

As of December 31, 2018, IDGC of the South PJSC is the founder of three companies in which it owns 100% of the voting shares in each:

Energoservis of the South JSC
AE Sokolovskoye JSC;
Energetik Recreation Centre JSC.

Detailed information is provided in Appendix No. 4 to this Annual Report.

IDGC of the South PJSC carries out the corporate management of subsidiaries and affiliates through its representatives in the governing bodies of subsidiaries and affiliates according to the current legislation of the Russian Federation, the charters of IDGC of the South PJSC and subsidiaries and affiliates and Coordination Procedure of OJSC «Interregional Distribution Grid Company of the South» with business companies, whose shares are owned by IDGC of the South OJSC (Procedure), approved by the Board of Directors of the Company (Report No. 24/2009 of March 10, 2009).

In accordance with the Procedure, the Board of Directors of IDGC of the South PJSC determines the position of the Company on the agendas issues of General Meetings of Shareholders and meetings of boards of directors of subsidiaries and affiliates (instructing representatives of the Company to participate or not to participate in voting on agenda issues, vote on draft decisions «in favour», «against», «abstained»), including on the approval of the business plan (adjusted business plan) of the subsidiaries and affiliates, reports on the business plan implementation of the subsidiaries and affiliates, the distribution of profits and losses based on financial results of the year, recommendations on the amount of dividend on shares and its payment procedure.

In 2018, 23 meetings of Boards of Directors of subsidiaries and affiliates were held, at which more than 80 issues were considered.

In order to minimise risks of non-compliance by subsidiaries and affiliates with the requirements of the current legislation of the Russian Federation in the field of information disclosure, the Company continuously monitored subsidiaries and affiliates by monitoring public information sources.

Information on the participation of the Company in commercial organisations, including the subsidiaries and affiliates of the Company, is given in Appendix 4 to this Annual Report.