

## Remuneration for members of the Board of Directors

The Regulation specifies the base annual amount of remuneration as well as the formula for calculating the amount of actual payments, which decrease when members of the Board of Directors miss meetings (both in-person and in absentia) and increases when they serve concurrently on committees of the Board of Directors. The amount of fixed base remuneration for a member of the Board of Directors is RUB 3 million per corporate year.

Remuneration increases by 30% for the Chairman of the Board of Directors, by 15% for the chairmen of committees of the Board of Directors, and by 10% for members of the committees. These bonuses are cumulative. Remuneration is not paid if a member of the Board of Directors participates in less than 50% (from the time of election until the termination of powers) of the meetings held (both in-person and in absentia).

The Regulation also envisages reimbursement for members of the PJSC Inter RAO Board of Directors based on actual expenses, such as expenses for traveling

to and from the meeting place of the Board of Directors and its committees as well as accommodation expenses, and also regulates the ownership of Company shares by members of the Board of Directors.

The Company does not employ other forms of remuneration, including short-term and long-term forms of incentive that depend on financial results or share-based forms of incentive (stock options). In the event of the early termination of the powers of a member of the Board of Directors, no other payments are made apart from those envisaged by the Regulation on the Payment of Remuneration and Compensation to Members of the PJSC Inter RAO Board of Directors.

The Regulation on the Payment of Remuneration and Compensation to Members of the PJSC Inter RAO Board of Directors does not apply to members of the Company's Board of Directors who are members of the Company's collective executive body.

## Remuneration for members of the Management Board

The remuneration system for members of the PJSC Inter RAO Management Board aims to ensure their financial interest in achieving strategic goals and improving the economic efficiency of management as well as a fair and competitive level of remuneration. In order to enhance information transparency, the Nomination and Remuneration Committee decided to publish information about the amount of remuneration paid to the individual serving as Chairman of the Management Board and members of the Management Board on the Company's official website.

The financial interest of members of the Management Board in achieving the Company's strategic goals is achieved through short-term and long-term incentive systems.

The Company employs a procedure that ensures the return to the Company of bonuses that were wrongly received by members of the executive bodies and other key managers of the Company.<sup>3</sup> There have been no such cases in the practice of PJSC Inter RAO.

<sup>3</sup> Amendments to the Regulation on Financial Incentive for the Chairman and Members of the Management Board (approved by a resolution of the Company's Board of Directors dated December 29, 2016 (Minutes No. 189 dated December 30, 2016)).

**MAIN COMPONENTS OF THE INCENTIVE SYSTEM FOR THE COMPANY'S EXECUTIVE BODIES**

Indicator	Salary	Short-term incentives for management	Long-term incentives for management	Benefits and other types of remuneration
Form of implementation	Official salary	Annual bonus based on achieving KPIs; special bonus for achieving EBITDA	Option program (executed in 2018)	Various forms of non-financial incentives
Goal	Recruiting and retaining highly professional managers using a fair and competitive level of remuneration.	Incentive to achieve annual targets in accordance with the Group's Strategy and business plan.	Incentive for long-term growth in key indicators – TSR, ROE, and EBITDA.	Recruiting and retaining highly professional managers using additional competitive advantages in the form of benefits and compensation.
Key parameters	The salary level is consistent with market conditions, which ensures the stability of the Company's management. The official salaries of managers in 2018 were indexed in accordance with the Regulation on Financial Incentives based on a resolution of the Company's Board of Directors (Minutes No. 228 dated July 3, 2017)	A manager's annual bonus is calculated based on the actual KPI values achieved per the Company's performance results. The Company's KPI system is interconnected with its business plan, including the Company's investment program, the Company's strategy, and executive discipline. Additionally, based on the results of the fulfillment of annual net profit indicators, the Company's directors are paid a special annual bonus that is calculated based on the Company's consolidated financial statements prepared in accordance with IFRS. A condition for the payment of the bonus is the achievement of the indicator 'Implementation of the Company's strategic priorities.' The special bonus for the Chairman of the Management Board is 0.1% of EBITDA, while for other managers it is calculated using a special formula depending on the bonus amount for the Chairman of the Management Board.	Key managers who contribute to the implementation of the Group's strategy and the long-term growth of the company's value have the right to buy shares at market price. The option program amounts to 2% of the Company's charter capital. The program is valid from February 2016 to February 2018.	Insurance coverage: <ul style="list-style-type: none"> <li>• voluntary health insurance programs</li> <li>• professional liability insurance (D&amp;O)</li> <li>• accident insurance</li> <li>• use of corporate mobile communications</li> <li>• motor transport service</li> <li>• other types of compensation and remuneration in accordance with the employment contract, whose terms are determined by the Company's Board of Directors</li> </ul>
Target ratio of components in the annual remuneration structure	50%	50% <sup>1</sup>	The program is calculated for several years and does not envisage the annual payment of remuneration	<1%

<sup>1</sup> Excluding special bonus.

The amount of one-time compensation paid to an employee in the event of the termination (early termination) of an employment contract at the employer's initiative is recorded in employment contracts with members of the Management Board and the Chairman of the Management Board in the amount of three average monthly salaries.

The terms of employment contracts with members of the Management Board and the Chairman of the Management Board are approved by the Board of Directors in accordance with the Company's Charter.

In accordance with Appendix No. 1 to the Regulation on Financial Incentive for the Chairman and Members of the Company's Management Board, the scheduled bonus to the Chairman of the Management Board for fulfilling annual key performance indicators corresponds to 150% of the Chairman's annual earnings, and the amount of bonuses to members of the Management Board for fulfilling annual key performance indicators amounts to 100% of their annual earnings.

Based on a resolution of the Board of Directors, members of the Management Board may be paid (one-time bonuses) for performing particularly important tasks.

## Remuneration for senior officials at controlled companies

In 2018, the Group decided to cancel remuneration payments to members of the Boards of Directors of controlled entities.

Remuneration and financial incentives for the sole executive bodies of the Group's companies are set on the basis of an employment contract as well as the regulations on financial incentives for the CEO approved by the Board of Directors of the respective controlled entity, which establish the following components of the system:

- official salary

- additional incentives and compensation payments to directors
- a bonus to directors upon the Company's fulfillment of annual KPIs
- a one-time bonus payment to directors for their contribution to the Company's development or in connection with awards for directors
- financial incentives for directors in accordance with an additional resolution of the Board of Directors concerning incentives for the director of the Company

The amount of the official salary as well as bonuses for the director of a controlled entity are determined by a resolution of the Board of Directors in accordance with the regulation.