) of power industry employees approved by the Russian Association of Electric Energy Employers and the All-Russian Electric Trade Union.

In general, the average salary of employees across PJSC IDGC of the North-West increased in 2016 by 8.8% compared to the level of 2015, while the average salary of working personnel increased by 8.5%, which is 0.1% higher than the last year's growth.

The efficiency of the HR and Social Policy is closely linked to timely payments and indexation of salaries to ensure their competitiveness in the regional labor markets, and therefore the salaries of employees of all the Company's branches have been traditionally higher than average salaries of employees in respective regions (from 7.4% to 50.5%).

It should be noted that the size of regional rates and Northern allowances to salaries play an important role in differentiating amounts of the employees' wages between branches (such allowances are not established only in the Novgorodenergo and Pskovenergo branches).

The Company's Regulation on Remuneration of Employees provides for incentives to employees in the form of allowances that may be paid on a monthly basis (for special

achievements in work, for the length of service, for qualification), as well as bonuses payable based on monthly, quarterly and yearly results in work.

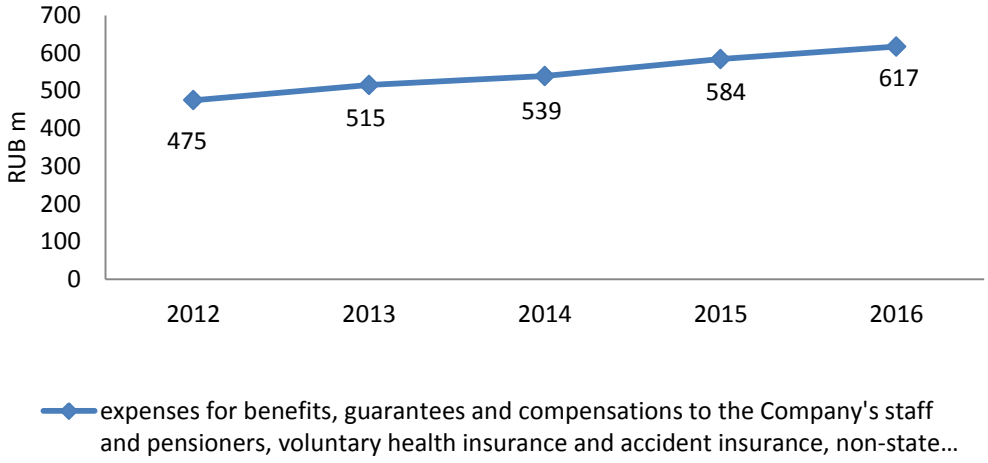
c) Protection of employees' interests and rights

During the reporting year, the Company effectively built up the relations with primary trade union organizations (PTUO) and the Council of PTUO Representatives, in particular by solving joint tasks related to information support of the staff, organization of cultural, educational and sports events, implementation of the uniform Collective Agreement and the uniform Regulation on Remuneration of Employees of the Company. There were no cases of violation of the terms of the Collective Agreement in the reporting year.

65% of the Company's employees (9,748 people) are members of primary trade union organizations.

In accordance with the standards of the Agreement on Base Salary Rates in the Electric Power Industry of the Russian Federation and the effective Collective Agreement, in the reporting year the Company transferred RUB 35.7 m to the accounts of primary trade union organizations of the branches and the Company's Executive Office for the purpose of organizing cultural and sports work.

Growth rate of the Employer's expenses for the social policy implementation



The growth of expenses for the social policy implementation in 2016 compared to 2015 was due to the increase in the minimum monthly base salary (MMBS) of first-class workers of the industrial and production category.

d) Social policy

Targeted to the company's employees (G4-EC3, G4-51)

The key aspect of human resources management is implementation of an efficient social policy at the enterprise.

Recognizing its responsibility to the state, society and employees of PJSC IDGC of the North-West, the Company's management gives a considerable attention to the social aspects of its activities that significantly affect the efficiency of employees, contribute to higher labor productivity, optimization of production processes, stability and sustainable development of the Company in the longer term, improvement of the employees' quality of life, and positive image of the Company.

The efficient social protection system implemented in the Company contributes to attracting qualified specialists to the Company, reduces the staff turnover and is a basic component of successful production activities.

Investing in personnel development and actively using indirect incentives, the Company stabilizes the staff, increases the social security of working and retiring employees, creates its positive public image, provides a reasonable combination of the processes of rotation and retaining of highly qualified personnel.

PJSC IDGC of the North-West developed a comprehensive HR and Social Policy of PJSC IDGC of the North-West approved by the decision of the Company's Board of Directors adopted at the meeting on December 30, 2014 (Minutes No. 172/14)

The list of areas for implementing the Company's social policy is sufficiently broad and encompasses issues of non-state pension provision, voluntary medical insurance, voluntary insurance against accidents and illnesses, organization of employees' rest and health promotion, care for pensioners-veterans of power industry enterprises and young specialists, as well as events for corporate culture development.

The main principles of implementing the Social Policy are:

- targeting - a primary focus on the groups of employees who are most important for efficient performance of production tasks and achievement of the goals of the grid complex of the North-West, and on the most vulnerable groups of employees;
- relevance - correlation between granted benefits and essential needs of particular groups of employees, an individual approach;
- awareness - provision of social support in various areas of life;
- openness - open discussion of the developed social regulations and availability of information on existing benefits and guarantees;
- effectiveness - continuous monitoring and evaluation of the incentives' efficiency.

In the current conditions of acute competition in the regional labor market, taking into account how hard it is to retain the staff in the conditions of reorganization of the power industry enterprises and amid the financial and economic crisis, in 2016 the Company especially focused on the development of the social aspect of work relations.

During 2016, the social policy of PJSC IDGC of the North-West focused on:

- maintaining social stability and development of social partnership;
- providing social security guarantees to the personnel, members of their families and power industry veterans;
- development of corporate culture in order to motivate personnel to implement the enterprise's mission and solve current problems;
- formation of a sustainable favorable social and psychological climate among employees;
- ensuring a positive public image of the Company.

In 2016, the Company developed its Social Policy comprehensively to maintain the social package, i.e. the package of benefits, compensations and privileges for the Company's personnel, their family members and power industry veterans that was formed within the framework of the Collective Agreement of PJSC IDGC of the North-West for 2016 in several target areas.

(G4-EC3, G4-51)

Implementation of the Non-State Pension Program

The non-state pension program for employees of PJSC IDGC of the North-West (hereinafter - the NSP Program) was approved by the Company's Board of Directors broken down by six month periods of 2016. The NSP Program for the first half of the year was approved by the decision of the Company's Board of Directors on March 17, 2016 (Minutes No. 199/14). The NSP Program for the second half of the year was approved by the decision of the Board of Directors of PJSC IDGC of the North-West on July 19, 2016 (Minutes No. 214/5). The main goal of the Program is to ensure a decent standard of life for the Company's employees at the retirement age, as well as to create conditions for efficient solution of various personnel issues, such as optimization of the number of administrative and management personnel, reducing the staff turnover and retaining employees in the power system. During 2016, the Company continued its cooperation with the Non-State Pension Fund of the Electric Power Industry (hereinafter - the NSPF of the Electric Power Industry) within the implementation of the non-state pension provision programs for employees in three areas:

- ✓ Corporate plan (financed by the Company), including the "Supporting" program;
- ✓ Parity plan (financed by the Employee and the Company);
- ✓ "Co-financing" program (financed by the Employee, the Company and the State).

Within the framework of the approved NSP Program for the first and second halves of 2016, the Company implemented the "Co-financing" program in accordance with Federal Law No. 56-FZ dated April 30, 2008 "On additional insurance contributions to the cumulative component of employment pensions and state support for accumulation of pension savings" in which 319 employees took part.

During 2016, 3,584 retired employees received non-state pensions, while the size of non-state pensions primarily depends on the employee's salary, the length of his/her work in the electric power industry, and on whether he/she has state, industry or corporate awards. Being aware of the social significance of financial support of the employees after their retirement, the Company's management annually finds opportunities to finance non-state pension programs although the regional tariff regulation bodies excluded those costs from the tariff structure.

Support of pensioners

The Company's social responsibility stipulated in the Collective Agreement also comprises costs to provide financial support to former employees of PJSC IDGC of the North-West. During the reporting year, they received one-time financial help, including to the Victory Day, the Day of Older Persons, and personal anniversary dates, in emergency situations; relatives of retired veterans received payments to cover expenses for funeral services.

Disease prevention and health improvement among employees and their children

One of the most important components of employees' health improvement, healthy lifestyle promotion and disease prevention is providing the Company's employees with opportunities for physical exercises and sports, holding competitions and sports events, participation in sports contests, friendly matches, festivals and contests.

In 2016, the Company held more than 150 sports events for its employees, over 2,500 people took part in them.

Conducting cultural and educational events

During the reporting year, the Company held 186 themed evening events and more than 40 excursions for the employees engaging more than 15 thousand people, as well as 26 exhibitions of creative works of power industry workers and their children.

The Company organized more than 150 events aimed at attracting and retaining young qualified workers and specialists at the power grid enterprises, where over three thousand students of the region and young employees of the Company took part.

Nearly 140 events were held for the members of the Council of Veterans of the Company's Executive Office and branches, uniting about 4,000 people, including war veterans.

The Company organized 72 thematic events dedicated to the solemn dates in the Fatherland's history. In particular, thousands of the Company's employees in seven regions of operation of IDGC of the North-West took part in the celebratory events dedicated to the main national holiday - the Day of Victory in the Great Patriotic War. Commemorative actions and honoring of the veterans were held in large regional centers and remote settlements where power industry employees work:

1. Ceremonies of laying flowers at the memorial monuments were held.
2. Meetings with the veterans were held, in which employees of the branches presented their concert performances to the heroes.
3. In the power distribution zones and production departments, photo exhibitions "Immortal Regiment" were organized with photo materials about the heroes - power industry workers and members of their families.
4. A contest of children's drawings dedicated to the Great Victory was held. The exposition of drawings is organized in the hall of the Company's Executive Office.
5. Delivery of Saint George's ribbons was held.

In 2016, a total of about 800 events were held aimed at further development of the Company's corporate culture where more than 32 thousand people took part.

At the initiative and with the active participation of the Company's Youth Council, electrical safety lessons were held in orphanages; members of the Youth Council wished happy New Year to the orphanage pupils.

Targeted at non-employees

(EU28; EU29)

For prompt feedback from consumers in the event of massive power outages caused by natural or man-made disasters, as well as illegal actions entailing disturbances in the grid complex operation and emergency shutdowns, the Company established telephone hotline "Turning the light on". Consumers can call at the toll-free 24/7 telephone number 8-800-333-02-52.

Regardless of the season and weather conditions, employees of PJSC IDGC of the North-West are ready to eliminate possible technological disturbances: 226 employees of the Company within 37 mobile teams and 97 units of equipment are ready to eliminate large-scale shutdowns, and can be directed to help colleagues in other branches if required. In addition, 35 contractors' emergency teams can participate in the restoration of power supply. Up to 235 standby power supply units with a total capacity of 40.9 MW are ready for operation.

In November 2016, IDGC of the North-West assigned 21 maintenance teams consisting of 105 workers and 25 special-purpose vehicles, including maintenance team vehicles and automatic hydraulic lifts, to help their colleagues in the Moscow Region. Employees of six branches of the Company took part in the works. Massive power supply disruptions in the region

were caused by "ice rain". Power transmission line breaks and other technological disturbances in power supply were eliminated in the territory of five municipal districts.

(G4-EC7)

PJSC IDGC of the North-West supports charitable projects at the regional and federal levels in accordance with the Regulation on Forming and Using the Sponsorship and Charity Fund (approved by the decision of the Company's Board of Directors dated May 31, 2016, Minutes No. 208/23).
The main areas of charity and social programs are:

- Preservation of cultural and historical heritage;
- Support of sports and healthy lifestyle promotion;
- Targeted social support of citizens, including veterans.

The Company's employees are widely involved in the volunteer programs and social solidarity projects in the area of the Company's operation. Power industry workers regularly carry out informative lessons, master classes, school sports days in orphanages and boarding schools. In the regions of its operation, the Company organizes campaigns to collect gifts and stationery for pupils of supported institutions, including the Kildinskaya correctional boarding school (Murmansk Region), social shelter in village Ust-Lekchim of the Kortkerossky District (Komi Republic), the Bobrovsky and Kotlassky boarding schools (Arkhangelsk Region).

In 2016, on the eve of the New Year holidays, employees of the Komienergo branch took part in the "Give a New Year Miracle!" campaign to collect toys and New Year decorations for the patients of the "Republican Children's Clinical Hospital". Employees of the Novgorodenergo branch contributed to annual regional charity event "Christmas Marathon" to help low-income families and children needing treatment.

PJSC IDGC of the North-West is a permanent participant in donor initiatives and environmental volunteer projects. In the regions of its operation, the Company continuously implements targeted support programs for low-income pensioners, veterans of the Great Patriotic War, former juvenile prisoners and war workers. The Company's employees assist elderly people in repairing, harvesting firewood, working at household plots; the Company participates in the organization of transport services, as well as in procurements of medicines and provision of financial assistance using the funds of the Primary Trade Union Organization, jointly with the Council of Veterans and Youth Councils of the Company's branches.

Employees of the Company participate in the in-house charity initiatives, helping colleagues in difficult life situations. In 2016, the Arkhenergo branch organized money collection for the treatment of a seriously ill child, and the Novgorodenergo branch provided assistance to the family of an employee whose house was burnt down in a fire. Financial assistance is provided through charitable private donations and allocation of trade union funds.

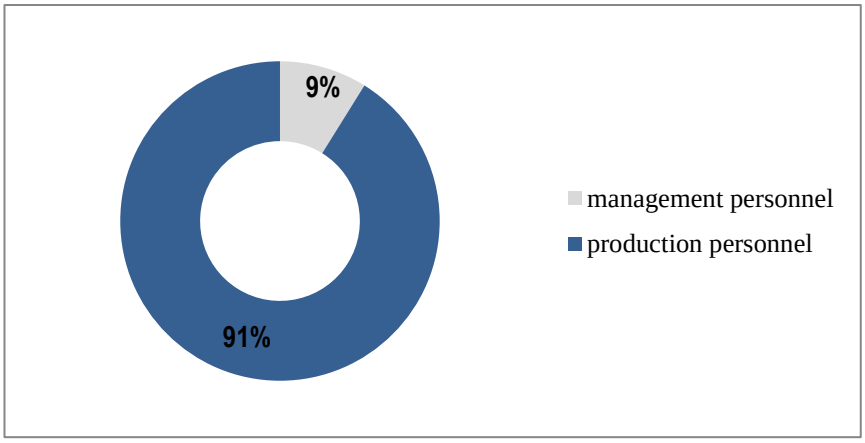
e) Training and development of the personnel

Training is a top priority of the HR and Social Policy of PJSC IDGC of the North-West and is subject to the HR Management Rules of Electric Power Industry Enterprises of the Russian Federation, the Regulation on Continuous Professional Development of the Personnel, and the HR Management Procedure.

The share of employees who took part in full-time trainings in the reporting year totaled 63.5% (9,329 people) of the average headcount, which is 24.4 p.p. (3,680 people) less than in 2015. The reduction in the share of the trained personnel was due to the compulsory training of employees in the area of labor safety when working at heights held in 2015.

The majority of the trained employees were production staff - 91% (8,474 people). In 2015, that share amounted to 88.6%. The structure of the trained personnel broken down by categories of administrative management (AM) and production staff is given below:

The structure of the personnel who took part in full-time trainings by categories, %.



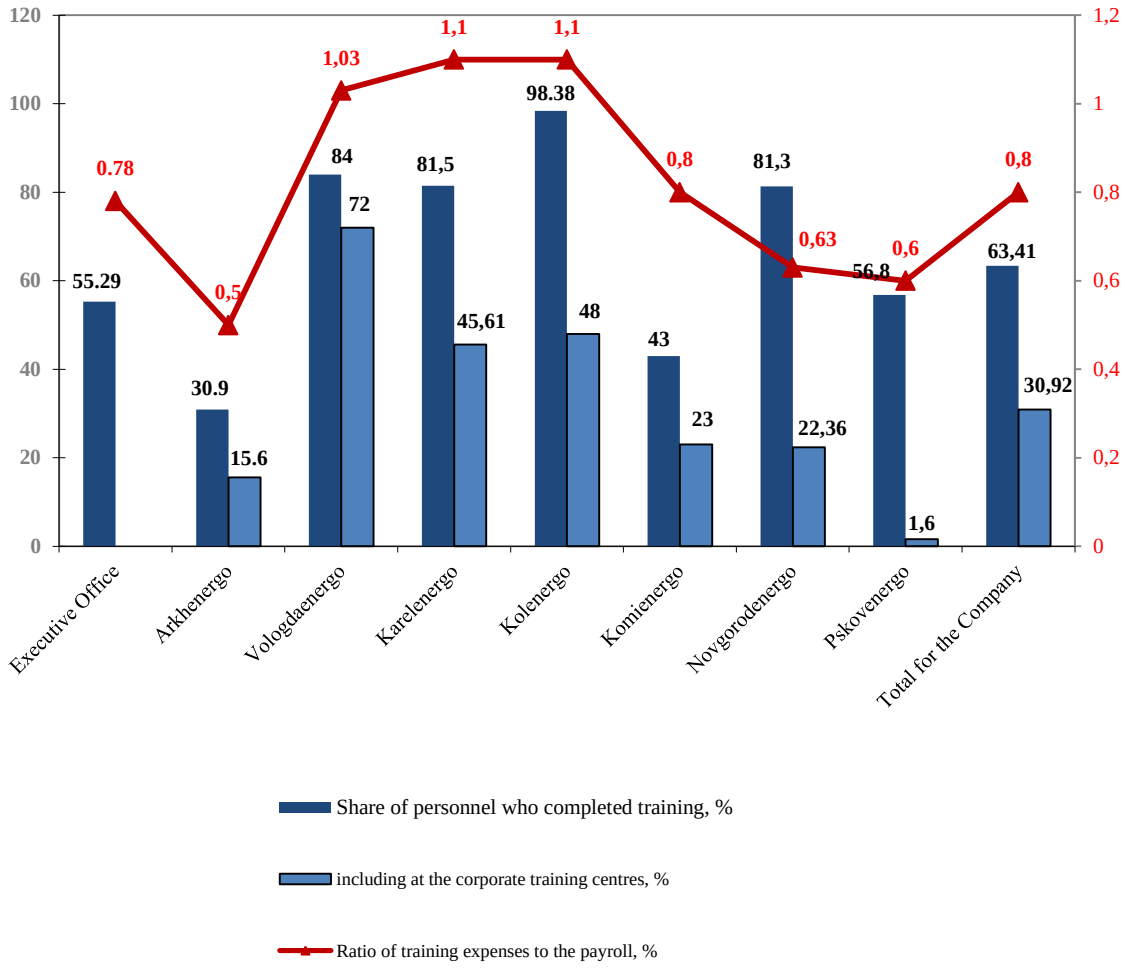
4,550 people received vocational training, retraining and advanced training at the corporate training centers in 2016, which is 48.8% of the total number of trainees - this is 5.4 percentage points lower than in 2015 (in 2015, 7,046 people were trained at the corporate training centers (54.2% of the total number of the trained personnel)).

The majority of the employees trained at the corporate training centers were also the production staff - 95.7% (4,355 people).

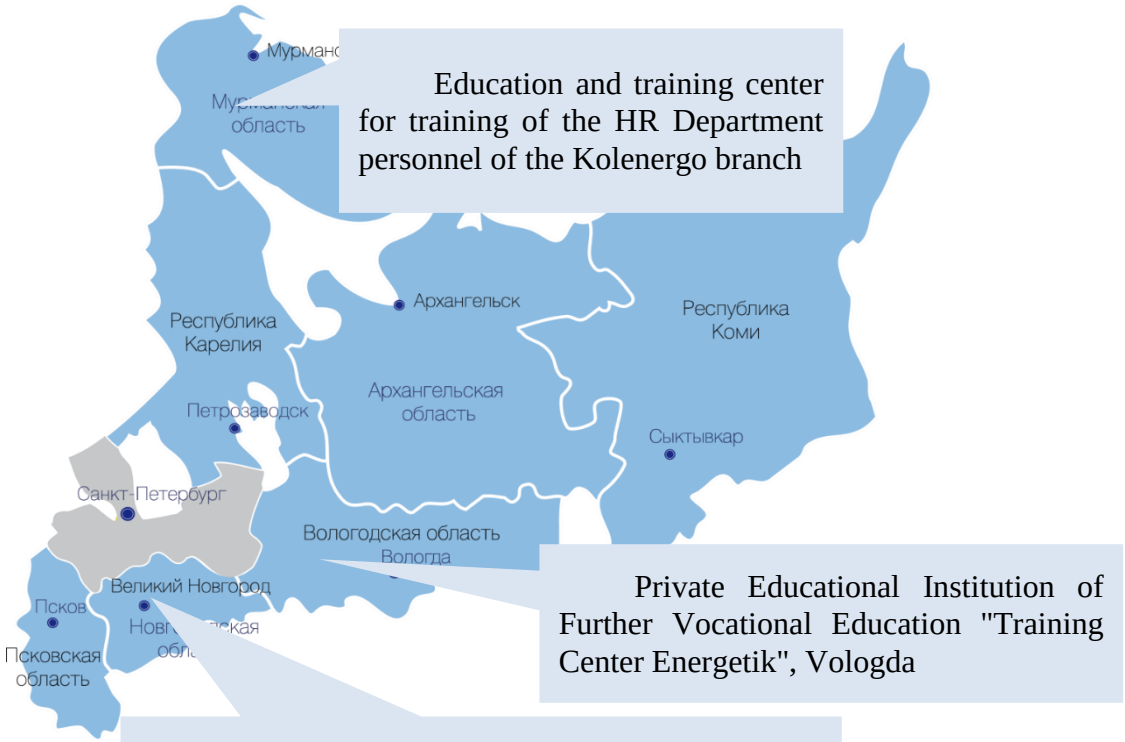
Actual expenses for personnel training (regardless of sources) amounted to RUB 51.9 m, including RUB 14.4 m (27.7%) spent on training at the corporate training centers. In 2015, RUB 54.0 m were allocated for personnel training, including RUB 21.4 m (39.6%) spent for personnel training at the corporate training centers.

The ratio of actual training costs to the payroll in the reporting year was 0.8% (vs 0.9% in 2015).

Share of employees involved in full-time trainings and the ratio of actual training costs to the payroll in the reporting year, %.



Information on the training centers of PJSC IDGC of the North-West



Education and training center for training of the HR Department personnel of the Kolenergo branch

Private Educational Institution of Further Vocational Education "Training Center Energetik", Vologda

Training department for the personnel of the Department for Personnel Professional Development of the Novgorodenergo branch (since 16.11.2016 it is a separate subdivision of Private Educational Institution of Further Vocational Education "Training Center Energetik")

Cooperation with key educational institutions

In addition to the in-house training centers, higher education institutions (hereinafter - HEI) and professional education organizations (hereinafter - PEO) are also the key providers of educational services:

- Peter the Great Saint Petersburg Polytechnic University;
- Murmansk State Technical University;
- M. V. Lomonosov Northern (Arctic) Federal University;
- Vologda State University;
- Pskov State University;
- Syktyvkar Forest Institute (branch) of the S. M. Kirov Saint Petersburg State Forest Technical University;
- Petrozavodsk State University;
- Khibiny Technical College (branch) of the Murmansk Arctic State University;
- V. P. Chkalov Cherepovets Forest Mechanical College;
- Industrial College of Petrozavodsk;
- Pskov Agro-Technical College;
- Novgorod Construction College;
- Pechora Industrial and Economic College.

The main areas of interaction with educational organizations are stipulated by the cooperation agreements and include:

- training of the personnel within basic and additional professional programs;
- targeted personnel training;

- organization of student practices;

By the end of 2016, 283 employees of the Company received training at the key HEIs within additional professional programs (vs 87 employees in 2015). Practice was organized for 258/361 students of HEIs/PEOs (112/116 in 2015), 39 graduates were employed by JSC IDGC of the North-West (16 in 2015).

Work with the Company's Talent Pool

For the purposes of developing the Company's talent pool and career planning for the employees of PJSC IDGC of the North-West, the Company formed the management and youth talent pool.

The management talent pool was formed to promptly and properly meet the Company's needs for employees prepared for work at leading positions:

- middle managers (from the unit head level);
- managers and chief engineers of production units, power distribution zones;
- operations managers.

The Company pays a special attention to the talent pool formation for the positions of heads of engineering and technical units.

The main criteria for enrollment of employees into the management talent pool are:

- high professional expertise;
- high results of production activities;
- work experience at certain positions;
- personal and business potential necessary for professional development and career progress.

As of December 31, 2016, the Company's management talent pool included 707 employees.

The youth talent pool was formed in order to:

- create opportunities for professional and personal development of the Company's young employees;
- provide assistance in raising the level of their professional and management level.

In 2016, the Company's youth talent pool included 127 employees.

Young specialists represent the Company at major industry events. Thus, in 2016 young specialists of the Company participated in the following events:

- International Youth Panel Discussion within the Saint Petersburg International Economic Forum;
- Forum of Young Power Engineers and Industrialists "Forsage-2016";
- events within the Youth Day of ENES-2016.

Participation in the above projects enables young specialists not only to get a unique experience of communication with leading industry experts, listen to speeches of top officials of Russian and foreign energy companies, the Ministry of Energy, to share experience with colleagues working in other companies, but also to submit their suggestions for implementation of new projects and programs in the Company's structural units.

The development of employees in the Company's talent pool was based on individual plans taking into account the actual level of the employees' competence and the requirements of target positions.

The number of talent pool members who took part in the activities aimed at developing professional and management skills in 2016 totaled 349 people.

In 2016, 86 people from the talent pool were promoted, while 40 of them were assigned to target positions. 74 employees from the management talent pool were assigned to higher and

target posts, as well as transferred to other positions within the rotation. Besides, 12 young specialists from the youth talent pool were assigned to new positions, including 1 pool member who was transferred to the target position and 11 - promoted to higher positions within the rotation.

In 2016, 85% of the positions were occupied by in-house candidates, including 62% of the posts (69 people) taken by talent pool members (vs 64% in 2015).

2.3.3. Occupational Safety and Health Management

(G4-LA7; G4-LA8; EU25; EU18)

The Company acts in accordance with the Occupational Safety Policy of Rosseti that is based on the following principles:

- the urge to completely exclude any fatal industrial accidents by means of prevention;
- prohibition of any work in breach of the stipulated occupational safety requirements and compliance with the legislation of the Russian Federation, the constituent entities of the Russian Federation and other legislative acts regulating occupational safety and health management.

Basic areas of the Companyaimed at improvement of safety and health management

- Protection of technical process safety and equipment safety in accordance with the requirements of the current legislation and legislative acts regulating safety and health management.
- Measures to improve conditions of occupational safety and health management and reduce levels of occupational risks.
- Prevention of industrial injuries.
- Training, retraining and advanced training of the personnel.
- Ensuring safety of the staff during work.
- Creation of proper sanitary and hygienic labor conditions at workplaces.
- Special assessment of labor conditions; special measures to eliminate (mitigate) the impact of hazardous and dangerous factors of the working environment and labour process on the employees.
- Timely supply to the personnel of special clothes, special footwear and other personal protective equipment, communication tools, medical kits, medicines, milk and other equivalent food products, detergents and disinfectants.
- Controlling (auditing) of the compliance with the occupational safety and health requirements during operations.
- Prevention of industrial injuries of contractor organizations' employees and third parties at power grid complex facilities.

Indicators of industrial injuries

PJSC IDGC of the North-West organizes the work and performs control over maintenance of occupational safety conditions, implements measures to prevent industrial injuries in compliance with the Regulation on the Occupational Safety Management System. The requirements of the Regulation are aimed to ensure safe labour conditions at all production process stages, create the conditions preventing the industrial injury risk. The Regulation stipulates the procedure for assessment of the current system and implementation of adjustments to increase the efficiency of occupational safety efforts.

Most frequent industrial injury causes are the following:

- ✓ inadequate organization of work;
- ✓ violation of the labour and production discipline;
- ✓ other causes.

Indicators of industrial injuries, 2012-2016

Indicator	2012	2013	2014	2015	2016
Total number of people injured in industrial accidents	14	15	9	6	5
Total number of fatalities	1	3	4	1	3
Injury frequency rate (per 1,000 employees)	0.94	1.0	0.61	0.40	0.34
Fatal injury frequency rate (per 1,000 employees)	0.07	0.2	0.27	0.07	0.20

In 2016, the rates of industrial injuries reduced (the number of injured people decreased by 17%); no cases of occupational deceases were recorded.

However, despite the measures being implemented, there were three fatalities in 2016, while two of them were not caused by officials' failure to perform their duties and violations committed by the victims themselves (January 1, 2016 – a road traffic accident caused by a third party driver, October 20, 2016 – drowning caused by falling in water due to the employee's sudden ill health). Taking into account those cases, results of official investigation of the circumstances and causes of the accidents, the Company devised a complex of measures to prevent industrial injuries and issued relevant regulatory and administrative documents.

The Comprehensive Program for Mitigating Industrial Injury Risks among Employees and Third Parties at Power Grid Facilities of the Company until 2014-2017 was approved by the Board of Directors and is being implemented in PJSC IDGC of the North-West in order to enhance the efficiency of the measures taken to prevent injuries.

The Comprehensive Program includes the following measures:

- improvement of the system for safe performance of scheduled and emergency operations in electricity-generating units;
- organization of industrial trainings for the personnel;
- providing high-quality protection equipment, devices, and tools;
- cooperation with authorities, supervisory and control agencies, and development of public relations;
- prevention of industrial injuries during scheduled operations in electricity-generating units;
- reduction of industrial injuries among third parties, especially children, at the Company's power grid facilities;
- assessment of the technical state of electric power units and compliance with the safe operation requirements.

To raise the level of responsibility of the management of PJSC IDGC of the North-West for accidents, the system of remuneration of the Company's Director General and senior managers includes quarterly indicator "Prevention of an increase in the number of accident victims".

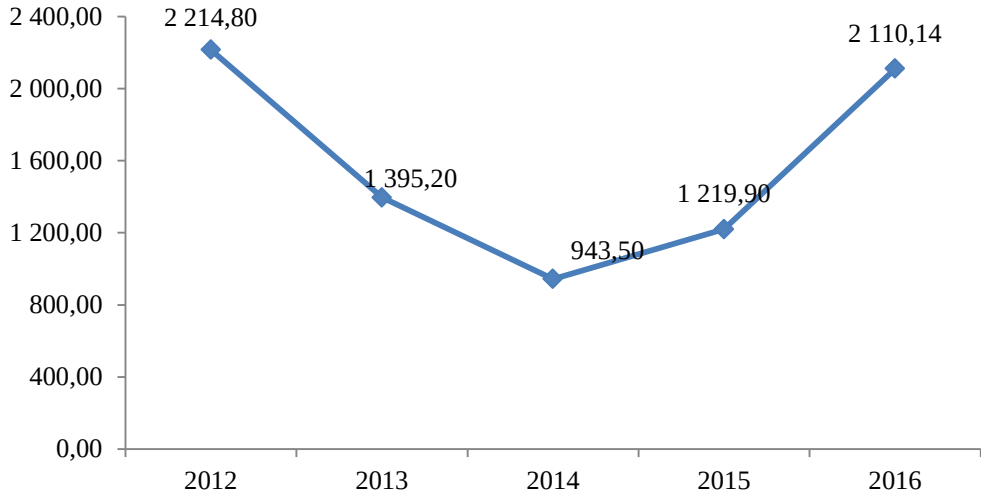
Financial damage

The total damage caused by industrial accidents includes expenses for various expert examinations, transport, ensuring conditions for work of the investigation commissions, as well as court rulings related to accidents of the previous years:

Branch/IDGC	Financial damage, RUB ths				
	2012	2013	2014	2015	2016
Arkhenergo	244.2	73.7	72.2	0.0	70.0
Vologdaenergo	177.4	162.8	155.1	292.1	808.1
Karelenergo	106.5	105.3	96.9	242.7	577.8
Kolenergo	108.9	117.2	102.6	179.5	169.8

Komienergo	1,243.5	345.2	370.7	322.2	284.0
Novgorodenergo	157.9	255.7	134.1	178.4	170.3
Pskovenergo	3.8	335.3	11.8	5.0	29.9
Executive Office of PJSC IDGC of the North-West	172.6	0.0	0.00	0.00	0.0
Total for IDGC of the North-West	2,214.8	1,395.2	943.5	1,219.9	2,110.1

Total damage caused by industrial injuries



Occupational safety and health costs of the Company

	Total expenses for occupational safety and health measures, RUB m,	including:			
		accident prevention measures	sanitary and hygienic measures to prevent occupational diseases	measures improving labour conditions	providing employees with personal protective equipment
2012	289.2	21.9	56.0	13.2	198.1
2013	323.0	24.3	61.8	15.9	221.0
2014	335.1	18.0	67.5	13.3	236.3
2015	339.4	25.5	66.8	10.4	236.7
2016	386.2	17.7	79.9	8.2	280.4

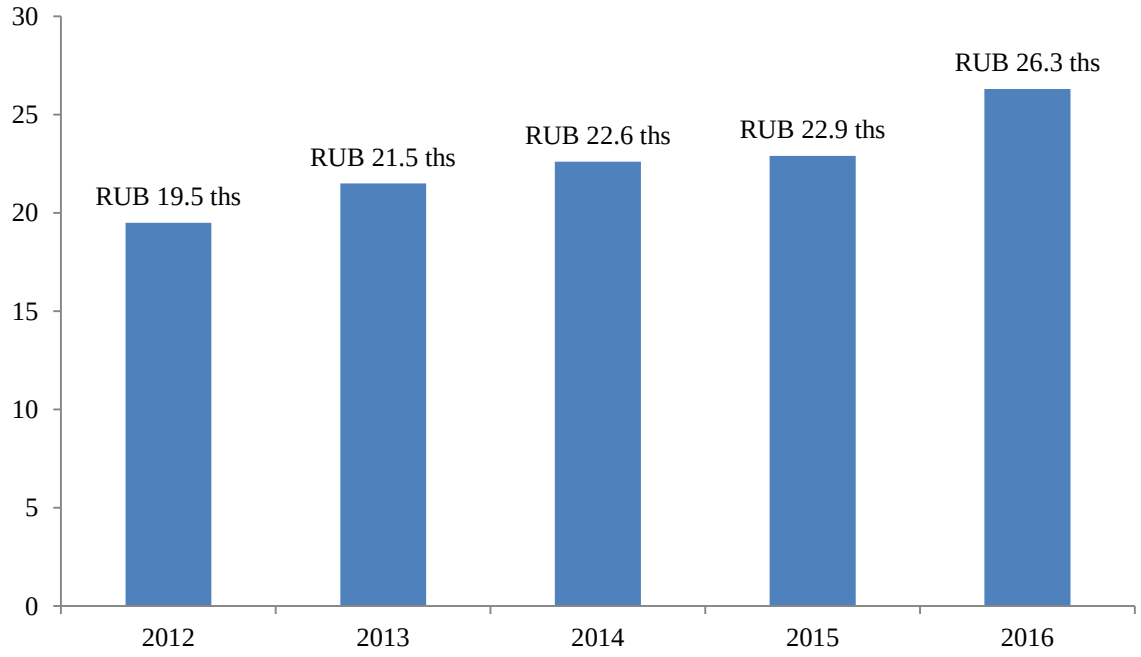
Generally, the structure and total amount of occupational safety and health costs are stable. This is due to the fact that those are planned costs.

In 2016, the expenses grew by 14.8%:

- for sanitary and hygienic measures aimed to prevent occupational diseases due to an increased purchase value of materials (medicines, etc.);

- for providing employees with personal protective equipment, which was related to the purchase of components for the systems controlling safety during work at heights, including anchor devices, rescue and evacuation systems, and safety harnesses for ensuring compliance with the occupational safety requirements to work at heights.

Occupational safety and health costs per employee in 2012-2016



(G4-LA8)

The Collective Agreement of PJSC IDGC of the North-West for 2016 was concluded with account of the Agreement on Base Salary Rates in the Electric Power Industry of the Russian Federation for 2013–2015 and the Agreement on the Procedure, Conditions and Renewal of the Agreement on Base Salary Rates in the Electric Power Industry of the Russian Federation for 2013–2015 for the period of 2016–2018. The Collective Agreement includes the Occupational Safety and Health Management section.

In order to establish the uniform procedure for providing the employees of PJSC IDGC of the North-West with special clothes, special footwear and other personal protective equipment, detergents and (or) disinfectants, milk or other equivalent food products, the Collective Agreement has the following Annexes:

- ✓ Regulation on providing the employees of PJSC IDGC of the North-West with special clothes, special footwear and other protective equipment;
- ✓ Regulation on the procedure and conditions for free provision of detergents and disinfectants to the employees of PJSC IDGC of the North-West;
- ✓ Regulation on the procedure and conditions for free provision of milk and other equivalent food products to the employees of PJSC IDGC of the North-West working in harmful labor conditions.

(EU18)

PJSC IDGC of the North-West cooperates with contractor organizations in accordance with the HR Management Rules of Electric Power Industry Enterprises of the Russian Federation, Building Regulations dated March 12, 2001 "Labor Safety in Construction. Part 1 General Requirements", Occupational Safety Rules for Operation of Electric Power Units (as revised on February 19, 2016).

In 2016, there were no accidents involving employees of contractor organizations during work at the Company's power grid facilities.

More detailed information is provided in Annex 12. Report on results of supporting the employees' human performance reliability and professional activities and of the special assessment of labour conditions.

Targeted social benefits, bonuses and compensations to the Company's employees

In accordance with the Collective Agreement, that component of the social package of the personnel of PJSC IDGC of the North-West comprises a range of targeted payments and compensations to employees, the largest of which are:

- non-recurring financial assistance related to a leave;
- compensation for expenses to travel to the place of leave and back within the Russian Federation payable to employees and their dependents if employees work in Far North districts and equated localities;
- 50% discount for household use of electric power;
- payments in cases of childbirth, registration of marriage, death of relatives;
- non-recurring bonus to employees resigning after occupational pension.

Health insurance of employees

Voluntary health insurance (hereinafter – VHI) and health and accident insurance (hereinafter – HAI) of the Company's employees were provided in accordance with the Regulation on Insurance Protection of PJSC IDGC of the North-West approved by the decision of the Board of Directors dated December 11, 2015 (minutes No. 193/8) as amended on December 17, 2014 (minutes No. 170/12), and the Company's Insurance Protection Program for 2016 approved by the decision of the Board of Directors dated December 29, 2015 (minutes No. 195/10).

VHI and HAI of employees were provided by JSC SOGAZ.

In 2016, the Company raised funds for health promotion among employees' children, which is especially important taking into account the climate of Far North districts where most of the Company's branches are located. Thus, during the reporting year, 567 children of employees aged 7-15 (inclusive) visited national sanatoria and recreation houses, children's health improvement camps and children's recreation and health improvement camps, including the Krasnodar Territory health resorts, fully or partially paid for out of the Company's funds. The Company's expenses for children's health improvement totaled RUB 11.4 m. In 2016, the Company partially compensated for employees' expenses for vacation packages to the Republic of Crimea in the amount of RUB 1.8 m.

2.3.4. Environment Protection

Being fully aware of the need to maintain ecological balance in the regions of the Company's operation because it is the basis of human life, the Company considers environmental protection work to be an integral part of its production activities and qualifies environmental safety increase during operation and construction of power grids as a top-priority objective of PJSC IDGC of the North-West.

The Environmental Policy of PJSC IDGC of the North-West is based on the following principles:

- reasonable use of natural resources during power transmission and distribution;
- reduction of negative environmental impact by implementing modern production technologies and management techniques;
- openness and accessibility of environmental information and results of environmental monitoring, immediate informing of all concerned parties about accidents with negative environmental consequences and measures taken for their elimination.

PJSC IDGC of the North-West undertakes to implement the Environmental Policy and to strictly comply with the requirements of the environmental legislation of the Russian Federation.

Top-priority environmental objectives

In accordance with the approved Program for Implementation of the Environmental Policy, the top-priority objectives of PJSC IDGC of the North-West are decrease of negative environmental impact and assessment of environmental measures for the purpose of their enhancement.

The main environmental objectives of PJSC IDGC of the North-West are as follows:

•prevention of land pollution with transformer oil through timely repair and modernization of oil collectors, oil ducts, and emergency devices of oil collectors;

•development and approval of projects for sanitary protection of artesian wells used for water supply to the facilities of the branches;

•arrangement of places for temporary waste collection;

•implementation of the targeted program for replacement and disposal of equipment containing polychlorinated biphenyls (PCB);

•control over compliance with the environmental legislation by contractor organizations working at the Company's facilities.

During the period before 2016, the Company's strategic environmental objectives included improvement of the system of environmental management and management of natural resources, environmental auditing for comprehensive assessment of the environmental protection activities and development of measures for their enhancement.

Using advanced technologies and solutions

In order to increase environmental safety, the Company took the following measures in 2016:

- Within the program for implementation of the Environmental Policy, the company replaced oil circuit breakers for vacuum and gas-insulated circuit breakers, which enabled to decrease the risk of environmental pollution with transformer oil.
- The Company completed modernization of oil collectors, oil ducts, and emergency devices of oil collectors.
- To ensure environmentally safe waste management, the Company's branches arranged places for temporary waste collection and organized the transfer of I–IV hazard class waste to specialized organizations for further waste recycling and disposal.
- Production departments of the branches regularly performed analytical control of air pollutant emissions from stationary sources and carried out instrumental measurements.
- In 2016, the Company's branches equipped overhead electric lines of 0.4 kW and more with 446 bird protection devices.

The Company fully complies with the extraction license agreements, carries out laboratory analysis of water for quality and components.

Using new technologies for environmental protection

		2012	2013	2014	2015	2016
35 kW vacuum circuit breakers	units	186	224	277	270	314

3-20 kW vacuum circuit breakers	units	5,071	5,517	5,912	6,188	6,474
Self-supporting insulated wires (SIW) on 0.4 kW overhead power lines	km	3,112	4,619	5,576	6,257	6,833
SIW on 6-20 kW overhead power lines	km	3,315	4,089	4,815	5,388	6,098

Seven environmental experts qualified to carry out environmental audit and having certificates of environmental auditors work in the Company (including six environmental experts – in the Company's branches, and one – in the Executive Office).

Environmental audit is carried out at the Company's facilities in order to prevent violations of the environment protection requirements and ensure implementation of the measures aimed to reduce negative environmental impact of the operations.

2.3.4.1 Air pollution (G4-EN15, G4-EN21 and other pollutants).

Item	Units	2016
Gross emission of air pollutants, total	tons	477.810
including		
solid	tons	50.351
gas and liquid	tons	427.228
of which:		
sulphur dioxide	tons	21.373
carbon oxide	tons	166.433
nitrogen oxides (calculated as NO2)	tons	145.924
hydrocarbons (excluding volatile organic compounds)	tons	3.93
volatile organic compounds	tons	82.299
benzopyrene	tons	0.000001

Water use (G4-EN8).

	Units	2012	2013	2014	2015	2016
Water intake and production, including	ths m3	206.31	212.93	197.31	185.10	144.73
from surface sources	ths m3	23.19	22.55	23.07	19.91	13.2
from underground sources	ths m3	43.81	41.91	45.70	42.57	33.64
from other sources	ths m3	139.31	148.46	128.53	122.62	97.88

Most of consumed water is used for in-house and drinking needs - 70%, for production needs – 30 %.

2.3.4.2. Industrial waste (G4-EN23)

Item	Units	2016
Total generated waste	tons	5,938.216
including		
I hazard class	tons	5.027
II hazard class	tons	11.254
III hazard class	tons	101.725
IV hazard class	tons	4,309.951
V hazard class	tons	1,510.259
Transferred to third-party organizations, total	tons	5,938.216

including for disposal	tons	3,904.214

Production in protected natural areas (G4-EN11).

PJSC IDGC of the North-West operates in protected natural areas, including

1. In the Vologda Region (Vologdaenergo branch of PJSC IDGC of the North-West) in specially protected natural areas:

- Russky Sever National Park (Kirillovsky District);
- Darwin Nature Reserve (Cherepovetsky District).

Land plots for power transmission lines are on lease.

The following power lines are located in the Russky Sever National Park:

No.	Item (overhead power lines)	OPL length, km	Total area of a leased land plot, ha
1	110 kW Belozersk – Kirillov OPL	20.5	0.3737
2	110 kW Nikolotorzhskaya 1-2 OPL	25.4	0.966
3	110 kW Nikolsky Torzhok – Nefedovo OPL	24.8	0.1877
4	35 kW Korotets-Charozero OPL	20.3	0.2104
5	35 kW Petrenevo – Kovrizhino OPL	6.8	0.1552
6	35 kW Kovarzino – Korotets OPL	19	0.1905
7	35 kW Vashki – Korotets OPL	9.3	0.1414
8	35 kW Kovrizhino-Kirillov OPL	13.5	0.0868
TOTAL:		139.6	2.3387

The 10 kW Zapovednik OPL, 15 km length, is located in the Darwin Nature Reserve.

2. In the Republic of Karelia (Karelenergo branch of PJSC IDGC of the North-West) in specially protected natural areas: SS-35/10 kW Zharnikovo, high-voltage protected line-35 kW No. 94P "SS Velikaya Guba – SS 44P Zharnikovo" are partially located in the territory of the Kizhsky State Republican Sanctuary.

f) Penalties for violation of the environmental legislation and regulatory requirements (G4-EN29); environment protection expenses and investments (G4-EN31).

In 2016, penalties for violations of the environmental, sanitary and epidemiological legislation totaled RUB 210 ths.

Environment protection expenses and investments

Indicator	Expenses, RUB ths.				
	2012	2013	2014	2015	2016
Current environment protection expenses, including:	12,862.25	13,169.96	13,535.40	11,096.97	12,988.08
protection and sustainable use of water resources	6,598.06	5,320.47	5,042.74	3,758.72	4,337.09
air protection	1,010.96	1,355.32	1,358.03	1,651.75	1,930.30
protection of the environment (land) against industrial and consumer waste	5,253.23	5,945.17	6,883.83	5,686.49	6,100.98
land restoration	-	549.00	250.80	-	31.00

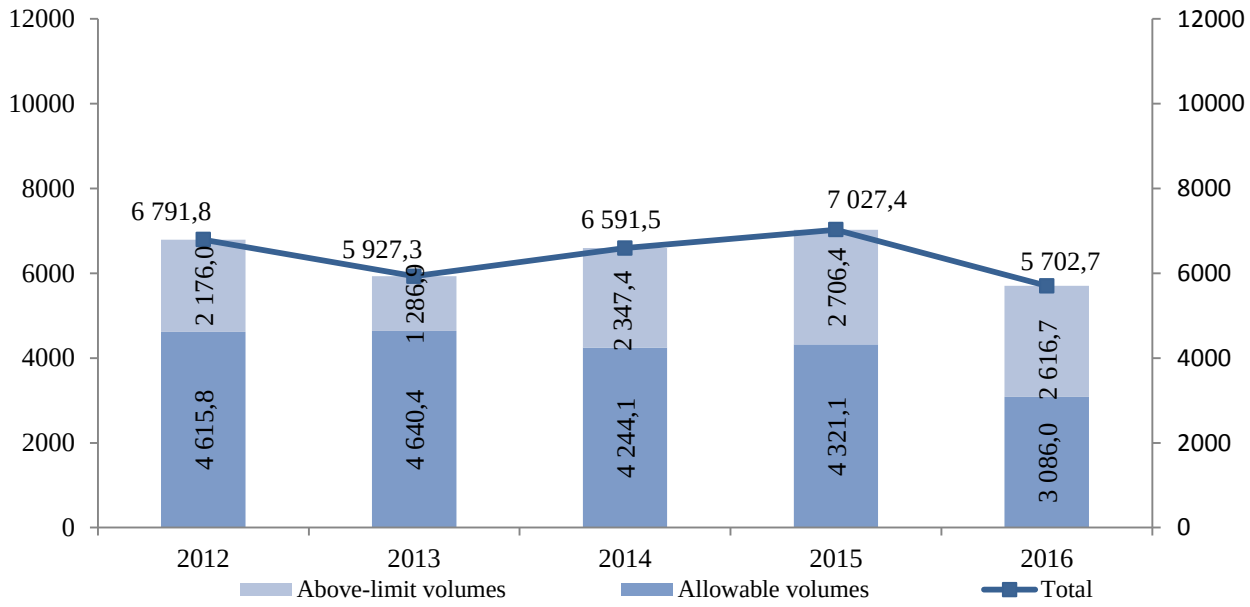
Payments for negative environmental impact

Payments for negative environmental impact, RUB ths

Item	2012	2013	2014	2015	2016
Total, including	6,791.75	5,927.33	6,591.50	7,027.44	5,702.67
allowable volumes	4,615.75	4,640.44	4,244.09	4,321.07	3,086.01
above-limit volumes	2,175.99	1,286.89	2,347.41	2,706.37	2,616.66
Discharge into water bodies, including	130.67	140.84	147.69	165.52	256.59
allowable volumes	130.17	139.60	147.47	162.91	142.59
above-limit volumes	0.50	1.24	0.22	2.61	113.99
Air emissions, including	548.38	964.61	1,155.72	829.58	754.85
allowable volumes	232.83	160.98	148.89	129.55	52.65
above-limit volumes	315.54	803.63	1,006.83	700.03	702.20
Waste disposal, including	6,112.69	4,821.87	5,388.09	6,032.34	4,691.23
allowable volumes	4,252.74	4,399.86	3,947.72	4,028.60	2,890.77
above-limit volumes	1,859.95	482.02	1,340.37	2,003.74	1,800.46

In 2016, payments for negative environmental impact decreased compared to 2015.

Trend of payments for negative environmental impact, RUB ths



(G4-EN29)

In 2016, penalties for violations of the environmental, sanitary and epidemiological legislation totaled RUB 210 ths.

2.3.5. Energy Saving and Energy Efficiency

Efforts to increase energy saving and energy efficiency

The Company organized its activities aimed to improve energy saving and energy efficiency in accordance with the Program for Energy Saving and Enhanced Energy Efficiency of PJSC IDGC of the North-West for the period of 2016-2020 (hereinafter – the Program)

approved by the decision of the Board of Directors dated November 21, 2016 (minutes No. 223/14).

In 2017, PJSC IDGC of the North-West plans to develop, implement and prepare for certification its energy management system in accordance with the requirements of international standard ISO 50001:2011 (state standard GOST R ISO 50001-2012).

The regulations and laws used to organize and perform activities for energy saving and increasing energy efficiency in PJSC IDGC of the North-West in 2016 are listed in Annex 13. Regulatory Framework for Energy Saving and Energy Efficiency.

2.3.5.1 Achievement of targets of the Program for Energy Saving and Enhanced Energy Efficiency

Within the Program for Energy Saving and Enhanced Energy Efficiency, the following targeted indicators were adopted:

- power loss during power transmission and distribution through power grids;
- energy resource consumption for in-house needs;
- use of up-to-date electric power meters in the retail market.

Numerical values of the Program's targeted indicators were approved for 2016-2020 and are specified in the Fuel Consumption table.

(G4-EN3; G4-EN6)

Fuel consumption

No.	Indicator	Units	2016	
			Target	Actual
1	Power losses	m kWh	2,471.84	2,484.67
		RUB m, excluding VAT	4,868.76	5,391.98
		% of output to grid	6.30	6.22
2	Consumption by substations for in-house needs	m kWh	90.38	74.10
3	Energy consumption for in-house needs of administrative and production facilities, total, including*:	RUB m, excluding VAT	318.12	286.23
		ths tons of oil equivalent	18.69	18.42
3.1.	electric power	m kWh	85.11	81.73
		ths tons of oil equivalent	10.21	9.81
		RUB m, excluding VAT	221.44	198.01
3.2.	heat (building heating systems)	Gcal	54,760.86	55,404.39
		ths tons of oil equivalent	7.83	7.92
		RUB m, excluding VAT	93.41	85.34
3.3.	natural gas (including	ths m^3	562.68	603.20

	liquefied gas)	ths tons of oil equivalent	0.65	0.70
		RUB m, excluding VAT	3.27	2.88
4	Natural resource consumption for in-house needs of administrative and production facilities, total, including:	RUB m, excluding VAT	6.11	3.90
		ths m^3	182.53	133.85
4.1	hot water supply	ths m^3	39.96	27.60
		RUB m, excluding VAT	0.96	0.25
4.2	cold water supply	ths m^3	142.57	106.26
		RUB m, excluding VAT	5.14	3.65
5	Motor fuel consumption by motor transport and special machines, total, including:	ths l	12,892.77	13,121.99
		ths tons of oil equivalent	15.13	15.40
		RUB m, excluding VAT	414.56	404.83
5.1.	petrol, including:	ths l	7,602.01	7,762.50
		ths tons of oil equivalent	8.61	8.79
		RUB m, excluding VAT	245.63	235.88
5.1.1.	motor transport	ths l	6,250.56	6,458.04
		ths tons of oil equivalent	7.08	7.31
		RUB m, excluding VAT	199.91	195.82
5.1.2.	special machines	ths l	1,351.45	1,304.46
		ths tons of oil equivalent	1.53	1.48
		RUB m, excluding VAT	45.71	40.06
5.2.	diesel fuel, including:	ths l	5,290.76	5,359.49
		ths tons of oil equivalent	6.52	6.61
		RUB m, excluding VAT	168.93	168.95
5.2.1.	motor transport	ths l	2,684.19	2,727.91
		ths tons of oil equivalent	3.31	3.36
		RUB m, excluding VAT	85.75	85.58
5.2.2.	special machines	ths l	2,606.57	2,631.58
		ths tons of oil equivalent	3.21	3.24
		RUB m, excluding VAT	83.18	83.37
5.3.	Other fuels for motor transport and special	ths tons of oil equivalent	-	-

	machines, total, including:	RUB m, excluding VAT	-	1.48
5.3.2	electric power	m kWh	-	-
		ths tons of oil equivalent	-	-
		RUB m, excluding VAT	-	1.48

*In the reporting year, the Company only used the energy resources listed in the Fuel Consumption table.

(G4-EN1)

Electric power (man-made renewable resource) is the main resource used by the Company. Other types of resources include motor fuel (non-renewable resource), natural gas (non-renewable resource), and water supply for in-house needs of buildings (renewable resource).

The Program consists of sections, target subprograms (measures) and related measures that, in their turn, are broken up into measures aimed to reduce electric power losses during power transmission and distribution through power grids and measures to decrease energy resource consumption at the facilities for production-related and in-house needs that are divided into organizational and technical measures.

Target measures are measures that ensure decrease of energy resource consumption (including electric power) and (or) water consumption by at least 15% of the annual consumption of the relevant resource with an 80% return on investments over 5 years for energy resource consumption and (or) water consumption for production-related and in-house needs and with a return within no more than 10 years for measures ensuring power loss reduction during power transmission and distribution.

Related measures intended to optimize the consumption for production-related and in-house needs and measures to reduce electric power losses include measures improving energy efficiency and not conforming to the criteria of target measures.

Target and related measures for reducing power losses

Item	Result in physical terms (m kWh)		Economic benefits, RUB m	
	Target	Actual	Target	Actual
Target measures	34.41	41.28	81.22	157.53
Related measures	12.03	15.47	46.97	41.21
Total	43.44	56.75	128.19	198.74

Key target measures to reduce power losses

Measure	Result in physical terms (m kWh)	Economic benefits, RUB m
	Actual	Actual
Organizational measures	40.41	155.68
Technical measures	0.87	1.84
Technical re-equipment and modernization, and new construction	6.86	15.12
Program for development of power metering and control equipment	8.00	24.70
Other programs and measures	0.62	1.38
Total	56.75	198.74

In 2016, the result of the target measures totaled 41.28 m kWhin physical terms and RUB 157.53 m in money terms. The result of related measures totaled 15.47 m kWh, or RUB 41.21 m in money terms. *The overall result amounted to 56.75 m kWh, or RUB 198,74 m.*

Key target measures to reduce resource consumption for in-house needs

In 2016, the Company's total result achieved through the implementation of the target measures aimed to reduce resource consumption for in-house needs amounted to 1.26 ths tons of oil equivalent, and RUB 3.32 m, while the target results were 0.4 ths tons of oil equivalent and RUB 1.12 m.

2.3.6. Quality Policy

The Quality Policy is one of the key quality management system documents. It stipulates the main priorities and principles of activities of

PJSC IDGC of the North-West and is the basis for setting goals and tasks at all management levels.

The Company considers creation of an efficient distribution power grid complex and continuous improvement of the quality and accessibility of its services to be its top priorities, understanding quality as compliance with technical requirements in the process of power transmission, as well as maintenance of high-level customer service.

The Quality Policy of PJSC IDGC of the North-West stipulates the main principles of service quality improvement:

- regular determination and implementation of customer requirements, improvement of the services provided to consumers;
- continuous enhancement and increase of efficiency of the Company's management system by using modern management techniques;
- optimization of production and management processes;
- continuous improvement of the personnel competence level and creation of the conditions for involving each employee in the process of enhancement of the Company's activities;
- efficient use of the Company's resources;
- development of long-term, stable and mutually beneficial relationships with suppliers;
- making management decisions based on constant analysis of the Company's performance;
- maintenance of a high level of the corporate values.

The Quality Policy was approved by the Director General, and all employees of PJSC IDGC of the North-West were informed about it[8] (including about the reliability and quality rates).

Information on achievement of the performance indicators, the reliability and quality levels in 2016 was provided in the Production Results section.

2.3.7. Consolidation of Power Grid Assets

2.3.7.1. The principles of work for consolidation of the power grid assets and interaction with regional power grid organizations.

In accordance with the Development Strategy of the Power Grid Complex of the Russian Federation approved by the Government of the Russian Federation (hereinafter – the Strategy), the main objective of operation of the distribution power grid complex is long-term reliable, high-quality and affordable electric power supply to consumers in the entire territory of a particular region at the power distribution stage.

Increased coordination among local grid operators (hereinafter – LGO) and improvement of control over them are a key objective of the power grid industry.

In accordance with the Strategy and for the purpose of securing the proper level of reliability and quality of power supply to consumers, PJSC IDGC of the North-West stipulated the consolidation of the power grid assets as a top-priority area in the Company's work.

Efforts for consolidation of the power grid assets in PJSC IDGC of the North-West are based on consideration of incoming applications for power grid facilities' transfer and identification of power grid facilities that can be potentially attractive for their consolidation by PJSC IDGC of the North-West, and subsequent interaction with owners of such facilities to agree upon the best conditions of the relevant deals.

In order to define the possibility of consolidation of the power grid complex in the territory of operation of PJSC IDGC of the North-West, the Company continuously monitors and analyzes activities of adjacent LGOs, their ownership structures, tariff and balance decisions adopted by the executive authorities in the tariff regulation area related to those LGOs.

The Company especially focuses on LGOs owning power grid facilities with technological connection to the facilities of PJSC IDGC of the North-West.

In the existing macroeconomic situation, one of the most relevant methods for consolidating facilities of the power grid complex in PJSC IDGC of the North-West is development of joint projects with the regional executive authorities providing for consolidation of regional, municipal and ownerless power grid property within PJSC IDGC of the North-West.

As of today, the Company has signed the Agreements on Cooperation in Implementation of the Power Grid Complex Consolidation Measures (hereinafter – the Agreement) with the executive authorities of the following regions:

- Republic of Karelia
- Komi Republic
- Murmansk Region

In addition, the Company is currently actively communicating with the Government of the Novgorod Region for the purpose of signing a similar Agreement.

In order to provide reliable and uninterrupted electric power supply, the branches of PJSC IDGC of the North-West continuously cooperate with the owners or other legal possessors of the power grid facilities that lost the LGO status for the purpose of developing options for transfer of their power grid facilities to PJSC IDGC of the North-West.

[8] The Quality Policy of PJSC IDGC of the North-West is published on the Company's website http://www.mrsksevzap.ru/policyquality

Besides, there are cases when owners of power grid facilities apply to PJSC IDGC of the North-West with proposals to transfer their facilities to the Company for repayment of their debts for electric power transmission.

It is necessary to mention that within the Agreements on Cooperation in Implementation of the Power Grid Complex Consolidation Measures concluded with the Governments of the regional executive authorities, PJSC IDGC of the North-West is planning to consolidate, among others, power grid facilities of the owners who lost the LGO status, e.g. in the Komi Republic (Energotrade LLC, Respublikanskaya Setevaya Kompaniya LLC, TIRS LLC), the Murmansk Region (municipal unitary enterprise Gorodskie Seti, Profservis LLC).

2.3.7.2. Volumes of power grid asset consolidation

The Program for Consolidation of Power Grid Assets is a target program of PJSC IDGC of the North-West.

The Program for Consolidation of Power Grid Assets of PJSC IDGC of the North-West is aimed to fulfill the following main tasks:

- reliable and uninterrupted electric power supply;
- reduction of receivables through acquisition of power grid facilities;
- reduction of the share of uncontrolled RGR in the regions of the Company's operation.

In 2016, the Program for Consolidation of Power Grid Assets provided for the measures aimed to consolidate power grid facilities that implied an increase in the following indicators of the Company:

	Volume of power grid facilities, c. u.	Capacity, MBA	Length of power lines, km
TOTAL	1,180	26	348
including lease	1,030	14	296
including acquisition	150	12	52

Expenses for 2016 planned within the Program for Consolidation of Power Grid Assets of PJSC IDGC of the North-West totaled RUB 5 m, including RUB 0.4 m for acquisition and RUB 4.3 m for lease.

Actual expenses in 2016 for the measures aimed at consolidation of power grid assets of PJSC IDGC of the North-West totaled RUB 6 m, including RUB 5.9 m for lease of power grid property and RUB 0.1 m for acquisition of power grid property.

Consolidation volumes in PJSC IDGC of the North-West for the last 3 years

PJSC IDGC of the North-West	2014			2015			2016		
	Consolidation of power grid assets over the period			Consolidation of power grid assets over the period			Consolidation of power grid assets over the period		
	MVA	km	c. u.	MVA	km	c. u.	MVA	km	c. u.
1	2	3	4	6	7	8	10	11	12
TOTAL for PJSC IDGC of the North-West	76	821	2,511	77	823	2,351	92	1,127	3,317
Acquisition of power grid facilities	2	18	214	2	20	53	10	43	122
Lease of power grid facilities	75	803	2,298	75	803	2,298	82	1,084	3,195
Other (permanent rights of possession and use)	0	0	0	0	0	0	0	0	0
Other (permanent rights of	0	0	0	0	0	0	0	0	0

possession and use)									

2.3.8. Long-Term Development

The system of planning and management of the electric power industry development is aimed to align commissioning of the generating capacities and grid infrastructure and to ensure their technological compatibility in order to meet the demand for electric power (capacity) supply and prevent excess and shortage of electric power in the power system.

For the purpose of devising proposals regarding the power grid infrastructure development to ensure a stable social and economic growth in the Russian regions, to improve accessibility of the power infrastructure, boost competition in the electric power (capacity) market, and align the development of main and distribution power grids, PJSC IDGC of the North-West in cooperation with specialized design organizations annually elaborates (revises) comprehensive development programs for power grids of 35 kW and more for a 5-year period in a particular constituent entity of the Russian Federation.

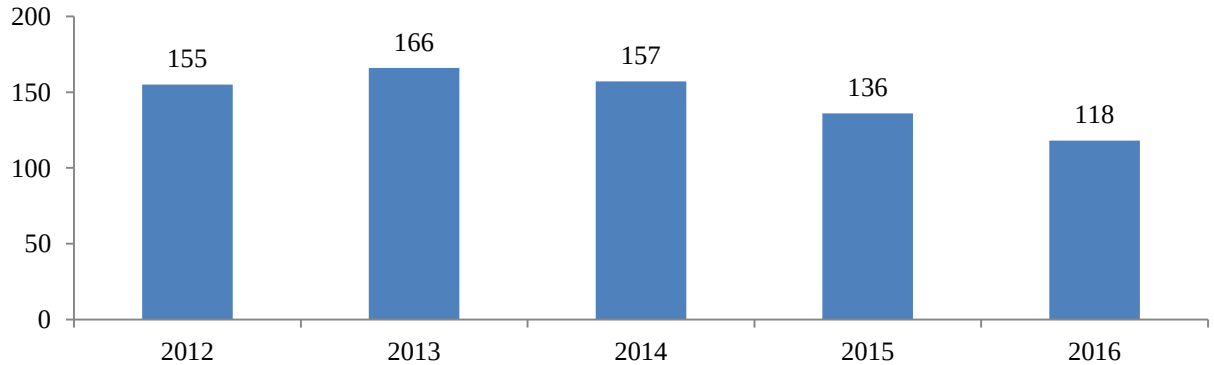
These comprehensive development programs are used as supporting materials for elaborating investment programs of the Company's branches, devising schemes and programs for long-term development of the electric power industry in the constituent entities of the Russian Federation, and creating programs for technical re-equipment of the power grid facilities.

For PJSC IDGC of the North-West, as well as for other distribution grid companies, an urgent area of the long-term development is elimination of the problem of electric power shortage which is caused, among others, by closed power supply centers - power substations where the equipment is operated with a 100 percent load. Withdrawal for repair or emergency shutdown of one of the transformers at such a substation entails an overload of the remaining operating equipment and requires shifting the load to other substations or establishing schedules for limitation of power supply to consumers. Accordingly, it is impossible to connect new consumers or to carry out repair at such substations.

Being aware of the importance of reliable and uninterrupted power supply to consumers, availability of a capacity reserve for technological connection of new customers, the Company takes measures to reduce the number of power supply centers experiencing power shortages.

Changes in the number of power supply centers experiencing power shortages in 2012-2016 (taking into account technological connection contracts)

Changes in the number of power supply centers experiencing power shortages

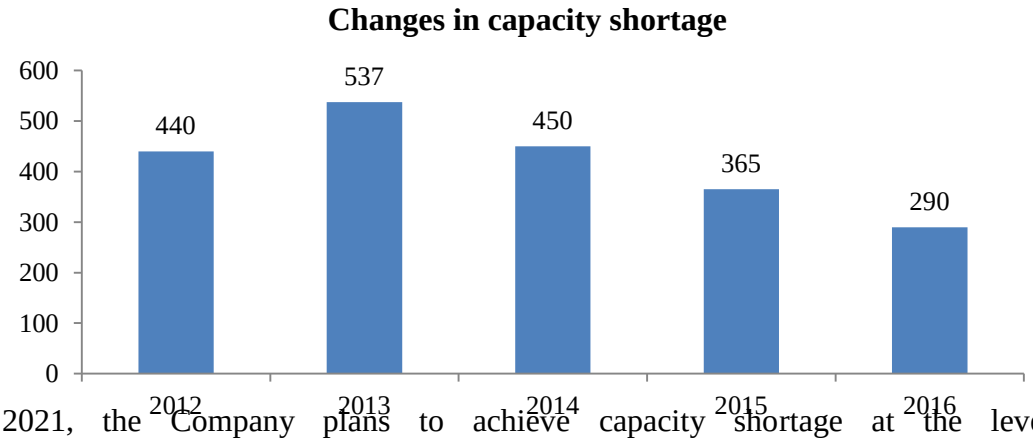


As of December 31, 2016, 118 power supply centers of 35 kW and more (10% of the total number of power supply centers) experienced power

shortages (taking into account the concluded technological connection contracts), capacity shortage totaling 290 MVA.

Since 2013, as a result of implementation of the projects provided for by the Company's investment program, the number of power supply centers of 35 kW and more experiencing power shortages has been steadily decreasing. By 2021, the Company plans to reduce the number of power supply centers experiencing power shortages to 97 units (18% less than in 2016).

Capacity shortage of power supply centers experiencing power shortages in 2012-2016 (taking into account technological connection contracts)



By 2021, the Company plans to achieve capacity shortage at the level of 190 MVA , which is 34% less than in 2016.

2.3.8.1. Development of the automated system for generating forecasts of long-term load and power consumption changes

In order to provide full information about the current state and development of power grid facilities in the regions of the Company's operation, PJSC IDGC of the North-West elaborated subsystem Power Facilities Display in the Google System. The work was implemented in accordance with the standard functional requirements to visualization of the current load at the power supply centers of 35 kW and more.

The Power Facilities Display in the Google System was put into operation in PJSC IDGC of the North-West at the end of 2012.

The System contains information about the power supply centers and grid structure - the automatically processed information enables to understand future changes of load at the power supply centers and to obtain a comprehensive view. Information about parameters of the power facilities, including overloads, available capacities and planned modernization of the power supply centers, is displayed on the electronic map.

2.3.8.2. Information about availability (development) of future grid development schemes agreed upon with the administrations of the constituent entities of the Russian Federation

In accordance with the Resolution of the Government of the Russian Federation "On Schemes and Programs of Long-Term Development of the Power Industry" No. 823 dated October 17, 2009, schemes and programs for development of the power industry in the constituent entities of the Russian Federation shall be developed by the executive authorities of the constituent entities of the Russian Federation in cooperation with system operators and grid

organizations for a five-year period with account of the schemes and programs of the Unified Power System of the Russian Federation.

Information on available schemes and programs for development of the power industry in the constituent entities of the Russian Federation

Constituent entity of the Russian Federation	Year of development	Project period for implementing development schemes and programs
Arkhangelsk Region	2016	2016-2020
Vologda Region	2016	2017-2021
Republic of Karelia	2016	2016-2020
Murmansk Region	2016	2017-2021
Komi Republic	2016	2016-2021
Novgorod Region	2016	2016-2020
Pskov Region	2016	2016-2020

The schemes and programs for development of the power industry in the constituent entities of the Russian Federation were agreed upon with both PJSC IDGC of the North-West and JSC SO UES (regional dispatching office, interregional dispatching office).

The main objectives of the schemes and programs for development of the power industry are development of the grid infrastructure and generating capacities, meeting long-term and medium-term demand for electric power and capacity, and creation of stable and favorable conditions for attracting investments in construction of power industry facilities.

Schemes and programs for development of the power industry of the constituent entities of the Russian Federation are the basis for elaboration of investment programs of distribution grid companies.

PJSC IDGC of the North-West develops and approves investment programs taking into account the measures stipulated by the schemes and programs for development of the power industry of the constituent entities of the Russian Federation.

3. CORPORATE GOVERNANCE

3.1. General Information about the Company's Corporate Governance Practice

3.1.1. Corporate Governance Structure

General Shareholders Meeting **Board of Directors** **Executive Bodies** **General Director** **Management Board** **Department for Internal Audit**	**Audit Commission**	**Corporate Secretary** **Board of Directors' Committees** Audit Committee Staff and Remuneration Committee Strategy and Development Committee Committee for Technological Connection Reliability Committee

General Shareholders Meeting is the supreme governance body of the Company.

Board of Directors is the governance body which controls the operations of the Company's Sole Executive Body and performs other functions vested therein by law or the Company's Articles of Association. The Board of Directors shall be responsible for the overall running of the Company, except for the issues reserved for the General Shareholders Meeting in accordance with the Federal Law "On Joint-Stock Companies" and the Company's Articles of Association.

Management Board is the executive body qualified to resolve particular issues of the day-to-day management of the Company's business.

General Director is the Company's Sole Executive Body who manages the Company's current operations in accordance with the decisions made by the General Shareholders Meeting, the Board of Directors, and the Management Board within their competence. All issues concerning the management of the Company's current operations fall within the General Director's authority, except for the matters reserved for the Company's General Shareholders Meeting, the Board of Directors, and the Management Board.

Audit Commission is the body charged with regular oversight of the Company's financial and economic activity.

Corporate Secretary is the Company's official whose responsibilities include organizational support for the Company's Board of Directors, assistance with preparing for and holding the General Shareholders Meetings; contributing towards the implementation of the Company's information disclosure policy, taking part in enhancing the Company's corporate governance system and practices, etc.

Board of Directors' Committees are the Company's advisory bodies created to examine issues that fall within the Board of Directors' authority (or are contemplated by the Board of Directors by way of control over the activities of the Company's executive body) and develop recommendations necessary for the Board of Directors and the Company's executive bodies.

Department for Internal Audit is the Company's organizational unit supporting the Board of Directors and the Company's executive bodies in raising the Company's management efficiency. The aim of the internal audit is to facilitate achieving corporate objectives in the most effective and economically sound manner by use of systematic and consistent approach to assessing and raising the effectiveness of risk management, internal control, and corporate governance systems.

3.1.2. Authority and Responsibility of the Corporate Governance Bodies

Governance bodies:

The Company's governance system aims at effectiveness of the financial and economic activities while upholding the balance of interests of different groups of stakeholders, including shareholders, management, etc.

The corporate governance system is a system of management and control bodies acting under the law of the Russian Federation, the Company's Articles of Association, and the Corporate Governance Code. It includes:

General Shareholders Meeting :

PJSC IDGC of the North-West strives for a meaningful dialogue with its shareholders, based on respect for their rights and lawful interests, while maintaining a high level of trust between shareholders and the Company when it comes to the relationships arising in the process of managing the Company. Furthermore, the Company is committed to the principle of equal treatment of all shareholders, including those who own small blocks of securities.

Shareholders' right to regularly and timely receive information concerning the Company's activity, to the extent that will prove sufficient for them to make informed decisions, is guaranteed by compliance with the information disclosure requirements under the law of the Russian Federation.

Thus, in 2016 in order to inform the shareholders about General Shareholders Meeting in due time, the Company posted the respective information on its website earlier than 30 days

before the actual date of the Annual General Shareholders Meeting (AGSM). To ensure easy and unrestricted access to the materials related to General Shareholders Meeting for its shareholders, the Company published all materials concerning the General Shareholders Meeting agenda on its official website.

In order to secure the rights of the Company's shareholders for participation in General Shareholders Meeting and valid voting results, JSC R.O.S.T. Registrar, a professional securities market participant and registrar of the Company is engaged to perform the functions of the Counting Commission at the General Shareholders Meeting.

In order to create the most favourable environment for the shareholders' participation in the General Shareholders Meeting of the Company, shareholders are provided with the opportunity to unimpededly exercise their right to vote in the most convenient and easiest way . Notice of the General Shareholders Meeting, posted on the Company's website, informs of the venue where it is to be held, and the list of addresses filled-in voting ballots can be sent to. Materials, provided to the shareholders within General Shareholders Meeting preparation, contain directions on how to get to the venue of the Meeting.

PJSC IDGC of the North-West invites members of the Board of Directors and the Audit Commission, nominees to the Board of Directors and the Audit Commission, and the auditor to participate in the General Shareholders Meeting. The General Shareholders Meeting procedure established by the Company provides an equal opportunity to everyone present to express their opinion and ask questions on matters of interest until a resolution is passed on the issues on the agenda.

In 2016, a single General Shareholders Meeting was held on June 8, 2016 (minutes No. 11.) The Annual General Shareholders Meeting of PJSC IDGC of the North-West approved the following: the Company's 2015 Annual Report, the Company's 2015 annual financial statements, allocation of profit (loss) for the accounting year 2015, the Company's auditor and Regulation on the Board of Directors as amended. The persons elected were as follows: members of the Company's Board of Directors, members of the Company's Audit Commission.

Record of the General Shareholders Meeting quorum over the last five years:

2012	Annual General Shareholders Meeting	June 21, 2012	88.7806%
	Extraordinary General Shareholders Meeting	August 28, 2012	88.9219%
2013	Annual General Shareholders Meeting	June 21, 2013	88.0301%
2014	Extraordinary General Shareholders Meeting	March 12, 2014	87.9028%
	Annual General Shareholders Meeting	June 25, 2014	88.6971%
2015	Annual General Shareholders Meeting	June 23, 2015	87.8867%
2016	Annual General Shareholders Meeting	June 8, 2016	88.2473%

Board of Directors:

The Company's effective corporate governance in large part relies on having a professional Board of Directors. The Company's Board of Directors is guided in its activities by the internal Regulation on the Board of Directors.

Key functions of the Company's Board of Directors include: matters of general strategic management of the Company, identifying priority areas of development for the Company, control of the activities of the executive bodies in the interests of the Company and its shareholders, objective assessment of the Company's financial standing.

Well balanced presence of independent Directors on the Board ensures equal opportunities for all groups of shareholders to exercise their rights and promote their interests.

Effective corporate governance calls for an open dialogue between the Board of Directors and the executive bodies of the Company. To this end the General Director of PJSC IDGC of the North-West presents quarterly progress reports about the Company's activities to the Board of Directors, including reports on implementation of decisions made by the Board. The Board of Directors set up necessary instruments of and exercise control over the actions of the Company's Management Board, including monitoring and assessment of its activity.

2016 corporate events calendar:

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Annual General Shareholders Meeting (AGSM)						1							1
Meetings of the Board of Directors	-	2	3	6	2	3	4	2	3	2	1	4	32
Meetings of the Board of Directors' Committees													
Audit Committee	-	2	1	1	1	-	-	3	-	1	2	1	12
Staff and Remuneration Committee	-	1	1	2	1	1	-	1	1	1	1	1	11
Strategy and Development Committee	-	3	1	3	2	1	-	2	1	1	2	3	19
Reliability Committee	-	1	-	1	1	-	-	1	-	1	-	2	7
Committee for Technological Connection	-	-	1	1	-	1	-	-	1	-	1	-	5

3.1.3. Enhancing Corporate Governance

For PJSC IDGC of the North-West corporate governance consists of several processes, which are instrumental in managing and exercising control over the Company's activity and cover relationships of the shareholders, the Board of Directors, and the executive bodies of the Company in the interest of shareholders. The Company sees corporate governance as a means of increasing the effectiveness of the Company's operations, bolstering its reputation, and decreasing its cost of capital.

The Company's corporate governance system is based on the principles of accountability, fairness, transparency, and responsibility.

The principles and structure of corporate governance within the Company, description of the corporate governance practice and other details relating to the Company's corporate governance are set forth in the Corporate Governance Code of the Company.

The Company's Corporate governance system and practice ensure reliable record of right to shares, the right of the shareholders to participate in the Company's governance, the Company's profit, and to receive material information on the Company.

The Company strives to comply with the Corporate Governance Code (hereinafter also referred to as CGC) provisions recommended for application by the Letter of the Bank of Russia dated April 10, 2014 No. 06-52/2463 and the Listing Rules of PJSC Moscow Exchange MICEX-RTS.

The management of the Company monitors the Company's Articles of Association and internal documents for compliance with the current legislation of the Russian Federation and initiates making amendments whenever necessary.

In 2016, adopting the amended and restated Regulation on the Board of Directors of PJSC IDGC of the North-West was added to the Company's Annual General Meeting agenda to enhance corporate governance, upon the recommendation of the Board of Directors dated April 29, 2016 (minutes No. 205/20). The amended and restated Regulation on the Board of Directors of PJSC IDGC of the North-West was adopted at the Company's Annual General Shareholders Meeting on June 8, 2016 (minutes No. 11.)

Key changes in the amended and restated Regulation on the Board of Directors of PJSC IDGC of the North-West included:

1. Clarifying the authority and extending the area of responsibility of the Chairman of the Board of Directors (in accordance with CGC items No. 122–124);
2. Obliging members of the Boards of Directors to refrain from actions which can lead to a conflict of interest as well as their obligation of non-disclosure of confidential information (CGC items No. 128, 132, 133, 145);
3. Providing for the use of present-day means of communication by and between the Board of Directors.

At present, a draft containing amendments to the Company's Articles of Association is prepared which reflects the changes in the RF legislation made effective in 2016 and 2017. These amendments to the Company's Articles of Association are to be put on the Company's 2017 AGSM agenda.

Following the generally recognized national and international principles of corporate governance, set out in the Corporate Governance Code, by its resolution the Board of Directors updated and approved, the following internal documents needed to methodologically organize the processes of internal control and risk management, and internal audit:

- ✓ Internal Control Policy of PJSC IDGC of the North-West (new version) (dated February 29, 2016; minutes No. 197/12);
- ✓ Risk Management Policy of PJSC IDGC of the North-West (new version) (dated March 31, 2016; minutes No. 200/15);
- ✓ Internal Audit Policy of PJSC IDGC of the North-West (new version) (dated February 29, 2016; minutes No.197/12);

To organize the risk management system, the Company approved the Register of Key Operational Risks, the Register of Operational Risks for Core Business Processes (with risk owners assigned), and the Register of Operational Risks for Other Business Processes (with risk owners assigned.)

In 2015–2016 the Company's Board of Directors through its resolutions approved the restated versions of the Regulation on the Reliability Committee and the Regulation on the Audit Committee, and amended the Regulation on the Audit Committee and the Regulation on the Strategy and Development Committee of the Company's Board of Directors.

The Board of Directors examined and approved the restated version of the Regulation on the Corporate Secretary of the PJSC IDGC of the North-West which was developed following the CGC recommendation to meet the current requirements of the Listing Rules of PJSC Moscow Exchange MICEX-RTS.

Furthermore, in 2016 the General Director of the Company approved the Statute on Preparation of Materials (Information) for the meetings of the Company's Management Board / the Board of Directors' Committees / the PJSC IDGC of the North-West Boards of Directors (Order No. 79 dated February 8, 2016). It determines the new materials preparation procedure for the meetings of the Company's executive bodies and the Board of Directors' Committees with use of the Automated Documentation Control System (ADCS.) The Statute primary objective is to ensure high quality and timeliness of materials to be contemplated by the executive bodies.

In December 2016, in accordance with the Rating Committee's resolution based on the analysis of the Company management quality (minutes No. 9964 dated December 16, 2016), Rating Agency RAEX (Expert RA) confirmed the highest Corporate Governance Rating — A++.gq of PJSC IDGC of the North-West, also making a note that the corporate governance system ensures the highest standard of respect for stakeholders' rights and their protection. PJSC IDGC of the North-West was first assigned the highest Corporate Governance Rating —

A++.gq in 2014 by the Rating Committee's resolution (minutes No. 5153 dated December 12, 2014.)

By drawing on the good practices of other companies, changes in the RF legislation and the advanced standards in this field, the Company will seek to further improve its corporate governance in the future.

Documents on the Company's corporate governance system can be found on the website: http://www.mrsksevzap.ru/en/articlesofassociationandinternaldocuments

3.1.4. Report on Conformity to Principles and Recommendations of the Corporate Governance Code

PJSC IDGC of the North-West Report on Conformity to Principles and Recommendations of the Corporate Governance Code, Annex 15. Report on conformity to the corporate governance standard, examined by the PJSC IDGC of the North-West Board of Directors[9] as part of the discussion "On the preliminary approval of the Company's 2016 Annual Report."

The Board of Directors confirms that the information regarding the Company's conformity to the principles and recommendations set out in the Corporate Governance Code for 2016, which is given in the report, is comprehensive and accurate.

Statistics on the conformity to the principles of corporate governance are set out in the following table

Section	Principles set out in the Code	Principles fully conformed to by the Company	Principles partially conformed to by the Company	Principles not conformed to by the Company
Shareholders' rights and equitable treatment of shareholders in exercising their rights	13	11	1	1
Board of Directors of the Company	36	12	18	6
Corporate Secretary of the Company	2	2	-	-
System of remuneration for members of the Board of Directors, executive bodies, and other key executives in the Company	10	7	3	-
Risk management and internal control system	6	6	-	-
Disclosure of information on the Company; information policy of the Company	7	5	2	
Significant corporate actions	5	2	2	1

[9] Assessment of adherence to the principles of corporate governance relied upon methodology set out in the Recommendations of the Central Bank of the Russian Federation on preparation of report on adherence to the principles and recommendations of the Corporate Governance Code (Letter of the Central Bank of the Russian Federation No. IN-06-52/8 dated February 17, 2016.)

Principles fully conformed to by the Company
Principles partially conformed to by the Company
Principles not conformed to by the Company

3.2. Board of Directors of the Company

3.2.1. Report of the Board of Directors on Priority Areas for the Company

Resolutions of the Company's Board of Directors identify several key areas as priorities. Information concerning the issues examined by the Company's Board of Directors and actions taken by the Company's management as part of work in the Company's 2016 priority areas is given below.

Areas prioritized by the Board of Directors	Dated (minutes No.)	Actions undertaken as part of the priority area work in 2016
Maintaining the level of quality and reliability of rendered services required by the laws and regulations as implemented by the executive authorities for tariff regulation of the constituents of the Russian Federation	September 16, 2011 (minutes No. 82/3)	Factual year-end measurements of quality and reliability level of services at all branches are annually reviewed by the Board of Directors followed by forwarding the information to the executive authorities of the constituents of the Russian Federation for tariff regulation. Furthermore, in 2016 the dynamic variation analysis of reliability indices "Average Duration of Customer Power Supply Interruption" and "Average Frequency of Customer Power Supply Interruption" was conducted at all branches and Company in general for the 2014–2015 period. This analysis revealed the trend for improvement of these indices, which confirms that the customers have a reliable power supply. Report on the results of the analysis of reliability indices was considered by the Board of Directors on August 22, 2016 (minutes No. 217/8.) Reliability and quality targets for services provided by the Company's branches Vologdaenergo, Karelenergo, and Pskovenergo for the new regulation period (2018–2022) have been identified and presented to the Board of Directors.
Development of the Company's Innovation-Driven Growth Program	February 22, 2011 (minutes No. 71/11)	The Company's Innovation-Driven Growth Program for the 2011–2016 period (hereinafter referred to as the Program) was approved by the Board of Directors on July 27, 2011 (minutes No. 80/1.) The adjusted Program was approved by

		the resolution of the Board of Directors dated June 20, 2012 (minutes No. 102/23.) Reports on the implementation of the Program are presented to the Board of Directors annually. Following the results of the Program implementation and in accordance with the Instruction No. DM-P36-7563 (dated November 7, 2015), approved by the Government of the Russian Federation, the Company's Innovation-Driven Growth Program for 2016–2020 with an outlook to 2025 was approved by the Company's Board of Directors. Key areas of the Draft Project for the period to 2025: deployment of digital electrical substations (voltage type: 35–110 (220) kV); transition to digital smart grids with distributed intelligent automation and control systems; automation of control systems; adoption of the latest technologies and materials.
Introduction of the control system for operational assets	August 23, 2012 (minutes No. 108/6)	In 2016, the Board of Directors approved the development plan of the control system for the Company's operational assets for the 2016–2018 period. Over the course of 2016, reports on the introduction of the control system for operational assets in the Company were considered by the Board of Directors quarterly as part of the General Director's report on the implementation of the Board of Directors' decisions.
Changing the system of key performance indicators applied to the General Director and top executives within the Company.	October 30, 2012 (minutes No. 114/12)	As part of work in this area in 2016, the Board of Directors approved and later updated the Calculation and Assessment Procedure for key performance indicators applied to the Company's General Director. The structure of key performance indicators has been significantly amended to take into account the priorities determined by the Development Strategy of the Electric Grid Complex approved by Decree of the Government of the Russian Federation No. 511-r, as well as to align the indicators with the targets stated in the Company's Long-Term Development Plan, and fulfill certain instructions of the Government of the Russian Federation, including those related to lowering controllable operating expenses. Indicators used for the compensation plan of the Company's General Director are mandatorily applied to the Company's top executives (in keeping with the list approved by the Company's Board of Directors) identifying weights and targets for indicators applied to each top executive in accordance with the General Director's decision Furthermore, the Board of Directors considered introducing changes to the current remuneration system for the Company's management after the Production Department / power distribution zones had been benchmarked for the purpose of increasing performance and productivity of the Company's branches.
Cutting technological loss of electric power in the Company's power grids	May 7, 2013 (minutes No. 127/25)	The Board of Directors approved the following long-term programs within this area of Company's activity: the Program for cutting losses of the Company's electric power for the 2017–2021 period (minutes No. 227/18 dated December 30, 2016); the Program for energy conservation and increasing the Company's energy efficiency for the 2016–2020 period (minutes No. 223/14 dated November 21, 2016); the Program for long-term development of the Company's electricity metering systems for the 2017–2021 period (minutes No. 227/18 dated December 30, 2016.) Effectiveness of the planned measures of lowering losses is confirmed by actual results:

		<table><tr><td>Loss percentage</td><td>2014</td><td>2015</td><td>2016</td></tr><tr><td>% relative to electricity supply to the grid (operational)</td><td>6.41</td><td>6.38</td><td>6.22</td></tr></table>
Decreasing the Company's accounts receivable for power transmission service	June 16, 2014 (minutes No. 157/28)	The Board of Directors quarterly approves the repayment schedule of receivables overdue for electric power transmission and reviews reports on its implementation. Furthermore, following the resolution of the Board of Directors the analysis was undertaken of claim-related work and enforcement proceedings to collect overdue receivables for electric power transmission. Information on the results of the analysis and measures aimed at increasing the quality of claim-related work, that were undertaken by the Company, was considered by the Board of Directors on May 31, 2016 (minutes No. 208/23.) The Board of Directors approved the amended plan of action aimed at exercising the right of claim on companies and organisations undergoing bankruptcy procedures. After the implementation of the series of measures, accounts receivable for electric power transmission were decreased by RUB 421 m, as of December 31, 2016, and overdues by the amount of RUB 793 m. The transmission service consumers paid 102.2% .
Guaranteeing accessibility of the energy infrastructure and quality of the technological connection to the Company's power grids	September 1, 2014 (minutes No. 164/6)	The Company on a regular basis works on arranging open meetings with potential and current service users to discuss issues of technological connection, inform about regional tariff plans, current rate of utilization of main substations and additional services. In 2016, spokespersons for the Company's branches participated in more than 30 open meetings with more than 600 attendees present. Regional Energy Investment Fairs are one of the most prominent and widely attended events, where the Company actively participates in order to develop this activity area of the Company. The format of the fairs enables direct interaction between investors and energy companies for the purpose of efficient and mutually beneficial technological connection to the grid and improved use of the electric power infrastructure. In 2016, Energy Investment Fairs took place in all of the PJSC IDGC of the North-West operation areas: in the Vologda Region (July 27, 2016), in the Novgorod Region (August 3, 2016), in the Arkhangelsk Region (October 27, 2016), in the Murmansk Region (November 14, 2016), and in the Pskov Region (November 30, 2016) as well as in the Republic of Komi (August 10, 2016) and the Republic of Karelia (November 1, 2016.) In total, more than 1,000 representatives from government authorities and business communities participated in these events. 113 agreements on cooperation with the PJSC IDGC of the North-West in execution of regional investment projects were signed at these fairs. Volume of announced future connections exceeded 235 MW. In 2016, proper fulfilment of obligations in conjunction with other factors resulted in 21.4% decrease in the backlog of outstanding contracts on technological connection.
Improvement of the internal control and risk management system and development of the	September 1, 2014 (minutes No.	Within the reporting period the Board of Directors examined and approved the updated versions of the following internal documents: Internal Audit Policy of PJSC IDGC of the North-

internal audit function as the Company's priorities	164/6)	West (new version) (dated February 29, 2016; minutes No.197/12); Internal Control Policy of PJSC IDGC of the North-West (new version) (dated February 29, 2016; minutes No. 197/12); and Risk Management Policy of PJSC IDGC of the North-West (new version) (dated March 31, 2016; minutes No. 200/15.) The principle of the internal audit independence is ensured through appropriate changes in the organizational structure of the Company's executive body. In 2016 the Board of Directors approved: the Program on maintaining and improving the quality of the Company's internal audit, the Action Plan of and the budget for the Internal Audit and Control Department for 2016; the Action Plan and the budget for the internal audit subdivision for 2016 (due to changes in the organizational structure, the report on their execution was considered and approved as of year-end 2015), the Action Plan for the Company's internal audit subdivision for 2017. The Board of Directors considered reports on management of the Company's key operational risks, on the effectiveness of the Company's internal control and risk management systems as of year-end 2015 and propositions for their improvement, on reaching the targets set for the Company's internal audit subdivision and the assessment of the internal audit results as of year-end 2015.
Implementing measures for centralization and automation of treasury functions as the Company's priorities	March 13, 2015 (minutes No. 176/18)	Agreement No. 254/619/16 was signed by the Company and PJSC Rosseti on treasury function organization service on September 8, 2016 and approved by the resolution of the Board of Directors on July 28, 2016 (minutes No. 215/6.) The Company's Board of Directors finalized the Regulation on management of PJSC IDGC of the North-West cash accounts on December 30, 2016 (minutes No. 227/18.) Implementation of the measures resulted in the centralisation of the Company's payments through the Automated Information System for Managing Treasury Operations (AIS MTO.)

In 2016, the most important issues concerning the Company's activities were considered at the Board of Directors' meetings, held in praesentia and in absentia. In total, five such meetings were planned and held to consider eleven issues, including the following:

✓ On enacting the Company's amended business plan, which included an investment program and information on key operational risks for 2016 and estimates for the 2017–2020 period, including programs of improving operational performance and lowering the Company's costs over the 2016–2020 period;

✓ Report on execution of Action Plan to raise productivity and financial and economic performance of the Company in the first quarter of 2016;

✓ The General Director's reports on execution of the Company's business plan, including the investment program and information on key operational risks for the first quarter of 2016 and the second quarter of 2016;

✓ On approving time schedules of PJSC IDGC of the North-West measures aimed at lowering overdues receivable for electric power transmission service and settlement of disputes not resolved as of April 1, 2016 and July 1, 2016;

✓ On approving the Company's business plan which includes an investment program and information on key operational risks for 2017 and estimates for the 2018–2021 period, including programs of improving operational performance and cutting the Company's costs over the 2017–2021 period.

Board of Directors' Activities

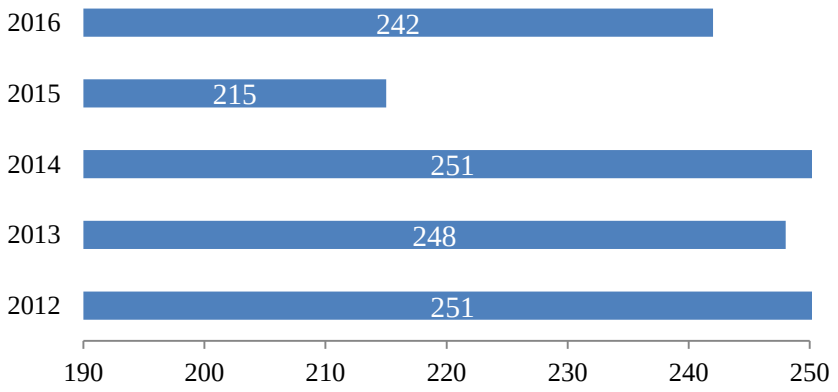
In 2016, 32 meetings of the Company's Board of Directors were held, including five in the "in person and in absentia" format.

Information on participation of members of the Board of Directors in Board meetings

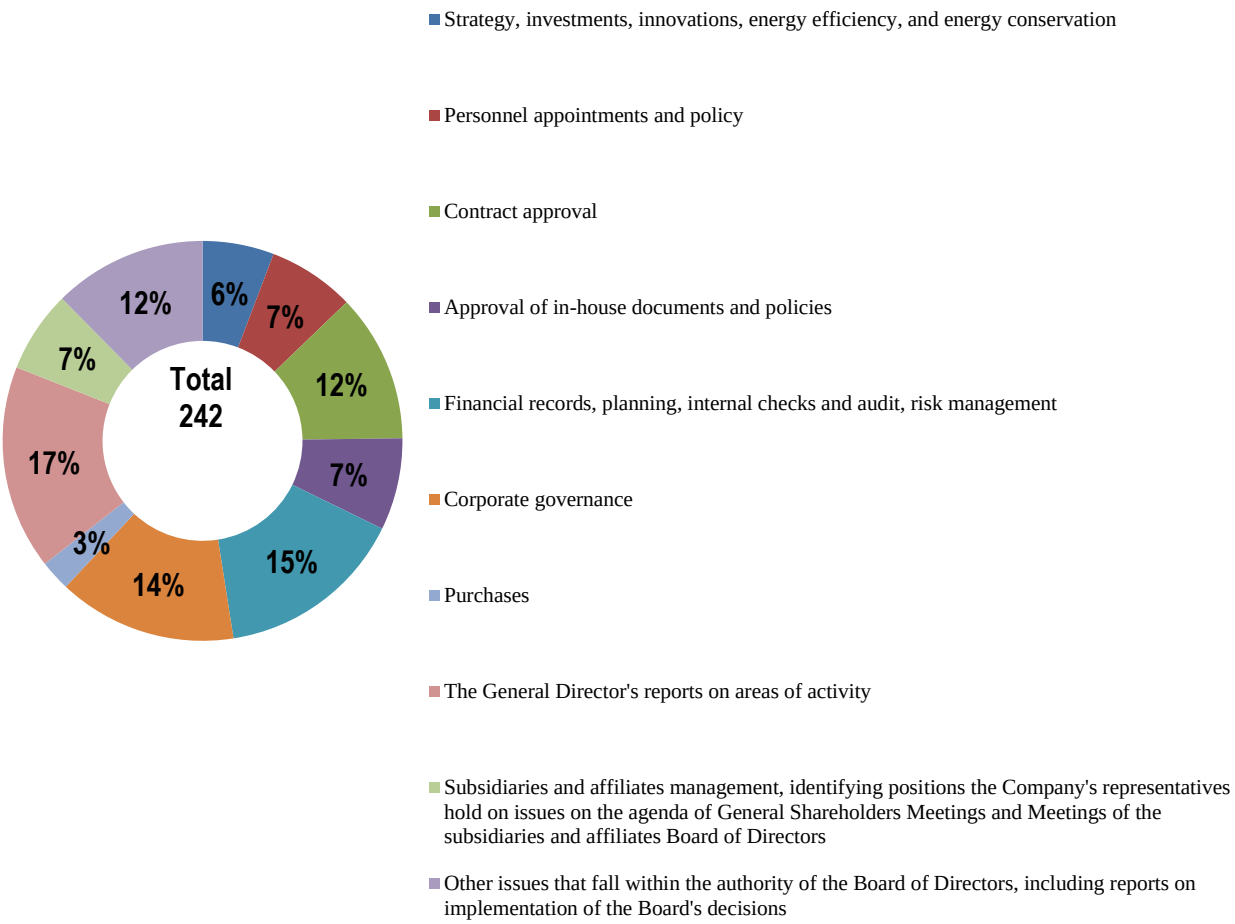
Full Name	Number of meetings in which the member of the Board participated, in person/in absentia	participation %
From January 1, 2016 through June 8, 2016 (14 meetings conducted in total)		
S.S. Zholnerchik (Chairwoman)	2/12	100
M.A. Bychko	2/12	100
T.P. Dronova	2/12	100
A.N. Zharikov	2/12	100
M.A. Lavrova	2/12	100
A.V. Letyagin	1+1*/12	100
A.K. Mamontov	2/12	100
S.V. Pokrovsky	2/12	100
M.D. Stepanova	2/12	100
R.A. Filkin	2*/12	100
A.A Erdyniyev .	2*/10	86
From June 9, 2016 through December 31, 2016 (18 meetings conducted in total)		
Yu.N. Mangarov (Chairman)	3/15	100
L.Yu. Akimov	2+1*/15	100
A.N. Zharikov	1+2*/15	100
M.A. Lavrova	2+1*/15	100
A.V. Letyagin	3/15	100
V.Yu. Seleznyev	3/15	100
M.D. Stepanova	1+2*/15	100
S.V. Pokrovsky	3/15	100
R.A. Filkin	2+1*/14	94.44
A.V. Shevchyk	2+1*/15	100
A.A. Erdyniyev	1*/10	61.11

* Where the meeting of the Board of Directors was held in person and in absentia, the member of the Board submitted a written statement (a report form) on the meeting's agenda.

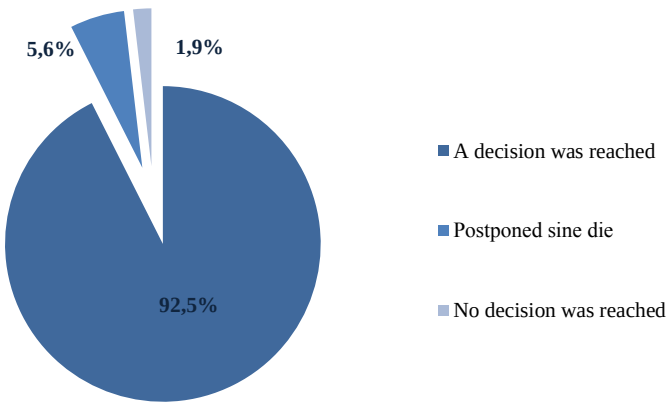
Issues considered by the Company's Board of Directors over the course of five years



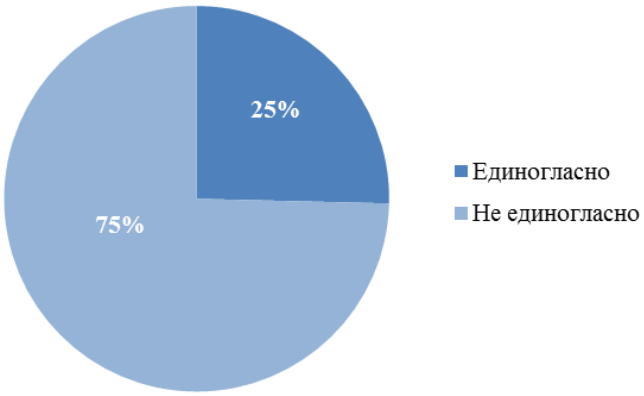
Breakdown of the issues considered by the Board of Directors in 2016



Breakdown of the issues considered by the Board of Directors in 2016 by type of decision made

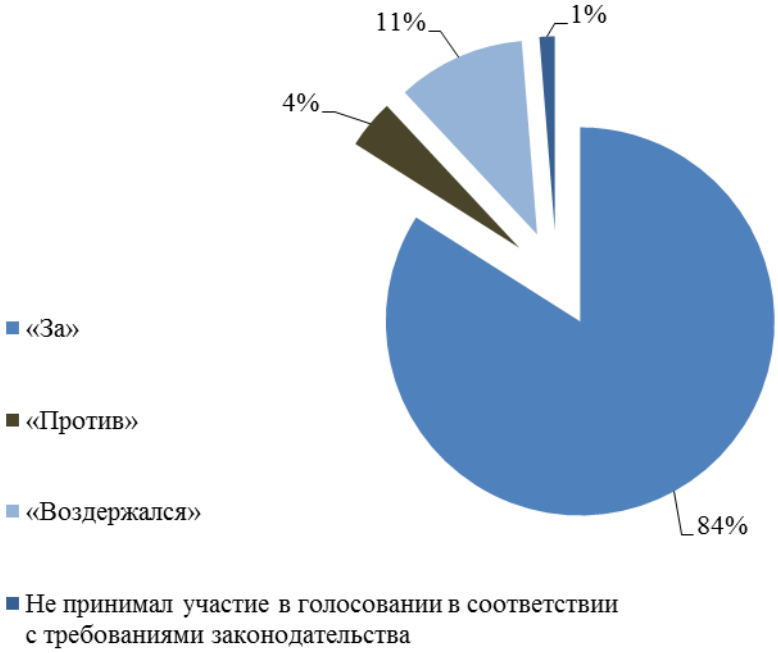


Format of voting at the Board of Directors meetings in 2016



By common consent
Split decision

Breakdown of votes cast at the Board of Directors meetings in 2016



"For"
"Against"
"Abstained"
"Didn't take part in the vote according to legislation requirements"

3.2.2. Composition of the Board, changes in its composition during the year

The number of members of the Company's Board of Directors is stated in the Articles of Association and equals eleven persons.

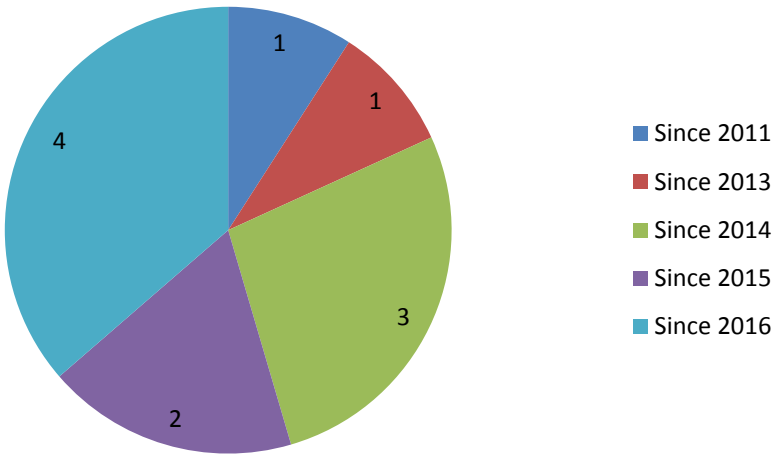
In 2016, there were two compositions of the Company's Board of Directors[10]:

[10] Members of the Board of Directors consented to disclosure of information used in the Annual Report of PJSC IDGC of the North-West for the year 2016.

	From June 23, 2015 through June 8, 2016		From June 9, 2016 through present time
1.	S.S. Zholnerchik — Chairwoman	1.	Yu.N. Mangarov — Chairman
2.	M.A. Bychko	2.	L.Yu. Akimov
3.	T.P. Dronova	3.	A.N. Zharikov
4.	A.N. Zharikov	4.	M.A. Lavrova
5.	M.A. Lavrova	5.	A.V. Letyagin
6.	A.V. Letyagin	6.	S.V. Pokrovsky
7.	A.K. Mamontov	7.	V.Yu. Seleznyev
8.	S.V. Pokrovsky	8.	M.D. Stepanova
9.	M.D. Stepanova	9.	R.A. Filkin
10.	R.A. Filkin	10.	A.V. Shevchyk
11.	A.A. Erdyniyev	11.	A.A. Erdyniyev

Professional competence of the Members of the Company's Board of Directors lies in the electric power industry. They have extensive managerial and technical experience and provide valuable contributions to the work done by the Board of Directors and its Committees.

Breakdown of the Board of Directors on the basis of length of service



3.2.3. Independent Directors

3.2.3.1. Applied independence criteria

According to the recommendations stated in the CGC of the Bank of Russia, the Board of Directors should be an effective and professional governing body of the Company, able to form objective independent judgments and make decisions in the interests of the Company and its shareholders.

Objectiveness and independence of the Board of Directors' decisions is secured in part through adding independent directors — members of the Board of Directors who are not involved with and are not influenced by the Company's executive bodies, certain groups of

shareholders (substantial shareholder), substantial counterparties, Company's competitors, the government, or any other party with vested interest. At the same time independent directors should demonstrate a sufficient level of professional competence, experience, and independence needed to form their own viewpoints as well as the ability to make objective and accurate judgements.

When determining the independence of directors, the Company uses criteria stated in subclauses No. 102–107 of the CGC of the Bank of Russia.

The Company views the presence of independent directors on the Board of Directors as one of the most important principles of enhancement of corporate governance and plans to foster the development of this institution in the activity of the Company's governance bodies.

3.2.3.2. Role the independent directors play in the Board of Directors' activities

At present there are two independent directors on the Company's Board of Directors:

1) Aleksandr V. Shevchuk — Executive Director of the Association of Institutional Investors;

2) Sergey V. Pokrovsky — Deputy Executive Director of the Association of Institutional Investors.

The Company's executives regularly interact with representatives from shareholders in order to increase the number of independent directors nominated to the Company's Board of Directors and confirmed through voting.

Presence of independent directors on the Company's Board of Directors ensures objective control over the Company's activities in the interest of all shareholders, fosters enhancement of its corporate governance, prevents parties that hold an interest from influencing the decision-making of the Board of Directors, making deals on disadvantageous terms because of interests held by members of the Company's managerial bodies or its controller, enhances shareholders' trust in the Company's management and its investment potential.

3.2.4. Composition of the Board of Directors

Yuri N. Mangarov

First elected to the Company's Board of Directors on June 8, 2016.

Born in 1956.

Graduated from Plekhanov Moscow Institute of the National Economy majoring in Economic Cybernetics, receiving the qualification of Mathematical Economist.

From 2012 through present time has been an employee of the PJSC Rosseti (former JSC Rosseti, JSC IDGC Holding.) Held the positions of Deputy Executive Director – Chief of Staff, Advisor, Chief Advisor. At present serves as Deputy Chief of Staff.

At present holds office in the governance bodies of the following organisations: JSCYantarenergo, PJSC IDGC of Centre, PJSC Kubanenergo, All-Russian Industry Association of Employers of the Power Sector (RaEl Association), Non-profit Partnership Corporate

Educational and Scientific Centre of the Universal Energy System, Non-governmental Pension Fund Electroenergetiki

Alexander V. Letyagin

First elected to the Company's Board of Directors on June 23, 2015.

Born in 1976.

Graduated from Ivanovo Power Engineering Institute majoring in Electric Power Plants in 1998.

Supplementary education diploma from Moscow Power Engineering Institute under the management training program for organization of national economy of the Russian Federation in Management.

MBA from St. Petersburg State University in 2015.

From 1999 through 2002 worked at the Belgorodskaya CHPP JSC Belgorodenergo. He worked his way up from an electrician responsible for relay protection maintenance to Head of industrial electrical engineering laboratory in the electrical department of the Belgorodskaya CHPP in the town of Belgorod. From 2002 through 2003 worked as Head of the laboratory of the central department of relay protection and automation at JSC Belgorodenergo branch of the Regional Power Dispatching Office, in 2003 — as Chief Specialist in the department of relay protection and automation at JSC System Operator of Universal Energy System (OAO «CO ЕЭС») at Belgorodskiy Regional Power Dispatching Office. From 2003 through 2006 held the position of Technical Director at JSC Belgorodenergo. From 2006 through 2012 worked as Deputy General Director for technical issues – Chief Engineer of the branch of JSC IDGC of Centre Orelenergo. From 2012 through 2014 served as Advisor to the General Director, Director of the Vyborg Electric Grids, branch of JSC Lenenergo.

Held the Interim First Deputy General Director position from 2014. Elected to the General Director office on July 29, 2014.

No positions held in governance bodies of other organisations.

Leonid Yu. Akimov

First elected to the Company's Board of Directors on June 8, 2016.

Born in 1965.

Graduated from Bauman Moscow Higher Technical School majoring in Impulse-forming Thermal Machines, receiving the qualification of Mechanical Engineer, in 1989. Second higher-education degree in Law from the private educational institution Regional Open University in 1995. Completed professional retraining majoring in Anti-crisis Management at the Finance Academy under the Government of the Russian Federation in 2004. PhD in Law.

From 2009 through 2013 worked at JSC FGC UES (OAO «ФСК ЕЭС») as Director of Legal Support – Head of the Legal Department. From 2012 through present time has been an employee of the PJSC Rosseti (former JSC Rosseti, JSC IDGC Holding.) At present -Director of the Legal Department.

At present also holding positions in managerial bodies of the following organisations: PJSC IDGC of Volga.

Aleksey N. Zharikov

First elected to the Company's Board of Directors on March 12, 2014.

Born in 1970.

Diploma of higher education upon graduation from S. Ordzhonikidze Moscow State Academy of Management majoring in Economy and Management in Fuel and Energy Industries in 1993.

Held the position of Director for Corporate Governance in JSC Mosenergo from 2007 through 2009.

Since 2010, he has worked in JSC Elektrotcentronaladka as the Director of the Department for Corporate Policy and Shareholder Relations.

No positions held in managerial bodies of other organisations.

Marina A. Lavrova

First elected to the Company's Board of Directors on March 12, 2014.

Born in 1982.

Graduated from the State University of Management majoring in Energy Sector Management, receiving the qualification of Manager. Second higher-education degree at the Finance Academy under the Government of the Russian Federation.

Deputy Head of Business Planning Department of PJSC Rosseti from 2008 through 2013.

Appointed the Head of Department for Economics in Subsidiaries and Affiliates, at the Department of Economic Planning and Budgeting of PJSC Rosseti in 2013 and holds this position to this day.

Holds office in managerial bodies of the following organisations: PJSC Dagestan Energosbyt Company, JSC Ekaterinburg Electric Grid Company, PJSC Kubanenergo.

Sergey V. Pokrovsky

First elected to the Company's Board of Directors on June 21, 2013.

Born in 1973.

Diploma of higher education upon graduation from the I. M. Gubkin State Academy of Oil and Gas majoring in Applied Mathematics, receiving the qualification of Engineer Mathematician in 1996.

Since 2004, he has been an employee of the Association of Institutional Investors (prior to January 2015 — Non-Profit Association for Protection of Investors' Rights.) Currently Deputy Executive Director.

Does not hold positions in managerial bodies of other organisations.

Victor Yu. Seleznyev

First elected to the Company's Board of Directors on June 8, 2016.

Born in 1960.

Graduated from Omsk Polytechnic Institute majoring in Information and Measurement Equipment, receiving the qualification of Electrical Engineer. PhD in Technical Sciences.

From 2011 through 2012 served as First Deputy General Director of JSC Kubanenergo, from 2012 through 2013 held office of the Head of Technological Development and Innovations Department at JSC FGC. Since 2013, Head of Management for Scientific and Technical Development, Organization and Control of R&D Implementation at PJSC Rosseti.

Since 2016, Interim General Director at JSC VNIPIenergoprom (ОАО «ВНИПИэнергопром».)

No positions held in managerial bodies of other organisations.

Mariya D. Stepanova

First elected to the Company's Board of Directors on June 23, 2015.
Born in 1982.
Graduated from M. V. Lomonosov Moscow State University majoring in Public Management in Economics.
From 2008 through 2016, Head of Office of Shareholder and Investor Relations at PJSC Rosseti. At present (since January 2017) holding the position of Deputy Head of Management Office of the Management Board, the Board of Directors, and Shareholder and Investor Relations at PJSCRosseti.
At present holding governance position in managerial bodies of the following organisations: JSC Berendeevskoye, JSC Tyvaenergosbyt, PJSC ESCO Tyumenenergo.

Roman A. Filkin

First elected to the Company's Board of Directors on June 16, 2011.
Born in 1983.
Graduated from Finance Academy under the Government of the Russian Federation majoring in Finances and Credit, receiving the qualification of Economist, in 2005.
Since 2009, Director of the Representative Office of Prosperity Capital Management (Russia) Ltd. Company (electricity, mechanical engineering.)
At present holding positions ingovernance bodies of the following organisations: PJSC IDGC of the South, JSC IDGC of Center, JSC IDGC of the Central and Volga Regions, JSC Smolensk Power Maintenance Company, and JSC TGC-2.

Alexandr V. Shevchyk

First elected to the Company's Board of Directors on June 8, 2016.
Born in 1983.
Graduated from Finance Academy under the Government of the Russian Federation majoring in Finances and Credit, receiving the qualification of Economist, in 2005.
Since 2001, an employee of the Association of Institutional Investors (prior to January 2015 — Non-Profit Association for Protection of Investors' Rights.) Holding the position of Executive Director (previously worked as Expert, Deputy Executive Director.)
At present holding positions in governance bodies of the following organisations: JSC IDGC of the Urals, PJSC IDGC of Center, PJSC IDGC of the Central and Volga Regions, PJSC IDGC of South, and PJSC WGC-2.

Anton A. Erdyniyev

First elected to the Company's Board of Directors on June 25, 2014.
Born in 1984.
Graduated from Novosibirsk State Technical University majoring in Power Systems and Grids, receiving the qualification of Engineer, in 2006.
From 2010 through 2011 worked at JSC SibirEnergo as the Head of Commercial Management Trading Group. Since 2011, Leading Expert of the Wholesale Market Department

at JSC United Energy Company. Since May 2012 he continued his work at NP Market Council as the Head of Department for Retail Market Services.

Since October 2013 he has held office of Deputy Director of the Department for Development of the Electric Power Industry at the Ministry of Energy of the Russian Federation.

No positions held in governance bodies of other organisations.

In 2016 members of the Board of Directors did not own PJSC IDGC of the North-West stock and did not trade the Company's securities.

3.2.5. Corporate Secretary of the Company

In order to guarantee proper preparation for and conduct of General Shareholders Meetings and to ensure the operation of the Board of Directors, the Board of Directors elect Corporate Secretary of the Company[11].

The Corporate Secretary of the Company is the Company's official who supervises the Company's compliance to the current legislation of the Russian Federation, the Articles of Association, and the Company's in-house documents that ensure the exercise of rights and protection of lawful interests of the Company's shareholders.

The authority of the Corporate Secretary is restricted by the PJSC IDGC of the North-West Regulation on the Corporate Secretary[12], finalized by the resolution of the Company's Board of Directors dated September 30, 2016 (minutes No. 220/11.)

The Corporate Secretary of the Company is appointed to the office and removed from office by the Company' General Director on the basis of the decision made by the Company's Board of Directors in the manner specified in the Company's Articles of Association and Regulation on the Corporate Secretary of the Company.

Functionally the Corporate Secretary of the Company is subordinate to the Board of Directors. Administrative subordination of the Corporate Secretary results from the Company's established organizational structure.

3.2.5.1. Functions and Authorities of the Corporate Secretary of the Company

According to the Regulation on the Corporate Secretary, functions of the Company's Corporate Secretary include organizational support for the Company's Board of Directors, assistance with preparing for and holding the Company's General Shareholders Meetings; contributing towards the implementation of the Company's information disclosure policy, taking part in enhancing the Company's corporate governance system and its practical proceedings, etc.

3.2.5.2. Background

The Corporate Secretary of the Company is Lydmila Yu. Nazarenko.
Elected as the Company's Corporate Secretary on June 27, 2008.
Last re-elected as the Company's Corporate Secretary on June 10, 2016.

11 Information about the Corporate Secretary is published on the Company's website and in the Company's Annual Report in the same detail as information that is provided about members of the Board of Directors and executive bodies of the Company.

For Regulation on the Corporate Secretary of PJSC IDGC of the North-West, visit the Company's website: [12]http://www.mrsksevzap.ru/en/articlesofassociationandinternaldocuments

Born in 1971.

Graduated from Odessa Technological Institute of the Food Industry in 1993; obtained a diploma of higher education upon graduation from St. Petersburg State University of Engineering and Economics majoring in Law in 2011.

Since 2006 she has held the position of the Head of Corporate Governance Division in the Department of Corporate Governance and Shareholder Relations at PJSC IDGC of the North-West.

She has received the following industry awards: 2002 — Certificate of Merit from JSC AEK Komienergo; 2002 — Certificate of Merit from JSC RAO UES of Russia; 2006 — Certificate of Merit from JSC IDGC of the North-West; 2013 — Certificate of Merit from the Ministry of Energy of the Russian Federation.

At present holding positions in governance bodies of the following organisations: JSCPskovenergoagent.

Holder of common stock in the Company. Interest in the PJSC IDGC of the North-West equity capital — 0.0026%. In 2016 she did not trade the Company's securities.

3.3. Committees of the Company's Board of Directors

Committees of the Board of Directors:

In order to implement the principles of the Corporate Governance Code, the Company's Board of Directors established consultative and advisory bodies for preliminary consideration of the most important issues of the Company's activities - Committees of the Board of Directors:

- Audit Committee
- Personnel and Remuneration Committee
- Strategy and Development Committee
- Reliability Committee
- Committee for Technological Connection to Power Grids

The Committees play an active role in the decision-making process of the Company's Board of Directors increasing the effectiveness of the Board of Directors' operation. They preliminarily consider and submit to the Board of Directors recommendations on the most important issues related to the competence of the Board of Directors. For the Company's Board of Directors, the Committees' resolutions are advisory in nature.

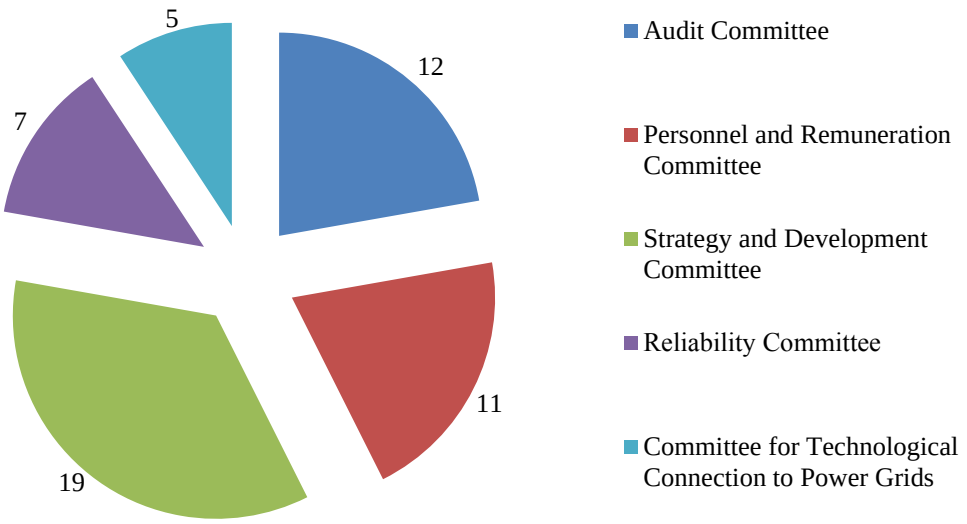
Committees' activities are regulated by the Regulations on Committees that determine their competences, the procedure of their formation and functioning, the rights and duties of Committee members.

Members of the Board of Directors take an active part in the work of the Committees of the Board of Directors.

Full name	Group of shareholders that nominated the corresponding director	Status in the Board of Directors	Audit Committee	Personnel and Remuneration Committee	Strategy and Development Committee	Committee for Technological Connection to Power Grids
Yu.N.	PJSC Rosseti	Chairman of the		Committee		

Mangarov		BoD, non-executive director		member		
L.Yu. Akimov	PJSC Rosseti	Member of the BoD non-executive director	Committee member	Committee member		
A.N. Zharikov	Energosouz Holdings Limited	Member of the BoD, non-executive director	Committee member	Committee member		
M.A. Lavrova	PJSC Rosseti	Member of the BoD, non-executive director	Committee member	Committee chairman	Commitee member	
A.V. Letyagin	PJSC Rosseti	Member of the BoD executive director			Committee member	
S.V. Pokrovsky	ENERGYO SOLUTIONS RUSSIA (CYPRUS) LIMITED, Lancrenan Investments Limited	Member of the BoD, independent director	Committee chairman	Committee member	Committee member	Committee chairman
V.Yu. Seleznyev	PJSC Rosseti	Member of the BoD non-executive director	Committee member	Committee member		
M.D. Stepanova	PJSC Rosseti	Member of the BoD non-executive director	Committee member	Committee member		
R.A. Filkin	Lancrenan Investments Limited	Member of the BoD non-executive director	Committee member	Committee member	Committee member	
A.V. Shevchuk	ENERGYO SOLUTIONS RUSSIA (CYPRUS) LIMITED, Lancrenan Investments Limited	Member of the BoD, independent director	Committee member	Committee member	Committee member	
A.A. Erdyniyev	PJSC Rosseti	Member of the BOD, non-executive director				

Number of meetings of the Board Committees in 2016



Quantitative and personal composition of each Committee is determined by a resolution of the Board of Directors. Committees' activities are carried out in accordance with the Committees' operation plans annually approved at the meetings of the Committees.

In 2016, each of the Committees of the Board of Directors[13] operated in two compositions.

The current composition of the Audit, Strategy and Development, Personnel and Remunerations Committees and the Committee for Technological Connection to Power Grids of the Board of Directors were elected by the resolution of the Board of Directors on July 19, 2016 (Minutes No. 214/5). The current composition of the Reliability Committee was approved by the Board of Directors on December 11, 2015 (Minutes No. 193/8).

See Annex 9 for more details. Personal composition of the Committees of the Board of Directors of PJSC IDGC of the North-West and participation of the Committee members and participation of the Committee members that operated from January 01, 2016 through June 10, 2016.

3.3.1. Audit Committee

In the reporting period, the Audit Committee was guided in its activity by the Regulations on the Audit Committee of the Board of Directors approved by the resolution of the Board of Directors on March 25, 2015 (Minutes No. 177/19) and the Regulations on the Audit Committee of the Board of Directors of the Company redrafted and approved by the resolution of the Board of Directors on February 29, 2016 (Minutes No. 197/12), as amended by the Company's Board of Directors on October 28, 2016 (Minutes No. 222/13).

The main objectives of the Audit Committee are:

- consideration of the Company's accounting (financial) statements, reports and supervision of the process of its preparation;
- control over the reliability and efficiency of the internal control and risk management system and corporate governance practices;
- control over the conduct of external audit and selecting the auditor;
- ensuring independent and unbiased internal audit function;

[13] See Annex 9 for details. Members of the Board of Directors' Committees of PJSC IDGC of the North-West and participation of Committee members who held office from January 01, 2016 through June 10, 2016.

- supervision of the system effectiveness in countering unfair actions of Company's employees and third parties.

By the resolution of the Board of Directors of July 19, 2016 (Minutes No. 214/5), the number of members of the Audit Committee was determined as 8 persons, the same resolution determining the personal Committee composition.

Information on the personal composition and participation of the members of the current Audit Committee of the Board of Directors in the Committee's operation is given in the table.

Full name	Position	Participation	% of participation
(only members of the Board of Directors are included)			
Lavrova, Marina Aleksandrovna[14]	Head of the Division for the Economy of Subsidiary and Dependent Companies of the Department for Economic Planning and Budgeting of PJSC Rosseti.	7	100
Seleznyev, Victor Yurievich	Head of the Division for Scientific and Technical Development of the Organization and Control over R&D Implementation of the Technological Development and Innovation Department of PJSC Rosseti	6	86
Stepanova, Mariya Dmitrievna	Head of Shareholder and Investor Relations of the Department for Corporate Governance and Shareholder and Investor Relations of PJSC Rosseti.	6	86
Akimov, Leonid Yurievich	Director of the Legal Department of PJSC Rosseti	7	100
Zharikov, Aleksey Nikolaevich	Director of the Department for Corporate Policy and Shareholder Relations of JSC Elektrotsentronaladka.	7	100
Filkin, Roman Alexeyevich	Director, Power Industry and Engineering, at the Representative Office of Prosperity Capital Management (RF) Ltd.	7	100
Pokrovsky, Sergey Vadimovich (Chairman)[15] Independent director	Deputy Executive Director of the Association of Institutional Investors.	7	100
Shevchuk, Aleksander Victorovich Independent director	Executive Director of the Association of Institutional Investors	7	100

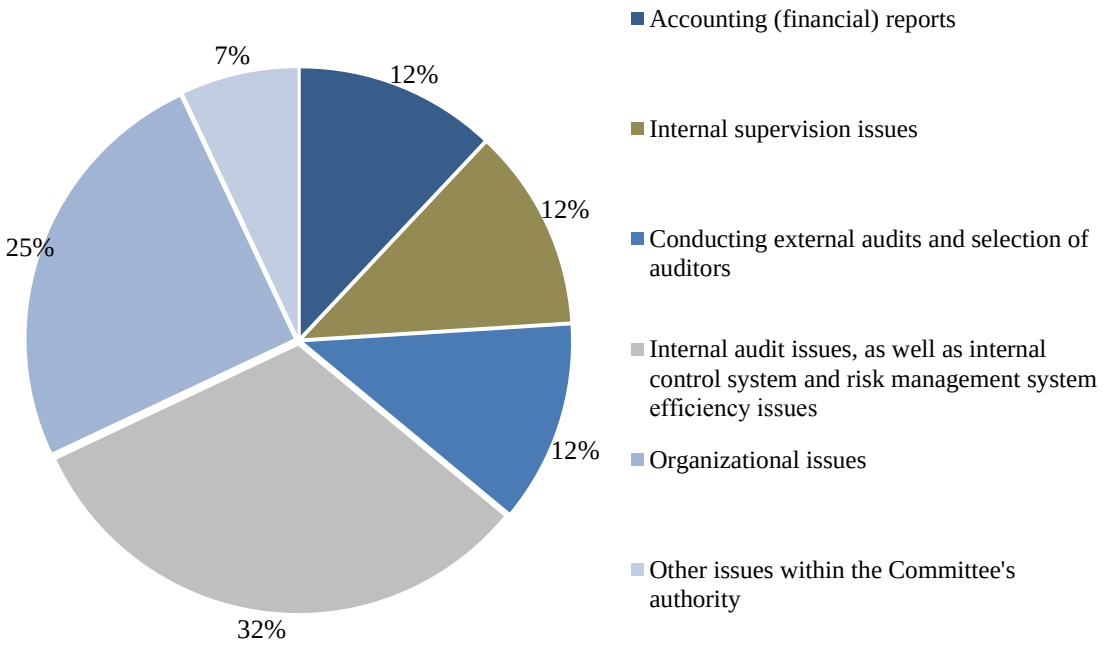
In 2016, the Audit Committee of the Board of Directors held 12 meetings, including 7 meetings in the form of joint attendance. 43 issues were considered.

Information on issues considered by the Audit Committee in 2016 is presented in Annex 32. Main substantive issues considered by the Committees of the Board of Directors in 2016.

The structure of issues considered in 2016 by the Audit Committee

[14] Acted as the Chairwoman of the Board of Directors' Audit Committee from July 19, 2016 to November 21, 2016. Early termination of Chairwoman's office on November 21, 2016 (Minutes 223/14).

[15] Elected as Chairman of the Audit Committee on November 21, 2016 (Minutes 223/14).



At the meetings of the Audit Committee of the Board of Directors in 2016 the following significant issues were considered:

– preliminary approval of the candidate for the position of Company's external auditor to audit accounting (financial) statements of the Company for 2015, prepared in accordance with RAS, and to audit consolidated financial statements for 2015, prepared in accordance with IFRS (Minutes No. 13/61 dated April 30, 2015);

– assessment of effectiveness of the external audit, including assessment of the external auditor's opinion;

– written information provided by the external auditor on the main issues of the Company's accounting (financial) statements was regularly reviewed;

– information on Company's non-standard operations and events was discussed, as well as on formation of a reserve for doubtful debt and estimated liabilities;

– an analysis of significant aspects of accounting policies and amendments thereto was performed;

– regular consideration was given to accounting (financial) statements of the Company prepared in accordance with RAS and consolidated financial statements prepared in accordance with IFRS.

3.3.2. Personnel and Remuneration Committee

The purpose of the Personnel and Remuneration Committee according to the Regulations on the Personnel and Remuneration Committee of the Board of Directors of PJSC IDGC of the North-West approved by the resolution of the Board of Directors on August 22, 2014 (Minutes No. 163/5) is to ensure effective operation of the Board of Directors in resolving issues referred to its competence and development of necessary recommendations to the Board of Directors and Company's executive bodies.

The main task of the Committee is development and submission of recommendations

(conclusions) on the following activities:

✓ development of recommendations on the remuneration to the Board of Directors members;

✓ development of principles and criteria for determining the amount of remuneration for Board of Directors members, members of the collegial executive body and the person performing the functions of Company's sole executive body;

✓ elaboration of proposals for determining the material terms of contracts with the Board of Directors members, members of the collegial executive body and the person exercising the functions of Company's sole executive body;

✓ defining criteria for nominating members of the Board of Directors, members of the collegial executive body and to the position of Company's sole executive body, as well as preliminary assessment of these nominees;

✓ regular assessment of the activities of the person performing the functions of Company's sole executive body, members of the collegial executive body and preparing proposals for the Board of Directors on the possibility of their re-appointment.

By the resolution of the Board of Directors on July 19, 2016 (Minutes No. 214/5), the number of members of the Personnel and Remuneration Committee is 9 persons, the same resolution determining the personal Committee composition consisting only of Board of Directors members.

Members of the Personnel and Remuneration Committee have professional experience and knowledge of the Company's activities necessary to exercise their authority.

Information on the personal composition and participation of members of the current Personnel and Remuneration Committee of the Board of Directors in the Committee's operation is given in the table.

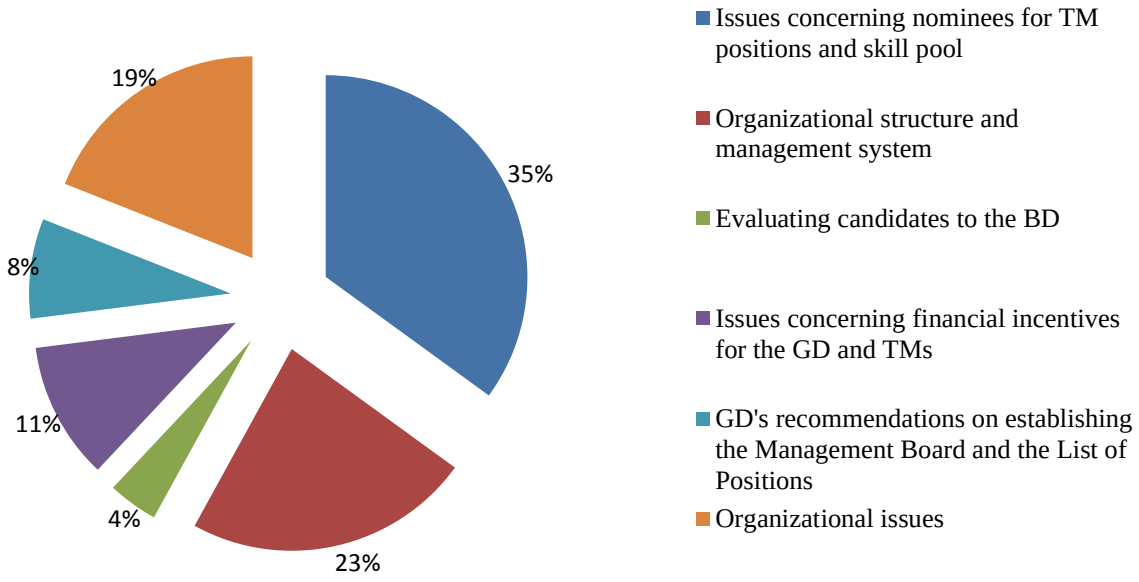
Full name	Position	Participation	% of participation
Personnel and Remuneration Committee (only members of the Board of Directors are included)			
Lavrova, Marina Aleksandrovna (Chairperson)	Head of the Division for the Economy of Subsidiary and Dependent Companies of the Department for Economic Planning and Budgeting of PJSC Rosseti.	5	100
Akimov, Leonid Yurievich	Director of the Legal Department of PJSC Rosseti	5	100
Mangarov, Yuri Nikolayevich	Chief adviser of PJSC Rosseti	5	100
Seleznyev, Victor Yurievich	Head of the Division for Scientific and Technical Development of the Organization and Control over R&D Implementation of the Technological Development and Innovation Department of PJSC Rosseti	4	80
Stepanova Mariya Dmitrievna	Head of Shareholder and Investor Relations of the Department for Corporate Governance and Shareholder and Investor Relations of PJSC Rosseti.	5	100
Zharikov, Aleksey Nikolaevich	Director of the Department for Corporate Policy and Shareholder Relations of JSC Elektrotsentronaladka.	5	100
Filkin, Roman Alexeyevich	Director, Power Industry and Engineering, at the Representative Office of Prosperity Capital Management (RF) Ltd.	5	100

Full name	Position	Participation	% of participation
Pokrovsky, Sergey Vadimovich Independent director	Deputy Executive Director of the Association of Institutional Investors.	5	100
Shevchuk, Aleksander Victorovich Independent director	Executive Director of the Association of Institutional Investors	5	100

In 2016, the Human Resources and Remuneration Committee of the Board of Directors held 11 meetings and considered 26 issues.

Information on issues considered by the Personnel and Remuneration Committee in 2016 is presented in Annex 32. Main substantive issues considered by the Committees of the Board of Directors in 2016.

The structure of issues considered in 2016 by the Personnel and Remuneration Committee is presented in the diagram.



3.3.3. Strategy and Development Committee.

The purpose of the Strategy and Development Committee is to ensure effective performance of the Board of Directors in solving issues within its competence.

Activities of the Strategy and Development Committee are regulated by the Regulations on the Strategy and Development Committee of PJSC IDGC of the North-West approved by the resolution of the Board of Directors on August 22, 2008, as amended by the resolution of the Board of Directors (Minutes No. 200/15 of March 31, 2016).

The main task of the Committee is development and submission of recommendations (conclusions) to the Board of Directors of the Company on the following activities of the Board of Directors:

- ✓ determination of Company's priority areas, strategic goals and main strategic development principles;
- ✓ increasing Company's investment attractiveness, improving investment activities and making informed investment decisions;
- ✓ improving the existing Company's development strategy;
- ✓ control over the progress of implementation of adopted programs and projects;
- ✓ financial planning, formulation of the Company's dividend policy;
- ✓ assessment of Company's performance.
- ✓ control over organization and functioning of the risk management system.

In 2016, the Strategy and Development Committee operated in two compositions. The first one was elected by the resolution of the Board of Directors on August 13, 2015 (minutes No. 188/3) totaling 15 people. The second Strategy and Development Committee composition was elected by the Board of Directors on July 19, 2016 totaling 14 persons (minutes No. 214/5).

Information on the personal composition and participation of members of the current Strategy and Development Committee of the Board of Directors in the Committee's operation is given in the table.

Full name	Position	Participation	% of participation
Sofyin, Vladimir Vladimirovich	Director of the Technological Development and Innovations Department of PJSC Rosseti	18	95
Pankstyanov, Yuri Nikolayevich	Director of the Tariff Policy Department of PJSC Rosseti	19	100
Troinina, Olga Nikolaevna	Chief Expert of the Strategic Planning Division of the Strategic Development Department of PJSC Rosseti	19	100
Skripalschikov, Dmitry Nikolayevich	Deputy Head of the Long-term Grid Development Division of the Department for Long-term Grid Development and Technological Connection of PJSC Rosseti	9	100
Goncharov, Aleksey Nikolayevich	Head of Interaction and Settlements with the Subjects of Electric Power Markets of the Department of Power Accounting and Interaction with the Subjects of Electric Power Markets of PJSC Rosseti.	19	100
Lavrova, Marina Aleksandrovna	Member of the Board of Directors of PJSC IDGC of the North-West, Head of Economic Division of SDC of the Department for Economic Planning and Budgeting of PJSC Rosseti	9	100
Bogacheva, Irina Vladimirovna	Head of the Sector for Analysis and Assessment of Investment Projects Efficiency of the Investment Department of PJSC Rosseti.	19	100
Andropov, Dmitry Mikhailovich	Head of the Credit and Structured Finance Division of the Finance Department of PJSC Rosseti	8	89
Letyagin, Alexander Vyacheslavovich	Member of the Board of Directors, General Director of PJSC IDGC of the North-West	18	95
Saveliev, Maksim Ilyich	General Director of LLC Soyuz-Invest.	9	100
Filkin, Roman Alexeyevich	Member of the Board of Directors of PJSC IDGC of the North-West, Director, Power Engineering, Mechanical Engineering of the Representative Office of Prosperity Capital Management (RF) Ltd.	19	100
Maksimov Andrey Gennadievich	Head of the Sector for Industry Regulatory Framework Development of the Department of Power Engineering Development of the Ministry of Energy of the Russian Federation	3	33

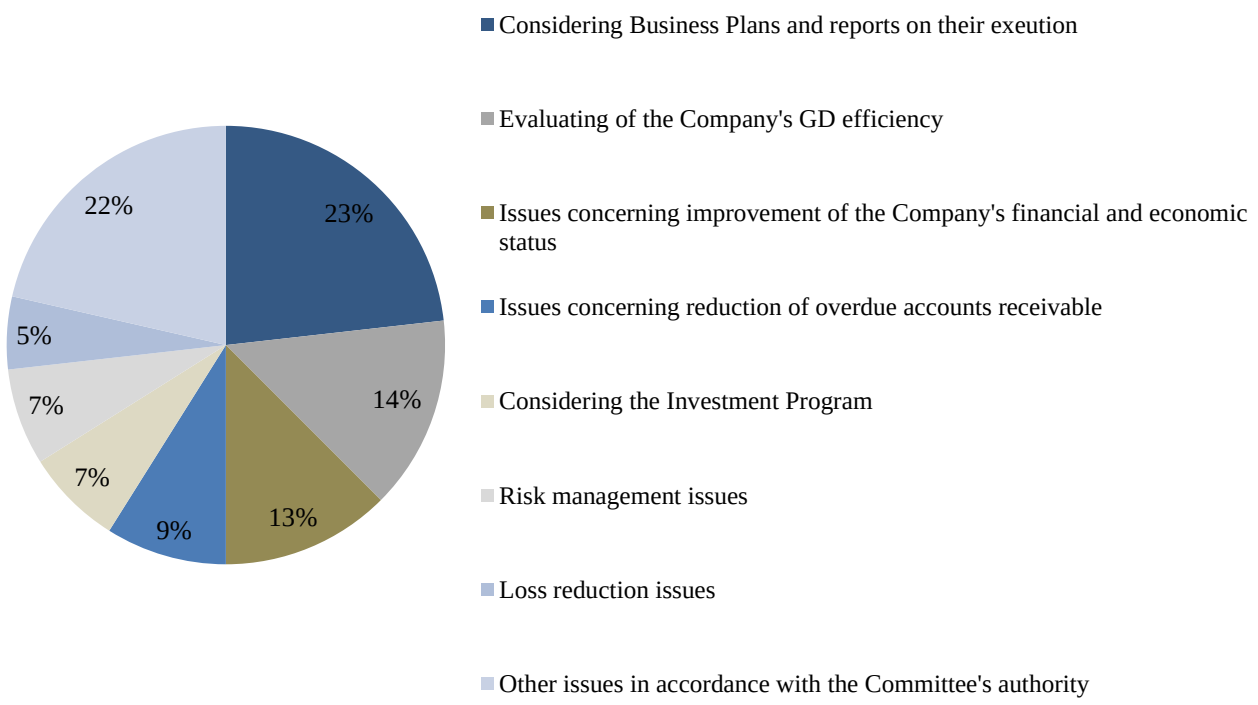
Full name	Position	Participation	% of participation
Pokrovsky, Sergey Vadimovich Independent director	Member of the Board of Directors of PJSC IDGC of the North-West, Deputy Executive Director of the Association of Professional Investors	18	95
Shevchuk, Aleksander Viktorovich Independent director	Member of the Board of Directors of PJSC IDGC of the North-West, Executive Director of the Association of Professional Investors	9	100

Members of the Strategy and Development Committee have knowledge on the Company's activities necessary to exercise their authority.

In 2016, the Strategy and Development Committee considered 56 issues, held 19 meetings, including 6 meetings in the form of joint attendance.

Information on issues considered by the Reliability Committee in 2016 is presented in Annex 32. Main substantive issues considered by the Committees of the Board of Directors in 2016.

The structure of issues considered in 2016 by the Strategy and Development Committee is presented in the diagram.



3.3.4. Reliability Committee

In the reporting period, the Reliability Committee was governed by the Regulations on the Reliability Committee of PJSC IDGC of the North-West approved by the resolution of the

Company's Board of Directors on October 21, 2015 (Minutes No. 191/6), as amended by the resolution of the Company's Board of Directors on July 19, 2017 (Minutes 214/5)).

The main responsibilities of the Committee are:

- expertise of production programs, plans for technical re-equipment, reconstruction, new construction and repair of electric grid facilities, analysis of their development and execution in terms of ensuring the requirements for reliability of operation and technical condition of electric grids;
- assessment of the completeness and adequacy of measures based on the accident investigation results in accordance with the Rules of accident cause investigation in electric power industry approved by the Decree of the Government of the Russian Federation, as well as monitoring of their execution;
- expertise of the quality of investigations of the causes of technological failures (accidents);

expertise of the Company's activity in the field of emergency response (ensuring readiness, organization and carrying out emergency recovery operations at electric grid facilities);

- expertise of programs for prevention and reduction of risks of injuries to the Company's personnel and third parties at the Company's electrical facilities, as well as control over their execution;
- monitoring and assessment of the Company's technical services' activities for ensuring reliable operation of power grids and industrial safety;
- expertise of the Company's internal technical control system;
- expertise of the Company's occupational safety and health management system;
- expertise of the environmental policy implementation program;
- expertise of the fire and industrial safety system.

In the first half of 2016, the number of members of the Reliability Committee of the Company's Board of Directors was seven persons.

In accordance with the resolution of the Company's Board of Directors dated July 19, 2016, the Reliability Committee was elected in the number of 9 persons.

Information on the personal composition and participation of members of the current Reliability Committee of the Board of Directors in the Committee's operation is given in the table.

Full name	Position	Participation	% of participation
Reliability Committee			
Magadeyev, Ruslan Raisovich (Chairman)[16]	Deputy Chief Engineer of PJSC Rosseti	2	100
Bogomolov, Eduard Valeryevich	First Deputy Director of the branch of PJSC Rosseti - Center for Technical Supervision	4	100
Korotenko, Aleksandr Vasilievich	Deputy Head of the Sector for Long-Term Development of the Electric Power Industry of the Power Engineering Department of the Ministry of Energy of the Russian Federation	3	75
Kuzmin, Igor Anatolievich	First Deputy General Director - Chief Engineer of PJSC IDGC of the North-West	4	100
Motin, Vladimir Sergeevich	Head of the development division of the Moscow branch of CJSC Bank Agroros	4	100

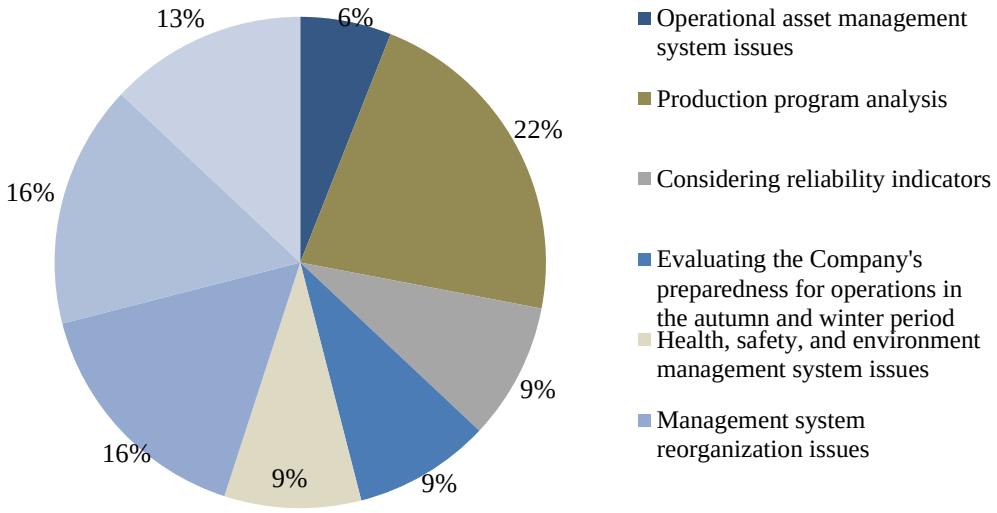
[16] Elected as member of the Committee on November 21, 2016 (Minutes 223/14).

Full name	Position	Participation	% of participation
Pavlov, Vadim Alexeyevich	First Deputy General Director of PJSC IDGC of the North-West	3	75
Polovnev, Igor Georgievich	CFO of the Association of Professional Investors	4	100
Repin, Igor Nikolayevich	Deputy Executive Director of the Association of Professional Investors	4	100
Fedorov, Vadim Nikolayevich	Deputy General Director for Development and Realization of Services of PJSC IDGC of the North-West	4	100
Kataev, Sergey Mikhailovich[17]	Director of the Operational and Technological Management Department of PJSC Rosseti	1	50

In 2016, the Reliability Committee held 7 meetings, including 1 meeting in the form of joint attendance. 32 issues were considered.

Information on issues considered by the Reliability Committee in 2016 is presented in Annex 32. Main substantive issues considered by the Committees of the Company's Board of Directors in 2016.

The structure of issues considered in 2016 by the Reliability Committee is presented in the diagram.



3.3.5. Committee for Technological Connection to Power Grids

The objective of the Committee for Technological Connection to Power Grids is to ensure transparency of activities and non-discriminatory access of consumers to services of technological connection to the Company's power grids.

In its activities, the Committee for Technological Connection to Power Grids of the Board of Directors is guided by the Regulations on the Committee approved by the resolution of the Company's Board of Directors on February 10, 2009 (Minutes No. 40/8).

The main responsibilities of the Committee are:

[17] Acted as the Chairman of the Board of Directors' Reliability Committee from July 19, 2016 to November 21, 2016. Early termination of office as member on the Board of Directors' Reliability Committee on November 21, 2016 (Minutes 223/14).

- development of proposals for improving the legislative framework for antimonopoly regulation and ensuring non-discriminatory access of consumers to services of technological connection to the Company's power grids;

- elaboration of proposals on improving Company's internal regulations and standards on ensuring non-discriminatory access to services for technological connection of consumers to power grids;

- development of principles and criteria for assessment of the efficiency of Company's activities for technological connection of consumers to power grids;

- assessment of the efficiency of Company's activities for technological connection of consumers to power grids;

- analysis of the current situation of the Company and preparation of proposals to the Company's Board of Directors regarding the technological connection of consumers to power grids.

In the first half of 2016, the number of members of the Committee for Technological Connection to Power Grids of the Board of Directors equaled seven. In accordance with the resolution of the Company's Board of Directors dated July 19, 2016, the Committee for Technological Connection to Power Grids was elected in the number of 9 persons.

Information on the personal composition and participation of members of the current Committee for Technological Connection to Power Grids of the Board of Directors in the Committee's work is given in the table.

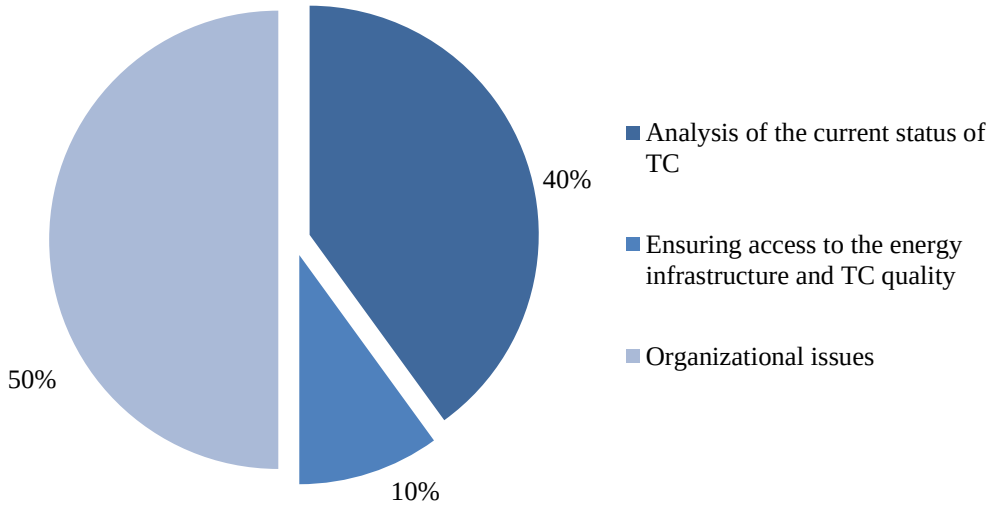
Full name	Position	Participation	% of participation
Committee for Technological Connection to Power Grids			
Pokrovsky, Sergey Vadimovich (Chairman) Independent director	Member of the Board of Directors of PJSC IDGC of the North-West, Deputy Executive Director of the Association of Professional Investors	2	100
Dinmukhametov, Marat Nikolayevich	Head of the Department for Technological Connection and Long-Term Development of PJSC IDGC of the North-West	2	100
Masaleva, Irina Borisovna	Director of the Department for Long-term Grid Development and Technological Connection of PJSC Rosseti.	2	100
Korneev, Aleksandr Yurievich	Head of the Division for Regulation of Technological Connection of PJSC Rosseti	2	100
Sokolov, Denis Evgenyevich	Chief Expert of the Division for Regulation of Technological Connection of PJSC Rosseti	2	100
Pavlov, Alexander Valeryevich	Leading Advisor of the Sector for Industry Regulatory Framework Development of the Department of Power Engineering Development of the Ministry of Energy of the Russian Federation	2	100
Polovnev, Igor Georgievich	CFO of the Association of Professional Investors	2	100
Saveliev, Maksim Ilyich	General Director of Soyuz-Invest LLC	2	100
Fedorov, Vadim Nikolayevich	Deputy General Director for Development and Realization of Services of PJSC IDGC of the North-West	2	100

Members of the Committee for Technological Connection to Power Grids have knowledge on the Company's activities necessary to exercise their authority.

The Committee includes an independent director - S.V. Pokrovsky , Chairman of the Committee, Deputy Executive Director of the Association of Professional Investors.

In 2016, the Committee for Technological Connection to Power Grids of the Company's Board of Directors held 5 meetings, including 1 meeting in the form of joint attendance.

The structure of issues considered in 2016 by the Committee for Technological Connection to Power Grids is presented in the diagram.



3.4. General Director and the Management Board of the Company

General Director's competence includes all matters related to implementation of the Company's current activities. The Company's Articles of Association grant the General Director broad powers in such key areas as property management, transactions on behalf of the Company, issuing orders, approval of directives and internal documents in all important areas of the Company's business.

Since July 29, 2014 the General Director of PJSC IDGC of the North-West is Letyagin. Alexander Vyacheslavovich. Earlier, since April 25, 2014 Alexander Letyagin functioned as General Director of the Company.

Letyagin, Alexander Vyacheslavovich
General Director, Chairman of the Board.
Born in 1976.
Graduated from Ivanovo Power Engineering Institute majoring in Electric Power Plants in 1998. Received a supplementary education diploma from Moscow Power Engineering Institute under the training program in Management for organization of national economy of the Russian Federation .
In 2015, received an MBA from St. Petersburg State University.
From 1999 through 2002 worked at the Belgorodskaya CHPP of JSC Belgorodenergo. He worked his way up from an electrician responsible for relay protection maintenance to Head of an industrial electrical engineering laboratory in the electrical shop of the Belgorodskaya CHPP in Belgorod. From 2002 through 2003 worked as Head of the laboratory of the central service of relay protection and automation at the Regional Dispatching Office, branch of JSC Belgorodenergo, in 2003 — as Chief Specialist of relay protection and automation service at

the Belgorodskiy Regional Dispatching Office, branch of JSC System Operator of Universal Energy System. From 2003 through 2006 worked as Technical Director of JSC Belgorodenergo. From 2006 through 2012 worked as Deputy General Director for technical issues – Chief Engineer of Orelenergo, branch of JSC IDGC of Center. From 2012 through 2014 served as Advisor to the General Director, Director of Vyborg Electric Grids, branch of JSC Lenenergo.

In 2014, he was invited to the position of acting First Deputy General Director, since July 29, 2014 - General Director of the Company.

Currently holding no positions in managerial bodies of other organisations.

In 2016, he did not hold any shares of PJSC IDGC of the North-West. In 2016 he did not have any transactions with Company's securities.

Management Board

The Management Board is a collegial executive body of PJSC IDGC of the North-West. Board's competence, according to the Articles of Association, includes the following issues:

- development of proposals for the Company's development strategy;
- implementation of financial and economic policies of the Company and SDCs: drafting decisions on the most important issues of current economic activity and coordination of operation of the units;
- increasing the efficiency of the systems of internal control and risk monitoring;
- making decisions on other issues submitted for consideration of the Board by the General Director of the Company.

Company's Management Boards activities are regulated by the Federal Law "On Joint Stock Companies", the Company's Articles of Association and the Regulations on the Management Board.

In accordance with the Articles of Association, the Management Board members are elected by the Company's Board of Directors in the number determined by the resolution of the Board of Directors on the General Director's proposal.

The initial composition of the Management Board consisting of 7 people was elected by the Company's Board of Directors on April 10, 2008. By the resolution of the Board of Directors dated August 25, 2009 the number of members of the Management Board was increased from 7 to 10 people.

In 2016, in connection with the appointments to the Company's Management Board the following changes occurred:

By the decision of the Board of Directors dated August 22, 2016, powers of the following people were terminated:

- member of the Board D.I. Nikonov
- member of the Board I.V. Medvedev

Elected as members of the Management Board: I.A. Kuzmin - First Deputy General Director; - Chief Engineer, V.A. Pavlov - First Deputy General Director.

In accordance with the Articles of Association of PJSC IDGC of the North-West, **General Director of the Company functions as the Chairman of the Company's Management Board.**

The current Company's Management Board:

Gusev, Vladimir Sergeevich

Member of the Management Board, Deputy General Director for Security (the date of election to the Board - April 21, 2015).

Born in 1950.

In 1973 he graduated from the Leningrad Lensovet Technological Institute majoring in Chemistry and technology of sorbents.

PhD in Economics.

From 2005 through 2015 - Vice-President, Adviser, member of the Management Board of OJSC International Bank of St. Petersburg.

In March 2015 he was appointed to the post of Deputy General Director for Security of PJSC IDGC of the North-West.

Area of responsibility: ensuring organization of the security regime, economic and information security of the Company.

Currently holding no positions in managerial bodies of other organisations.

In 2016, he did not hold any shares of PJSC IDGC of the North-West. In 2016 he did not have any transactions with the Company's securities.

Kuzmin, Igor Anatolievich

Member of the Management Board, First Deputy General Director - Chief Engineer (date of election to the Management Board - August 22, 2016).

Born in 1975.

In 1997 graduated from the Kurgan State University majoring in Automation of Technological Processes and Production, specialization "Power supply of industrial enterprises".

He began his career in Kurganenergo where he worked his way up from an engineer of the relay protection, automation and measurement service to the chief of the operational dispatch service of Kurgan Electric Power Grids.

From 2005 through 2007, he held the position of chief specialist of the department of loss management, production and technology development of the Regional Grid Complex Management Department and manager of the reliability enhancement department of the IDGC of PJSC Federal Grid Company of Unified Energy System Management Center in Moscow.

In 2007, he moved to Lenenergo where, at various times he held the posts of Deputy Chief Engineer for Operational and Technological Management - Head of the Grid Management Center, Director for Operational and Technological Management - Head of the Grid Management Center, and Deputy Chief Engineer for Operational Technology Management - Head of the Grid Management Center. Since 2014 he worked as deputy chief engineer for operational, technological and situational management of PJSC Lenenergo.

Since April 27, 2016 he has been working as Acting First Deputy General Director - Chief Engineer of PJSC IDGC of the North-West. From June 10, 2016, he was appointed First Deputy General Director - Chief Engineer of PJSC IDGC of the North-West.

Area of responsibility: organization of equipment operation to provide power to consumers through grids with minimal loss, maximum reliability and quality while ensuring safety of the equipment, preventing technological disturbances and minimizing possible damage. Effective management of organization and coordination of grid development planning.

Current participation in the governance bodies of the following organization: member of the Board of Directors of the Joint-Stock Company St. Petersburg Power Grids.

In 2016, he did not hold any shares of PJSC IDGC of the North-West. In 2016 he did not make any transactions with the Company's securities.

Nesterenko, Vladimir Valerievich

Member of the Management Board, Deputy General Director for Investment Activities (date of election to the Management Board - March 25, 2015).

Born in 1972.

In 1995, he graduated from the Volgograd State Technical University majoring inPulse heat engines.

From 2010 through 2012 he held the post of Head of the Capital Construction Department of PJSC IDGC of Center.

From 2012 through 2014 - deputy head of the department - head of the balance and electricity metering sector of the customer and market communications department of PJSC Federal Grid Company of Unified Energy System.

Since December 2014 he has been working as Acting Deputy General Director for Investment Activity of PJSC IDGC of the North-West. In February 2015, he was appointed Deputy General Director for Investment Activities of the Company.

Area of responsibility: organization of development and implementation of the long-term investment strategy. Ensuring implementation of the investment program of PJSC IDGC of the North-West to upgrade the Company's fixed capital through investment projects.

Current participation in the governance bodies of the following organization: member of the Board of Directors of JSC Energoservice of the North-West.

In 2016, he did not hold any shares of PJSC IDGC of the North-West. In 2016 he did not make any transactions with Company's securities.

Orlov, Denis Alexandrovich

Member of the Management Board, Deputy General Director for Corporate Governance (date of election to the Management Board - September 1, 2014).

Born in 1975.

In 1996, he graduated from the Plekhanov Russian Academy of Economics majoring in Finances and Credit

PhD in Economics. Speaks English and German.

From 2009 through 2012 he worked as Deputy Chairman of the Government of the Oryol Region - Head of the Infrastructure Unit.

In 2012 - Adviser to the General Director of JSC Oryol Social Bank.

From 2012 through 2014 - Deputy Chairman of the Committee for Economic Development and Investment Activity of the Government of the Leningrad Region.

In July 2014 he joined PJSC IDGC of the North-West at the position of Acting Deputy General Director for Corporate Governance. In August 2014 he was appointed to the post of Deputy General Director for Corporate Governance of the Company.

Area of responsibility: organization of corporate governance of PJSC IDGC North-West and its subsidiaries, Company's asset and equity management, interaction with shareholders and investors. Ensuring legitimacy of the Company's economic activities, as well as protecting its rights and interests.

Current participation in the governance bodies of the following organization: Chairman of the Board of Directors of OJSC Lesnaya Skazka.

In 2016, he did not hold any shares of PJSC IDGC of the North-West. In 2016, he did not have any transactions with Company's securities.

Pavlov, Vadim Alekseevich

Member of the Management Board, First Deputy General Director (date of election to the Management Board - August 22, 2016).

Born in 1977.

In 1999 he graduated from the Rostov State University of Economics majoring in Environmental Economics, qualified as an Economist.

In 1999, he worked in the Ministry of Industry, Energy and Natural Resources of the Rostov region as a 1st category specialist, Chief Specialist, Head of Energy Division.

From 2005 through 2006 - Deputy Head - Head of the Tariff Regulation Department of the Fuel and Energy Sector of the Regional Tariff Service of the Rostov Region.

From 2006 through 2010 - Head of the Regional Tariff Service of the Rostov Region.

In 2010 - General Director of JSC Donenergo.

In 2011, he headed the communal infrastructure development department of OJSC Kaluga Region Development Corporation.

From 2011 through 2012 - Head of the Center for Strategy, Development and Innovation of JSC IDGC Holding.

2012-2013 - Head of the Strategy and Development Center of OJSC Rosseti.

From 2013 through 2014 - Deputy Head of the Investment Planning and Reporting Department of PJSC Federal Grid Company of Unified Energy System.

Since 2014, he held the position of adviser to the General Director of PJSC IDGC of the South.

On April 18, 2016 he was appointed to the post of First Deputy General Director of PJSC IDGC of the North-West.

Area of responsibility: effective management of enterprise economy; analysis of financial and economic activities and financial standing of the Company ensuring prudent and rational expenditure of material, labor and financial resources; development of the Company's unified tariff policy; organization of formation of plans and forecasts for the future power grid complex development on the Company's service area, organization and control over implementation of measures for technological connection; organization of interactions with the authorities of constituent entities of the Russian Federation, related network organizations and enterprises on territory development and meeting the demand for network services; ensuring conformity with the client-oriented policy and the Company's customer service standard.

Currently holding no positions in managerial bodies of other organisations.

In 2016, he did not hold any shares of PJSC IDGC of the North-West. In 2016, he did not make any transactions with Company's securities.

Fedorov, Vadim Nikolaevich

Member of the Management Board, Deputy General Director for Development and Provision of Services (date of election to the Management Board - December 11, 2015).

Born in 1972.

In 1994, he graduated from the Novocherkassk Polytechnic Institute majoring in Automatic Control of Electric Power Systems, in 2004 he graduated from the N. G. Chernyshevsky Saratov State University majoring in Organization Management.

From 2011 through 2013 - Chairman of the Board of the Non-Profit Partnership "Association of Entities Engaged in Energy Survey EnergoProfAudit".

From 2013 through 2014 he held positions in PJSC Rosseti: Head of the Innovative, Technical and Energy Efficiency, Technological Development Department, Head of the Technical Development and Innovation Department.

Since 2014 he has been working for PJSC IDGC of the North-West: since December 2014 - adviser to the Business Management Department, in July 2015 transferred to the post of Acting Deputy General Director for development and provision of services, in September 2015 he was appointed to the post of Deputy General Director for development and sale of Company's services.

Area of responsibility: organization of timely and high-quality technological connection of consumers to distribution grids of PJSC IDGC of the North-West to provide consumers with electricity of the required quality, in a specified amount, with minimization of damage (loss) and continuous increase in efficiency to ensure a given financial result of the Company's activities.

Currently he is a member of the governance bodies of the following organizations: Chairman of the Board of Directors of OJSC Energoservice of the North-West, Chairman of the Board of Directors of OJSC Pskovenergoagent.

In 2016, he did not hold any shares of PJSC IDGC of the North-West. In 2016 he did not make any transactions with Company's securities.

Shiryaev, Pavel Vyacheslavovich

Member of the Management Board, Deputy General Director for Economics and Finance (date of election to the Management Board - December 11, 2015).

Born in 1965.

In 1988, he graduated from the Moscow Institute of Steel and Alloys majoring in Physical and Chemical Studies of Metallurgical Processes, in 2005 - the Moscow Power Engineering Institute majoring in Power Supply.

Proficiency in English.

From 2002 to 2015 he worked as Deputy General Director of Backbone power grids of the Center, branch of PJSC Federal Grid Company of Unified Energy System.

In 2014 he joined PJSC IDGC of the North-West: since December 2014 - adviser to the Business Management Department, since July 2015 - Acting Deputy General Director for Economics and Finance, in September 2015 he was appointed to the post of Deputy General Director for Company's Economics and Finance.

Area of responsibility: effective management of the company's economy, optimization of Company's cash flows, effective implementation of the credit policy, ensuring timely settlements in all Company's business areas. Organization of setting the tariff level for services provided by PJSC IDGC of the North-West sufficient to ensure the Company's core business and return.

Currently holding no positions in managerial bodies of other organisations.

In 2016, he did not hold any shares of PJSC IDGC of the North-West. In 2016 he did not make any transactions with Company's securities.

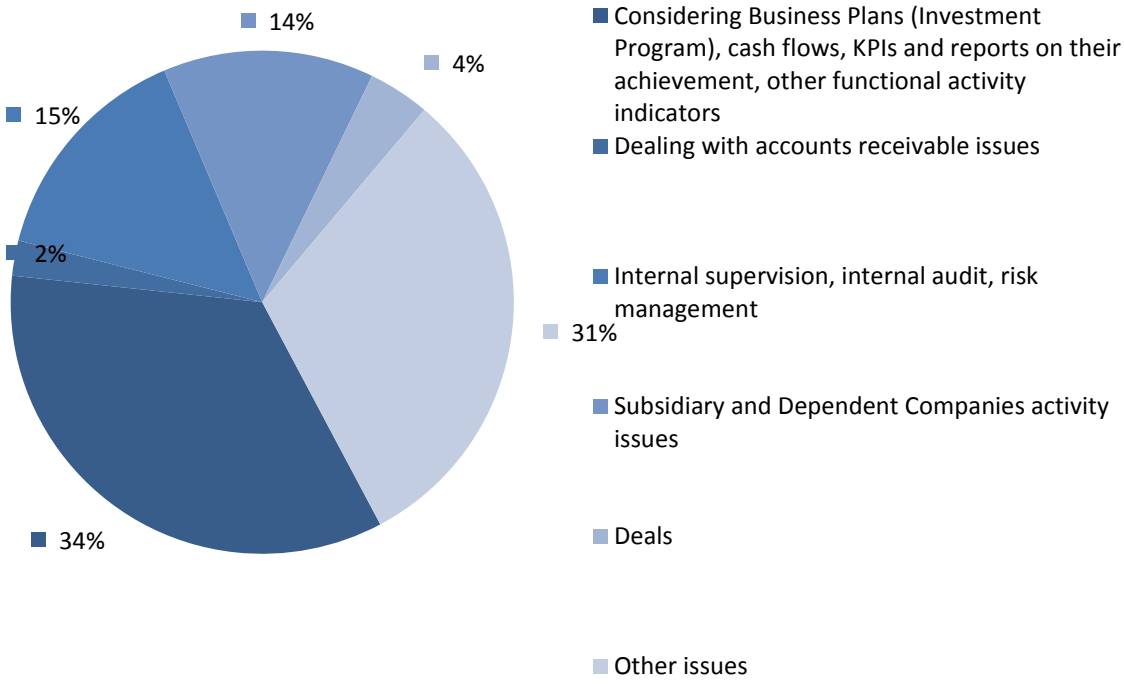
Participation of the Management Board members in meetings held in 2016.

Full name	Total number of meetings	Number of meetings attended by the Management Board member	% of total number of meetings,
A.V. Letyagin	38	38	100%
V.S. Gusev	38	36	95%
I.A. Kuzmin**	13	13	100%
V.V. Nesterenko	38	38	100%
D.A. Orlov	38	36	95%
V.A. Pavlov**	13	12	92%
V.N. Fedorov	38	37	97%
P.V. Shiryaev	38	34	89%
D.I. Nikonov *	25	10	40%
I.V. Medvedev*	25	23	92%

*powers terminated
** elected on August 22, 2016

Managing the Company's current activities in accordance with the competence defined by the Articles of Association and the Regulations on the Management Board of PJSC IDGC of the North-West, in 2016 the Company's Management Board held 38 meetings (6 of them in the form of joint attendance) and considered 177 issues.

Structure of the main issues under consideration by activity areas for 2016.



3.5. Remuneration system for the members of the Board of Directors and the Company's governance bodies

3.5.1. Remuneration system for the members of the Board of Directors

3.5.1.1. Criteria determining the size of remuneration in the reporting year

Types, size and procedure of remuneration and compensation payments to the members of the Company's Board of Directors are governed by the Provision on payments made to the

members of the Board of Directors of PJSC IDGC of the North-West in the form of remuneration and compensation as amended (hereinafter referred to as the Provision) approved by the decision of the Company's Annual General Shareholders Meeting of June 23, 2015 (Minutes No. 10).

The Provision stipulates the following types of payments:

1) Remuneration for participation in the Board of Directors of the Company. The size of remuneration of each member on the Board of Directors depends on the number of times the member of the Board of Directors participated in the meetings of the Board of Directors (irrespective of the form of the meetings), over the period between Annual General Shareholders Meetings, and on the size of the fixed part of remuneration. The fixed part of remuneration is established on the basis of the Company's revenue calculated for the previous financial year in accordance with RAS. For PJSC IDGC of the North-West the fixed part of remuneration is RUB 900,000.

In addition to remuneration the following additional payments are stipulated:

30% – to the Chairman of the Company's Board of Directors;

20% – to the Chairman of the Specialized Committee of the Company's Board of Directors;

10% – for membership in the Specialized Committee of the Company's Board of Directors.

The aggregate remuneration of one member of the Company's Board of Directors, including additional payments, cannot exceed the fixed part of remuneration (RUB 900,000).

Remuneration cannot be paid if the member of the Company's Board of Directors failed to participate in over 50% of the meetings that took place.

2) Additional remuneration from the net profit, should the Company's market capitalization be increased over the Board of Directors' mandate, which totals 0.0175% of the increase in the Company's market value calculated from the date the member of the Board of Directors was elected to the date, when election of new members to the Company's Board of Directors takes place.

Additional remuneration for the increase of the Company's market value can only be paid if the average monthly volume of deals involving the Company's ordinary shares and struck at the stock market over the mandate of the remunerated members on the Board of Directors amounts to no less than RUB 1.5 m.

The aggregate remuneration of the members on the Company's Board of Directors cannot exceed 5% of the net profit received over the financial year, in accordance with RAS.

Remuneration to the members of the Company's Board of Directors will be paid in the form of a bulk payment at the end of the corporate year. According to the Provision, the corporate years means the period starting from the date when the members of the Board of Directors were elected at the Company's Annual General Shareholders Meeting and to the date when the Company's next Annual General Shareholders Meeting takes place.

3) Compensation paid to the members of the Board of Directors for the expenses they incurred while performing their functions as members on the Board of Directors.

Remuneration and compensation shall not be paid to those members of the Board of Directors who are the Company's sole executive body, the members of the Company's Management Board, or public servants.

3.5.1.2. Individualised statistics of payments as broken down by components (over four years)

Remuneration paid to the members of the Board of Directors in 2013-2016 (RUB)[18]

Full name	For participation in meetings of the Board of Directors*	For the Company's net profit indicator (remuneration was paid before the current version of the Provision was approved)	For the increase of the Company's market capitalization	Total
Payments made in 2013, including:	9,900,934	228,469		10,129,403
Members of the Board of Directors elected by the AGSM on June 16, 2011	-	92,474	-	92,474
Members of the Board of Directors elected by the AGSM on June 21, 2012	-	52,886	-	52,886
Members of the Board of Directors elected by the AGSM on August 28, 2012	4,042,696	83,109	-	4,125,805
Members of the Board of Directors elected by the AGSM on June 21, 2013	5,858,238	-	-	5,858,238
Payments made in 2014, including:	13,311,600	1,164,186	-	14,475,786
Members of the Board of Directors elected by the AGSM on August 28, 2012	-	411,446	-	411,446
Members of the Board of Directors elected by the AGSM on June 21, 2013	2,721,600	752,740	-	3,474,340
Members of the Board of Directors elected by the EGMS on March 12, 2014	4,482,000	-	-	4,482,000
Members of the Board of Directors elected by the AGSM on June 25, 2014	6,108,000	-	-	6,108,000
Payments made in 2015, including:	7,986,132	-	-	7,986,132
Members of the Board of Directors elected by the AGSM on June 25, 2014	7,986,132	-	-	7,986,132
Payments made in 2016, including:	7,774,038	-	1,458,972	9,233,010
Members of the Board of Directors elected by the AGSM on June 23, 2015, including:	7,774,038	-	1,458,972	9,233,010
S.S. Zholnerchik	900,000	-	162,108	1,062,108
M.A. Bychko	830,769	-	162,108	992,877
T.P. Dronova	888,462	-	162,108	1,050,570
A.N. Zharikov	761,538	-	162,108	923,646
M.A. Lavrova	900,000	-	162,108	1,062,108
A.V. Letyagin	-	-	-	-
A.K. Mamontov	830,769	-	162,108	992,877

[18] Here and hereinafter in the Annual Report the sums of remuneration paid to the management and supervisory bodies are indicated without deduction of personal income tax.

S.V. Pokrovsky	900,000	-	162,108	1,062,108
M.D. Stepanova	900,000	-	162,108	1,062,108
R.A. Filkin	862,500	-	162,108	1,024,608
A.A. Erdyniyev	-	-	-	-
Members of the Board of Directors elected by the AGSM on June 08, 2016	-	-	-	-

In accordance with the effective Provision, the members of the Company's Board of Directors elected by the AGSM on June 08, 2016 shall be remunerated in 2017 after the Annual General Shareholders Meeting takes place.

In 2016, members on the Board of Directors were compensated for the expenses they incurred while performing their functions as members on the Board of Directors in an amount of RUB 857,000.

3.5.2. Remuneration system for the members of Board of Directors' Committees

3.5.2.1. Criteria determining the remuneration.

Types, size and procedure of remuneration and compensation payments to the members of the Company's Board of Directors' Committees are governed by the Provisions on payments made to the members of the Company's Board of Directors' Committees in the form of remuneration and compensation approved by the decision of the Board of Directors on August 25, 2009[19] (hereinafter referred to as the Provisions).

The Decision by the Company's Board of Directors of December 29, 2015 amends the Provisions on payments made to the members of the Company's Board of Directors' Committees in the form of remuneration and compensation, according to which, if the Chairman or the members of the Company's Board of Directors' Committees are also on the Company's Board of Directors, their remuneration shall be governed by the Provision on payments made to the members on the Company's Board of Directors in the form of remuneration and compensation.

The provisions stipulate remuneration for every meeting in which the member of the Board of Directors' Committee took part.

- The member of the Board of Directors' Committee who participates in a virtual meeting of the Board of Directors' Committee shall be remunerated in an amount equivalent to one minimum monthly rate of a first-grade worker stipulated by the industry agreement on tariffs in the electric power industry of the Russian Federation effective as of the date the Board of Directors' Committee met on, including indexation provided for in the Agreement.
- The member of the Board of Directors' Committee who participates in a physical meeting of the Board of Directors' Committee shall be remunerated in an amount equivalent to two minimum monthly rates of a first-grade worker stipulated by the Agreement effective as of the date the Board of Directors' Committee met on, including indexation provided for in the Agreement.

The size of remuneration paid to the Chairman (deputy Chairman) of the Committee for every meeting of the Board of Directors' Committee that they chaired shall be increased by 50%.

[19] Full texts of the Provisions on payments made to the members of the Board of Directors' Committees of PJSC IDGC of the North-West in the form of remuneration and compensation can be found on the Company's website http://www.mrsksevzap.ru/remunerationcompensationregulation.

Plus, according to the Provisions on payments made to the members of the Board of Directors' Committees in the form of remuneration and compensation, the member of the Board of Directors' Committee shall be compensated for the actual expenses they incurred while performing their functions as members of the Company's Board of Directors' Committee.

Remuneration and compensation will not be paid to those members on the Committees who are the sole executive body, the members of the Company's Management Board, or public servants.

3.5.2.2. Remuneration paid to the members of the Board of Directors' Committees in 2016

Remuneration paid to the members of the Board of Directors' Committees in 2014 - 2016

Full name	Remuneration for participation in meetings of the Board of Directors' Committees, (RUB) *
Audit Committee	
Payments made in 2014, including:	495,900
Members of the Committee elected on July 22, 2013	129,600
Members of the Committee elected on April 16, 2014	132,300
Members of the Committee elected on July 18, 2014	234,000
Payments made in 2015, including:	344,856
Members of the Committee elected on July 18, 2014	344,856
Members of the Committee elected on August 13, 2015	-
Payments made in 2016, including:	-
Members of the Committee elected on August 13, 2015	-
Members of the Committee elected on July 19, 2016	-
Nominating and Compensation Committee	
Payments made in 2014, including:	592,800
Members of the Committee elected on July 22, 2013	118,800
Members of the Committee elected on April 16, 2014	135,000
Members of the Committee elected on July 18, 2014	339,000
Payments made in 2015, including:	258,066
Members of the Committee elected on July 18, 2014	258,066
Members of the Committee elected on August 13, 2015	-
Payments made in 2016, including:	-
Members of the Committee elected on August 13, 2015	-
Members of the Committee elected on July 19, 2016	-
Strategy and Development Committee	
Payments made in 2014, including:	942,300
Members of the Committee elected on July 22, 2013	259,200
Members of the Committee elected on April 16, 2014	170,100
Members of the Committee elected on July 18, 2014	513,000
Payments made in 2015, including:	437,484
Members of the Committee elected on July 18, 2014	437,484
Members of the Committee elected on August 13, 2015	-
Payments made in 2016, including:	1,953,910
Members of the Committee elected on August 13, 2015 (as amended on December 11, 2015)	1,338,823
Members of the Committee elected on July 19, 2016	615,087
Reliability Committee	
Payments made in 2014, including:	277,800
Members of the Committee elected on July 22, 2013	59,400
Members of the Committee elected on April 24, 2014	59,400
Members of the Committee elected on July 18, 2014	159,000

Full name	Remuneration for participation in meetings of the Board of Directors' Committees, (RUB) *
Payments made in 2015, including:	181,602
Members of the Committee elected on July 18, 2014 (as amended on December 30, 2014)	181,602
Members of the Committee elected on August 13, 2015 (as amended on December 11, 2015)	-
Payments made in 2016, including:	406,319
Members of the Committee elected on August 13, 2015 (as amended on December 11, 2015)	230,066
Members of the Committee elected on July 19, 2016	176,253
Committee for Technological Connection to Power Grids	
Payments made in 2014, including:	198,000
Members of the Committee elected on July 22, 2013	45,900
Members of the Committee elected on April 16, 2014	35,100
Members of the Committee elected on July 18, 2014	117,000
Payments made in 2015, including:	82,836
Members of the Committee elected on July 18, 2014	82,836
Members of the Committee elected on August 13, 2015	-
Payments made in 2016, including:	298,193
Members of the Committee elected on August 13, 2015	211,865
Members of the Committee elected on July 19, 2016	86,328
Aggregate remuneration paid for participating in the meetings of the Board of Directors' Committees	
In 2014	2,506,800
In 2015	1,309,844
In 2016	2,658,422

* In 2016, the following minimum monthly rates applied to calculate the remuneration for participating in the meetings of the Board of Directors' Committees: starting from December 01, 2015 – RUB 6,914; starting from June 01, 2016 – RUB 7,194.

Aggregate remuneration paid in 2016 for participating in the meetings of the Company's Board of Directors' Committees was RUB 2,658,422. Members of the Board of Directors' Committees elected after August 13, 2015 were remunerated for participating in the 2015 meetings of the Committees in Q1 of 2016 after the Company's Board of Directors made a decision to amend the Provision on payments made to the members of the Board of Directors' Committees in the form of remuneration and compensation due to a new system of remuneration for the members of the Board of Directors having been implemented.

3.5.3. Remuneration system for the General Director and the Management Board

3.5.3.1. Criteria determining the size of remuneration in the reporting year

Criteria determining remuneration for the Company's General Director and the size thereof are stipulated in the employment contract and in the Provision on financial incentives for the General Director of PJSC IDGC of the North-West approved by the Board of Directors on June 15, 2011 (Minutes No. 79/19), with account of amendments decided by the Board of Directors on March 13, 2015 (Minutes No. 176/18).

Members of the Company's Management Board belong in the top manager category. Criteria determining remuneration for the Company's top managers and the size thereof are stipulated in the employment contracts and in the Provision on financial incentives and benefits

package for top managers of PJSC IDGC of the North-West approved by the Board of Directors on June 15, 2011 (Minutes No. 79/19).

Remuneration system for the General Director and the Management Board (top managers) includes:

- Fixed salary.

The Company structures the salary of the General Director and its top managers in such a way as to set a fair and competitive level of remuneration. The salary level meets the market conditions, which ensures that the membership of the Management Board is stable.

- Personal additional payments allocated to the member of the Management Board (remuneration for acting as member of the Management Board).

The Provision on financial incentives and benefits package for top managers of the Company stipulates a personal additional payment to top managers for acting as members of the Management Board in the amount of up to 15% of their fixed salary (in proportion to the time they spent performing those functions).

- Additional payments for dealing with information constituting a state secret.

The size of additional payments is a percentage of the fixed salary and is determined in accordance with the Rules for making monthly percentage additional payments to the fixed salary (rate) of persons having regular access to state secret information and of persons employed in structural units protecting state secret information, approved by Decree No. 573 by the Government of the Russian Federation dated September 18, 2006.

- Bonus payments.

Bonus payments are designed to stimulate the General Director and the members of the Management Board to achieve the Company's priority objectives through reaching the Key Performance Indicators (KPI)[20].

KPIs to evaluate the General Director's performance and every KPI's relative share in the size of quarterly and annual bonus payments to the General Director are determined by the Board of Directors. KPIs for top managers are determined by the General Director based on the KPIs adopted by the Board of Directors, considering the top manager's role in achieving the target indicator and the individual responsibility KPI in the top manager's area of expertise.

KPIs adopted to stimulate (determine the size of remuneration for) the General Director and the members of the Management Board in 2016

No.	Indicators
Quarterly KPIs set by the Board of Directors on March 31, 2016 (Minutes No. 200/15)	
1.1	Zero increase in the number of major accidents
1.2.	Prevention of increase in the number of people injured in accidents
1.3.	Financial stability and liquidity indicator
Quarterly KPIs set by the Company's General Director (Order No. 283 dated May 24, 2016)	
1.4.	Investment activity efficiency: Fulfilling the quarterly plans for commissioning and putting in putting in industrial production of fixed assets under investment program
1.5.	Ratio of execution of the primary equipment repair plan
1.6.	keeping within the limit of controllable operating costs
1.7.	Level of energy losses
1.8.	No violations of the effective legislation of the Russian Federation, the Company's Articles of Association, and its internal documents when organizing and holding corporate events

[20] Description of the key performance indicators system is provided in Section 1.8. Annual Report.

No.	Indicators
1.9.	Quality of control over performance of the tasks contained in orders and decrees issued by regulatory organizations
1.10.	No cases of failure to act following a major or a large-scale material damage caused to the Company or damage to the Company's goodwill
1.11.	No penalties incurred for the untimely submission of accounting reports to tax authorities or violations of the procedure provided for the submission of statistical information
1.12.	Ensuring fulfillment of obligations to pay for the service of power transmission over the Company's/branch's grids
Annual KPIs adopted by the Company's Board of Directors on March 31, 2016 (Minutes No. 200/15)	
2.1.	Total shareholder return (TSR)
2.2.	Return on invested capital (ROIC)
2.3.	Reduction in specific operating costs (expenses)
2.4.	Level of energy losses
2.5.	Securing the reliability of services
2.6.	Reduction of specific investment costs
2.7.	Fulfillment of the commissioning schedule
2.8.	Compliance with technological connection due dates
2.9.	Increasing labour efficiency
2.10.	Innovation activity efficiency
2.11.	Share of procurement from small and medium-sized businesses
Annual KPIs set by the General Director (Order No. 283 dated May 24, 2016)	
2.12.	Turnover of accounts receivable for electrical power transmission services
2.13.	Fulfillment rate for personnel education plans
2.14.	Ensuring accounting reliability and timely submission of financial, fiscal, and statistical IFRS reports.

Bonus payments are made based on the progress made on key performance indicators and depends on the rate (%) of KPIs achieved over the reporting periods (quarter, year). The KPIs performance by the General Director over the reporting period is reviewed by the Board of Directors' Strategy and Development Committee and approved by the decision of the Board of Directors. The progress made on KPIs by top managers over the reporting period is approved by the decision of the General Director.

The General Director and top managers can receive additional payments for completing tasks of critical importance approved by the Company's governance bodies. Tasks (jobs) of critical importance include those involving special terms and quality requirements, higher responsibility and importance for the industry and the country.

- One-time payment before leave.

Allocated to the Company's top managers in the amount of one fixed salary payment.

Employment contracts with the General Director and the members of the Management Board do not provide for a possibility of any guaranteed payments in the case of early termination of office (‘golden parachutes’), except for guarantees provided for by labor legislation.

3.5.3.2. Remuneration paid to the members of the Company's Management Board, including the person who held the position of the sole executive body in 2016.

Remuneration type	2014 (RUB)	2015 (RUB)	2016 (RUB)
Salary	33,881,665	32,878,748	34,736,143
Remuneration for acting as member of the Management Board	2,918,108	2,915,009	2,828,075
Bonus payments for achieving target quarterly KPIs	3,186,244	9,488,591	10,944,572
Bonus payments for achieving target annual KPIs	25,068,522	-	24,188,791

Remuneration type	2014 (RUB)	2015 (RUB)	2016 (RUB)
Other bonus payments (including for carrying out missions of critical importance)	6,010,479	9,024,443	9,878,244
Other payments	2,904,802	2,471,438	1,326,946
Total	73,969,820	56,778,229	83,902,771

3.5.4. Remuneration of the Audit Commission

3.5.4.1. Criteria determining the size of remuneration in the reporting year

Types, size and procedure of remuneration and compensation payments to the members of the Audit Commission are governed by the Provision on payments made to the members of the Audit Commission of PJSC IDGC of the North-West in the form of remuneration and compensation approved by the decision of the Annual General Shareholders Meeting of June 23, 2015 (hereinafter referred to as the Provision).

According to the Provision, the remuneration for the member of the Company's Audit Commission depends on the degree of their involvement in the Audit Commission's activity over the previous corporate year and the size of their fixed salary. The fixed part of remuneration is established on the basis of the Company's revenue calculated under RAS for the previous financial year. The degree of involvement in the Audit Commission's activity is determined for its members based on the number of calendar days over the corporate year they spent acting as member of the Audit Commission and the personal involvement coefficient.

Personal involvement coefficient is decided by the Chairman of the Audit Commission for each member of the Audit Commission and reflects their participation in the Audit Commission's meetings, as well as their performance of additional functions as Chairman or Secretary of the Audit Commission.

Remuneration is paid based on performance over the corporate year According to the Provision, the corporate year means the period starting from the date when the members of the Audit Commission were elected at the Annual General Shareholders Meeting and to the date when the Company's next Annual General Shareholders Meeting takes place.

A member of the Audit Commission who failed to participate in over a half of the meetings that took place while he held membership in the Audit Commission is not entitled to any remuneration.

If a member of the Audit Commission participated actively over the corporate year in additional audits by the Audit Commission or in the supervisory measures targeting specific issues, conducted following a decision by the General Shareholders Meeting, the Company's Board of Directors, or upon request of the Company's shareholder(s) owning together no less than 10 per cent of the Company's voting shares, the Chairman of the Audit Commission has the right to solicit before the General Shareholders Meeting to raise the size of their actual remuneration.

Plus, according to the Provision, the member of the Audit Commission will be compensated for the actual expenses resulting from their visits to the Company's facilities, participation in the Audit Commission's meetings held at the Company's actual location, and fulfillment by them of other Audit Commission assignments.

Remuneration and compensation will not be paid to the members of the Audit Committee who are public servants.

3.5.4.2. Remuneration paid to members of the Audit Commission in 2016.

In 2016, members on the Audit Commission were remunerated in an amount of RUB 793,000.

No compensation of expenses incurred during performance of functions as members of the Audit Commission was paid.

3.6. Management of Subsidiaries

Being the shareholder of the subsidiaries, PJSC IDGC of the North-West interacts with the latter by means of corporate governance following the requirements of the legislation of the Russian Federation, the Charter, the Procedure for Interaction of PJSC IDGC of the North-West with its Subsidiaries, other internal documents of the Company, the Charters and internal documents of the subsidiaries stipulating the procedures for operation of their management and control bodies (Regulations on the Boards of Directors, Audit Commissions, etc.).

The Procedure for Interaction of PJSC IDGC of the North-West with its subsidiaries was approved by the Company's Board of Directors in order to:

- ensure stable financial development of the subsidiaries and their profitability;
- ensure compliance with the effective legislation of the Russian Federation by the subsidiaries in the course of their activities;
- ensure protection of rights and legitimate interests of the subsidiaries' shareholders;
- harmonize relations between shareholders and officials of PJSC IDGC of the North-West and its subsidiaries and exclude any conflicts between them;
- create conditions for balanced development of relations between power industry organizations and organizations from other economic sectors;
- harmonize relations between PJSC IDGC of the North-West and its subsidiaries with the federal authorities, government bodies of the constituent entities of the Russian Federation and municipal government authorities.

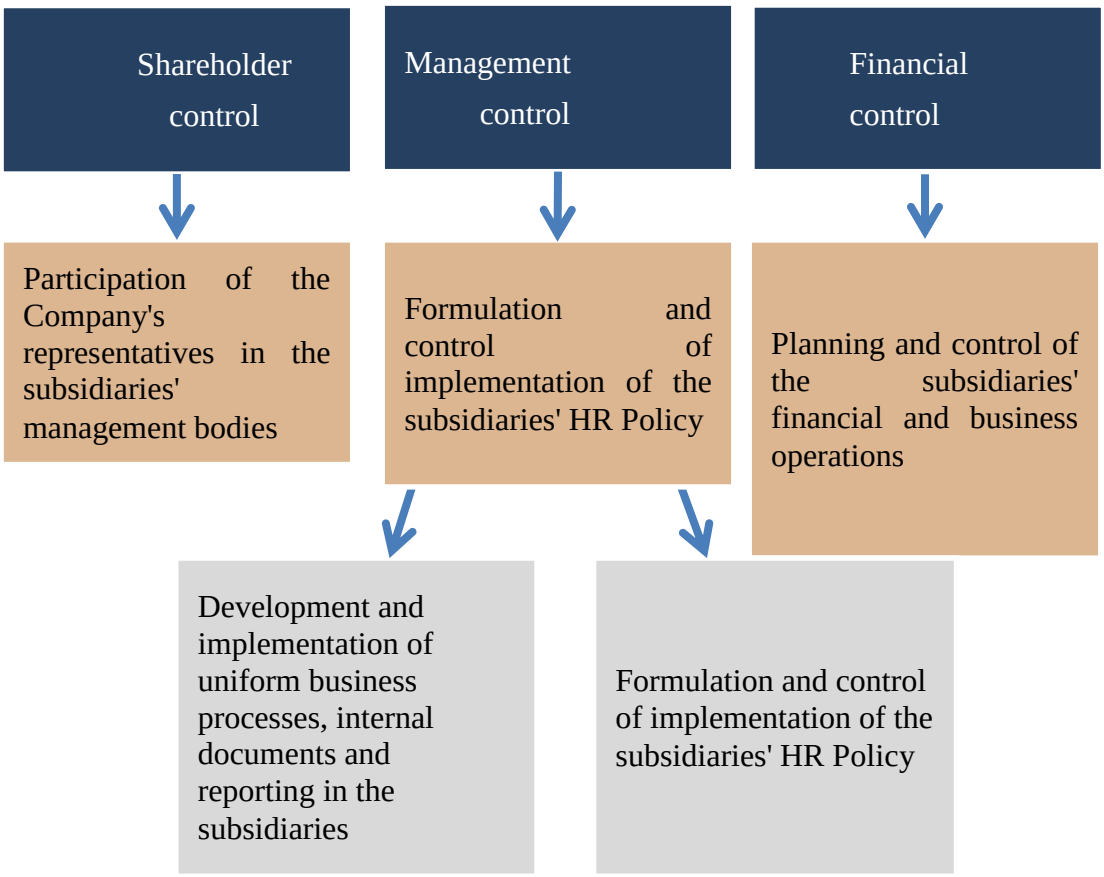
The Company's interests in the subsidiaries' operations are realized through development and implementation of the corporate governance policy comprising several areas, such as:

- elaboration and control over implementation of the subsidiaries' development strategy;
- planning and control of financial performance of the subsidiaries, including stipulation of the areas and control over distribution of the subsidiaries' profit;
- control of financial and economic activities of the subsidiaries, including transactions with the subsidiaries' assets;
- continuous improvement of the efficiency of the subsidiaries' internal processes in business management;
- development and implementation of the subsidiaries' HR policy.

According to the Company's interests, PJSC IDGC of the North-West governs the subsidiaries through the system of management and control bodies:

- Board of Directors of PJSC IDGC of the North-West;
- Management Board of PJSC IDGC of the North-West;
- Boards of Directors of the subsidiaries;
- Audit Commission of the subsidiaries.

Forms of Corporate Governance of the Subsidiaries



Subsidiaries engaged in sales of power and power service activities

Subsidiary	Region	Type of activity	Ownership interest of the Company, %	Revenue, RUB ths
JSC Pskovenergoagent	Pskov Region	Rendering agency services to power industry entities engaged in power sale and purchase, power transmission (distribution), particularly ensuring performance of the said activity on behalf of the power industry entities.	100	291,375
JSC Pskovenergosbyt	Pskov Region	Sale of electric power to legal entities and citizens.	100	6,891,085
JSC Energoservice of the North-West	Leningrad Region	Design, construction and installation of energy metering units, hot and cold water supply. Repair and construction, installation, including special works for installation of gas supply systems, maintenance of facilities.	100	7,713

See Annex 16 for additional information. Ownership interest of PJSC IDGC of the North-West in Other Subsidiaries Engaged in Non-Core Activities.

The role of the Board of Directors of PJSC IDGC of the North-West in making management decisions related to the subsidiaries in the reporting year.

Main management decisions of the Board of Directors of PJSC IDGC of the North-West with regard to the subsidiaries in the reporting year:

- formation of the management bodies;
- approval of the subsidiaries' business plans and reports of their implementation.

3.7. Control Bodies and Risk Management

3.7.1. Risk Management System

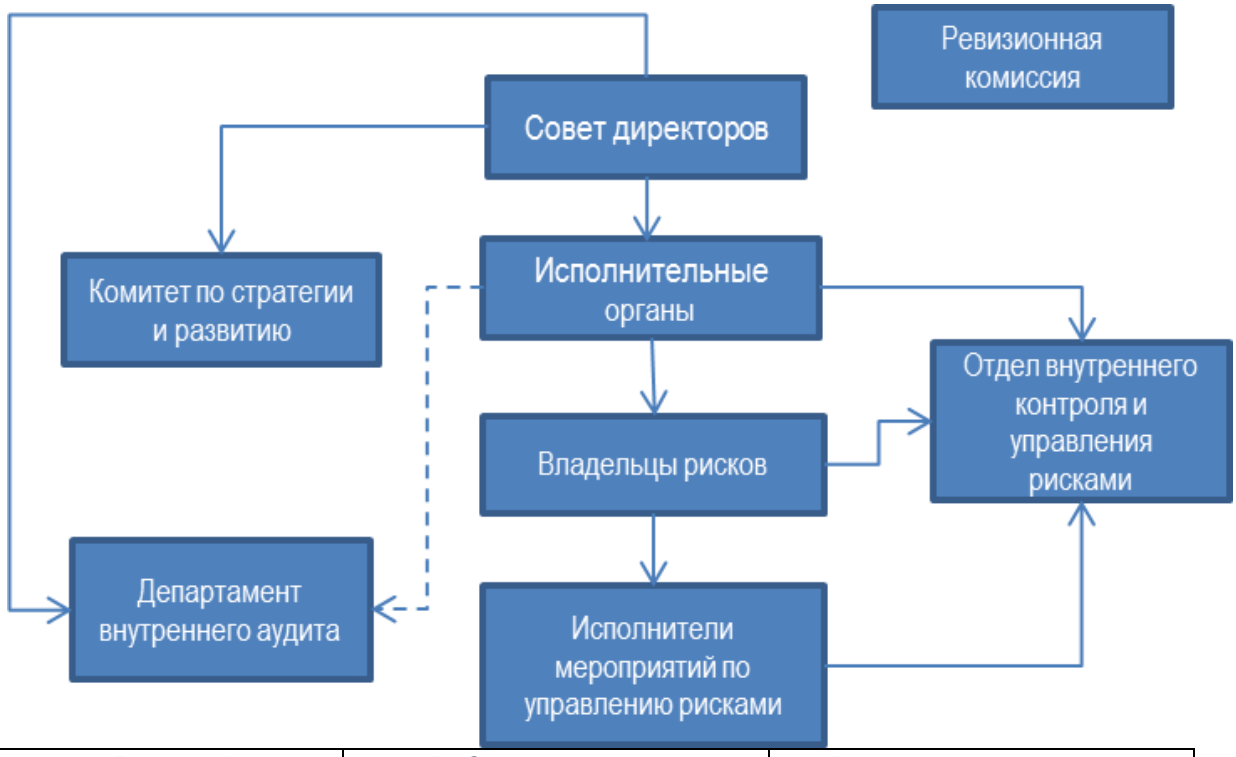
The Company has its risk management system (hereinafter - the RMS) aimed at ensuring sustainable and smooth operation and development of the Company through timely identification, assessment and efficient management of risks that threaten the Company's high performance and reputation, the employees' health, the environment and property interests of the shareholders and investors.

To ensure the RMS development, the Board of Directors made the decision dated March 31, 2016 to approve the Risk Management Policy of PJSC IDGC of the North-West (minutes No. 200/15).

Key participants in the risk management system

- Board of Directors;
- Strategy and Development Committee of the Board of Directors;
- Audit Commission;
- Executive bodies (Management Board and Director General);
- Risk owners;
- Internal Control and Risk Management Division;
- Employees responsible for implementing risk management measures;
- Internal Audit Department.

RMS participants.



Strategy and Development Committee ***Internal Audit Department***	***Board of Directors*** ***Executive bodies*** ***Risk owners*** ***Employees responsible for implementing risk management measures***	***Audit Commission*** ***Internal Control and Risk Management Division***

Risk management goals

- Reduce the probability and/or consequences of occurrence of events negatively affecting the Company's performance;
- Establish the Company's business priorities based on the notion of the existing risks, including financial ones;
- Ensure safety of the assets and efficient use of the available resources;
- Achieve performance targets;
- Continuously improve performance in all areas through analysis and assessment of existing risks;
- Ensure reliable technological operation of the power grid complex of the Russian Federation;
- Achieve optimal efficiency of the RMS of the Company and its subsidiaries and affiliates;
- Provide timely and complete information and analytical support for making management decisions and planning activities of the Company and its subsidiaries and affiliates.

The Company applies a comprehensive approach to risk identification and management. Measures aimed to prevent and mitigate risks have been developed and are updated on a quarterly basis.

Significance of a risk implies a combination of the risk occurrence probability and the severity of consequences for the Company in monetary or other terms. Risk significance is assessed by taking into account the existing risk certificates or by experts in accordance with the following scale:

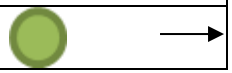
Risk significance level

Risk significance	
Critical	
Significant	
Moderate	

Assessment of significance of risks and their occurrence in 2016

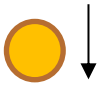
No.	Risk	Risk description	Risk management measures	Risk significance assessment and trend
Industry risks				
1	Risk of increase in overdue receivables for power transmission services.	The risk is related to non-payment for the rendered power transmission services. The main defaulters are guaranteeing suppliers, retail companies and local grid operators. The risk is caused by defects in the functioning of the retail power market, the lack of efficient mechanisms encouraging service consumers to make timely payments, and reduced paying capacity of consumers under the influence of macroeconomic factors. Defects in the functioning mechanism of the retail power market causes disagreements between power grids companies and power retail sale companies regarding power consumption volumes and capacity. This entails disputed and overdue receivables for power transmission services, which reduces the Company's liquidity and financial stability.	Improvement of the interaction and signing cooperation agreements with the Bailiff Service. Participation in regional interagency commissions for monitoring the situation with settlements for electric power and power transmission services. Implementation of a complex of measures in relation to the debtors in a state of bankruptcy, including arrangement of the sale of bankrupt entities' receivables. Introduction of the power consumption limitation mode for direct consumers. Provision of counter security to reduce the time span for receiving writs of execution. The Company has developed and approved the Regulation on Receivables Management with measures in relation to defaulters.	
2	The risk of a decrease in the volume of power transmission services under the influence of: a) general power demand decline; b) optimization of schemes of external power supply by customers, including due to commissioning of their own generating facilities.	Starting from 2013, the Northwestern Federal District of Russia has been experiencing stagnation of industrial production, low growth of labor efficiency and investment activity slowdown. As regards the macroeconomic environment, there have been weakening of the national currency, decline in internal demand growth, foreign policy pressures and mutual sanctions. In 2014, several large industrial enterprises in the Republic of Karelia and the Vologda Region initiated the withdrawal of nearby power stations from the wholesale market system so that electric power for production needs could be supplied directly to the enterprises without paying a tariff for power transmission. In 2016, the actual volume of power consumption within the regions of the Company's operation	Improving reliability of forecasting the volume of electric power transmission services for business planning.	

No.	Risk	Risk description	Risk management measures	Risk significance assessment and trend
		increased in comparison with the previous year, which led to an increase in power transmission through the Company's grids by 1.91%.		
3	The risk that the regional authorities won't recognize the full volume of the Company's expenses to be included in the tariff for power transmission services.	The risk may be caused by growth restriction for the maximum rates of power tariffs set at the federal level. The risk implies that the Company won't receive full compensation for its economically justified costs and the amount of investment in the development of the power grid complex will be limited.	Preparation and submission to regional regulatory bodies of applications with supporting materials for the establishment of economically justified tariffs that would compensate for all costs of the Company and ensure complete implementation of the investment program. The Company is implementing a balanced costing policy.	
5	The risks of non-compliance with the deadlines for regulated procurement procedures (violation of the official deadlines for announcing the procurement procedures under the Procurement Plan and the decisions of the Central Control Commission of the Company (for unscheduled purchases), the deadlines for completing the procurement procedures established in the Company's regulatory and procurement documents), delivery and work completion dates.	The reasons are: late provision of requirements specifications and draft contracts, a long period for coordination of the draft Procurement Plan and its amendments, and a long period for coordination of unscheduled purchases.	Control of the periods for submitting requirements specifications, questionnaires and draft contracts in order to generate the draft Procurement Plan in a timely manner. Development of draft requirements specifications for design and survey works, construction and installation works, maintenance and repair works based on standard requirements specifications. Control of compliance with the deadlines for preparation of procurement documents set by the Company's regulatory documents.	
6	Risk of exceeding the planned procurement cost established in the Procurement Plan.	The reason is inadequate verification of the calculation of the maximum (initial) procurement cost when developing the Procurement Plan and its adjustments without a business plan approved by the Board of Directors.	Strict fulfillment of the procurement procedures by the initiator according to the administrative and regulatory documents regarding the calculation of the maximum (initial) procurement costs. Rebidding within procurement procedures in accordance with the Regulation on Procurement of the Uniform Procurement Standard of PJSC Rosseti.	
7	Risk of lower procurement transparency.	Change in the ratio of the number and methods of procurement compared to the approved Procurement	Control of strict fulfillment of the Regulation on Procurement of Goods, Works and Services for the	

No.	Risk	Risk description	Risk management measures	Risk significance assessment and trend
		Plan.	Company's Needs. Control of reasonableness of procurements from a single source.	
8	Risk of absence of measures related to power grid reconstruction (development) in the investment program.	Absence of measures for reconstruction (development) of power grid facilities in the investment program leads to a decrease in reliability of power supply to consumers, as well as to delayed performance of technological connection contracts.	Inclusion into the investment programs of necessary works for maintaining the reliability of the system and reconstruction of facilities for new applicants' connection. Providing Information to the competent executive authorities with a view to include the costs not compensated for through the technological connection payment in the power transmission tariff.	
Country and regional risks				
9	Risks related to political and economic situation in the country and in the region.	The risk is caused by macroeconomic factors manifested at the global level, across the Russian Federation and in certain regions. The crisis in the world economy adversely affect volumes of industrial production and power consumption, which leads to a reduction in the Company's revenues.	Measures to minimize consequences of occurrence of macroeconomic risks for power transmission services are listed in section "Industry Risks".	
10	Risks related to possible military conflicts, declaration of a state of emergency and strikes.	The Northwestern Federal District includes regions that have approximately the same level of social and economic development, but some of those regions border with other countries, including NATO member states, and therefore it's impossible to rule out the probability of internal conflicts, including with the use of military force. Besides, it is impossible to completely exclude risks of possible declaration of a state of emergency in the regions where the Company's facilities are located. The probability of military conflicts and declaration of a state of emergency in the regions of the Company's operation is insignificant. In case of possible military conflicts or terrorist acts, the Company bears the risks of its fixed assets being disabled.	Implementation of measures aimed to control anti-terrorist protection of the Company's power facilities. Organization of trainings and briefings on physical protection of facilities and property of the Company for the employees who work at the power facilities and for the security companies.	
11	Risks related to geographic features: increased risk of natural	The Company operates in a broad territory with two climate zones (subarctic and temperate zones). There is	Measures aimed at timely liquidation of consequences of natural disasters. Detailed information on operational	

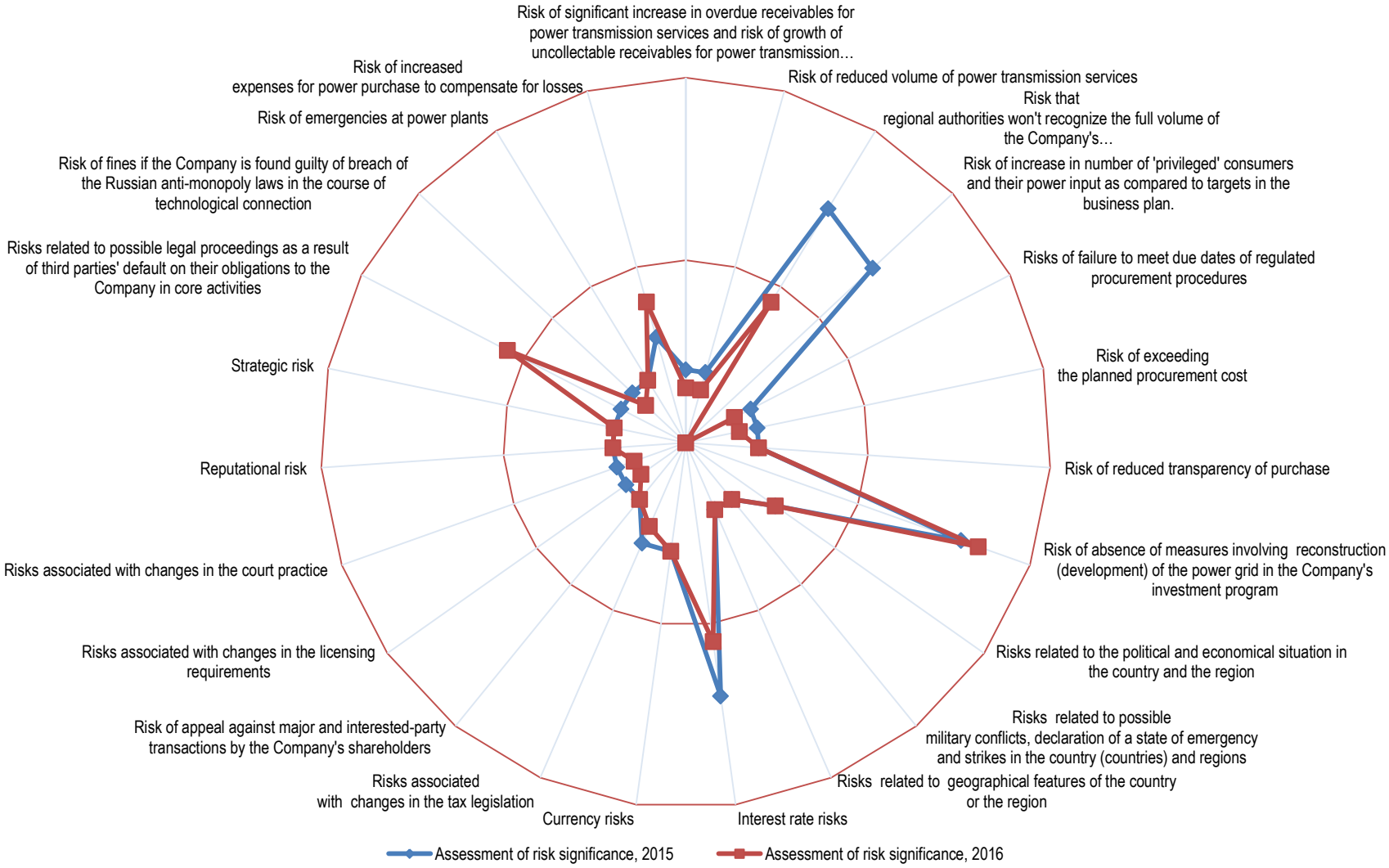
No.	Risk	Risk description	Risk management measures	Risk significance assessment and trend
	disasters, possible termination of transport connections due to remoteness and/or hard-to-reach location, etc.	a possibility of natural disasters (hurricanes, torrential rains, floods, icy rains, etc.), which may entail disruptions of power supply and transport connection. The Company assesses the risks related to increased hazard of natural disasters as minimal.	and technical risk management is provided in section "Risks Related to the Company's operations".	
Financial risks				
12	Interest rate risk	The interest rate risk involves unfavorable changes of the interest rate on financial markets. Increase in interest rates due to insufficient liquidity in the banking system may have a significant impact on the Company's financial and economic performance, because the Company uses borrowed funds in its operations.	The weighted average rate for newly raised loans in 2016 decreased in comparison with 2015. By the end of 2016, interest rates on the Company's loan portfolio decreased due to the stability in the financial market and the repeated reduction of the Central Bank's key rate.	
13	Foreign exchange risks.	Changes in the exchange rate of major world currencies do not significantly impact the financial state of the Company. In its operations, PJSC IDGC of the North-West performs settlements with its counterparties only in the national currency. The Company has no direct contracts involving settlements in foreign currencies. However, implementation of some projects within the repair and investment programs involves the use of foreign-made equipment. Increase in the exchange rate of major world currencies leads to a rise in the cost of such equipment and the entire project in general.	In order to reduce the risk of influence of higher exchange rates of world currencies, the Company is considering the possibility of replacing foreign-made equipment used in these projects for its analogues produced in Russia.	
Legal risks				
14	Risks associated with changes in the tax legislation.	The practice of using the tax legislation creates significant tax risks. Changes in the tax legislation in terms of increase of the tax burden (changes in tax rates, procedures and timeframe for tax calculation and payment, introduction of new types of taxes) may lead to a decrease in the Company's net profit. On the other hand, possible reduction of the tax rates by the Government of the Russian Federation and cancellation of certain taxes and fees will positively	In case of changes in the tax legislation, the Company intends to plan its financial and economic activities based on such changes.	

No.	Risk	Risk description	Risk management measures	Risk significance assessment and trend
		influence the Company's performance.		
15	The risk of appeal against large and interested-party transactions by the Company's shareholders	Currently the Company doesn't face risks of appeal against large and interested-party transactions by the Company's shareholders, except for cases when relevant transactions were concluded without approval by the Company's Board of Directors or the General Shareholders Meeting in accordance with the procedure stipulated by the effective legislation or were approved with violations of the established procedure.	The Company has a mandatory procedure for preliminary legal analysis of potential transactions to identify the existence of grounds for conducting appropriate corporate procedures required by the legislation of the Russian Federation and/or the Charter of the Company.	
16	Risks related to changes in the requirements for licensing the Company's core activities, or rights of use of facilities that are limited in circulation, or impossibility of license renewal.	Currently there are no risks related to changes in the requirements for licensing the Company's core activities, or rights of use of facilities that are limited in circulation (including natural resources), except for cases when the Company is not able to meet the requirements set for renewal of a license or activity subject to licensing.	In case the requirements for licensing are changed, the Company will take all necessary measures to obtain appropriate licenses and permits.	
17	Risks of changes in the court practice in the sphere of the Company's operations that may adversely affect the performance, as well as results of the lawsuits in which the Company participates.	In the Russian Federation, precedents established by relevant judicial acts are not qualified as sources of law, and therefore the judicial practice in certain categories of cases cannot materially influence the Company's performance. Changes in the judicial practice are predominantly related to changes in the legislation. Measuring risks related to changes in the legislation seems impossible.	In case of significant changes in the judicial practice in the sphere of the Company's operations, the Company intends to plan its financial and business operations with account of such changes.	
Risk of loss of business reputation (reputational risk)				
18	Risk of loss of business reputation (reputational risk)	The Company carries out its activities so as to completely fulfill its obligations to customers and contractors. The Company is working to achieve the goals set in the Development Strategy of the Power Grid Complex: maintaining reliable and uninterruptible power supply to customers, improving the quality of provided services and increasing customer focus.	The Company is a natural monopoly, and therefore a significant outflow of customers and contractors, as well as a decrease in the volume of rendered services seem unlikely due to an impact of negative reputational factors.	
Strategic risk				

No.	Risk	Risk description	Risk management measures	Risk significance assessment and trend
19	Strategic risk.	Promising areas for long-term development of the power industry in general as a key industry are determined by the state. The Development Strategy of the Power Grid Complex of the Russian Federation was approved subject to Resolution of the Government of the Russian Federation No. 511-r dated April 3, 2013.	Control over compliance with decisions and orders of external bodies / superior organizations / management of the Company. Increasing the efficiency of the Company's management at all levels, including compliance with the terms and scenario conditions while generating the Company's business plans, continuous control and monitoring of their implementation.	
Risks related to the Company's operations				
20	Risks related to possible legal proceedings as a result of third parties' default on their obligations to the Company in core activities.	There can be risks related to legal proceedings as a result of third parties' default on their obligations to the Company in core activities (power transmission services, technological connection services), including due to the current economic situation. In 2016, the Company filed 657 lawsuits against third parties to recover debts in the amount of RUB 9,705.43 m and sanctions totaling RUB 740.98 m. In 2016, 655 suits of the Company were satisfied (including cases transferred from 2015) in the amount of RUB 7,238.23 m of debt and RUB 373.33 m of sanctions.	The legal position on significant lawsuits is developed for the Company as a whole and is subject to approval by the competent structural units of the relevant branch and the executive body of the Company. In the course of the approval procedure, the Company settles, among others, the issues related to the required evidence base. When developing its legal position, the Company takes into account the judicial practice on controversial issues. The Company makes necessary efforts (pre-trial settlement of disputes, appropriate negotiations) to minimize the above risks and property damage for the Company.	
21	Risk of fines in the area of the antimonopoly legislation of the Russian Federation related to technological connection of consumers to power grids.	A fine does not exempt the Company from fulfilling its obligations on technological connection of applicants. Fulfillment of the Company's obligations is possible through reduction of the investment program aimed at improved reliability as a result of reallocation of funds for technological connection works or through increase of borrowed funds to perform works for applicants' technological connection. In 2016, the risk occurrence was caused by the following: Long periods for approval by the Administrations of the layout plans for electrical grid facilities and for obtaining construction permits.	Monitoring of problem contracts and consumer complaints with subsequent pre-trial settlement of the issues. Control of compliance with the effective legislation regulating technological connection activities, namely: a) preparation and submission of draft contracts to applicants; b) control of fulfillment of the undertaken obligations being performed by the Company within the technological connection. Monitoring of the effective legislation of the Russian Federation and the judicial practice; Submission of suggestions on amendments to the	

No.	Risk	Risk description	Risk management measures	Risk significance assessment and trend
		Difficulties in coordination of the cable routes through third-party owners' lands. Lack of funding sources. Delayed fulfillment of contractor agreements. Delayed delivery of materials.	effective legislation of the Russian Federation regulating technological connection activities.	
22	Risk of emergencies at power plants	The risk of emergencies at power plants due to a negative impact of natural phenomena (hurricane wind, heavy snow, ice, low air temperatures)related to geographic and climatic characteristics of the Northwestern region of the country. In 2016, the risk occurrence was due tonatural calamities and depreciation of equipment.	Engineering power facilities with account of specifics of the regional climate and geography. Implementation of the program of insurance of the power distribution facilities against natural disasters. The Company organized the commission's investigation of electric energy system disturbances. In 2016, the Company carried out 1,307 trainings in accordance with the approved schedules. There were no deviations from the schedule. Schedules of emergency restriction of electric power (capacity) consumption and the use of automatic emergency equipment for 2016/2017 were developed and approved. Their availability at workplaces was ensured. Settings and load volumes of consumers connected with underfrequency load shedding were established in accordance with the predetermined levels. Operation readiness of protection and automation schemes was ensured through implementation of the appropriately approved maintenance schedules for relay protection and automation devices for 2016. There were no deviations from the schedules.	
23	Risk of increased expenses for power purchase to compensate for losses.	Defects in the legal framework, lack of direct power supply contracts with consumers, inadequate financing and inability to significantly increase the staff controlling power consumption limit the Company's ability to identify and eliminate root causes of commercial power losses. The risk of increase in expenses for power purchase to compensate for losses depends on the growth of losses	To minimize the risk, the Company adopted the Power Loss Reduction Program for 2016 and for the period until 2020.	

No.	Risk	Risk description	Risk management measures	Risk significance assessment and trend
		and on the rise in the price for power purchase to compensate for losses. The Company has no influence on the risk of increase in the price for power purchased to compensate for losses. In 2016, the risk occurrence was due to the following: - increase of losses; - decrease in the cost of load losses; - increase in unregulated price. PJSC IDGC of the North-West is unable to influence the growth of unregulated price for purchasing power needed to compensate for losses, since this risk is an uncontrollable factor and depends on changes in pricing in the wholesale power market.		



Assessment of significance of risks in 2016 versus 2015.

3.7.2. Internal Control System

3.7.2.1 Description of the Internal Control System

The Company's Internal Control System (hereinafter - the ICS) is an integral part of the corporate governance system. The ICS encompasses all areas of the Company's activities. Control procedures are implemented in all processes (areas of activities) of the Company, at all management levels and are aimed at ensuring reasonable guarantees of goal achievement in the following areas (see Fig. "Internal Control System"):

- efficiency and high performance of the Company and safety of its assets;
- compliance with the legal requirements applicable to the Company and with the in-house policies and procedures, including in the course of economic operations and accounting;
- accuracy and timeliness of accounting (financial) statements and other reports.

Internal Control System

ICS improvement is implemented at all levels of the Company's governance along the following lines of control:

Preliminary (preventive) control	**Current control**	**Follow-up control**
Building process control environment, including check-up of control procedures sufficiency in order to prevent or decrease risk realization consequences and achieve targets of business processes, development and	Implementation of control procedures incorporated in the business processes aimed at targets of business processes	Internal audit, check-up of reliability of reporting, soundness of assets, compliance control, external audit, self-assessment

implementation of control procedures		

In order to implement the Development and Improvement Strategy of PJSC Rosseti and the subsidiaries and affiliates of PJSC Rosseti approved by the decision of the Board of Directors of PJSC Rosseti dated February 10, 2014 (Minutes No. 143), the Company approved the new version of the Internal Control Policy of PJSC IDGC of the North-West by the decision of the Board of Directors dated February 29, 2016 (Minutes No. 197/12). The Internal Control Policy specifies the objectives, functioning principles and components of the Company's ICS, primary functions and responsibilities of the ICS participants, as well as the procedure for assessment of the ICS efficiency.

Participants of the Internal Control System

Audit Committee, other committees	***Board of Directors***	***Audit Commission***
Internal Audit Department (third line of defense)	***Executive Bodies***	***Internal Control and Risk Management Division***
	Heads and employees of structural units	

	Legal Department ***Department of Human Resources and Organizational Design*** ***Security Department (including the Division for Anti-Corruption Compliance Procedures)*** ***(second line of defense)***	

Functions of the ICS participants

Participant	Main functions in the ICS
Audit Commission	• exercises control over financial and business activities of the Company and based on the results of the control prepares proposals/recommendations for improvement of the ICS; • carries out independent assessment of accuracy of the data contained in the Annual Report and the annual accounting statements of the Company.
Board of Directors	• determines approaches and principles of the organization of the Company's Internal Control System, and in particular it approves the Company's internal documents stipulating the ICS organization and development and improvement strategy, approves the Company's Internal Control Policy; • exercises control over the activities of the Company's executive bodies in the key (top-priority) areas; • examines the report of the Management Board on the organization and functioning of the Company's Internal Control System; • annually examines the report of the internal auditor on the efficiency of the Internal Control System; • examines the results of external independent assessment of the efficiency of the Internal Control System.
Audit Committee of the Board of Directors	• carries out preliminary consideration, prior to the approval by the Board of Directors, of the Company's internal documents stipulating the organization and the development and improvement strategy of the Company's Internal Control System, of the Internal Control Policy and subsequent amendments thereto; • carries out preliminary consideration, prior to consideration by the Board of Directors, of the results of assessment of the ICS efficiency based on the report of the internal auditor on the ICS efficiency, as well as reports on the results of external independent assessment of the ICS efficiency; prepares proposals / recommendations for improvement of the Company's ICS; • supervises the Internal Control System, in particular considers the issues related to control of the accuracy of the Company's accounting (financial) statements, selection of an external auditor and carrying out external audit, compliance with the regulatory requirements, considers the Management Board's report on organization and functioning of the Internal Control System, as well as considers the issues related to analysis and assessment of compliance with the Internal Control Policy.
Other committees of the Board of Directors	• control achievement of the established financial and operational targets, supervise compliance with the applicable laws, the rules and procedures stipulated by the local regulatory documents, as well as accuracy and timeliness of the Company's reporting.
Executive Bodies of the Company (the Management Board, the Sole Executive	• ensure creation and efficient functioning of the ICS; • are responsible for fulfillment of decisions of the Board of Directors related to the ICS organization.

Participant	Main functions in the ICS
Body)	
Management Board of the Company	• Establishes the areas and plans for development and improvement of the ICS; • prepares reports on the Company's financial and business operations, organization and functioning of the Company's Internal Control System; • examines the results of external independent assessment of the ICS efficiency, prepares measures for development and improvement of the ICS.
Sole Executive Body of the Company	• approves the Company's regulatory and methodological documents on organization and functioning of the ICS, except for the documents within the competence of the Board of Directors of the Company; • ensures implementation of the Company's action plans necessary for achieving its goals; • organizes accounting and management reporting, preparation of accounting (financial) statements and other reporting; • submits reports on the Company's financial and business performance and on the organization and functioning of the Company's Internal Control System to the Board of Directors for consideration.
Collective working bodies created by the Company's executive bodies for performing particular functions (commissions, work groups, etc.)	• perform control procedures and/or develop recommendations for improving control procedures, certain components (elements) of internal control and the Internal Control System.
Heads of units and structural divisions of the Company	• perform the functions for developing, documenting, implementing, monitoring and enhancing the Internal Control System in the functional areas of Company's activities, the organization and coordination / implementation of which are within their responsibility subject to the Company's regulatory documents / regulations on the structural units, in particular: • ensure implementation of the internal control principles; • arrange efficient processes (activities), including development and implementation of new control procedures or changes in the existing control procedures taking into account identified risks; • ensure regulation of the supervised processes (activities); • arrange implementation of the control procedures; • assess (monitor) implementation of the control procedures; • assess the supervised processes (activities) for the need to optimize them in order to increase efficiency and meet changing external and internal conditions, arrange the development of proposals for improvement of the control procedures; • ensure elimination of identified drawbacks in the control procedures and processes (activities).
Employees of the Company's structural units performing control procedures due to their job duties	• perform control procedures; • timely inform their immediate superiors when implementation of the control procedures becomes impossible for some reasons, and/or it is necessary to alter the design of the control procedures due to changes in internal and/or external conditions of the Company's operation; • submit proposals for introduction of control procedures in relevant areas of activities to their immediate superiors for consideration.
Legal Department	• perform the following functions: • ensure legality, protection of the rights and interests of the Company; • strengthen the contractual discipline in the Company; • identify and reduce judicial risks; • preliminarily verify organizational and regulatory documents of the Company for compliance with the effective legislation; • monitor current changes in the legislation for timely adoption of measures for amending the Company's regulatory documents or recognizing them as invalid; • arrange and implement measures for development and improvement of the

Participant	Main functions in the ICS
Department of Human Resources and Organizational Design	Company's management system; • develop organizational and regulatory documents in order to introduce, update, improve and fulfill the control procedures for business processes/activities. • approve Targets for the Company's business processes for a calendar year; • adopt adequate measures to strengthen the labor discipline and suppress deviations from the approved corporate standards and procedures;
Security Department (including the Division for Anti-Corruption Compliance Procedures)	• organize activities to protect the interests of the Company and its branches from harmful unlawful actions of legal entities and individuals; • identify, prevent and counteract corruption-related and other offenses; • control the compliance with the laws and regulations in the area of financial market regulation; • arrange anti-corruption control of the Company's procurement activities; • control information disclosure regarding the chain of ownership (beneficiaries) of the Company's counterparts; • control the compliance with the Anti-Corruption Policy.
Internal Control and Risk Management Division	• develops and ensures implementation of primary and methodological documents on building and improving the Internal Control System; • assists the management in creation of the control environment, development of recommendations for description and implementation of control procedures in the processes (activities) and for assignment of responsibilities to executives; • coordinates the activity aimed at maintaining and monitoring the target status of the Internal Control System; • prepares information regarding the state of the Internal Control System for the stakeholders; • collaborates with the state control and supervisory bodies on the internal control issues.
Internal Audit Department	• develops recommendations for improving control procedures, certain components (elements) of internal control and the Internal Control System, based on the results of internal audit; • carries out internal independent assessment of the efficiency of the Internal Control System and gives recommendations for improving the efficiency and performance of the Internal Control System.

To guarantee that the ICS conforms to changing requirements and conditions, the Company performs assessment of its efficiency and compliance with the target state and maturity level.

The Development and Improvement Strategy of the Internal Control System of PJSC Rosseti and its subsidiaries and affiliates approved by the decision of the Board of Directors of PJSC Rosseti dated February 10, 2014 (Minutes No. 143) (hereinafter - the ICS Development Strategy) stipulates six maturity levels of the Internal Control System (from the 1st "Zero" to the 6th "High").

In the reporting year, the Company implemented the following key measures aimed at improvement of the ICS:

1. The Company developed/updated its regulatory and methodological framework contributing to the ICS enhancement in the following areas of activities: human resources management, office administration, risk management and internal control, internal audit, security, corporate governance, technological connection, legal support, investment and innovation activities.
2. In 2016, the structures of the executive office of the Company and its branches were updated and aligned with the model ones. The purpose was to achieve uniformity of

organizational and functional structures at all management levels of the Company's branches (management office, production unit, power distribution zone).

3. Separation of the Internal Control and Risk Management Unit from the Internal Audit and Control Department in order to improve the efficiency of the internal control and risk management system.
4. Implementation of program "Data Leak Prevention System".
5. Implementation of automated systems aimed at building an optimal IT infrastructure.
6. Achieving the efficiency of the implemented processes by merging (optimization) of production units and power distribution zones.
7. Preparation for receiving the certificate of conformity ISO 9001: 2015.
8. Development of automated systems aimed at optimization of the accounting of investment projects, materials, procurement on the basis of the 1C.

Implementation of the above measures enabled to increase the score of the ICS maturity level from the 4th "moderate" (3.9 points) to the 4th "moderate" (4.2 points).

The issue of the ICS efficiency in 2016 was considered at the meeting of the Board of Directors on May 3, 2017 (Minutes No. 240/31) with a preliminary discussion of the said issue by the Audit Committee of the Board of Directors on March 24, 2017 (Minutes No. 10).

The report of the Director General on the organization and functioning of the Company's Internal Control System in 2016, as well as on the implementation of the complex of measures for enhancing the Internal Control System and the Risk Management System was considered at the meeting of the Board of Directors on March 31, 2017 (Minutes No. 235/26), with the preliminary discussion of the matter by the Audit Committee of the Board of Directors on March 24, 2017 (Minutes No. 10).

The Company's internal auditor performed independent assessment of the ICS efficiency; external independent assessment was not carried out.

The following measures for the ICS improvement were planned for 2017 in order to continue the implementation of the ICS Development Strategy:

1. Development and implementation of business process schemes in the current process management system of the Company;
2. Adjustment and implementation of standard control matrices based on the implemented business process schemes;
3. Organization of trainings for employees on the principles of the Internal Control System to achieve the efficiency of the implemented processes and introduce the practice of "initial" briefing on internal control systems for new employees;
4. Further implementation and development of automated systems aimed at building an optimal IT infrastructure;
5. Development of the regulatory document establishing uniform principles of verification by relevant units of the Company in order to increase the efficiency of internal audits.

3.7.2.2. Internal Audit.

The unit responsible for internal audit in the Company is the Internal Audit Department.

The Internal Audit Department (formerly the Internal Audit and Control Department) has been functioning in the current status since August 1, 2016.

The Internal Audit Department is functionally accountable to the Company's Board of Directors, which means that the Board of Directors ensures control and organization of the activities of the Internal Audit Department, including approval of the internal audit plan, the report on implementation of the internal audit plan and the budget of the Internal Audit

Department, approval of decisions on appointment, dismissal and remuneration of the head of the Internal Audit Department.

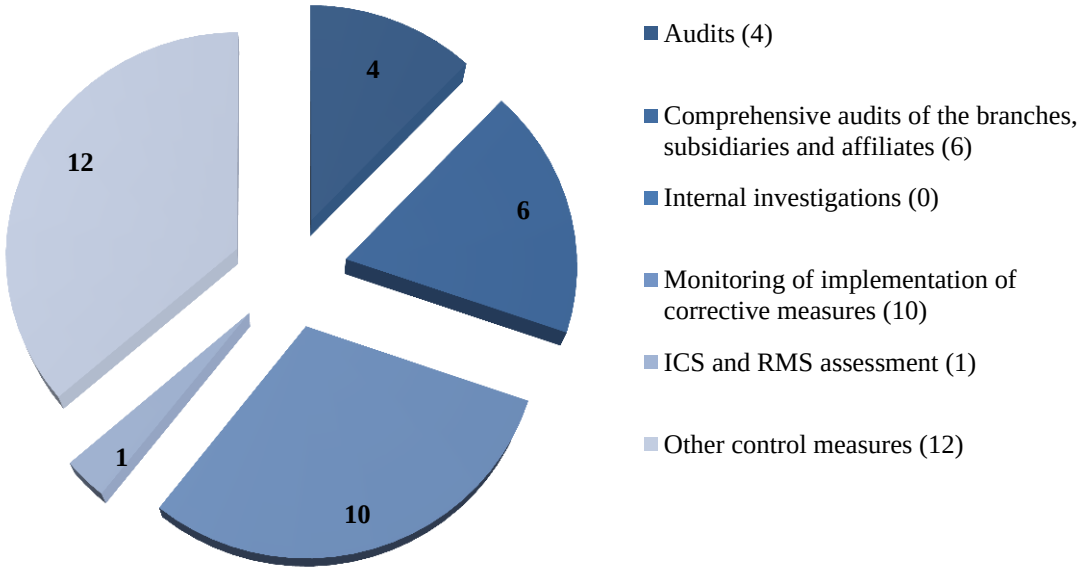
Goals and objectives, main principles of organization and functioning of the internal audit, its functions and powers are set out in the Internal Audit Policy of PJSC IDGC of the North-West (new version) approved by the decision of the Company's Board of Directors dated February 29, 2016 (Minutes No. 197/12). The Company approved the standards for internal audit activities, the standards of quality characteristics, and the standards of practical application.

The purpose of the internal audit is to assist the Board of Directors and executive bodies of the Company in improving the efficiency of the management of the Company, its financial and business operations, including by using a comprehensive and consistent approach to the analysis and assessment of the risk management, internal control and corporate governance systems as the tools for ensuring reasonable confidence in the achievement of the goals set for the Company.

In 2016, there were four employees performing the internal audit function.

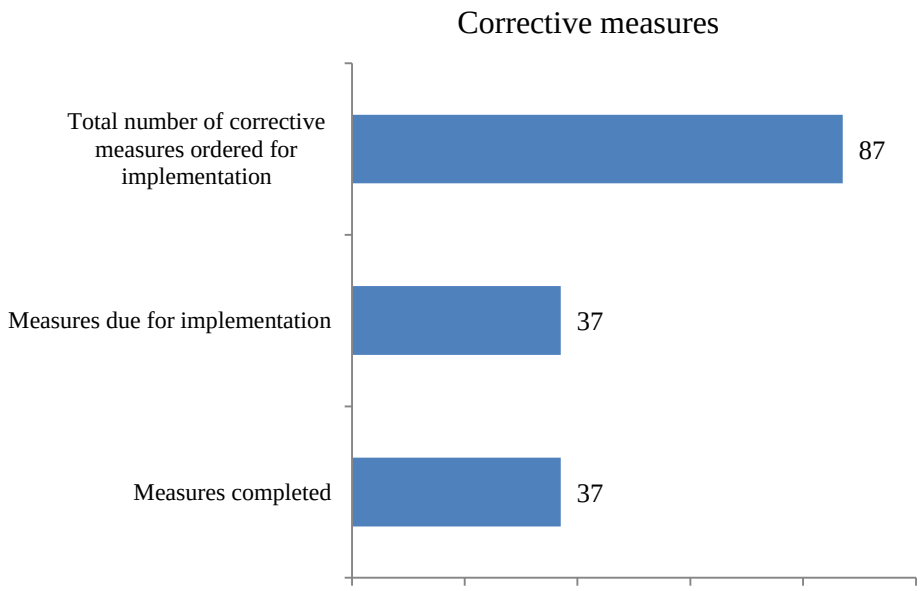
The internal auditor carried out 33 control measures in 2016.

Results of the control measures implemented
by the internal audit unit in 2016.



As a result of the control measures carried out by the internal audit unit in 2016, 87 corrective measures were ordered for implementation so as to eliminate violations and drawbacks identified by the internal audit unit and prevent those in the future.

Out of 37 measures due for implementation in the reporting year, 37 corrective measures were fulfilled.



Implementation of corrective measures is controlled by the Audit Committee of the Company's Board of Directors by hearing regular reports of the Company's management on implementation of the planned corrective measures for eliminating drawbacks identified by the Company's Audit Commission, the internal auditor of the Company and external supervisory bodies.

In 2016, the development of the internal audit function of the Company was carried out in accordance with the Development and Improvement Strategy of the Internal Control System of PJSC Rosseti and its subsidiaries and affiliates (approved by the decision of the Board of Directors of PJSC Rosseti dated February 10, 2014, Minutes No. 143) and the Schedule of Measures ("roadmap") for implementation of this Strategy (approved by the Director General of PJSC Rosseti on March 31, 2014).

In 2016, based on the results of the internal assessment of the quality of the Company's internal audit held on the basis of the Program for Guarantee and Improvement of the Quality of Internal Audit of PJSC IDGC of the North-West (approved by the decision of the Company's Board of Directors dated December 22, 2016, Minutes No. 225/16, enacted by Order of the Company No. 857 dated December 30, 2016), compliance of the Company's internal audit with the Company's Internal Audit Policy was assessed as "generally compliant ".

External assessment of the quality of the Company's internal audit was not carried out in 2016.

3.7.3. Compliance Service

The Company is enhancing its anti-corruption activities that are aimed to improve the efficiency of implementation of the anti-corruption measures stipulated by law.

Based on the provisions of clause 1 part 2 article 13.3 of the Anti-Corruption Law, the Company established the structural unit responsible for preventing corruption-related and other offenses. According to the Company's organizational structure approved by the decision of the Board of Directors dated 19.07.2016 (Minutes No. 214/5), this unit is the Division for Anti-Corruption Compliance Procedures under the Security Department (hereinafter - the DACCP).

The DACCP performs the following functions:

- Development of draft organizational and administrative documents aimed at implementation of corruption prevention measures and their submission to the Company's Director General for consideration;
- Organization of fulfillment of control measures for identifying corruption-related offenses committed by the Company's employees;
- Receipt and review of messages about inducing employees to corruption offences in the interests or on behalf of a third-party entity, as well as about corruption offenses committed by the Company's employees, contractors or other parties;
- Organization of filling in by the Company's employees and review of declarations on conflict of interests, property, income and property-related obligations;
- Control over the compliance with the legislation regulating financial markets;
- Organizing individual consultations for the Company's employees on corruption control and prevention issues;
- Assisting authorized representatives of control and supervision bodies and law enforcement authorities during their audits of the Company's activities related to corruption control and prevention;
- Assisting authorized representatives of law enforcement authorities during implementation of measures aimed to suppress and investigate corruption offenses, including special investigation and search measures;
- Assessing the results of anti-corruption measures and preparing relevant reports for the Company's management.

3.7.4. Audit Commission

3.7.4.1. Audit Commission

The Audit Commission is a body controlling the Company's activities for and on behalf of the shareholders. The Audit Commission has such important powers as the right to demand submission of documents related to the Company's financial and business activities from the Company's officials and the right to convene the Company's General Shareholders Meeting.

The goals and the procedure of work of the Audit Commission are subject to the Regulation on the Audit Commission of PJSC IDGC of the North-West.

3.7.4.1.1. The composition of the Audit Commission, experience of its members, and their remuneration

The number of members of the Company's Audit Commission is established by the Charter and totals five people.

In 2016, there were two compositions of the Audit Commission, and six meetings of the Audit Commission were held.

During the period from 23.06.2015 to 08.06.2016, the Audit Commission comprised the following members: M. A. Lelekova, E. A. Kabizskina, A. N. Kirillov, S. V. Malyshev, and O. A. Medvedeva.

Members of the Company's Audit Commission elected at the annual General Shareholders Meeting on 08.06.2016:

Marina Lelekova

Chair of the Company's Audit Commission
Date of the first election to the Audit Commission: 21.06.2013.
Born in 1961.
Graduated from the Far-Eastern Institute of Soviet Trade with the degree of economist.
In 2008-2009, Head of the Financial Control and Internal Audit Directorate of PJSC FGC UES.
2009-June 2013, Head of the Control and Audit Department of PJSC FGC UES.
July 2013-February 2015, Head of the Internal Audit and Control Department of PJSC Rosseti.
Since March 2015, Director of the Department for Control Activities / Department for Control and Auditing Activities of PJSC Rosseti.
No shares of PJSC IDGC of the North-West in possession in 2016. No transactions with the Company's securities in 2016.

Sergey Malyshev

Member of the Audit Commission
Date of the first election to the Audit Commission: 12.03.2014.
Born in 1965.
Graduated from the Yaroslavl Higher Military Finance School with the degree of economist and financial expert.
2009-2010, officer of the Russian Ministry of Defense.
2010-2011, Leading Consultant at the Financial Inspectorate under the Russian Ministry of Defense.
2011-2012, Chief Specialist at the Capital Construction Department, JSC Gazpromneft Aero.
2013, Head of the Investment Audit Unit, Internal Control and Risk Management Department, PJSC FGC UES.
2013-February 2015, Leading Expert at the Investment Audit Unit, Audit Activities and Internal Audit Division, Internal Audit and Control Department, PJSC Rosseti.
Since 2015, Leading Expert at the Audit Activities Division, Department for Control Activities / Department for Control and Auditing Activities, PJSC Rosseti.
No shares of PJSC IDGC of the North-West in possession in 2016. No transactions with the Company's securities in 2016.

Elena Kabizskina

Member of the Audit Commission
Date of the first election to the Audit Commission: 23.06.2015.
Born in 1964.
Graduated from the Far-Eastern Technical Fisheries Institute with the degree of engineer-economist.
2005-2013, Head of the Internal Audit and Risk Management Department; Deputy Head of the Control and Audit Department; Chief Expert at the Financial Control and Internal Audit Directorate, PJSC FGC UES.

2013-2014, Head of the Methodological Support Division, Internal Audit Department, PJSC MOESK.

2014-2015, Deputy Head of the Audit Activities and Internal Audit Division, Internal Audit and Control Department, PJSC Rosseti.

Since 2015, Deputy Head of the Audit Activities Division, Department for Control Activities / Department for Control and Auditing Activities, PJSC Rosseti.

No shares of PJSC IDGC of the North-West in possession in 2016. No transactions with the Company's securities in 2016.

Artem Kirillov

Member of the Audit Commission

Date of the first election to the Audit Commission: 12.03.2014.

Born in 1984.

Graduated from the Moscow Power Engineering Institute with the degree of electrotechnical engineer.

2009-2013, Chief Specialist, Chief Expert at the Control and Audit Department, PJSC FGC UES.

2013-February 2015, Head of the Investment Audit Unit, Audit Activities and Internal Audit Division, Internal Audit and Control Department, PJSC Rosseti.

Since 2015, Deputy Head of the Audit Activities Division, Department for Control Activities / Department for Control and Auditing Activities, PJSC Rosseti.

No shares of PJSC IDGC of the North-West in possession in 2016. No transactions with the Company's securities in 2016.

Oksana Medvedeva

Member of the Audit Commission

Date of the first election to the Audit Commission: 23.06.2015.

Born in 1978.

Graduated from the Russian Academy of Entrepreneurship, majoring in 'Accounting, Auditing and Analysis'.

2010-2011, Head of the Internal Audit Unit, Baikal Service TC LLC.

2011-2014, Head of the Control and Audit Department, PJSC FGC UES.

2014-2015, Chief Expert at the Investment Audit Unit, Audit Activities and Internal Audit Division, Internal Audit and Control Department, PJSC Rosseti.

Since 2015, Chief Expert at the Audit Activities Division, Department for Control Activities / Department for Control and Auditing Activities, PJSC Rosseti.

No shares of PJSC IDGC of the North-West in possession in 2016. No transactions with the Company's securities in 2016.

3.7.4.1.2. Functions and work results in the reporting year

Information on the key decisions made at the meetings of the Audit Commission in 2016:

•17.03.2016 – the revised Work Schedule of the Audit Commission for 2015-2016 was approved.

- 28.03.2016 – the decision was made on approval of the Program for auditing the Company's financial and business operations in 2015, including the approval of the objects, procedure, timeframe and scope of audit, and the dates were scheduled for the meetings of the Audit Commission to evaluate the accuracy of the Company's annual report and annual accounting statements for 2015 and to sum up the results of auditing.

•22.04.2016 – the Opinion of the Audit Commission on the assessment of the accuracy of data in the Company's Annual Report and annual accounting (financial) statements for 2015 was considered and approved.

•06.06.2016 – the Act of the Company's Audit Commission on the results of auditing of the Company's financial and business operations in 2015 was considered and approved.

•08.06.2016 – the Chair and the Secretary of the new composition of the Audit Commission were elected.

•10.07.2016 – the Work Schedule of the Audit Commission for 2016-2017 was approved.

3.7.5. External Audit

3.7.5.1. Principles for selecting external auditors (RAS and IFRS reports): description of the procedures implemented for selecting external auditors and ensuring their independence and objectivity.

To ensure independence and objectivity of an external auditor, the Company selected the external auditor through an open competitive procedure on the e-trading platform B2B-energo http://www.b2b-mrsk.ru. Details on the tender for the right to conclude the 2015 audit service contract was published on the official website at http://zakupki.gov.ru (No. 31502075235). The term for conducting open competitive negotiations (the procurement was published on 27.02.2015, Minutes of the Tender Commission Meeting No. 5/552r dated 14.04.2015). Tender participants were assessed according to the criteria preliminarily established and announced in the tender terms.

3.7.5.2. Information on auditors in the reporting year (and for the next period, if applicable).

According to subclause 11 clause 10.2 article 10 of the Company's Charter, the competence of the General Shareholders Meeting comprises approval of the Company's auditor. Based on the tender results and with account of the Audit Committee's recommendations, the Board of Director suggests and the General Shareholders Meeting of PJSC IDGC of the North-West approves an independent auditor. The decision of the annual General Shareholders Meeting of PJSC IDGC of the North-West dated 08.06.2016 approved RSM RUS LLC as the Company's independent auditor for 2016.

Full name: RSM RUS Limited Liability Company
Abbreviated name: RSM RUS LLC
Location: 119285, 4 Pudovkina Street, Moscow, Russia
Postal address: 119285, 4 Pudovkina Street, Moscow, Russia
Tel.: (495) 705-90-90, (495) 363-28-48
Website: http://rsmrus.ru/
Email: mail@rsmrus.ru

3.7.5.3.Auditor's remuneration

The amount of the auditor's remuneration is established by the Company's Board of Directors. According to the contract for auditing the Company's accounting reports prepared under the RAS and the consolidated financial statements prepared under the IFRS for 2016, the auditor's remuneration totaled RUB 2,981 ths, including 18% VAT.

The auditor did not render any related services.

3.7.6. System of Conflict of Interest Prevention and Insider Information

To limit the influence of employees' personal interests on their business decisions, the Company undertakes measures for identifying, preventing and settling conflicts of interests.

To prevent occurrence or probability of a conflict of interest, the Company organized continuous declaring of conflicts of interests by the Company's current and potential employees and verification of the conflict of interest declarations. To settle the emerging pre-conflict situations in the structural units, as well as to ensure full compliance with the requirements of article 13.3 of the Federal Law on Countering Corruption, the Company established the Commission for Compliance with the Corporate Ethics and Settling Conflicts of Interests (hereinafter - the Commission).

5,969 conflict of interest declarations submitted by the Company's current and potential employees were verified in 2016. The risks of emerging conflicts of interests were assessed with account of, among others, simultaneous employment of close relatives who could become a reason for conflicts of interests and submission by employees of false or incomplete data, etc. Corrective measures were taken in relation to all identified risks of occurrence of conflicts of interests.

The work for ensuring compliance with the requirements of control over insider information in the Company is organized based on:

Federal Law No. 224-FZ dated 27.07.2010 "On counteracting illegal use of insider information and market manipulation and on introducing amendments to certain legislative acts of the Russian Federation";

Order of the Federal Service for Financial Markets of Russia No. 13-51/pz-n dated 18.06.2013;

Regulation on Insider Information Control of PJSC IDGC of the North-West approved by the Board of Directors on 19.06.2015 (Minutes No. 185/27).

In 2016, efforts were undertaken to prepare and submit the list of the Company's insiders to trading organizer PJSC Moscow Exchange. 24 lists of insiders were compiled and submitted to the trading organizer within the due period. In 2016, 105 notifications were sent to the insiders on their inclusion into and exclusion from the Company's list of insiders.

Of all the Company's insiders, nine persons hold 53,055,211,272 of the Company's shares, which total 55.39% of the insiders' share in the Company's shareholder capital, while 55.38% of the Company's shares are held by PJSC Rosseti; other insiders are minority shareholders.

The Company discloses insider information on its corporate website, in the news feed of the Company's authorized AK&M Information Agency and on the Company's webpage provided by the authorized AK&M Information Agency. No failures to comply with the due

dates for disclosing insider information were revealed as a result of analysis of the disclosed information.

3.7.7. Anti-Corruption Measures and Fraud Prevention

PJSC IDGC of the North-West aims to build relations with its subsidiaries, partners and third parties according to the anti-corruption principles, notifies all stakeholders of the effective anti-corruption policy, and implements it in all its structural units and subsidiaries.

The Company's activities are aimed to ensure transparency and integrity of its business, as well as to strengthen credibility among the key stakeholders, and improve the overall image of PJSC IDGC of the North-West.

In May 2016, the Company adopted amendments to Order "On Measures for Corruption Prevention and Settling Conflicts of Interests in PJSC IDGC of the North-West" that approved the following:

- Regulation on Settling Conflicts of Interests in PJSC IDGC of the North-West;
- Composition of the Company's Commission for Compliance with the Corporate Ethics and Settling Conflicts of Interests.

Besides, the Company approved the following organizational and regulatory documents:

- "On organizing the process for collecting and processing data on the chain of ownership of the Company's contractors with subsequent entry into the automated system for beneficiary data analysis and collection";
- "On revising the Anti-Corruption Clause to be included into civil contracts (agreements) concluded by PJSC IDGC of the North-West".

A particular attention is given to prevention of corruption violations. To this end, a range of measures for identifying and eliminating the causes for corruption were approved:

- the Anti-Corruption Policy section was created and is being improved on the corporate website of PJSC IDGC of the North-West;

- information on measures for implementing the Anti-Corruption Policy is published in the corporate periodical;

- administrative and regulatory documents and their drafts are being examined for corruption violations;

- internal control was organized and is being carried out;

- competence requirements to job candidates were established, and information provided by the said persons is checked according to the stipulated procedure.

When assessing the trustworthiness of the partners and contractors, the Company takes into account their level of tolerance to corruption when doing business, including whether they have adopted and comply with anti-corruption programs. Besides, their adherence to anti-corruption principles is considered to be a significant factor for establishing contractual relations, including the possibility to terminate contractual relations according to the stipulated procedure in case of breaching anti-corruption principles.

In 2016, the Company organized and carried out 308 inspections of financial and business operations and revealed 333 violations committed by the Company's employees; as a result 264 employees were held accountable: 15 employees were fired and 178 employees were subject to disciplinary action. Five claim materials were filed to law enforcement bodies, based on which five criminal cases were initiated. Compensated financial damage exceeded RUB 16.3 m; and prevented damage approximated RUB 16.7 m.

To identify, prevent, disclose and investigate corruption violations, the Company implements the Procedure for receiving, reviewing and settling notifications from applicants

(employees, contractors and other individuals and legal entities) on potential facts of corruption (hereinafter - the Notifications). The Notifications are received through the Hotline operating round-the-clock and providing for the following options:

- filling in the feedback form in the Anti-Corruption Policy section on the Company's website;
- making a phone call at the Hotline number;
- sending an email to an employee of the Company's Security Department;
- sending a written application to the Company's Security Department.

Each Notification is verified for a potential fact of corruption, an investigation is carried out, and relevant measures are developed to suppress corruption offenses.

According to the National Anti-Corruption Plan for 2016-2017 approved by Decree of the President of the Russian Federation No. 147 dated 01.04.2016, and for improving the efficiency of the anti-corruption measures, in 2016 the Company sent the employee responsible for organizing corruption control and prevention activities to advanced training within additional professional program "Countering corruption in PJSC Rosseti, its subsidiaries and affiliates".

3.8. Information for Shareholders and Investors

3.8.1. Capital Structure

As of 31.12.2016, the Company's charter capital totaled: nine billion five hundred seventy eight million five hundred ninety two thousand and three hundred thirteen rubles, eighty kopecks (RUB 9,578,592,313.80).

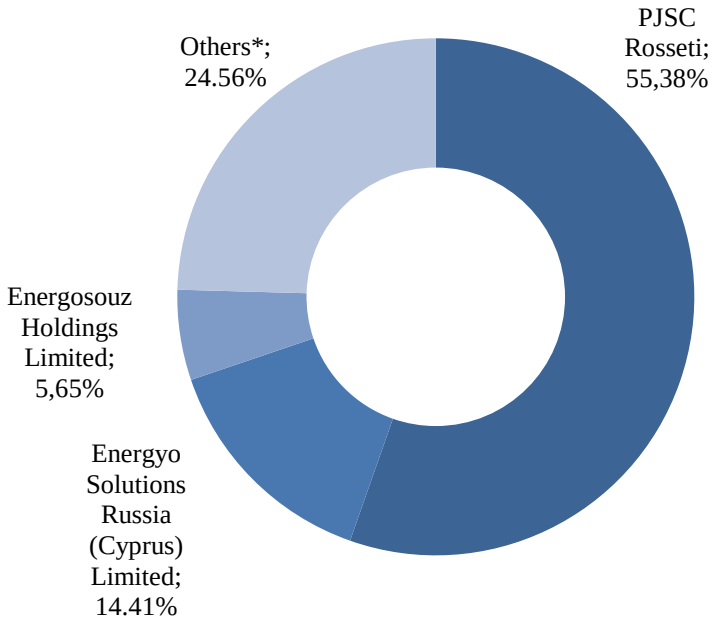
Ordinary shares make 100% of the Company's charter capital.

Information on each share category (type)

Share type and category	Ordinary registered
Form of issue	uncertified
Size of the charter capital, RUB	9,578,592,313.80
Nominal value of one (1) security, RUB	0.10
Information on state registration of the securities issue	No. 1-01-03347-D

According to the Company's Charter, the number of the Company's authorized shares in addition to the placed shares totals one million seventy six thousand eight hundred sixty two (1,076,862) ordinary registered shares with the nominal value of ten (10) kopecks each for a total amount at the nominal value of one hundred seven thousand and six hundred eighty six rubles twenty kopecks (RUB 107,686.20)

The structure of the Company's charter capital as of 22.04.2016 (the date of compiling the list of persons for the annual General Shareholders Meeting with account of the nominee shareholders' data)



*Prosperity Capital Management Limited has the indirect right to manage 8.67% of shares that are a part of the Company's charter capital.

Free float shares of JSC IDGC of the North-West (free-float ratio) make 24.56%.

According to the Calculation Methodology approved by the Moscow Exchange, the free-float ratio is calculated by dividing the number of free float shares by the total number of the issuer's shares.

For more details, the regulatory framework and the calculation method for the free-float ratio, see the Exchange's website at: http://moex.com/s22.

PJSC IDGC of the North-West has no information about ownership stakes exceeding five percent, apart from those already disclosed by the Company.

Statistics on the charter capital structure

Type of shareholder	31.12.2015		31.12.2016	
	Number of shareholders	% of the charter capital	Number of shareholders	% of the charter capital
Individual shareholders	12,214	4.9656	12,211	4.9269
Shareholders – legal entities	118	0.2917	122	0.3107
State property (Russia, constituent entities of the Russian Federation)	5	0.0046	5	0.0046
Municipal property	2	0.0093	2	0.0093
Nominee shareholders	12	94.7289	11	94.7485
Beneficial owners	-	-	-	-
TOTAL	12,351	100	12,351	100

Geography of the Company's shareholders as of 31.12.2016

Country	Number of shares	% of the charter capital
Australia	1,180,964	0.0012
Bahamas	6,767,807	0.0071
Belarus	5,226,794	0.0055
Germany	3,098,883	0.0032
Israel	1,063,105	0.0011
Ireland	3,443	0.0000
Kazakhstan	1,102,782	0.0012
Cyprus	4,242,472	0.0044
Latvia	1,256,653	0.0013
Lithuania	1,644,815	0.0017
Moldova	877,598	0.0009
Norway	217,122	0.0002
Seychelles	4,258,949	0.0044
USA	1,458,603	0.0015
Ukraine	5,448,315	0.0057
Finland	1,643,200	0.0017
Estonia	5,733,723	0.0060
Russia	95,735,523,804	99.9474
Accounts of unidentified persons	5,174,106	0.0054

Number of shareholders, including individuals

Type of shareholder	31.12.2015		31.12.2016	
	Number of shareholders	% of the charter capital	Number of shareholders	% of the charter capital
Residents of Russia	12,272	99.9525	12,272	99.9528
Non-residents of Russia	79	0.0475	79	0.0472
Total	12,351	100	12,351	100

Shares of PJSC IDGC of the North-West have been listed on the established securities market since 2008. Currently, the Company's shares are traded on the Moscow Exchange MICEX-RTS in the Level 2 Quotation List.

Platform	Ticker	Start of trading without the listing procedure	Start of trading in Quotation List B	Start of trading in Quotation List A of Level 2	Date of inclusion into the Level 1 Quotation List based on the listing reform results	Date of inclusion into the Level 2 Quotation List based on the listing reform results
MICEX	MRKZ	–	29.05.2008	24.05.2011	09.06.2014	31.01.2017

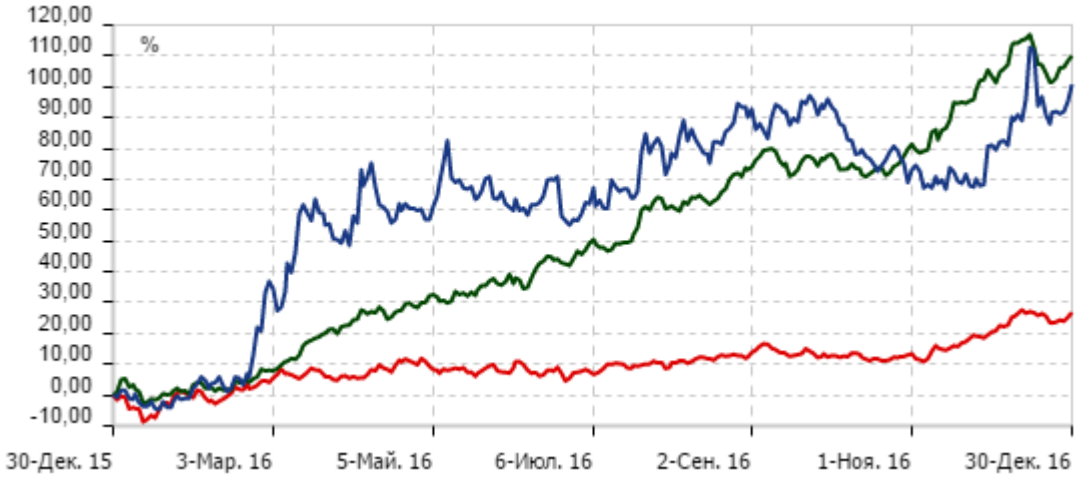
Shares of PJSC IDGC of the North-West were included into the Level 2 Quotation List on January 31, 2017 subject to the decision of PJSC Moscow Exchange within the listing reform.

Information on inclusion of the Company's shares into indices, credit ratings.

The Company's shares were included by the Moscow Exchange into the calculation bases of the MICEX Power Index (MICEX PWR), MICEX Second-Tier Index (MICEX SC), and MOEX Regulated Companies Index (MOEX RegCo Index).

3.8.1.1. Trading information (3-year price-volume)

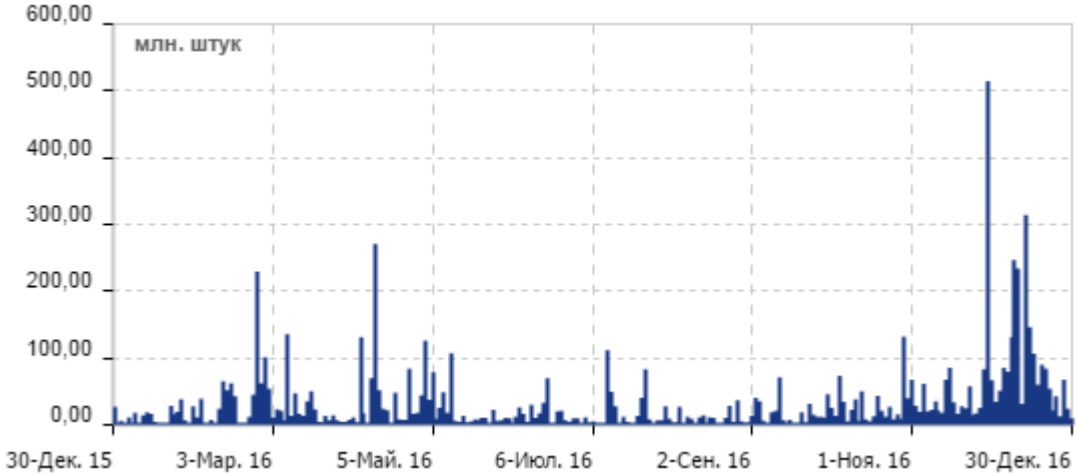
Share price trend in 2016 versus MICEX and MICEX PWR indices (by weighted average price)



December 30'15 March 3'16 May 5'16 July 6'16 September 2'16 November 1'16 December 30'16

Shares of PJSC IDGC of the North-West
MICEX Index
MICEX Power Index

Trading volume trend in 2016



December 30'15 March 3'16 May 5'16 July 6'16 September 2'16 November 1'16 December 30'16

Market characteristics

Indicator	Unit of measurement	30.12.2015	30.12.2016	2016/2015 (change), %
Weighted average price,	RUB	0.0274	0.0543	98.18%

Capitalization*	RUB m	2,624.5	5,201.2	
Trading volume (a year before the above date)	RUB m	88.55	375.15	323.66%
	m pcs	3,067.55	8,112.18	164.45%

*Calculated as the weighted average price of a share as of the end of the reporting period multiplied by the total number of the Company's shares

Despite a range of macroeconomic events, with the global oil market situation being the major one, as well as the controversial flow of news and the troubled geopolitical environment, the Russian share market managed to withstand and end the year of 2016 within the positive zone, with the main market indicator – MICEX Index — adding on +28.72%.

The power industry was in the focus of analysts, investors and speculators' attention. The main idea of many power companies increasing their profits and paying high dividends triggered the dynamic increase of the MICEX Power Index starting from early 2016, its growth totaling +108,16% by the end of the year.

2016 turned out to be successful and significant for PJSC IDGC of the North-West. For the first time over the three last years, the Company's capitalization exceeded the threshold of RUB 5 billion. On June 8, 2016, the Company's annual General Shareholders Meeting adopted the decision to pay out dividends from the 2015 net profit in the amount of RUB 0.004254 per ordinary share in money terms.
The overall amount (declared dividends) payable to the Company's shareholders totaled the record high for PJSC IDGC of the North-West - 63.27% of net profit vs 0% in the previous year when the Company turned out to be loss-making based on the results of financial year 2014. The news attracted the attention of investors, which boosted the demand for the Company's shares, and consequently triggered the growth of the market share price by +98.18%.

3.8.1.2.Information on the Company's bonds

According to the Listing Rules of CJSC MICEX Stock Exchange, the Director General of MICEX Stock Exchange adopted the decision on November 11, 2016 on assigning the identification number to the Program of Listed Bonds of 001R Series of PJSC IDGC of the North-West (http://moex.com/n14304) (assigned identification number: 4-03347-D-001P-02E of 11.11.2016).

Simultaneously with the Program of Listed Bonds, the Listed Bond Prospectus was presented to the MICEX Stock Exchange.

The text of the Listed Bond Prospectus is available on at webpage http://www.mrsksevzap.ru/id_issueremission#tab_bonds

See detailed information on the Company's bonded debts in clause 2.2.8 of this Annual Report.

3.8.2. Relations with Investors and Shareholders

3.8.2.1. Information Disclosure System

Transparency is one of the principles underlying the Company's corporate governance, which implies timely disclosure of credible information on all material facts related to the Company's operations, as well as free access to such information for all stakeholders.

The Company discloses information with the primary aim to achieve the highest level of trust toward the Company on the part of its shareholders, potential investors, contractors and other stakeholders by providing them information required for making carefully considered and justified decisions regarding the Company and its securities.

PJSC IDGC of the North-West discloses its information based on the requirements of:

- Federal Law "On Joint Stock Companies";
- Federal Law "On Securities Market",
- Regulation on Disclosure of Information by Issuers of Issue-Grade Securities (approved by the Central Bank of Russia No. 454-P dated 30.12.2014)
- Corporate Governance Code approved by the Company's Board of Directors;
- the Company's Order No. 76 "On the Information Disclosure procedure of PJSC IDGC of the North-West" dated 08.02.2016

Besides, disclosing its information, the Company does not only disclose information required by the legal regulations of the Russian Federation, but also discloses other information ensuring high transparency of the Company's business and aiding to achieve the objectives pursued by the Company within its Information Disclosure Policy.

When establishing the information disclosure rules and approaches, procedures and timeframe for information disclosure and provision, as well as the list of information and documents to be disclosed to all stakeholders, the Company complies with Regulation on Disclosure of Information by Issuers of Issue-Grade Securities (approved by the Central Bank of Russia No. 454-P dated 30.12.2014).

Following the principles of openness and transparency of the management, the Company aims to make the information on its activities and securities promptly and simultaneously available to all stakeholders.

PJSC IDGC of the North-West uses its website (www.mrsksevzap.ru) as a tool for informing all stakeholders.

Moreover, the Russian legislation demands to publish the information subject to disclosure according to the requirements set by the Central Bank of Russia on the webpage provided by the authorized news agency (AK&M Information Agency) at www.disclosure.ru/issuer/7802312751.

In addition to the information subject to mandatory disclosure, the Company quarterly publishes its accounting (financial) statements prepared according to the RAS, consolidated financial statements prepared under the IFRS (on a quarterly basis starting with the 9-month report for 2012), and other information about the Company on the corporate website.

The Company discloses insider information: its concept, list, and disclosure procedure are stipulated by the Company's Regulation on Insider Information, the revised version of which was approved by the Board of Directors of PJSC IDGC of the North-West on 22.06.2015.

The Company maintains the English version of the corporate website in order to provide all stakeholders with equal access to the information and, in particular, to secure informational rights and interests of foreign shareholders and investors.

To maintain a high level of transparency of the Company and develop its positive image, the Company participates in the contests of Issuers' Annual Reports annually held by PJSC Moscow Exchange, Expert RA Rating Agency, and RCB Media Group.

The list of the affiliates of PJSC IDGC of the North-West as of 31.12.2016, as well as the list of notifications published by the Company on the Internet in 2016 and subject to disclosure according to the Russian legislation are provided in Annex 17. List of the Affiliates of PJSC IDGC of the North-West as of 31.12.2016, Annex 18. List of corporate action notices published in 2016.

3.8.2.2. Report on Events Held in 2016

To meet the investment community's need in access to relevant information, the Company regularly engages in verbal and written two-way communications with shareholders, investors, and professional securities market participants.

On March 17-18, 2016 the Company held the two-day offsite conference with representatives of the investment community Vologda.

On 09.08.2016, the Company carried out a conference call for representatives of the investment community regarding financial results of PJSC IDGC of the North-West under the IFRS for 6 months of 2016. The conference was attended by representatives of five leading banks and investment companies (VTB Capital, JSC Gazprombank, Sberbank-CIB, Russian Standard Bank and Uralsib Management Company).

Besides, PJSC IDGC of the North-West regularly dialogs with representatives of the investment community in other formats.

3.8.2.3. Schedule of Events for Investors in 2017

April-May, 2017: meetings with minority shareholders prior to the annual General Shareholders Meeting.

August, 2017: a conference call following the results of publishing the IFRS statements for the 1st half of 2017.

November-December, 2017: IR meeting with representatives of shareholders/representatives of the investment community.

The detailed 2017 schedule of events for communication with the investment community is available at the Company's website: http://www.mrsksevzap.ru/ir_investrorscalendar

3.8.3. Dividend Policy

3.8.3.1.Information on the Dividend Policy

PJSC IDGC of the North-West builds its policy for net profit distribution based on the balance of the interests of the Company and its shareholders, increase of the Company's investment attractiveness and capitalization, and strict compliance with the shareholders' rights stipulated by the effective legislation of the Russian Federation, the Company's Charter and internal documents.

Key principles of the Company's Dividend Policy:

- dividend calculation is based on profit allocation without account of the impact of re-evaluation of financial investments;
- the need to maintain a proper financial and technical condition of the Company (implementation of the investment program), ensuring the Company's development prospects;
- compliance of the Company's dividend calculation and payment practice with the legislation of the Russian Federation and best corporate behavior standards;
- balance of the interests of the Company and its shareholders;
- the need to enhance the Company's investment attractiveness and capitalization;
- ensuring transparency (clarity) of the dividend calculation and payment mechanism;

- dividends on ordinary shares are only paid out after full payment of dividends on preferred shares according to the Company's Charter (if any preferred shares are issued by the Company).

In addition to capitalization growth, the Company also aims to increase the amount of dividends paid out to its shareholders, taking into account the amount of net profit earned in the reporting financial period and the Company's needs to develop its production and investment activities.

The recommended dividend payout is stipulated by the Board of Directors based on the Company's financial performance, while the Board of Directors seeks to ensure a positive trend in amounts of dividends paid to shareholders from year to year.

3.8.3.2.History of dividend payments

Indicator	2012	2013	2013	2015
Dividend per one ordinary share, RUB	0.0001614	0.0008	-	0.004254
Accrued dividends, RUB ths	15,460	76,629	-	407,473
Share of net profit allocated for dividend payout, %	25	25.5	-	63.2
Dividends paid, ths RUB	15,460	75,637	-	402,791
Dividend yield*	0.23	1.75	-	15.06

*Dividend yield is calculated as of the date of adoption of the decision on the amount of annual dividends as a ratio of annual dividends paid out per share and the median value of market prices for this share in the reporting year.

The share of paid dividends in the total amount of declared dividends for 2012 totaled 100%, for 2013 - 98.71% , and for 2015 - 98.85%. Dividends were paid out to all parties on the dividend list, except for those failing to provide reliable and complete details required for dividend payment.

3.8.3.3.Information on profit distribution according to the decisions of the annual General Shareholders Meetings.*

	For 2011	For 2012	For 2013	For 2014	For 2015
Net profit (loss) in the reporting period (RUB ths)	407,651	61,831	300,338	-620,027	644,016
Undistributed profit (loss) in the reporting period, including:					
Reserve fund	20,383	3,092	15,017	0	32,201
Profit for development	387,268	43,279	208,692	0	204,342
Dividends	0	15,460	76,629	0	407,473
Coverage of losses from previous years	0	0	0	0	

* Minutes of the General Shareholders Meetings are available on the corporate website at http://www.mrsksevzap.ru/shareholdersmeetinginf.

3.9. Information on Large and Interested-Party Transactions

In 2016, the Company did not make any major transactions with state companies, the Company's shareholders holding at least 5% of the Company's voting shares, or transactions acknowledged as large by Federal Law "On Joint Stock Companies".

The information on the Company's transactions made in the reporting year that are acknowledged by Federal Law "On Joint Stock Companies" as interested-party transactions and are subject to approval by the authorized regulatory body according to Charter XI of Federal Law "On Joint Stock Companies" is available on the website at http://www.mrsksevzap.ru/id_dealings and provided in Annex 19. Report on interested-party transactions made by the Company in the reporting period

3.10. Miscellaneous

Beginning from 2016, PJSC IDGC of the North-West has been developing the court practice of immediate enforcement of court rulings that have not become effective regarding the collection of debts for power transmission services (article 182 of the Commercial Procedure Code of the Russian Federation).

Most of the Company's debtors, including namely guaranteeing supplier PJSC Arkhangelskaya Sbytovaya Kompaniya, make payments for the power transmission services only based on the effective court rulings, while significantly delaying their enactment, including, among others, through abusing their due-process rights, which was many times observed in a number of court rulings.

The ground for immediate enforcement of court rulings is the existence of exceptional circumstances due to which a delay in execution may materially damage the recoveror or entail impossibility to execute the court ruling in future and availability of counter-security.

That measure was undertaken in relation to the guaranteeing supplier of the Arkhangelsk Region – PJSC Arkhangelskaya Sbytovaya Kompaniya whose debt for the power transmission services totaled RUB 3,899 m as of 01.03.2017. The Company presented bank guarantees to secure the reversal of execution in case of cancellation of the court ruling (counter-security).

Three courts reviewed the significant debt to the Company, the continued failure by the guaranteeing supplier to perform its obligations along with the abuse of its rights aiming at delaying the legal proceedings, and acknowledged those circumstances to be exceptional and the Company's demands to be justified, and ordered immediate execution of the court rulings.

The development of the court practice regarding the application of Article 182 of the Commercial Procedure Code of the Russian Federation enabled the Company to considerably reduce the period for collecting debts for power transmission services in the amount exceeding RUB 800 m.

4. ANNEXES

Annex 1. Accounting (Financial) Statements of PJSC IDGC of the North-West for 2016. Audit Report on the Accounting (Financial) Statements of PJSC IDGC of the North-West for the Period from January 1 to December 31, 2016.
Annex 2. Consolidated Financial Statements under the IFRS for 2016.
Annex 3. Production Performance by the Branches.
Annex 4. Occupational Safety Report.
Annex 5. IT Engineering Principles.
Annex 6. Report on Work of the Research and Development Board in 2016.
Annex 7. Financial and Economic Performance.
Annex 8. Results of Implementation of the 2016 Investment Program, parameters of the long-term investment program, and the report on capital construction quality control.
Annex 9. Composition of the Committees of the Board of Directors of PJSC IDGC of the North-West and Participation of the Members of the Committees operating from January 1, 2016 through June 10, 2016.
Annex 10. Legal and Methodological Basis of the Anti-Corruption Policy.
Annex 11. Methodology for Regulation of the TC Service Tariffs.
Annex 12. Report on Results of Supporting the Employees' Human Performance Reliability and Professional Activities and of the Special Assessment of Labor Conditions .
Annex 13. Regulatory Framework for Energy Saving and Energy Efficiency.
Annex 14. Performance Indicators of Business Processes at PJSC IDGC of the North-West in 2014-2016.
Annex 15. Report on the Compliance with the Corporate Governance Code.
Annex 16. Ownership Interest of PJSC IDGC of the North-West in Other Subsidiaries Engaged in Non-Core Activities.
Annex 17. List of the Affiliates of PJSC IDGC of the North-West as of 31.12.2016.
Annex 18. Corporate Action Announcements Published in 2016.
Annex 19. Report on Interested-Party Transactions Made by the Company in the Reporting Year.
Annex 20. Report on Regulated Activities by the Company's Branches.
Annex 21. Information on the Members of the Management Board of PJSC IDGC of the North-West in 2016.
Annex 22. Information on Technical Guidance Documents on Technical Regulation.
Annex 23. Information on Main Production Assets.
Annex 24. Information on the Sale of Non-Core Assets in 2016.
Annex 25. Regulatory Framework for Power Transmission Services.
Annex 26. Regulatory Framework for TC Activities.
Annex 27. Regulatory Framework for Long-Term Development.
Annex 28. Technical Connection Process Description.
Annex 29. TC Payment Rates in 2016-2017.
Annex 30. TC Demand Volumes and Satisfaction.
Annex 31. Monitoring of Cash Flow under TC Contracts.
Annex 32. Key Material Issues Reviewed by the Committees of the Company's Board of Directors in 2016.
Annex 33. Regulatory Documents on the Company's Tariffs.
Annex 34. List of Legal Acts Regulating Procurement Activities in PJSC IDGC of the North-West.
Annex 35. Competences of the Company's Management and Control Bodies.

Annex 36. Requirements for Inclusion of Issues into the Agenda of Annual General Shareholders Meetings at PJSC IDGC of the North-West and Nomination of Candidates to the Board of Directors and Audit Commission of PJSC IDGC of the North-West.
Annex 37. Composition of the Board of Directors of PJSC IDGC of the North-West Elected at the Annual General Shareholders Meeting in 2016.
Annex 38. Information on the Management and Control Bodies of the Subsidiaries of PJSC IDGC of the North-West.
Annex 39. Participation of Members of the Board of Directors of PJSC IDGC of the North-West in Meetings in 2016.

In total, 39 annexes on 387 pages.

5. TERMS AND MAIN ABBREVIATIONS USED HEREIN

Abbreviation, meaning	
AIS	automated information systems
AIS TM	automated information systems for treasury management
ANO	autonomous noncommercial organization
AC	agroindustrial complex
ACPMS	automated commercial power metering system
AMS	automated management system
APCS	automated process control system
JSEC	joint stock energy company
OPL	overhead power line
HEI	higher education institution
APPP	annual package procurement program
AGSM	annual General Shareholders Meeting
GS	guaranteeing supplier
Si	state institution
SDPS	state district power station
HPP	hydroelectric power plant
S&A	subsidiaries and affiliates
VHI	voluntary health insurance
DPP	diesel power plant
UNPG	Unified National Power Grid
HUI	housing and utilities infrastructure
IP	investment program
CPI	consumer price index
IT	information technology
ITI	information and technology infrastructure
KPI	key performance indicators
PL	power line
MICEX	Moscow Interbank Currency Exchange
IDGC	interregional distribution grid company
SME	small and medium enterprises
IFRS	international financial reporting standards
LS	logistics support
MUE	municipal unitary enterprise
EMERCOM	Russian Ministry for Civil Defense, Emergencies and Elimination of Consequences of Natural Disasters
MPTL	main power transmission lines
NPERT	non-professional emergency response teams
RGR	required gross revenue
VAT	value added tax
R&D	research and development activities
NSPF	non-state pension fund
RDB	Research and Development Board
WGC	wholesale generating company
AWP	autumn and winter period
OTPC	operative and technological process control
ISEZ	industrial special economic zone
D&S	design and survey work
PTUO	primary trade union organization
PLTDPMS	program for long-term development of power metering systems
PMS	performance management system
RDC	regional dispatch center

Abbreviation, meaning	
SPS	standby power sources
RAS	Russian accounting standards
RTS	Russian trading system
RF	Russian Federation
RCBD	radiological, chemical, and biological defense
REC	regional energy commission
PDZ	power distribution zone
IC&RMS	Internal Control and Risk Management System
BD	Board of Directors
NWFD	Northwestern Federal District
PPE	personal protective equipment
SSIW	self-supporting insulated wire
Media	mass media
CIS	Commonwealth of Independent States
JSC SO UES	Joint Stock Company System Operator of the Unified Energy System
PAMS	production asset management system
TGC	territorial generating company
C&M	commodities and materials
TRE&M	technical re-equipment and modernization
M&R	maintenance and repair
LGO	local grid operator
FES	fuel and energy sector
CHPP	combined heat and power plant
PJSC FGC UES	Public Joint Stock Company Federal Grid Company of Unified Energy System
FTS	Federal Tariff Service
ES	emergency situations
DCC	digital communication channel
CTC	Central Tender Commission
CSC	Customer Service Center
GCC	Grid Control Center
PSC	power supply company
EBITDA	earnings before interest, tax, depreciation, and amortization
RAB	Regulatory Asset Base
ROE	return on equity
ROTA	return on total assets
Units of measurement	
A	ampere, a unit of electric current
Ha	hectare, a unit of measurement for an area
Gcal	gigacalorie, a heat unit
kV	kilovolt, a voltage measurement unit
kVA, MVA	kilovolt-ampere, megavolt-ampere, a unit of apparent power
kWh	kilowatt-hour, a unit of electric power
kW, MW	kilowatt, megawatt, a unit of active power
km	kilometer, a unit of length
TOE	ton of oil equivalent

6. Table of GRI Disclosures

No.	Element	Section in the report	Page
EU3	Number of customers by categories	Disclosed in the Technological Connection section - by legal entities and individuals. Disclosed on page 8 Power Supply Structure, Major Consumers.	
EU4	Length of transmission and distribution lines by types	Disclosed on page 8 Main Assets - by overhead and cable networks.	
G4-15		Mission and corporate values	
G4-16	Memberships of associations and/or national and international organizations and participation in their work: holding positions in the governance bodies, participation in projects or committees, providing funding to various organizations, etc.	b. Membership in associations and organizations.	
G4-24	Stakeholder groups engaged by the organization	c. Relations with stakeholders	
G4-26	Stakeholder engagement: frequency and procedure of engagement with each stakeholder group	subclause c) clause 2.3.1. Stakeholder engagement	
G4-SO4	Communication and training on anti-corruption policies and procedures	d. Anti-Corruption Policy	
G4-10, EU15	Workforce structure by various parameters;	a. Workforce	
G4-11	The percentage of total employees covered by collective bargaining agreements, relations with trade unions	c. Protection of employees' interests and rights	
G4-LA8	Coverage of health and safety topics by formal agreements with trade unions	d) clause 2.3.2 Occupational health and safety	
EU25	Number of injuries and fatalities;	d) clause 2.3.2 Occupational health and safety	
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	d) clause 2.3.2 Occupational health and safety	
G4-LA9	Training of the organization's employees by various parameters	e. Improved quality of workforce	
G4-EC3, G4-51	Benefit plan obligations	2.3.3.1. Targeted at the company's employees	
EU28, EU29	Power outage frequency	2.3.3.2. Targeted at non-employees of the company	
G4-EC7	Noncommercial investments in community infrastructure, charity	2.3.3.2. Targeted at non-employees of the company	
G4-EN1	Non-renewable and renewable materials used	2.3.5.1 Achievement of Targets of the Program for Energy Saving and Enhanced Energy Efficiency	
G4-EN15, G4-EN21	Air pollution	2.3.4.1. Air pollution (including G4-EN15 and G4-EN21– Greenhouse gas emissions (tons of CO_2 equivalent): CO_2, CH_4, N_2O, SF_6, *etc.*) and other pollutants)	
G4-EN8	Water withdrawal	2.3.4.1. Air pollution (including G4-EN15 and G4-EN21– Greenhouse gas emissions (tons of CO_2 equivalent): CO_2, CH_4, N_2O, SF_6, *etc.*) and	

		other pollutants)	
G4-EN23	Hazardous and non-hazardous waste by disposal method	2.3.4.2. Industrial waste	
G4-EN11	Production in protected natural areas	2.3.4.2. Industrial waste	
G4-EN31	Environmental protection costs and investments	Clause 2.3.4. f) Fines for non-compliance with environmental laws and regulations (G4-EN29), environmental protection expenditures and investments (G4-EN31).	
G4-EN3	Energy saving and energy efficiency	2.3.5.1. Achievement of Targets of the Program for Energy Saving and Enhanced Energy Efficiency	
G4-EN6	Energy and fuel saving, measures to reduce energy consumption and enhance energy efficiency	2.3.5.1. Achievement of Targets of the Program for Energy Saving and Enhanced Energy Efficiency	

7. ADDRESSES AND CONTACTS

1. information about the Company:

Full name:	Public Joint Stock Company Interregional Distribution Grid Company of the North-West;
Abbreviated name:	PJSC IDGC of the North-West;
Legal address:	31 Sobornaya Street, Gatchina, Leningrad Region, Russia, 188300
Postal address:	3 A Constitution Square, Saint Petersburg, Russia, 196247
Tel., fax:	Tel.: +7 (812) 305-10-00, fax +7 (812) 305-10-98
Email:	post@mrsksevzap.ru
Website:	www.mrsksevzap.ru
Bank details:	INN 7802312751, KPP 470501001, OGRN 1047855175785 OKPO 74824610 current account 40702810539000005887 with the Operations Department of VTB Bank (PJSC) in Saint Petersburg correspondent account 30101810200000000704 BIC 044030704

2. Registrar of PJSC IDGC of the North-West:

Full name:	Joint Stock Company R.O.S.T. Registrar
Abbreviated name:	JSC R.O.S.T. Registrar
Location:	18 Stromynka Street, bldg. 13, Moscow, 107996
Postal address:	PO Box 9, 18 Stromynka Street, Moscow, 107996
Tel.:	+7 (495) 771-73-38, 771-73-39
Website:	http://www.rrost.ru/
Bank details:	INN 7726030449, KPP 771801001 ING BANK (EURASIA) JSC, Moscow, current account 40702810400001002263, BIC: 044525222, correspondent account 30101810500000000222 with the Operations Department of the Moscow Main Territorial Department of the Russian Central Bank

3. Standalone division of JSC R.O.S.T. Registrar in Saint Petersburg:

Full name:	Northwestern Branch of Joint-Stock Company R.O.S.T. Registrar
Location:	6 Belovodsky Pereulok, Saint Petersburg, 194044
Postal address:	6 Belovodsky Pereulok, Saint Petersburg, 194044
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Website:	http://www.rrost.ru/
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4. Authorized representatives of PJSC IDGC of the North-West:

Full name	Position, division	Tel., email
Elena Sopoleva	Head of the Legal and Property Management Division, Karelenergo branch	(8142) 791-700 sopoleva@karelenergo.ru
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Elena Koroleva	Fist-category economist in business activities accounting and analysis, Kolenergo branch	+7 (815-53) 6-88-07 eakoroleva@kolenergo.ru
Alena Terekhova	Head of the Property Management Division	Tel.:(8162) 984-312 tav@novgor.elektra.ru

5. Auditor of PJSC IDGC of the North-West:

Full name:	RSM RUS Limited Liability Company
Abbreviated name:	RSM RUS LLC
Location:	4 Pudovkina Street, Moscow, 119285
Postal address:	4 Pudovkina Street, Moscow, 119285
Tel.:	(495) 705-90-90, (495) 363-28-48
Website:	http://rsmrus.ru/
Email:	mail@rsmrus.ru

5.1. Saint Petersburg branch of RSM RUS LLC

Location:	34 Shpalernaya Street, Letter B, room 23N, Saint Petersburg, 191123
Postal address:	34 Shpalernaya Street, Letter B, room 23N, Saint Petersburg, 191123

6. Hotline for power supply issues:

Branch/IDGC	Hotline telephone number	Branch/IDGC
Arkhenergo	+8-800-200-64-14	Arkhenergo
Vologdaenergo	+8(8172)76-85-00	Vologdaenergo
Karelenergo	+8(8142)78-32-28	Karelenergo
Kolenergo	+8(81553)68-353	Kolenergo
Komienergo	8-800-250-17-00-	Komienergo
Novgorodenergo	+8 (8162) 700-230	Novgorodenergo
Pskovenergo	+8 (8112) 59-79-99	Pskovenergo
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