



Association of  
Institutional Investors (API)

# Research report on FGC UES, PJSC

as of 09/30/2016



RESEARCH LABORATORY FOR BUSINESS COMMUNICA-  
TIONS, NATIONAL RESEARCH UNIVERSITY HIGHER  
SCHOOL OF ECONOMICS

## Brief capital structure overview

In 2008-2014, the Company floated 5 additional issues of ordinary shares with the same nominal value but different placement prices, with the result that the total number of shares increased by 10.5% in relation to the number of shares at the moment of incorporation.

Quasi-treasury shares owned by FGC – Asset Management LLC account for 1.0769% of the share capital. The direct stake of Rosimushchestvo is 0.59%. PJSC ROSSETI and Rosimushchestvo have agreed on the procedure for managing and voting the shares owned by ROSSETI. Under the agreement, ROSSETI votes at AGMs as instructed by the Government and elects both representatives of Russia and independent directors to the BoD. 8 of the 11 current BoD members are obliged to follow the Government of Russia's voting instructions.

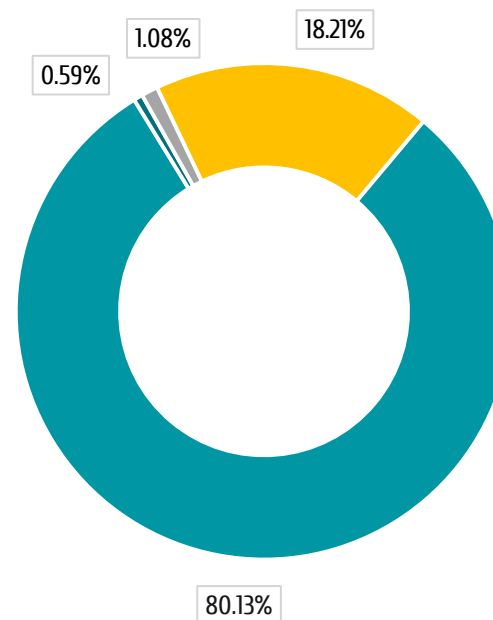
The Company has 2 global depositary receipt (GDR) programs (the combined possible limit of the program is 22.54% of the authorized capital, the actual GDR program volume as of 09/30/2016 was ca. 0.0644% of the authorized capital), the GDR/share ratio being 1:500.

The combined share of minority shareholders in the share capital (including physical persons) is 18.2%. The annual quorum reaching 90%, minority shareholders, with due consolidation, can theoretically elect at least 1 candidate to the Board of Directors with their votes.

## Corporate governance self-assessment

According to the results of corporate governance (CG) quality self-assessment in 2015 (disclosure is based on Rosimushchestvo's procedure dated 2014), the average compliance with the principles and recommendations is 82% (from 74% and 79% for the BoD and executive bodies to 94% for risk management, internal control and audit). The Company complied with 51, partially complied with 21, failed to comply with 6 out of the 78 CG principles provided in the 2015 annual report.

Breakdown of voting shares



- PJSC ROSSETI
- Russia's Federal Agency for State Property Management (Rosimushchestvo)
- Quasi-treasury shares
- Private minority shareholders (free float)

# Summary of CG practice

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- the Company partially discloses relative KPI weights, the information on target and achieved KPIs and, separately, the sole executive body's (CEO) remuneration broken down into salaries and bonuses (*the best practice among the companies covered by the research*; adding relative weights of all KPIs, including disclosure of the procedure for calculating the remuneration and components of the quarterly/annual and long-term remuneration, would enable the Company to meet the best international practices);
- the Audit Committee and the HR & Remuneration Committee are entirely composed of independent directors; the independent directors formally meet the CG Code independence criteria;
- documents on the internal audit system, internal control organization, anti-corruption policy, as well as detailed procurement guidelines are disclosed on the Company's website;
- the Company discloses minutes of BoD meetings, including individual voting by BoD members; its reports on BoD resolutions included in the disclosure system provide individual voting data (*a case of best practice*), but do not disclose BoD members' dissenting opinions, if any, including issues related to GSMs. The Company discloses material terms of related party transactions (parties, amount/limits, party in interest, etc.);
- the Audit Committee is vested with broad powers;
- extensive authority of the BoD in relation to internal audit matters, including the approval of the internal audit division's budget;
- the BoD is vested with powers to determine positions of the Company's representatives in the management bodies of subsidiaries;
- extended authority of the BoD in relation to a number of transactions qualifying as major transactions (material items) for the Company;
- an independent evaluation of the BoD's and committees' performance in 2015 was carried out (*the general results are disclosed*);
- The Strategy Committee includes external experts and provides a broad range of opinions to the BoD.

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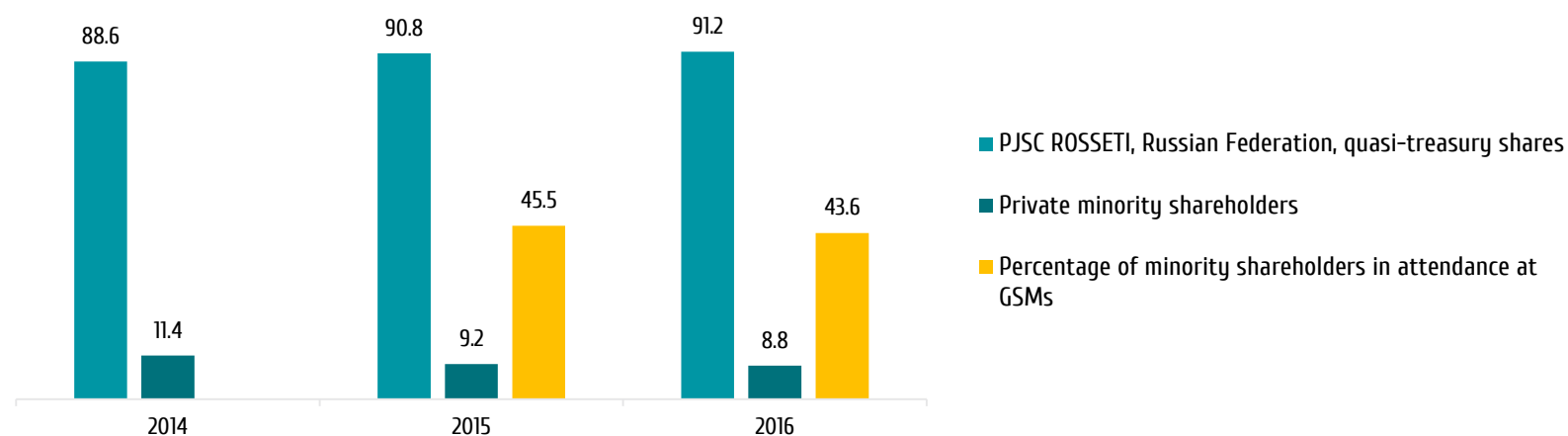
- the Company's management efforts are focused on the investment policy and reliability (a low proportion of KPIs focused on return ratios and a positive cash flow) rather than on profit earning (given the special nature of the Company's regulated business activity);
- no long-term management remuneration system;
- the dividend policy is not up-to-date: the minimum dividend payout ratio is set equal to 10% of the Company's RAS (Russian GAAP) profit, there are no benchmarks for the minimum return on investment made out of net profits, dividends are paid out of profit leftovers;
- the low remuneration of BoD members is not consistent with the Company's asset value and does not meet the Russian and foreign practice (risks of having a poorly motivated BoD);
- the CGC Code recommendations to pass resolutions on key activity issues by a qualified majority or a majority vote of the elected BoD members are not followed (2 out of 10 issues stipulated by the CG Code are taken account of in the Articles of Association);
- the BoD cannot nominate candidates to BoDs of subsidiaries;
- the shareholders cannot request the convening of a BoD meeting;
- the appointment and early termination of powers of the Management Board Chair is not within the BoD competence;
- the BoD has no power to approve the terms of contracts with Management Board members;
- the BoD and the HRC do not participate in the drawing up of the list of BoD candidates for the next corporate year;
- certain BoD resolutions (e.g. as regards KPI setting) are approved or adjusted in the middle or even at the end of the period in which they should be achieved (in fact, retrospectively);
- the collective executive body is the supreme authority for preventing and managing conflicts of interest;
- in 2016, the BoD failed to timely consider BoD and Audit Commission candidates and ensure related information disclosure as the principal shareholder (the Russian Federation) missed nomination deadlines.



## General shareholders meeting: activity of shareholders, related party transactions

In 2014-2016, the percentage of private minority shareholders participating in general shareholders meetings (GSMs) remained consistently average, with a small decline (43.6% of the total number of private minority shareholders attending GSMs in 2016). The quorum reaches about 90%. In 2016, the under-involvement of minority shareholders in GSMs resulted in non-approval of related party transactions (for lack of a quorum). The management team declares voting quasi-treasury shares to ensure decision-making, including resolutions on related party transactions. Seeing as the recent changes in legislation solve the quorum problem as regards related party transactions starting from 2017, voting the package of quasi-treasury shares should be prohibited.

The minority investors' combined shareholding does not allow them to influence decision-making on key issues of the Company's activity at GSMs (except for related party transactions where PJSC ROSSETI is recognized as a party in interest). With due consolidation of votes, shareholders can elect one independent director. In 2016, only one of the minority shareholders controlled by Gazprom Group (Centerenergoholding) nominated 3 non-executive directors (the candidates were not elected).



## Information on the shareholders of FGC UES, PJSC, according to Bloomberg data and information disclosure by the shareholders

Shareholder Name	Voting stake, %	Comment on voting
PJSC ROSSETI	80.13	PJSC ROSSETI and Rosimushchestvo have agreed on the procedure for managing and voting the shares owned by ROSSETI. The said agreement is disclosed in materials prepared for one of the shareholders meetings, ROSSETI exercises the rights arising from its shareholding in FGC only as instructed by the President of the Russian Federation, Rosimushchestvo, or certain authorized officials of the Russian Government.
KOPERNIK GLOBAL INVESTORS LLC	0.77	The shareholder discloses the voting policy applying to its funds (Statement of additional information dated June 29, 2015). According to the disclosure based on form N-PX, the funds (KOPERNIK GLOBAL ALL-CAP FUND) voted in the affirmative ("FOR") on all issues, including related party transactions, at the 2016 AGM (except for the Audit Commission election), and voted for INEDs Igor Kamenskoy and Ernesto Ferlenghi as BoD candidates.
VANGUARD GROUP INC	0.61	The shareholder discloses the GSM voting policy (Vanguard's proxy voting guidelines), as well as the way it voted in the last corporate season. According to N-PX disclosure forms, the funds voted in the affirmative ("FOR") on all issues, including related party transactions, at the 2016 AGM (except for the Audit Commission election) and voted for Igor Kamenskoy and Ernesto Ferlenghi as BoD candidates. The shareholder does not nominate BoD/SB candidates, but supports, according to the generally disclosed approaches to voting, the idea of nominating at least 20% of INEDs by a group of shareholders holding at least 3% of the company's shares in the preceding 3 years. The shareholder receives recommendations from proxy advisory firms.
TIFF ADVISORY SERVICES	0.38	The voting policy is disclosed in the general corporate profile. According to the available information disclosure, the shareholder did not vote in 2016.
PROSPERITY CAPITAL MANAGEMENT UK	0.29	The shareholder is actively involved in corporate actions and implements the responsible investment principles in practice. No disclosure of the voting results.
HEPTAGON CAPITAL LLP	0.25	A summary of the voting policy is provided in leaflets. No data available on voting results.
LONDON STOCK EXCHANGE GROUP PLC	0.2	No data available
RUSSELL INVESTMENTS IRELAND LTD	0.15	The voting policy is disclosed (Russell Investments Proxy Voting Policies and Procedures, May 2015). According to N-PX disclosure forms, the shareholder participated in the AGM 2016, voted in the affirmative ("FOR") on all issues, including related party transactions, abstained on candidates to the BoD.

# General shareholders meeting: disclosure of information

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- GSM-related materials (including their translation into English) are disclosed 30 days prior to the meeting;
- shareholders can submit proposals to the AGM agenda over a long period of time (90 days);
- explanatory notes and records of preliminary approval resolutions made by the BoD are provided on all major agenda items;
- a comparison table of changes and additions, including the rationale for making such amendments, is attached to new versions of by-laws;
- the annual report contains detailed information on related transactions and major transactions approved in the reporting year, specifying the related counterparty, the essence and amount of transaction, as well as the parties in interest. Information on major transactions also includes the disclosure of entities controlled by the Company;
- the annual report includes general information on meetings of committees, detailed information on the Company's long-term development program and proposed changes to it, rather detailed comments on the CG Code recommendations the Company fails to meet and a description of the top management remuneration system, including a list of applied KPIs.

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- dissenting opinions of BoD members on issues related to the holding of GSMs are not disclosed;
- explanatory notes on agenda items are merely a formality (except for comments in the annual report);
- materials related to the auditor selection by the GSM do not disclose the non-audit services offered by the auditor (if any) and the proposed price of audit services.



## Board of Directors: international and domestic practice

BoD activity aspect	EDF S.A.	Eversource Energy	National Grid plc	FGC UES, PJSC
INEDs/total number of BoD members	5/12	11/12	7/11	3/11
Participation in meetings of BoD and committees in 2015 (attendance / number of meetings)	BoD (11 meetings, all of them physical): attendance ratio 96.3%; Audit Committee (8 meetings, all of them physical): attendance ratio 87.5%; Nominations and Compensation Committee (2 meetings, all of them physical): attendance ratio 87.5%	Board of Trustees (7 meetings, all of them physical); attendance ratio 93% (1 non-attendance for good reasons). Audit Committee, Compensation Committee, Corporate Governance Committee: attendance ratio 100%	BoD (10 meetings, all of them physical): 2 BoD members missed one meeting each; Audit Committee: (5 meetings, all of them physical): attendance ratio 100%; Nominations Committee (7 meetings, all of them physical): 1 non-attendance; Remuneration Committee (6 meetings, all of them physical): 1 non-attendance.	BoD (59 meetings in total, 31 and 28 meetings before and after the BoD election, respectively. For 3 BoD members, attendance ratio 73-86% (excluding BoD members qualifying as parties in interest to many related party transactions); other BoD members: 94-100%. Participation by submitting expressions in writing is not disclosed. Audit Committee: 10 meetings, incl. 2 physical meetings; attendance ratio 80% for 1 member, 100% for others. HR and Remuneration Committee (3 meetings, incl. 1 physical meeting): attendance ratio 100%.
Remuneration of BoD members / actual payments for 2015	€510K (2016) for all BoD members Actual: €14.2 – 17.3K for an incomplete corporate year, €39.4 – 48.2K for a complete corporate year.	\$100K in fixed remuneration, \$100K in shares (accumulated until termination of powers); \$25K to Chief Trustee, \$15K to AC Chair, \$10K to chairs of other committees. Actual: \$202.6-237.6K (adj. for market value of deferred shares)	£500K to BoD Chairman, £22K to Senior INED, £66K to BoD member (UK), £78K to BoD member (US), £9K to Committee member, £19K to Chairs of the Audit Committee and the Remuneration Committee, £12.5K to Chairs of other Committees	Maximum base remuneration: RUB 0.9 million per BoD member, divided by a factor of 1.3. Reduced base remuneration uplift factors: 30% for BoD Chair, 20% for Committee Chair, 10% for Committee member. Actual: RUB 0.62 – 0.83 million.

\* The base remuneration of BoD members at FGC UES, PJSC is substantially below the payments at the above peers and other Russian companies. Furthermore, the remuneration of BoD members is linked to the Company's net profit and is only paid if the Company earns one (which contradicts the CG Code recommendations). The remuneration of BoD members at FGC UES is more than 37 times below the remuneration of Management Board members, while payments to BoD members at conditional peers are 15 times (on average) below the remuneration of senior managers (including the CEO). The BoD remuneration approach needs revision.



# Board of Directors

## Chairman of the Board of Directors

*Oleg Budargin*

Chairman of the Management Board, PJSC ROSSETI, owns shares accounting for 0.0006403563% of the Company's authorized capital;

## Chairman of the Audit Committee

*Igor Kamenskoy (INED)*

Managing Director, Renaissance Broker LLC, no shareholding in the Company

## Chairman of the HR and Remuneration Committee

*Ernesto Ferlenghi (INED)*

President of Confindustria Russia, Italian Industrialists Association, no shareholding in the company

## Independent director

*Pavel Grachev (INED)*

CEO, Polyus Management Company Ltd, no shareholding in the company.

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*The API was unable to arrange for a meeting with independent BoD members as the Company did not respond to a request. We therefore cannot include comments on key corporate governance issues in this report and present a review of the BoD activity in practice.*





## Board of Directors: practical activity aspects

In the period under review (2015 and 9 months of 2016), according to the information disclosure system, the BoD held 96 meetings, including 18 physical meetings. 1,110 issues were considered, including 742 issues concerning the approval of related party transactions amounting to more than RUB 135 billion in total (the highest number of related party transactions, over 66% of the total number of issues). *Given the considerable number and volume of transactions, the non-disclosure by the BoD of approaches to considering such issues as regards both standardization of the information provided and the involvement of independent directors in their discussion is a negative point.*

*In addition to related party transactions, the Board of Directors considered the following significant issues:*

- reports on performance results (15 issues);
  - issues related to internal audit (8 ) and risk management (6 issues);
  - approval of KPIs/KPI achievement reports (6 issues);
  - financial plan for the current and following years (8 issues);
  - remuneration of the management (1 issue): a formal issue of canceling the stock options plan regulation;
  - approval of by-laws (regulations, policies, etc.).
- The attendance ratio at the BoD is generally satisfactory, but lower at physical meetings.

*We note the following negative factors in the BoD activity:*

- consideration of essential issues at BoD meetings held in absentia;
- practice of replacing the personal attendance at BoD meetings by expressions in writing;
- untimely submission of issues for consideration by the BoD;
- consideration by the BoD and committees (e.g., the Audit Committee, the HR & Remuneration Committee), including independent directors, of issues put on meeting agendas (by-laws, preparation of transactions, consideration of the terms of contracts with BoD members, remuneration of the management, etc.), especially issues recommended by the principal shareholder, is insufficient or completely lacking (a typical problem for the whole ROSSETI Group);

- approval or taking note of separate planning documents several months after the commencement of the execution period, sometimes nearly at the deadline.

This underperformance is partially attributable to the special nature of the Company's regulated business activity, such as delays in making tariff decisions or approvals from the Ministry of Energy: for instance, the 2016 KPIs were approved at the end of the relevant period (the decision was made on December 30, 2016!).

It should be noted that the BoD did not pay attention to updating the dividend policy on its own initiative.

As follows from the information disclosure, the BoD also stays away from considering the terms and conditions of contracts with Management Board members authorizing a certain person to define the terms of contracts and to sign employment contracts with senior managers. The same was the case beyond the period under review, as exemplified by the consideration of the contract with the Management Board Chairman in 2013.

We note the frequency of non-unanimous voting, i.e. negative ("against") and neutral ("abstained") votes cast, inter alia, by the BoD Chairman (in 2015–2016), which is a unique case among the companies covered by this research. No comments from the BoD are available as the INEDs declined to meet with the research experts.

*In early 2016, JSC VTB Registrar engaged through competitive bidding as an external adviser evaluated the BoD performance in 2015. The evaluation covered the general performance of the BoD, the performance of each committee and the individual performance of each BoD member.*

*VTB Registrar's research involved questionnaire surveys of members of the BoD, committees and the Management Board, interviews with several members of the BoD, committees and the Corporate Secretary. The performance evaluation results are disclosed in most general terms (total score 4.7 out of 5 on average for the BoD, 5 out of 5 for the BoD Chairman).*



## Audit Committee (AC)

The AC consists of INEDs (2 INEDs / 3 AC members in 2015, all members being independent in 2016).

In 2015, the AC held 10 meetings, including only 2 physical meetings (a total of 28 issues were considered). The meeting attendance ratio is close to 100% (80% for one AC member)

The AC considered the following key issues in 2015:

- reports of the internal control and risk management department (a case of good practice), reports of the internal audit department;
- performance evaluation of the external auditor;
- recommendations for the payment of the external auditor's services;
- report on organizing a monitoring and control system;
- financial viability of the Company's counterparties;
- internal audit quality evaluation and improvement program;
- regulation on the risk management system;
- efficiency assessment standard for the internal control and risk management system;
- internal audit regulation;
- internal audit organization guidelines;
- other standard matters: accounting (financial) statements (including their discussion with the external auditor), external auditor selection, activity plan and budget of the internal audit department, report on key risks.

*Our inability to meet with the Chairman and members of the Audit Committee prevented a proper practical assessment of the Committee's performance covering relations with external and internal auditors (performance evaluation and selection, adequacy of resources), particularities of the internal control and risk management system, etc. The number of physical meetings, in our view, indicates a formal approach to the Committee's activity.*

## HR and Remuneration Committee (HRC)

The Committee consists of INEDs (2 INEDs / 3 HRC members in 2015). Only 3 meetings were held in 2015, including 1 physical meeting. The attendance ratio is 100%.

The HRC considered the following issues:

- executive office structure;
- quarterly KPI achievement reports;
- top management KPI calculation and achievement evaluation method;
- inclusion of operating cost (expenditure) reduction targets in the KPI system.

The HRC did not consider the BoD performance evaluation (except for a survey of HRC members for independent appraisal purposes). There is also no information on the consideration by the HRC of proposing a list of BoD candidates for the next corporate year to the shareholders (at least proposing a list of independent directors to Rosimushchestvo). The HRC did not consider the terms of contracts with BoD members; when the election of a Management Board member was considered in 2015, the BoD delegated the power of defining the terms of the contract with the new member to the Management Board Chairman instead of handling this essential issue at its own discretion (a negative practice).

*We were not able to meet with the Chairman and members of the HRC to discuss, among other things, long-term incentives of the management team, access and participation of BoD members in the discussion of effective essential terms of contracts with Management Board members, the KPI system and other essential aspects of the Committee's activity. The number of physical meetings, in our view, indicates a formal approach to the Committee's activity.*



# Essential CG aspects

## Relations with the external auditor

The final price of the auditor's services is subject to approval by the BoD, the terms of the auditor competitive selection procedure are approved based on the AC recommendations (with no AC minutes disclosed, it is not clear whether the maximum bid price and other terms of the procurement specifications were subject to prior consideration before the procurement was approved by the Company's bidding commission).

In April 2015, PJSC ROSSETI conducted the comprehensive procurement of audit services to audit the RAS (Russian GAAP) and IFRS financial statements of ROSSETI's subsidiaries and affiliates for 2015-2017 (3 bidders, including 2 bidders from the Big Four group). RSM Rus LLC was declared the winner (the cost of audit services in relation to FGC UES amounted to RUB 74.049 million). The procurement was pursuant to an order of PJSC ROSSETI, the bidding terms and conditions were approved by the bidding organizer subject to the Company's (the customer) procurement regulation (the approval of the terms of procurement by the bidding commission is not disclosed).

In August 2015, the Company announced an open invitation to tender for the audit of FGC UES Group's consolidated financial statements for 2015-2017 and a review of FGC UES Group's consolidated IFRS financial statements for the 6-month periods in 2015-2017. Among 3 bidders, JSC KPMG was declared the winner, the price was RUB 44.816 million, while the parties agreed to negotiate its reduction).

The reasons behind the additional bidding for the audit of IFRS financial statements and the role of the AC in approving the bidding terms and conditions are not disclosed.

It should be noted that investors are discomfited by the Big Four companies discontinuing the audit of major Russian public state-owned companies, believing in their higher independence and fairness guaranteed by their international reputation, compared with Russian peers.

At the 2016 AGM, the BoD proposed (minutes no. 322 as of 05/27/16) and approved RSM Rus LLC selected during ROSSETI's comprehensive procurement of audit services as the single auditor.

## Information disclosure

The Company discloses minutes of BoD meetings (except for BoD meetings addressing sensitive / confidential issues), including individuals voting by BoD members; reports on BoD resolutions included in the disclosure system also contain individual voting data, which is a case of best practice. At the same time, the Company does not disclose dissenting opinions of BoD members, which is of particular relevance for shaping the GSM agenda.

*The Company discloses essential parameters of related party transactions*, including the parties, values/limits and respective parties in interest.

## Dividend policy

The dividend policy regulation has not been updated since its adoption in 2010, dividends are paid out of the Company's RAS net profit.

The Company earmarks at least 10% of its RAS net profit (less extraordinary financial income (revaluation etc.) and reserve fund deductions) for dividends. In addition to the compulsory portion, there is a voluntary portion of the base equal to the RAS net profit less extraordinary financial income, less reserve fund deductions, less 10% of the said amount (minimum dividends), less investment (at least equal to the amount of investment financed out of net profits as approved by the regulatory authority). No minimum return ratios are set for such investments.

The actual 2015 dividends were equal to the whole RAS net profit (38% of the consolidated IFRS net profit) net of reserve fund deductions. This approach has not yet become a standard practice being dependent on the principal shareholder's position (the Government of Russia's executive order no. 705-r dated April 18, 2016).

Conditional peers earmark more than 50% of net profits for dividends.



## Dividend payments at FGC UES, PJSC vs. peers

Mio €/ Mio £/Mio USD/Mio rubles	EDF S.A.	Eversource Energy	National Grid plc	FGC UES, PJSC (IFRS)
2015 profit	1,187	878.5	2,386	44,768
2015 dividends (including interim dividends)	2,043	529.8	1,337	16,976.63
Payout ratio (the ratio of dividends to net profit)	172%	61%	56%	38%

## Charity & social responsibility

In 2015, FGC UES, PJSC, its subsidiaries and affiliates spent RUB 50.9 million on charity. The Company has not disclosed its sponsorship spending in 2015 (including sponsorship and advertising in sports), so that its real expenses for these purposes cannot be properly assessed.

Spending by comparable companies on charity social investment, % of net profit (estimate)

EDF S.A.	Eversource Energy	National Grid plc	FGC UES, PJSC (IFRS)
1.85%	0.57%	0.61%	0.11%*

\* the exact estimate is problematic, given that the Company does not disclose additional advertising expenses under contracts with sports organizations, etc

## Disclosure of the management motivation system at international peers

The Company's 2015 annual report discloses its KPIs, sometimes with relative weights (their combined relative weight for annual remuneration purposes reaching 45%), but the correlation between the KPIs and specific payments is not disclosed. Taking into account international practices, the BoD should consider disclosing the remuneration system, including the long-term and short-term incentives and the correlation between payments for the reporting period and the KPI achievement. In our view, the list of KPIs for remuneration purposes needs revision (fewer KPIs, higher relative weight of each KPI, more KPIs related to EPS and shareholder return).

*The Company separately discloses the size and structure of the Management Board Chairman's remuneration, which is an example of best practice and the only case of such disclosure among the PJSCs covered by the research.*

No long-term management incentives based, among others, on the Company's shareholder value are awarded; that said, FGC is the only company among the conditional peers paying quarterly bonuses to senior managers.

Management Board members actually do not own shareholdings in the Company: only 2 of them possess insignificant stakes (worth RUB 0.05 million and RUB 0.21 million, respectively).



Approximate proportions of CEO remuneration components at FGC UES vs. peers in 2015	EDF S.A.	Eversource Energy	National Grid plc	FGC UES, PJSC (Management Board)
Fixed annual remuneration	100%	13%	24%	36%
Annual bonuses (also, quarterly bonuses at FGC UES, PJSC)	0%	25%	28%	64%
Long-term remuneration	0%	62%	49%	

	EDF S.A.	Eversource Energy	National Grid plc	FGC UES, PJSC
Disclosure: all payments, incl. in the form of stock, estimate of future payments	CEO Actual: €450K in salaries, zero bonuses and zero long-term incentives (not awarded until resignation)	CEO + CFO + 3 top managers Actual (CEO): \$1,232K in salaries, \$2,400K in bonuses, \$5,805K in long-term incentives	CEO + CFO + 2 top managers Actual (CEO): £1,033K in salaries, £1,222K in bonuses, £2,125K in long-term remuneration	All collective executive body members, incl. sole executive body (SEB) + separate payments to SEB. Actual (Management Board): RUB 110 million in salaries, RUB 194 million in annual and quarterly bonuses
KPIs influencing the short-term (annual) variable remuneration component (incl. fixed relative weights of the KPIs, if any)	None	EPS, dividend growth, credit rating (70% in aggregate) Reliability, security, staff diversity, operating efficiency, application of new technologies, consumer perception (30% in total)	EPS 35%, ROE (Group) 35%, individual KPIs 30% (security and compliance; strategy; business growth; individual management indicators; consumer perception; staff involvement; development of opportunities and relations with stakeholders)	TSR, ROIC, specific operating cost reduction, safety (accident rate, injuries), energy losses, achievement of target reliability of services, reduction in specific investment expenditures, compliance with facility commissioning deadlines, compliance with power connection deadlines, labor efficiency
KPIs influencing the long-term variable remuneration	>80% EBITDA in 2 out of 3 last years before resignation	Average diluted EPS adj. for irregular components, TSR vs. companies included in Edison Electric Institute Index	TSR 25% (vs. FTSE 100), adj. ROE (for the group) (vs. retail price index) 50%, ROE UK 12.5%, ROE US 12.5% (vs. average ROE approved by regulatory authorities)	None
Long-term bonuses	€200K and €60K quarterly, but not to exceed total annual salary, final payment at resignation	Deferred stock units (without KPIs, incl. limit, 1/3 of total amount payable annually for 3 years in shares). Shares for KPI achievement (calculation period 3 years)	Long Term Performance Plan (LTPP) in the form of shares (3 years)	None





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