

BOARD OF DIRECTORS

ROLE OF THE BOARD OF DIRECTORS

The Board of Directors handles overall management of the Company's operations and is vital element of the corporate governance system of OAO IDGC of Urals. Its competence is defined in the Charter (clause 15.1 Article15) and is clearly demarcated from the purview of executive bodies that manage Company's day-to-day operations. The Board of Directors' expertise comprises issues stipulated by the Federal Joint-Stock Companies' Law as well as a wide range of additional issues in the spheres of:

- Finance and investments,
- Business planning,
- Procurements,
- Management of affiliates in terms of core operational issues
- Internal control, risk management and internal audit.

THE BOARD OF DIRECTORS' CHAIR

The Chair of the Board of Directors bears personal responsibility for leading the activities of the Board of Directors and its performance. The Chair keeps the focus of the Board of Directors on strategic management of the Company delegating operational control to the executive team. The Chair oversees that the Board of Directors receives accurate, reliable and relevant information in a timely manner to foster a substantive discussion of issues. The Chair fosters constructive interaction among the members of the Board of Directors and between the Board of Directors and Executive Board.

In September 2017 - May 2018 Aleksandr Nikolaevich Fadeev headed the Board of Directors. From June 2018 the Board of Directors is chaired Yuri Vladimirovich Goncharov.

**The Board of Directors is chaired
Yuri Vladimirovich Goncharov.**

INDEPENDENT DIRECTORS AND THEIR ROLE

Independent directors provide an independent perspective to the work of the Board of Directors, through their knowledge, experience and qualifications. Independent directors demonstrate a high level of expertise, independent judgment and independent votes on agenda items. The objectivity of independent directors and their constructive criticism are of great value to the Board of Directors and Company on the whole. The Company highly values the significant contribution that independent directors make to improve the performance of the Board of Directors. To foster objectivity of resolutions and balance interests of various stockholder groups the Company strives to have at least three independent directors in the Board of Directors. OAO IDGC of Urals is guided by criteria of independence, set forth by the Corporate Governance Code of the Bank of Russia.

CORPORATE SECRETARY

To embed key elements and provisions of the Corporate Governance Code into the corporate governance system of OAO IDGC of Urals a position of the Corporate Secretary was introduced to our payroll schedule in 2016. The status of the corporate secretary, candidate specification, appointment and removal of the corporate secretary, reporting line, order of interaction with the governing bodies and units of the Company and other relevant activities are defined in the Regulations on the Corporate Secretary of OAO IDGC of Urals⁵⁶. The Corporate Secretary of the Board of Directors is appointed by the Board of Directors as advised by the Chair of the Board of Directors.

The Regulations stipulate the following functions of the Corporate Secretary:

- Facilitation of Company's cooperation with regulators, trading institutions, registrar, other professional participants of the securities market;
- Involvement into arrangement and conduct of Company's general meetings of stockholders;
- Involvement into promotion of the Company's information disclosure policy and oversight of custody of Company's corporate documents;
- Involvement into improvement of Company's corporate governance system and practices;
- Administration of day-to-day performance of the Board of Directors;
- Facilitation of Company's relationships with stockholders, prevention of corporate conflicts, implementation of procedures enforcing rights and interests of stockholders, set forth by the Russian laws and Company's bylaws, oversight of the progress.

The Corporate Secretary of OAO IDGC of Urals is Sergey Anatolyevich Gusak.

Background information: Born in 1977. Educational background: Urals State Law Academy (graduate degree). Head of Corporate Governance and Stockholder Relations Department at OAO IDGC of Urals since 2008. Share in the charter capital of the Company and its SACs / common stock owned: none. Family ties with members of executive and/or oversight bodies: none.

COMPOSITION OF THE BOARD OF DIRECTORS

Clause 16.1 Article 16 of the Company's Charter states that the Board of Directors consists of 11 directors. The quantitative composition perfectly matches the goals and objectives of the Company and industry practices and secures a required balance of purviews of the Board of Directors.

The specificity of the structure of shareholder capital (Rosseti owns 51.52% of the voting power) explains the fact that the vast majority of the Board of Directors is elected as advised by the controlling stockholder – PAO Rosseti. 11-director composition of the Board of Directors comprises eight non-executive directors, two independent directors and one executive director.

Taking into account the strategic importance of the challenges facing the Board of Directors, the Board members must have the confidence of stockholders and ensure that duties entrusted to them are performed in the most efficient manner possible. The existing structure of the Board of Directors fosters appropriate level of independence from the Company's management to oversee the latter's work in the proper way. OAO IDGC of Urals has a transparent procedure for electing members of the Board of Directors, specifically:

- The Company provides stockholders with two months to promote nominees to the Board of Directors, while laws stipulate one month;
- The Company shares information regarding nominees to the Board of Directors with stakeholders in a timely manner (immediately after minutes of a Board of Directors meeting to examine the item are prepared) by disclosing a relevant corporate event/action newsletter (detailed information on nominees is posted on the Company's web-site in materials to a General Meeting with "Election of the Board of Directors" item on the agenda);
- The Company employs the principle of cumulative voting to elect the Board of Directors and explains its procedures;
- The Company announces the voting results on the issues examined, with presence of quorum and number of votes for each voting alternative disclosed;
- The Company posts minutes of the general meetings of stockholders on its official web-site.

The list of directors serving on the Company's Board of Directors in 2018 and now (prior to the report adoption date)

Composition 1 ⁹⁷ (14.09.2017-31.05.2018)	Composition 2 ⁹⁸ (31.05.2018- present day)
Aleksandr Nikolaevich FADEEV, Board of Directors Chair	Yuri Vladimirovich GONCHAROV, Board of Directors Chair
Yuri Vladimirovich GONCHAROV	Dmitry Borisovich AKOPYAN
Roman Avgustovich DMITRIK	Roman Avgustovich DMITRIK
Sergey Georgievich DREGVAL	Sergey Georgievich DREGVAL
Natalya Aleksandrovna OZHE	Yury Kazbekovich ZAFESOV
Sergey Aleksandrovich SEMERIKOV	Sergey Ivanovich MIROMANOV
Aleksey Yuryevich SEROV	Natalya Aleksandrovna OZHE
Vladimir Vladimirovich SOFYIN	Larisa Anatolyevna ROMANOVSKAYA
Yakov Savelyevich TESIS	Aleksey Yuryevich SEROV
Aleksandr Viktorovich SHEVCHUK	Yakov Savelyevich TESIS
Yulia Vitalyevna YASCHERITSYNA	Aleksandr Viktorovich SHEVCHUK

Members* of the Board of Directors as of 31 December 2018:

Yuri Vladimirovich GONCHAROV

Chairman of the Board of Directors; prior to May 2018 - Chairman of the Personnel and Remunerations Committee

Interest in the charter capital/Common stock owned (as of 31.12.2018): none. Security transaction statements filed with the Company in 2018: none.

Short biography:

Born in 1977. Graduated from Moscow State Mining University (2000, Management), Moscow Institute of Economics, Politics and Law (2014, Jurisprudence). PAO Rosseti's Advisor to General Director.

Managerial positions for the past 5 years:

Chairman of the Board of Directors of PAO IDGC of Siberia, member of the Boards of Directors of PAO MOESK, AO Tyumenenergo, AO Yantarenergo.

Dmitry Borisovich AKOPYAN

Prior to May 2018 – member of the Strategy and Development Committee

Interest in the charter capital/Common stock owned (as of 31.12.2018): none. Security transaction statements filed with the Company in 2018: none.

Short biography:

Born in 1967. Graduated from Krasnodar Polytechnic Institute (1993, Industrial and Civil Construction), Kuban Institute of International Entrepreneurship and Management (2007, Banking and Finance). PAO IDGC of South's Deputy General Director - Director of Rostovenergo branch.

Managerial positions for the past 5 years:

Member of the Boards of Directors of PAO IDGC of Siberia, PAO IDGC of North Caucasus, PAO IDGC of Center, PAO IDGC of North West.

* The directors consented disclosure of personal data in the report in a manner, consistent with laws of the Russian Federation.

Roman Avgustovich DMITRIK

Independent director, member of the Audit, Strategy and Development, and Reliability Committees

Interest in the charter capital/Common stock owned (as of 31.12.2018): none. Security transaction statements filed with the Company in 2018: none.

Short biography:

Born in 1971. Graduated from Perm State Technical University (2000, Electric Motors and Automation of Installations and Technological Complexes; 2002, Management), Perm State University (2005, Financial Management). General Director at OOO Energosetinvestholding (ESIH).

Managerial positions for the past 5 years:

General Director at OOO RRSK, Interspetsinvest-M.

Sergey Georgievich DREGVAL

Interest in the charter capital/Common stock owned (as of 31.12.2018): 0.011438%. Security transaction statements filed with the Company in 2018: acquisition of 10 million shares (March 2018).

Short biography:

Born in 1971. Graduated from Kiev International Civil Aviation University (1996, technical exploitation of aircraft electrified equipment and navigation instrumentation), Tyumen State Oil & Gas University (2005, Electric Motors and Automation of Installations and Technological Complexes). OAO IDGC of Urals' General Director.

Managerial positions for the past 5 years:

Chairman of the Board of Directors of AO Yekaterinburgenergosbyt, member of the Board of Directors of AO Yekaterinburg Electric Grid Company, General Director at OAO Oboronenergosbyt, First Deputy Managing Director, Managing Director at OAO Altayenergosbyt.

Yury Kazbekovich ZAFESOV

Member of the Audit Committee

Interest in the charter capital/Common stock owned (as of 31.12.2018): none. Security transaction statements filed with the Company in 2018: none.

Short biography:

Born in 1975. Graduated from Moscow State University (1999, Management), Russian Academy of State Service under the President of Russia (2006, candidate of economic sciences). PAO Rosseti's Procurement Department Director.

Managerial positions for the past 5 years:

General Director at AO Energostroysnabkomplekt UES, member of the Board of Directors of AO Tyumenenergo, PAO IDGC of Center and Volga, PAO Lenenergo, AO Energostroysnabkomplekt UES, member of the Strategy and Development Committee of PAO IDGC of Volga.

Sergey Ivanovich MIROMANOV

Member of the Audit Committee

Interest in the charter capital/Common stock owned (as of 31.12.2018): none. Security transaction statements filed with the Company in 2018: none.

Short biography:

Born in 1973. Graduated from Moscow Energy Institute (1996, electrical engineer). PAO Rosseti's Head of Grid Asset Consolidation Directorate of Network Perspective Development and Connection Department.

Managerial positions for the past 5 years:

Member of the Board of Directors of PAO IDGC of Siberia

Natalya Aleksandrovna OZHE

Member of the Personnel and Remunerations, Strategy and Development, Technological Connection Committees

Interest in the charter capital/Common stock owned (as of 31.12.2018): none. Security transaction statements filed with the Company in 2018: none.

Short biography:

Born in 1974. Graduated from Moscow State University (1997, Jurisprudence). Deputy General Director for Legal and Corporate Affairs at AO Gazeks.

Managerial positions for the past 5 years:

Project director of ZAO RENOVA Group of Companies, member of the Board of Directors of ZAO GAZEKS, AO Yekaterinburggaz, OOO Gazeks-Management, AO Gazmontazh, AO Urals Gas Networks, AO Pervouralskgaz, AO SG-Invest, AO Irkutskoblgaz, AO EES, AO EESK.

Larisa Anatolyevna ROMANOVSKAYA

Chair of the Personnel and Remunerations Committee

Interest in the charter capital/Common stock owned (as of 31.12.2018): none. Security transaction statements filed with the Company in 2018: none.

Short biography:

Born in 1972. Graduated from Samara State Academy of Economics (1995, Economics). PAO Rosseti's Chief Advisor.

Managerial positions for the past 5 years:

Member of the Boards of Directors of PAO IDGC of Center, PAO IDGC of Center and Volga, PAO MOESK, General Director of OOO Ensol, OOO Svoy khleb.

Aleksey Yuryevich SEROV

Member of the Audit, Personnel and Remunerations Committee

Interest in the charter capital/Common stock owned (as of 31.12.2018): none. Security transaction statements filed with the Company in 2018: none.

Short biography:

Born in 1979. Graduated from Moscow State University (2001, applied mathematics), Russian Economy School (2009, Finance). Director of PAO Rosseti Finance Department.

Managerial positions for the past 5 years:

Member of the Boards of Directors of PAO IDGC of North Caucasus, AO NITs UES, PAO TRK, PAO IDGC of South, AO Ingushenergo, PAO Kubanenergo, analyst of Business Development Directorate at ZAO Delovaya Sreda.

Yakov Savelyevich TESIS

Interest in the charter capital/Common stock owned (as of 31.12.2018): none. Security transaction statements filed with the Company in 2018: none.

Short biography:

Born in 1974. Graduated from Moscow State University (1997, Jurisprudence). M&A and Project Director at OOO Renova Aktiv.

Managerial positions for the past 5 years:

Project director of ZAO RENOVA Group.

Aleksandr Viktorovich SHEVCHUK

Independent director (independency acknowledged by the Aug.03, 2018 Board of Directors resolution, Minutes No.279 dated as of 06.08.2018), Chair of the Audit Committee, member of the Strategy and Development Committee

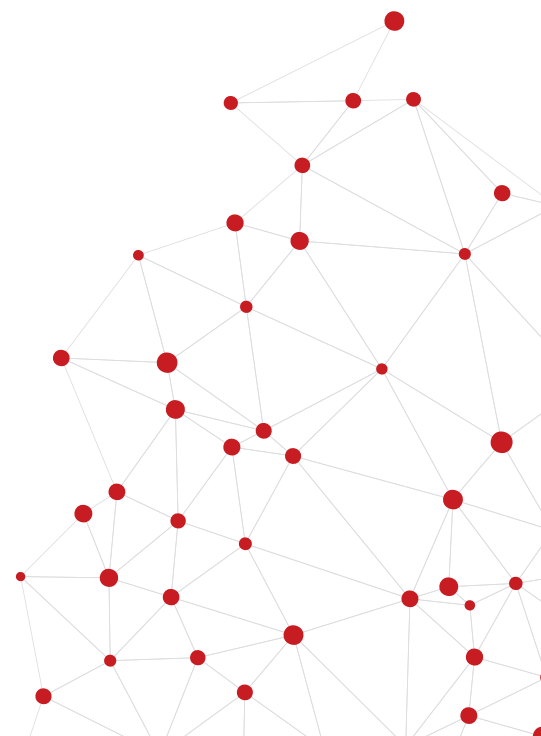
Interest in the charter capital/Common stock owned (as of 31.12.2018): none. Security transaction statements filed with the Company in 2018: none.

Short biography:

Born in 1983. Graduated from Finance Academy under the Government of the Russian Federation (2005, Banking and Finance). Executive Director at Association of Professional Investors.

Managerial positions for the past 5 years:

Member of the Board of Directors of PAO IDGC of North West, PAO IDGC of Center, PAO OGK-2, PAO IDGC of Center and Volga, PAO Detsky Mir, PAO IDGC of South, PAO MOSTOTREST, OAO UAZ, PAO IDGC of North Caucasus, AO Volgogradgaz, AO Urengoytruboprovodstroy, Chair of the Boards of Internal Auditors of PAO Rostelekom, AO ROSNANO, OOO UK ROSNANO.



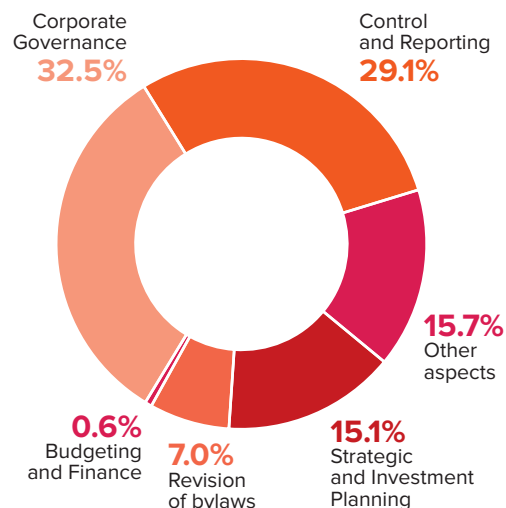
BOARD OF DIRECTORS' PROGRESS REPORT

In 2018 the Company's Board of Directors has conducted 36 meetings: 32 in-absentia meetings and 4 mixed (in-presentia/in-absentia) meetings. The Board of Directors has scrutinized 172 agenda items on its meetings.

Year	Board of Directors meetings conducted				Agenda items examined
	total	In-absentia	In-presentia	Mixed (in-presentia/in-absentia)	
2018	36	32	0	4	172
2017	41	32	0	9	226
2016	30	26	0	4	276
2015	25	20	1	4	235

Key aspects examined by the Board of Directors

Aspect	2015	2016	2017	2018
Corporate Governance	77	102	99	56
Budgeting and Finance	11	9	3	1
Strategic and Investment Planning	23	21	32	26
Revision of bylaws	26	22	12	12
Control and Reporting	43	61	52	50
Other aspects	55	61	28	27



Key aspects* scrutinized by the Board of Directors during 2018:

Corporate Governance

- examination of agenda items to be included into the general meeting's agenda, proposed by stockholders;
- examination of nominees to be elected to the Board of Directors and Board of Internal Auditors, proposed by stockholders;
- examination of practical arrangements related to convention of the 2017 annual general meeting of stockholders and its location, date and time;
- preliminary adoption of the Company's 2017 annual report;
- examination of issues related to FY2017 profit distribution and dividends;
- preparation of recommendations to agenda items of the annual general meeting of stockholders;
- approval of forms and wording of voting papers for the annual general meeting;
- definition of the AGSM announcement procedure;
- approval of AGSM-related expenses;
- adoption of a contract between the Company and its registrar;
- examination of agenda items regarding election of the Chair of the Board of Directors, Deputy Chair and Corporate Secretary;
- adoption of the Board of Directors action plan for 2018-2019 corporate year;
- reshuffling of the Board of Directors Committees;
- adoption of the Committees' budgets;
- determination of positions of Company's representatives serving on governing bodies of Company's affiliates.

Budgeting and Finance

- adoption of the IDGC of Urals' Group consolidated RAS and IFRS business plan.

Strategic and Investment Planning

- adoption of scenarios to be used in drafting Company's investment program, examination of revisions to be introduced to the Company's investment program;
- adoption of the Company's Amended and Restated Non-core Asset Sale Procedure;
- adoption of the Company's Amended and Restated Non-core Asset Alienation Blueprint and Non-core Asset Register;
- adoption of the action plans to reduce overdue transmission receivables and reconciliation;
- adoption of the OAO IDGC of Urals' PAMS development action plan for 2018-2019;
- adoption of the 2018-2023 PCB-bearing Equipment Retirement Blueprint;
- adoption of the Company's IT, Automation and Telecommunications Policy;
- adoption of the Amended and Restated Guidelines on the Determination of Spare Capacity of Company's Main Substations;
- adoption of the Company's Energy-Saving and Efficiency Enhancement Program for the period till 2022;
- adoption of the 2019 Insurance Coverage Program;
- adoption of the Company's FY2019 Procurement Program.

* Find the exhaustive list of examined agenda items and wording of the Board's resolutions at Board of Directors Section of the corporate web-site (Main/About us/Governing and Oversight Bodies/Board of Directors)

Revision of bylaws

- adoption of the Amended and Restated Regulations on OAO IDGC of Urals' Dividend Policy, Revision of the OAO IDGC of Urals' Regulations on the Dividend Policy;
- adoption of the OAO IDGC of Urals' Amended and Restated Regulations on the Information Policy;
- adoption of the OAO IDGC of Urals' Amended and Restated Regulations on Insider Information Processing;
- adoption of the OAO IDGC of Urals' Amended and Restated Enforcement of Complex Security Policy;
- examination of the Amended and Restated Regulations on Internal Audit Department.

Control and Reporting

- adoption of the quarterly completion reports with regard to the business plan;
- examination of reports regarding execution of Board of Directors assignments;
- examination of insurance coverage reports;
- examination of progress reports regarding sale of non-core assets;
- examination of progress reports prepared by the Executive Board;
- examination of reports regarding management of key operating risks;
- examination of the 2017 Internal Auditor report regarding efficiency of internal control and risk management system;
- examination of Company's progress report prepared by the General Director;
- examination of a 2017 anti-corruption monitoring report;
- examination of a report regarding key measures taken to eliminate and prevent violations/weaknesses as well as to implement recommendations prepared by the Company's Board of Internal Auditors after the audit of 1H2017 financial and economic operations;
- examination of a 2017 General Director's report with regard to roll-out, functioning and efficiency of the risk management system.

Other aspects

- authorization of a related-party transactions;
- approval of Company's underwriters;
- specification of cases (sizes) of property transactions, subject to preliminary approval by the Board of Directors;
- approval of the Company's HQ organizational structure;
- reshuffling of the Central Procurement Body;
- preliminary approval of a Company's transaction related to alienation of immovable property with destination other than production, transmission, dispatching, distribution of electric and thermal power;
- preliminary approval of Company's charity programs.

Meeting attendance by members of the Board of Directors in 2018

Board of Directors member	Board of Directors	Audit Committee	Personnel and Remuneration Committee	Strategy and Development Committee	Reliability Committee	Technological Connection Committee
A.N. Fadeev	19/19 (100%)	8/8 (100%)				
Y.V. Goncharov	36/36 (100%)		4/4 (100%)			
R.A. Dmitrik	36/36 (100%)	16/16 (100%)		13/13 (100%)	10/10 (100%)	
S.G. Dregval	36/36 (100%)					
N.A. Ozhe	36/36 (100%)		10/10 (100%)	13/13 (100%)		5/5 (100%)
S.A. Semerikov	19/19 (100%)					
A.Y. Serov	34/36 (94%)	15/16 (94%)	6/6 (100%)			
V.V. Sofyin	19/19 (100%)			7/7 (100%)		
Y.S. Tesis	36/36 (100%)					
A.V. Shevchuk	35/36 (97%)	16/16 (100%)		13/13 (100%)		
Y.V. Yascheritsyna	19/19 (100%)	8/8 (100%)	4/4 (100%)			
D.B. Akopyan	14/17 (82%)			7/7 (100%)		
Y.K. Zafesov	17/17 (100%)	8/8 (100%)				
S.I. Miromanov	17/17 (100%)	7/8 (88%)				
L.A. Romanovskaya	17/17 (100%)		6/6 (100%)			

EVALUATION OF THE BOARD OF DIRECTORS

To comply with the Corporate Governance Code recommendations, during the reported period, the Company has adopted the Board of Directors and Board of Directors Committees Performance Evaluation Methodology⁵⁹, regulating Board of Directors evaluation procedure (annual self-evaluation and triennial evaluation by an independent outside agency, engaged on a competitive basis).

The composition of the Board of Directors, in terms of qualifications, experience and expertise, is well-balanced and optimal for efficient performance of the Board of Directors and current demand of the Company.



Targets of evaluation:

1. Board of Directors performance on the whole;
2. Performance of each Board of Directors Committees;
3. Performance of the Board of Directors Chair;
4. Facilitation activities with regard to the performance of the Board of Directors and its Committees.

Components of evaluation:

- Functional component (quality of the Board of Directors performance);
- Structural component (composition and structure of the Board of Directors, role of the Board of Directors Chair, etc.);
- Procedure-oriented component (meeting scheduling, meeting arrangement practices, information support);
- Infrastructural component (remunerations of the Board of Directors, settlement of competing interests, liability insurance, etc.).

Self-evaluation criteria in 2018:

1. Execution of key functions in company management by the Board of Directors:

- Generation and oversight of strategy implementation;
- Enforcement of establishment and oversight of efficiency of the internal control and risk management system;
- Evaluation of the C-level performance;
- Implementation of efficient C-level incentivization system;
- Asset protection;

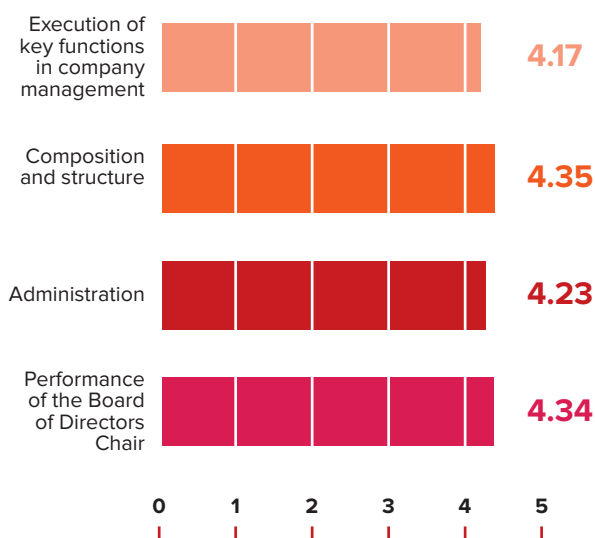
2. Composition and structure of the Board of Directors;

3. Administration of the Board of Directors activities:

- Information support of the Board of Directors and reciprocity between the Board of Directors and executive bodies;
- Infrastructural support of the Board of Directors, incl. incentivization system for Board of Directors members, settlement of competing interests;
- Reciprocity between the Board of Directors and its Committees;
- Composition of the Board of Directors Committees and their performance;

4. Performance of the Board of Directors Chair.

Evaluation of the Board of Directors performance (5-point scale)



The self-evaluation showed that:

- The composition of the Board of Directors, in terms of qualifications, experience and expertise, is well-balanced and optimal for efficient performance of the Board of Directors and current demand of the Company;
- Independent directors actively and usefully stimulate debates to find optimal solutions, make a considerable contribution in discussion, capable to make objective and independent judgements, especially on controversial issues, and defend their opinions, when necessary;
- Administration of the Board of Directors activities is appropriate;
- The Board of Directors performs key functions in company management;
- The Board of Directors Chair enforces efficient administration of the Board of Directors activities, preparation and conduct of Board of Directors meetings, ensures that meetings are held in a constructive, open and trustworthy atmosphere and enforces efficient communications between the Board of Directors and executive bodies.

The report on the evaluation of the Board of Directors and its Committees performance was scrutinized during an in-absentia Personnel and Remunerations Committee meeting, conducted in August 2018⁶⁰, and filed with the Board of Directors Chair for further examination and decision taking.

D&O Liability Insurance

Corporate Governance Code Recommendation 139 recommends companies, at their own expense, to insure the liability of the Board of Directors so that losses, incurred by the company or third parties due to activities of the Board of Directors members, may be reimbursed.

During the reported period, the Company has concluded a D&O Liability Insurance contract with AO SOGAZ (with preliminary examination of the item by the Board of Directors⁶¹).

Settlement of Competing Interests of the Board of Directors Members

The Board of Directors members shall take reasonable and bona fide actions, in particular by taking decisions in consideration of all the information available, in the absence of any conflicts of interest and by treating the Company's shareholders equally and assuming standard levels of risk.

The Company has a comprehensive system for dealing with any conflicts of interest between the Board of Directors members by providing reasonable assurance that any conflict situation will be settled at an early stage and that the Company's interests will not be adversely affected.

As the Regulations on the OAO IDGC of Urals Board of Directors state, once a director encountered a potential conflict of interest, incl. interest in a Company's transaction, such director shall be obliged to inform the Board of Directors on that immediately and always put interests of the Company before personal interests. The announcement shall always be made prior to the discussion of the item with a director's conflict of interest. Besides, within two months after they have or should have come to know of circumstances by virtue of which they may be acknowledged as interested in Company's transactions, Board members shall notify the Company of:

- legal entities in which they, their spouses, parents, children, siblings and half-siblings, adoptive parents and adoptees and (or) their controlled firms, are controlling entities or entitled to instruct;
- legal entities in which government bodies are occupied by them, their spouses, parents, children, siblings and half-siblings, adoptive parents and adoptees and (or) their controlled entities;
- implemented or future transactions, known to them, in which they may be acknowledged as interested entities.

Should this information change, the Board members shall notify the Company of the changes within 14 days since they have or should have come to know of the changes.