

Implementation of key environmental protection objectives of the Company in 2018 with an indication of relevant costs and activities

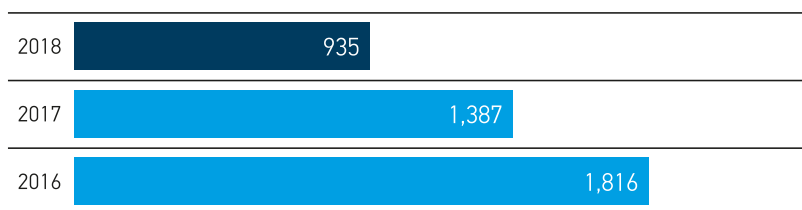
In 2018, main environmental protection objectives of IDGC of the South were fulfilled under the Environmental Policy of the Power Grid Complex and in accordance with the Company's Action Plan for Environmental Policy Implementation for 2017–2019. Pursuant to Federal Law On Protection of Environment, all production sites of IDGC of the South having a negative environmental impact are on the records of government agencies. All in all, 130 of such facilities are recorded in the Company, among them 113 of category III and 17 of category IV.

In 2018, IDGC of the South had 17 current subsoil licenses for underground water extraction: five licenses at the Volgogradenergo branch and 12 at the Rostovenergo branch. For the purpose of water resource conservation as part of license agreements, the underground water quality was assessed in 2018, including underground water level and temperature monitoring, water consumption metering, taking samples for bacteriological and chemical tests, determination of water physical properties.

For the purpose of land conservation, the Company provided the regular monitoring of utility and production wastes sorting (scrap tires, used transformers, batteries, spent mercury-containing lamps, waste oils, scrap metal, etc.) and their timely delivery to specialised organisations for neutralisation, recycling and disposal. The Company engaged accredited laboratories as per the schedules to monitor the atmospheric contaminant emissions in 2018. The test results did not show any above-limit values.

During 2018, design and authorisation documents related to atmospheric air protection and waste management were made available at all production sites of IDGC of the South. The Company avoids punitive penalties and above-limit payments for negative environmental impact through its timely rating, obtaining the authorisation documents and regular industrial environmental monitoring.

Payments for the negative environmental impact of IDGC of the South's activities, RUB thous.



To improve the personnel professional skills, in 2018, IDGC of the South organised training of 62 employees under the advanced training programmes for managers and specialists in environmental protection and ecological safety, 147 employees got permits for hazardous waste management.

In the same year, the Company spent a total of RUB 19,318 thous. for environmental protection activities.

Total costs for environmental protection activities, RUB thous.

2018	19,318
2017	19,556
2016	14,078

Critical environmental protection activities of IDGC of the South in 2018

Pursuant to the provisions of the Stockholm Convention on Persistent Organic Pollutants, 1,056 static capacitors with trichlorodiphenyl (46.5 tonnes) were delivered for neutralisation from IDGC of the South production facilities in 2018, including 189 pcs from Astrakhanenergo, 91 pcs from Volgogradenergo, 284 pcs from Kalmenergo, and 492 pcs from Rostovenergo.

At the beginning of the year, 3,540 items (175.676 tonnes) of extremely hazardous equipment were available at IDGC of the South facilities. IDGC of the South will stop using static capacitors with trichlorodiphenyl by 2025 in accordance with the Company's Schedule of PCB CONTAINING Equipment Decommissioning and Delivery for Destruction for 2018–2024.

Apart from that, in 2018, the Volgogradenergo branch installed 1,200 bird diverters on overhead line poles in the area of UNESCO biosphere reserve at the Volga-Akhtuba floodplain for the preservation of rear, globally endangered bird species. As part of the Repair and Investment Programmes, the Company's overhead lines were equipped with insulated bird-safe wire (a total of 397 km).

Company's key environmental protection objectives for 2019

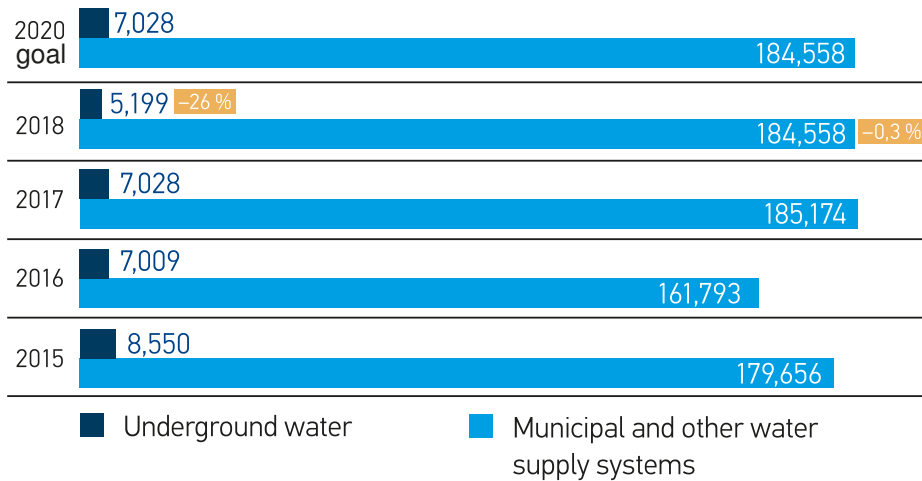
Provision and monitoring of a safe level of pollutant atmospheric emissions from stationary and movable sources.
Personnel upskilling in environmental protection.
Installation of pedestal-mounted bird diverters in birds habitation and migration areas.
Prevention of excessive waste accumulation on production sites, timely removal of wastes from production sites.
Compliance with subsoil license agreements.
Implementation of the Company's Schedule of PCB Containing Equipment Decommissioning and Delivery for Destruction for 2018-2024.

Stakeholder Relations

In September 2018, representatives of the Company Executive Office took part in a meeting concerning the improvement of ROSSETI's Environmental Management System. The participants discussed the execution of the power grid complex Environmental Policy, results of 2017 and H1 2018, major environmental challenges of ROSSETI, as well as evaluated the efficiency and effectiveness of the Environmental Management System implementation at IDGC of the South. They also highlighted a decline in payments for negative environmental impact from 2010 through 2017, timely activities for the Company's personnel advanced training and ecological literacy enhancement, lower rates of violations (observations, incompliances) detected during internal environmental management audits.

In November 2018, JSC SGS Vostok Limited held a recertification audit in the Executive Office and Volgogradenergo branch for compliance with ISO 14001:2015 standard. The audit team concluded that the Company implemented and maintained the Environmental Management System corresponding to the standard provisions, and proved the ability to achieve compliance with ISO 14001:2015 systematically and successfully.

Breakdown of the total volume of water taken by sources, l



Water consumption, waste management and environment protection costs

SKILLS IMPROVEMENT

THE PROGRAMMES REGARDING IMPROVEMENT OF QUALIFICATION OF EMPLOYEES OF IDGC OF SOUTH INCLUDE THEIR TRAINING IN KEY INDUSTRY OCCUPATIONS IN THE FIELD OF OPERATIONAL-DISPATCH MANAGING, RELAY PROTECTING, MONITORING AND ANALYSING THE LOSSES WITHIN POWER GRIDS AND MANDATORY COURSES, INCLUDING HEALTH & SAFETY ACTIVITIES. THUS, IN 2018, THE CERTIFICATES OF A GRID SPECIALIST WERE RECEIVED BY MORE THAN 1.4 THOUSAND OF THE COMPANY EMPLOYEES, MORE THAN 1 THOUSAND BECAME EXPERTS ON SAFETY WORKS AND ACTIVITIES AT HEIGHT.

FROM THE QUANTITY OF TRAINED PERSONNEL IN 2018, MORE THAN 60% (4.9 THOUSAND PERSONS) IMPROVED THEIR SKILLS IN THE INTER-REGIONAL CORPORATE EDUCATIONAL CENTRE OF IDGC OF SOUTH "ENERGETIK". IT IS A MODERN EDUCATIONAL UNIT, WHICH

PROVIDES ITS TRAINING IN MORE THAN 120 SPECIALTIES AND DIRECTIONS. THE CLASSES SPECIALLY DESIGNED REGARDING EDUCATIONAL PROGRAMMES, WERE ORGANISED FOR THE STAFF PARTICIPATED IN THE NATIONAL TRAININGS OF GRID EXPERTS IN DAGESTAN AND IN THE CORPORATE CUP OF PROFESSIONAL EXCELLENCE UNDER THE WORLDSKILLS METHODOLOGY.