

The corporate governance of the Company is based on the understanding that the long-term success of the Company is the result of teamwork, in which not only owners and top managers participate, but also ordinary employees, investors, suppliers, creditors and other partners. Mutually beneficial cooperation with each interested person is a contribution to the effective development and high competitiveness of the enterprise.

The most compelling argument in favour of improving the corporate governance system in 2018 is that such an improvement contributed to the growth of the Company's profitability.

In the reporting period, in order to bring the internal documents of the Company into compliance with the requirements of the Federal Law "On Joint-Stock Companies";, the Corporate Governance Code and the established corporate governance practices in the Rosseti group of companies in new editions were approved by the Charter of the Company and Regulations:

on the Board of Directors of the Company;  
about the Management Board of the Company;  
Regulations on the information policy and dividend policy of IDGC of the South PJSC

Thus, by decisions of shareholders changes made in the part of quorum defining for holding a meeting of the Board of Directors of the Company when deciding whether to agree to or to subsequently approve interested party transactions (Article 18 of the Charter), as well as in the part of the procedure for sending to the Company a Notification on possible signs of interest in the conclusion of transactions by the joint-stock company, as well as the Notification on the change of information containing indications of possible signs of interest in the

conclusion of the transactions by the joint-stock company (Article 26 of the Company Charter). The procedure was clarified in terms of the organisation of accounting and tax accounting and reporting in the Company, the storage of accounting documents (in Art. 23 of the Company's Charter), and also in terms of the procedure for storing documents and the provision of information by the Company (in Art. 26 of the Company's Charter).

In addition, in order to reduce the cost of preparing and holding the General Meetings of Shareholders of the Company, the possibility of sending ballots to shareholders via e-mail and by posting them on the Company's official website on the Internet is additionally provided. The method of sending ballots in accordance with the new edition of the Charter is determined by the decision of the Board of Directors in preparation for the General Meeting of Shareholders. The changes affected Art. 11 and 12 of the Charter of the Company.

The same decision approves amendments to the Regulation on the Board of Directors of IDGC of the South PJSC, aimed at creating the possibility of using modern software to organise and conduct meetings of the Board of Directors of the Company, including the use of e-mail of the Board of Directors members and/or automated information system when sending out notifications of meetings, materials on the agenda, questionnaires for absentee voting, reflection of voting results and bringing decisions made to members of the Board of Directors.

The new edition of the Regulation on the Board of the Company provided for the introduction of changes related to the need to bring the Regulations of the Company in compliance with the legislation of the Russian Federation, namely, paragraph 1 and 2 of Art. 82 of the Federal Law "On Joint-Stock Companies"; in terms of securing the obligation of members of the Board

to notify the Company about signs of possible interest, as well as a new procedure for providing shareholders with access to the Reports of the Board in accordance with Art. 89–91 of the Federal Law “On Joint Stock Companies”;

According to the new edition of the Regulation on the payment of remuneration and compensation to the members of the Audit Commission of the Company, the new edition specifies the deadlines for the payment of remuneration to members of the Audit Commission.

The main amendments to the Regulations on the dividend policy of IDGC of South PJSC in the new edition are related to clarifying the procedure for calculating dividends for the fiscal year and interim dividends (taking into account synchronisation with the decree of the Government of the Russian Federation of May 29, 2017 No. 1094-p), as well as conditions and grounds for payment of interim dividends.

Information technologies, which allow to bring information disclosure processes to a new level play highly important role in improving corporate governance. Placing on the website of the Company interactive annual reports, holding forums for shareholders, as well as the emergence of the opportunity to participate in General Meetings of Shareholders by filling in electronic bulletins contributed to improving interaction with shareholders and investors at a qualitatively new level.

Documents regulating the work of the corporate governance system of the Company can be found on the [corporate website of the Company](#).