

## REMUNERATION AND COMPENSATION POLICY

### CALCULATION OF REMUNERATIONS DUE TO THE BOARD OF DIRECTORS

The Annual General Meeting of Stockholders, conducted on 18.06.2015, adopted Amended and Restated Regulations of Remunerations and Compensations due to the Board of Directors at OAO IDGC of Urals. In compliance with the Regulations, remunerations comprise a lump sum payment for participation in the Board activities and additional payment from the net profit if Company's market value increases during the Board's tenure.

The exact amount of remunerations due to each Board member for the service shall be calculated, factoring in the total number of Board meetings conducted during the previous corporate year and number of attended meetings. The basic amount of remunerations (Rbase) shall be set upon the annual RAS revenues of the Company. The following increments shall be added to the remunerations: 30% for the Board Chair, 20% for the Chair of a Board Committee, 10% for a membership in a Board Committee. Increments for the Chair and/or membership in a Board Committee shall not be paid in case there were less than three Board meetings during the corporate year. Overall remunerations and increments shall not exceed Rbase. Remunerations shall not be paid to a Board member, if such member missed more than 50% of Board meetings (conducted during his service).

Additional remunerations, due to each Board member, for the increased market value of the Company shall total 0.0175 per cent of increased market value of the Company (IMC), calculated for a period between his/her election and election of a new Board. IMC remunerations shall be paid only if average monthly traded value of the Company's common shares during the Board's tenure totals at least RUR 1.5 mn. Overall remunerations, paid to the Board members, shall not exceed 5% of RAS annual net profit. Remunerations shall be paid within 60 days since the annual general meeting. Remunerations shall not be charged and paid to the Board Chairperson and members, subject to legal restrictions or prohibition of any allowances from businesses.

Meeting-related expenses of a Board member shall be reimbursed in compliance with Company's trip reimbursement rates existing at the moment, when a meeting was conducted. Compensations shall be paid within three business days since the filing of documents certifying incurred costs.

Visit "Incorporating Documents and Bylaws" Section of our official web-site to view the Regulations.



## CALCULATION OF REMUNERATIONS DUE TO THE EXECUTIVE BOARD AND GENERAL DIRECTOR

Achievement of Company's priorities is assessed by the KPI system, applied by the Company. OAO IDGC of Urals General Director's KPI system was set by the Board of Directors<sup>74</sup>. The resolution established the following FY2018 KPI composition and targets:

### Quarterly indicators

The list of KPIs	FY2017 achievements	FY2018 targets	FY2018 achievements
1. EBITDA	1Q – 53.3% 2Q – 46.7% 3Q – 45.8% 4Q – 25.8%	3,6,9M ≥ 0; 12M ≥ 3.0%	1Q – 51.2% 2Q – 54.2%
2. Consolidated net debt / EBITDA	1Q – 1.1 2Q – 1.0 3Q – 0.8 4Q – 1.0	1, 2, 3, 4 Q ≤ 3.0	1Q – 0.8 2Q – 1.0
3. Completion of receivables reduction action plan	1Q – 174.9% 2Q – 223.7% 3Q – 171.4% 4Q – 131.3%	≥ 100.0%	1Q – 111.3% 2Q – 168.2%
4. Lack of increase in occurrence of large-scale incidents	1Q – 0 2Q – 0 3Q – 0 4Q – 0	Zero increase	1Q – 0 2Q – 0
5. Lack of increase in casualties	1Q – 0 2Q – 0 3Q – 0 4Q – 0	Zero increase	1Q – 0 2Q – 1

### Annual indicators

The list of KPIs	FY2017 achievements	FY2018 targets
1. Consolidated net cash flow	RUB 1,256.2 million	≥ -6,091.9 million
2. Reduction of per-unit opex	3.4%	≥ 2.0%
3. Enhancement of grid facility load	done	done
4. Electricity loss level	7.85%	≤ 7.97%
5. Reduction of per-unit investment costs	1.00	≤ 1.00
6. Increase in labor productivity	14.85%	≥ 2.00%
7. Efficiency of innovative activities	103%	≥ 90%
8. Compliance with the facility launch schedule	95%	≥ 90%
9. Compliance with connection terms	1.0	≤ 1.1
10. Service reliability	0.67	≤ 1.00

At the time of report preparation, the Board of Directors has not approved real KPI values for 3-4Q and FY2018, with due regard to the timeline of the reports used for their calculation. The KPI system enforced by the Company is coupled with variable remuneration of the management: each indicator has its own weight, quarterly and annual remunerations are to be paid as long as the relevant KPIs are completed.

### Total remunerations and/or compensations due to each governing body

Type of remunerations, RUB thousand	Board of Directors	Executive Board
Service remunerations	13,475	0
Salary	0	48,432
Bonuses	0	61,624
Commission fees	0	0
Other types	0	0
<b>TOTAL</b>	<b>13,475</b>	<b>110,056</b>

Amount of individual annual remuneration due to each Board of Directors member, Company's expenses on D&O insurance:  
The Board of Directors members receive service remunerations and reimbursement of meeting-related expenses.

**FY2018 payments to the Board of Directors are as follows:**

- Sergey Aleksandrovich Semerikov: RUB 1,326 thousand (service remunerations).
- Aleksandr Nikolayevich Fadeev: RUB 1,326 thousand (service remunerations), RUB 203 thousand (reimbursement of meeting-related expenses).
- Natalya Aleksandrovna Ozhe: RUB 1,326 thousand (service remunerations), RUB 10 thousand (reimbursement of meeting-related expenses).
- Yury Vladimirovich Goncharov: RUB 1,257 thousand (service remunerations), RUB 123 thousand (reimbursement of meeting-related expenses).
- Yakov Savelyevich Tesis: RUB 1,118 thousand (service remunerations).
- Yulia Vitalyevna Yascheritsyna: RUB 1,237 thousand (service remunerations).
- Vladimir Vladimirovich Sofyin: RUB 1,257 thousand (service remunerations).
- Aleksandr Viktorovich Shevchuk: RUB 1,326 thousand (service remunerations), RUB 34 thousand (reimbursement of meeting-related expenses).
- Roman Avgustovich Dmitrik: RUB 1,326 thousand (service remunerations), RUB 20 thousand (reimbursement of meeting-related expenses).
- Denis Viktorovich Kulikov: RUB 667 thousand (service remunerations).
- Aleksey Yuryevich Serov: RUB 1,187 thousand (service remunerations).

In 2018 the Company has concluded a contract with AO SOGAZ on D&O insurance for the period starting 01.07.2018 and ending 30.06.2019, with a RUB 1,371 thousand premium paid to the insurer.

**Total annual remunerations of:**

- a) at least 5 top-paying members of executive bodies and other key management personnel, with a breakdown by category of remunerations;
- b) all executive bodies and other key management personnel covered by the Company's remuneration policy, with a breakdown by category of remunerations:

**Information in clauses a) and b) covers a group of the Executive Board members, net of the General Director. Total remuneration of the Executive Board members in 2018 is RUB 63,251 thousand:**

- service remuneration: RUB 18,514 thousand.
- extra pay (security pay): RUB 1,232 thousand.
- bonuses (one-time, quarterly and annual): RUB 31,719 thousand.
- vacation pay: RUB 5,491 thousand.
- sickness benefits: RUB 26 thousand.
- regional salary coefficient: RUB 5,404 thousand.
- reimbursement of rental expenses: 865 thousand.

**Total annual remunerations of the sole executive body received or to be received from the company (legal entity from the group of entities to which the company belongs) with a breakdown by category of remunerations for the SEB and other services:**

**Total remuneration of the SEB (General Director) in 2018 is RUB 46,935 thousand, namely:**

- service remuneration: RUB 19,090 thousand.
- extra pay (security pay): RUB 79 thousand.
- bonuses (one-time, quarterly, annual and other proceeds): RUB 25,527 thousand.
- vacation pay: RUB 936 thousand.
- regional salary coefficient: RUB 1,303 thousand.

**Information on borrowings (loans) issued by the company (legal entity from the group of entities to which the company belongs) to the Board of Directors and Executive Board members, compliance of borrowing terms with market terms:**

The Board of Directors and Executive Board members received no borrowings and loans in 2018.

