

Policy
on remuneration and reimbursement of expenses (compensations) of the members of the executive bodies and other key managers of Public Joint-Stock Company «EL5-Energo»

1. GENERAL PROVISIONS

1.1. The present Policy on remuneration and compensation due to members of the executive bodies of PJSC «EL5-Energo» and other key managers of PJSC «EL5-Energo» (hereinafter – Policy), developed by PJSC «EL5-Energo» (hereinafter – Company) in accordance with the effective regulatory legal acts of the Russian Federation, Bank of Russia Code of Corporate Governance, Company's Charter and local regulatory acts of the Company, defines principles and approaches to remuneration of members of the executive bodies and other key managers of the Company, sets out the procedure for determining the remuneration amount, and (or) forms of labor remuneration accordingly, as well as regulates other types of payments, benefits and social guarantees provided to the persons specified.

The present Policy does not regulate the remuneration of members of the Company Board of Directors, the determination of the amount, procedure and terms of payment of which is the competence of the General Meeting of Shareholders of the Company.

1.2 For the purposes of this Policy executive bodies of PJSC «EL5-Energo» shall mean:

- sole executive body – General Director of the Company;
- all members of the collective executive body – members of the Executive Board of the Company.

For the purposes of this Policy key managers shall mean employees of PJSC «EL5-Energo» that occupy important positions in the executive management structure of PJSC «EL5-Energo» and directly influence efficiency of the Company financial and economic activity:

- General Director;
- Deputy General Director - Head of Generation;
- Deputy General Director – Head of Administration, Finance and Control;
- Deputy General Director – Head of People and Organization;
- Deputy General Director – Head of Energy and Commodity Management;
- Deputy General Director – Head of Security;
- Deputy General Director – Head of Legal and Corporate Affairs.

Hereinafter referred to as key managers of the Company.

1.3 The list of the key managers of the Company, specified in the cl. 1.2. of this Policy, may be amended by the decision of the Board of Directors of the Company subject to preliminary consideration of this issue by the HR and Remuneration Committee of the Board of Directors of PJSC «EL5-Energo».

1.4 For the purposes of this Policy remuneration of members of the executive bodies and other key managers of the Company shall mean both all forms of labor remuneration and other payments, benefits and social guarantees, not related to the Company compensation practices according to the legislation of the Russian Federation and (or) internal regulatory documents of the Company.

1.5 The amount, conditions and procedure of remuneration payment to the members of executive bodies and other key managers of the Company shall be determined by the Board of Directors of the Company, subject to preliminary consideration of these issues by the HR and Remuneration Committee of the Board of Directors of the Company.

1.6 The Board of Directors of the Company reserves the right in exclusive cases depending on strategic and production tasks, to determine the amount, conditions and payment procedure of remunerations, benefits and social guarantees different from those specified in this Policy, subject to the preliminary consideration of this issue by the HR and Remuneration Committee of the Board of Directors of the Company.

In the event that the key manager of the Company is a person sent to work in the Company (the receiving party) under a contract for the provision of labor of employees (personnel) signed between the Company and a private employment agency or other legal entity that, in accordance with the legislation of the Russian Federation on employment in the Russian Federation has the right to carry out activities to provide labor of employees (personnel), or a person who is a foreign citizen, the level of remuneration and reimbursement of expenses (compensation) of such key manager may differ from the rules approved by this Policy.

1.7 Payment of remuneration to key managers of the Company is carried out in monetary form provided for by the Labor Code of the Russian Federation.

2. GENERAL PRINCIPLES OF THE POLICY

2.1 The system of remuneration and reimbursement of expenses (compensations) to the members of the executive bodies and other key managers of the Company shall be based on the following principles:

- transparency of mechanisms for determining the remuneration of members of executive bodies and key managers of the Company, regulation of all types of payments, benefits and privileges granted to such persons (in accordance with cl. 4.1.3 of the Bank of Russia Corporate Governance Code), as well as transparency of the system of payment of remuneration and reimbursement of expenses (compensations) of the members of the executive bodies and key managers of the Company. This Policy defines any and all elements of the remuneration, specifies the list of expenses subject to reimbursement, and establishes the level of service that members of the executive bodies and key managers of the Company can claim. The Company shall ensure the disclosure of this Policy to interested persons;
- fixing in the system of remuneration of members of the executive bodies and key managers of the Company the link between remuneration and the result of the Company's performance and the personal contribution of key managers of the Company to the achievement of this result (in accordance with cl. 4.3 of the Bank of Russia's Code of Corporate Governance);
- sufficiency and proportionality of the payable remunerations to: (1) the Company's goals, (2) the responsibility of the members of the executive bodies and key managers of the Company and (3) the level of risks they take (in accordance with cl. 4.1.1 of the Bank of Russia's Code of Corporate Governance). This principle means that the Company provides a sufficient level of remuneration paid by the Company for attracting, motivating to work efficiently and retaining persons who have the necessary professional qualities and qualifications for the Company, and that the Company determines a policy on remuneration and reimbursement of expenses (compensations) of key managers of the Company, taking into account the current stage in the development of the Company, the nature and scope of its activities and the level of risks accepted. When determining remuneration, the Company shall hold comparative study of the remuneration level in similar companies and take a balanced approach to positioning the target level of remuneration taking into account the Company development strategy and responsibility for its implementation laid upon the relevant key managers. The system of remuneration of key managers of the Company is aimed at achieving an optimal balance between the link of remuneration to the results of the Company's activities and to the personal contribution of each key manager of the Company into achievement of this result.

2.2 Regardless of the procedures adopted in the Company and approaches to the definition and application of certain types of remuneration, the Company shall aim at avoiding conflict of interest when determining the remuneration of a particular person, in particular when discussing and deciding

on the amount of remuneration with the participation of a person whose remuneration is being discussed (in accordance with cl. 228 of the Bank of Russia's Code of Corporate Governance).

2.3 In accordance with the Code of ethics adopted by PJSC «EL5-Energo», the Company seeks to avoid any form of discrimination for motives tied to age, gender, sexual preferences, race, state of health, nationality, political opinions and religious beliefs, etc., in particular during the process of determining the amount and composition of remuneration of key managers of the Company, as well as benefits and social guarantees established for key managers of the Company.

3. PROFESSIONAL LIABILITY INSURANCE

3.1 The Company shall insure the professional liability of the Executive Board members arising from lawsuits or claims brought against Executive Board members by third parties or shareholders of the Company in respect of business decisions or other actions taken by Executive Board members during the term of office of an Executive Board member of the Company (if the professional liability of Executive Board members of the Company is not insured under other existing insurance contracts).

3.2 Professional liability insurance contracts for Executive Board members of the Company concluded by the Company shall be subject to prior consideration by the Board of Directors of the Company.

4. REMUNERATION AND REIMBURSEMENT OF EXPENSES (COMPENSATIONS) OF THE MEMBERS OF THE EXECUTIVE BODIES OF THE COMPANY

4.1 Remuneration and reimbursement of expenses (compensations) of the sole executive body – General Director of the Company is defined in the Chapter 5 of this Policy “Remuneration and reimbursement of expenses (compensations) of the key managers of the Company”.

4.2 Remuneration for the performance of the duties of a member of the Executive Board of the Company and reimbursement of expenses (compensations) of the members of the Executive Board of the Company is not exercised due to the fact that the members of the Executive Board are key managers of the Company receiving remuneration in accordance with the terms of Chapter 5 of this Policy.

5. REMUNERATION AND REIMBURSEMENT OF EXPENSES (COMPENSATIONS) OF THE KEY MANAGERS OF THE COMPANY

5.1 The system of remuneration and reimbursement of expenses (compensations) for key managers of the Company provides for the link between their remuneration and compensations and the results of the Company's performance and their personal contribution to the achievement of these results, as well as the position held in the Company and the circumstances set forth in cl. 1.6 of this Policy.

5.2 The Company in accordance with the cl. 4.1.1. of the Bank of Russia's Corporate Governance Code seeks to ensure that the level of remuneration paid by the Company to the members of executive bodies and other key managers should be sufficient to motivate them to work efficiently and enable the Company to attract and retain competent and duly qualified experts. At the same time, the Company avoids setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above persons and that of the other Company's employees. For these purposes, the Company performs a comparative analysis of the level of remuneration of similar persons in comparable companies, and takes into account the level of remuneration of such persons established in the Company and the industry as a whole.

5.3 When determining the remuneration of the Company's key managers, the Company strives to ensure a reasonable and justified ratio between its fixed part and its variable part that is dependent on the Company's performance results and key manager's personal (individual) contribution to the achievement thereof.

5.4 The components of the remuneration system for key managers of the Company are:

- fixed part of remuneration (base salary);
- variable part of the remuneration (bonus and other incentive payments).

5.5 FIXED PART OF THE REMUNERATION (BASE SALARY)

5.5.1 The base salary is the basic element of the remuneration of key managers of the Company and represents a fixed amount of the remuneration of such a person for the performance of his duties for a calendar month without taking into account bonus and other incentive payments.

5.5.2 In accordance with cl. 4.1.3. of the Bank of Russia's Corporate Governance Code when defining the amount of base salary the Board of Directors takes into account the following transparent mechanism of determining the amount of remuneration:

- level of competence and qualification of the relevant person, his/her individual skills and experience;
- scope and area of responsibility, level of risks taken;
- personal contribution into the Company's performance;
- current compensation practices at comparable companies for positions of similar level.

The amount of the base salary of the key manager of the Company when appointed to the position is established by the decision of the Board of Directors of the Company and reflected in the employment contract signed by the Company and the relevant key manager of the Company.

5.6 VARIABLE PART OF THE REMUNERATION (BONUS AND OTHER INCENTIVE PAYMENTS)

5.6.1 Bonuses and other incentive payments are a variable part of the Company key managers' remuneration that ensures interest of key managers in the Company development strategy and business plans implementation, at the expense of dependence of such variable part amount on long-term and short-term Company performance at large and scope of personal contribution of the key manager into the Company performance.

5.6.2 Bonus and other incentive payments, including short-term and long-term incentive plans of key managers of the Company, are carried out in accordance with cl. 5.6 of this Policy based on the objectives' achievement, as well as taking into account the following: the current economic situation, the specifics of the Company's financial and economic activities and organizational structure, corporate values, adopted by the Company, the horizons for planning the Company's operations, the expected motivational efficiency and cost of implementing such a plan, and other significant circumstances.

5.6.3 The variable part of remuneration of key managers of the Company shall include:

- short-term element – annual bonus (AB);
- long-term element – bonus for the results of the Company performance over a three-year period;
- other payments by the decision of the Board of the Directors of the Company.

5.6.4 For the purposes providing a reasonable ratio of fixed part and variable parts of the remuneration that depend on the Company performance and personal contribution of the key manager into final result, the following rate of remuneration expressed as percentage (%) of the sum of monthly base salaries for 12 months shall be applied when determining the base remuneration amount of the Company key manager:

- 25%-50% – base amount of annual bonus;
- 40%-70% – base amount of long-term bonus program.

5.6.5 In case it is revealed that there is manipulation of the Company reporting indicators or other bad faith actions on the part of the key managers of the Company aimed solely at achieving formally any of the targets set forth in respect of the Company's business and which were detrimental to the long-term interests of Company shareholders, information on such facts shall be immediately submitted to the Board of Directors of the Company. Following the results of such facts consideration the Board of Directors of the Company shall be entitled to suggest on initiating the process of paying back the monetary funds (bonuses) wrongfully received by the Company key managers as the result of

manipulation of the Company reporting indicators or other bad faith actions on the part of the relevant persons in accordance with the labor legislation standards in Russia.

5.6.6 Employment contracts signed by key managers of the Company shall provide for the obligation of these persons to pay back to the Company the wrongfully received monetary funds (bonuses) as the result of manipulation of the Company reporting indicators or other bad faith actions.

5.7 ANNUAL BONUS (SHORT-TERM ELEMENT)

5.7.1 The HR and Remuneration Committee shall develop, engaging external advisors if required, individual key performance indicators (hereinafter – indicators, KPI, targets) for the calendar year for each key manager of the Company and shall submit them in their basic structure (without figures) for consideration to the Board of Directors of the Company no later than December, 31st of the year preceding the year being assessed.

5.7.2 The HR and Remuneration Committee shall submit the complete KPIs (with figures) for approval by the Board of Directors of the Company no later than March, 31st of the year being assessed.

5.7.3 Indicators shall be updated and relate to the long-term strategy of the Company, and target values shall be exacting. Indicators can be:

- financial and economic: e.g. EBITDA, net profit, income from core activity, fixed expenses, etc.;
- non-financial: e.g. increase of safety level, decrease of emergencies number and targets, achievement of which is a strategic factor of success of particular business activity of the Company.

5.7.4 For each indicator the following planned values can be approved:

- tolerance (minimum) value, when achieving it, % of KPI achievement equals to 80%;
- target value, when achieving it, % of KPI achievement equals to 100%;
- maximum value, when achieving it, % of KPI achievement equals to 120%.

If actual KPI value fails to achieve the tolerance (minimum) value, then % of KPI achievement equals to 0.

To calculate % of quantitative KPI achievement a linear interpolation can be applied.

It is admissible to assign targets with planned values achieved/ not achieved. In case of the "achieved" value, % of KPI achievement equals to 120%.

5.7.5 Base amount of the bonus of each key manager of the Company shall be approved by the decision of the Board of Directors of the Company, subject to preliminary consideration of this issue by the HR and Remuneration Committee of the Board of Directors of the Company and entered into the employment contract signed with the Company key manager.

Actual bonus amount can reach 120% of the base amount.

In case the base bonus amount changes within a year, the last value approved in the year being assessed shall be taken for calculation.

5.7.6 Actual amount of annual bonus (AB) of the key manager of the Company shall be calculated according to the following formula:

$AB = BBA * \sum (\% \text{ of KPI achievement} * \text{KPI weight})$, where:

- BBA - base bonus amount for the results of performance over the year;
- % of KPI achievement – actual percent of KPI achievement calculated depending on the result achieved;

5.7.7 For the purposes of the annual bonus amount calculation and its payment for the year being assessed to the General Director of the Company the following procedure shall be established:

- within 25 calendar days after the Board of Directors of the Company approves/takes into consideration the consolidated balance sheet and consolidated profit and loss statement for the

reporting year, prepared according to IFRS standards, the Chairperson of the Board of Directors of the Company or any other person authorized by the Board of Directors for these purposes, summarizes the results of execution of the KPIs by the General Director of the Company on the basis of the data collected from the General Director of the Company and other key managers of the Company, and calculates the amount of the bonus for the results of performance over the reporting year for the General Director of the Company, after that submits to the Chairperson of the HR and Remuneration Committee of the Company Board of Directors a report on achievement of annual KPI's by the General Director of the Company and calculation of his actual amount of the bonus for the reporting year;

- The Chairperson of the HR and Remuneration Committee of the Board of Directors of the Company shall convene a meeting of the Company HR and Remuneration Committee to be held within 15 calendar days upon such report receipt for the purposes of development and giving recommendations (opinions) to the Board of Directors of the Company on the issues of the report approval on KPI achievement by the General Director of the Company and calculation of his annual bonus;

- The Chairperson of the Board of Directors of the Company shall add to the agenda of the next meeting of the Board of Directors of the Company issues on the report approval on KPI achievement by the General Director of the Company and calculation of the annual bonus amount.

5.7.8 For the purposes of the annual bonus amount calculation and its payment to the other key managers of the Company for the year being assessed the following procedure shall be established:

- within 25 calendar days after the Board of Directors of the Company approves/takes into consideration the consolidated balance sheet and consolidated profit and loss statement for the reporting year, prepared according to IFRS standards, General Director of the Company summarizes the results of execution of the KPIs by the key managers of the Company for the reporting year, calculates the amount of the bonus for the results of performance over the reporting year for each key manager of the Company and submits to the Chairperson of the HR and Remuneration Committee of the Company Board of Directors a report on achievement of annual KPI's by the key managers of the Company and calculation of the actual amount of the bonus for the reporting year;

- The Chairperson of the HR and Remuneration Committee of the Board of Directors of the Company shall convene a meeting of the Company's HR and Remuneration Committee to be held within 15 calendar days upon receipt of the specified documents for the purposes of development and giving recommendations (opinions) to the Board of Directors of the Company on the issues of the approval of reports on KPI achievement by the key managers of the Company and calculations of the amount of bonus for the reporting year for each key manager of the Company;

- The Chairperson of the Board of Directors of the Company shall add to the agenda of the next meeting of the Board of Directors of the Company issues on the report approval on KPI achievement by the key managers of the Company and calculations of the annual bonus amount for the reporting year for each key manager of the Company.

5.7.9 The accrual and payment of annual bonus to the key managers of the Company shall be done within two parts:

- a) The accrual and payment of the first part of annual bonus shall be done in amount of 70% of maximum size of annual bonus in December of accounting year unless the Board of Directors of the Company make another decision.
- b) The accrual and payment of the rest part of annual bonus (actual amount of annual bonus minus 70% of maximum size of annual bonus) shall be done within five business days after Minutes of the Board of Directors of the Company as regards approval of the report on annual KPI achievement by the key managers of the Company and annual bonus amount is signed.

5.8 BONUS FOR THE RESULTS OF THE PERFORMANCE OVER A THREE-YEAR PERIOD (A LONG-TERM ELEMENT)

5.8.1 Bonus awarding for the results of the performance over a three-year period due to the key managers of the Company is carried out in accordance with the "Long-Term Incentive Plan" (hereinafter – Plan), approved by the Board of Directors of the Company for each three-year period subject to preliminary consideration of this issue by HR and Remuneration Committee of the Board of Directors of the Company.

5.8.2 The Plan shall establish the rules and procedure of calculation when making an accrual and paying bonuses to the Company key managers for the results of the Company performance over three years.

The Plan shall be aimed at ensuring the strong involvement and alignment of the Company key managers to achieve the common strategic objective of the Company, which consists in value creation for the Company's shareholders in the long-term perspective.

5.8.3 The Plan shall be approved to achieve the following objectives:

- to ensure the Company's competitiveness at the labor market;
- to encourage commitment of the key managers of the Company in achieving common objectives and contributing to coordination and integration of the activity of various Company units;
- to increase the level of engagement and motivation of the Plan participants.

5.9 OTHER PAYMENTS

5.9.1 In special cases by the decision of the Board of Directors of the Company it is possible to make other payments to the key managers of the Company (e.g. the payment of one-time bonus in line with salary revision process, etc.).

5.10 REMUNERATION REVIEW

5.10.1 Analysis and review of the level of remuneration of key managers of the Company is usually performed not more often than once a year.

- a) The decision on revision of remuneration of the General Director of the Company shall be made by the members of the Board of Directors subject to preliminary consideration of this issue by the HR and Remuneration Committee of the Board of Directors of the Company.
- b) Except in the cases foreseen in point c) below, the decision on revision of remuneration of the other key managers of the Company shall be made by the General Director of the Company in line with the principles, described in article 5.5.2. of the Policy, in compliance with the following required condition: an increase in the level of remuneration of the key manager of the Company, which includes a fixed part of remuneration and the short-term element of the variable part – annual bonus, shall not exceed 10% of the current level of remuneration of the key manager of the Company plus the inflation rate in Russian Federation for the previous calendar year. By decision of the General Director of the Company, a change in the level of remuneration of the key manager of the Company may be replaced by the payment of a one-time bonus. The size of such a one-time bonus shall not exceed 10% of the total cash (the sum of the current annual fixed part of the remuneration rate and the base of annual bonus) of the key manager of the Company plus the inflation rate in Russian Federation for the previous calendar year. Changes in remuneration implemented in the framework of the delegation of authority under point b) shall be annually reported to the HR and Remuneration Committee of the Board of Directors of the Company by end of March following the reporting year.

- c) The Board of Directors of the Company retains its competence over review of the remuneration level for the key managers of the Company in the following cases, and subject to preliminary consideration of this issue by the HR and Remuneration Committee:
- when deciding on the fixed-term employment contract renewal;
 - when transferring to another position in the Company;
 - in case of significant change of functional responsibilities and areas of accountability;
 - in other cases specified by the Charter of the Company.

6. BENEFITS AND SOCIAL GUARANTEES PROVIDED TO THE KEY MANAGERS OF THE COMPANY

6.1 The key managers of the Company shall be covered by all benefits and guarantees provided for by the laws of the Russian Federation.

6.2 In order to improve performance and quality of obligations performance by the key managers of the Company, the Company shall provide them with additional benefits and social guarantees. The list of additional benefits and social guarantees shall be approved by the decision of the Board of Directors of the Company subject to the preliminary consideration of this issue by the HR and Remuneration Committee of the Company.