



Association of
Institutional Investors (API)

Research report on PJSC ROSSETI

as of 09/30/2016



RESEARCH LABORATORY FOR BUSINESS
COMMUNICATIONS, NATIONAL RESEARCH
UNIVERSITY HIGHER SCHOOL OF ECONOMICS

Capital structure overview

Preferred shares account for 1.04% of the Company's share capital. The relative weight of quasi-treasury shares divided among 6 companies, including 3 interregional distribution grid companies, is 0.0043% (0.0017% according to the quarterly report).

The Company has 4 global depositary receipt (GDR) programs (the combined possible limit of the program is 5.4062767% of the authorized capital), the GDR to share ratio being 1:200.

In 2010-2016, the Company floated 5 additional issues of ordinary shares, with the result that their number increased from 41,041,753,984 to 195,995,579,707. The placing price ranged from 1 to 4.14 rubles per share. The overall dilution ratio was 0.26 (i.e. minority shareholdings decreased by 74%). As a result, the Russian Federation increased its holding of ordinary shares from 56.58% (2012) to 88.75% (2016).

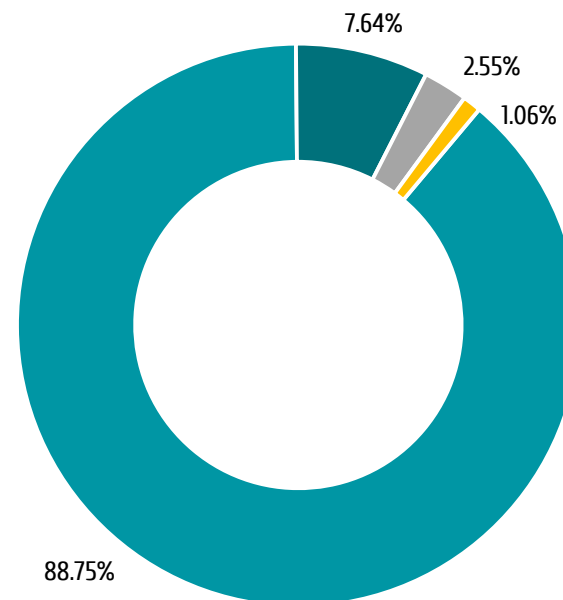
The biggest issues were placed in 2013 (the number of ordinary shares increased by more than 2.8%) and 2015 (about 1.2 times).

The Company's current free float leaves no opportunity for minority shareholders to contribute to the development of corporate governance in practice. Theoretically, the consolidation of 60% of all minority shareholders would enable them to elect one independent director by their votes.

Corporate governance self-assessment

According to the Company's estimate, PJSC ROSSETI complied with 50, partially complied with 24, failed to comply with 5 out of 79 principles and recommendations of the Corporate Governance (CG) Code in 2015.

Breakdown of voting shares



- Russian Federation
- National Settlement Depository (NSD) (nominal holder)
- Limited liability company "Depository and corporate technologies" / DCT Ltd (nominal holder)
- Other shareholders

Summary of GC practice

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- 4 out of 15 BoD members are independent directors, which meets the listing rules (but not the CG Code recommendations for the proportion of independent directors / INEDs in the BoD);
- The Audit Committee and the Nomination & Remuneration Committee consist entirely of independent directors;
- the corporate website discloses internal audit and internal control-related documents, as well as the anti-corruption policy;
- material terms of related party transactions are disclosed in reports on BoD resolutions;
- the Company discloses detailed procurement guidelines;
- the anti-corruption policy includes a detailed regulation on preventing and managing conflicts of interests;
- the Audit Committee has broad powers;
- the BoD's mandate in relation to internal audit is in line with CG Code recommendations, including the power to approve the internal audit division's budget;
- the BoD has fairly broad powers to formulate positions of the Company's representatives in management bodies of subsidiaries, although being unable to nominate candidates to BoDs of controlled companies);
- the BoD's mandate has been extended in relation to major transactions (disposal of property with a balance sheet value of 10-25% of the core assets, etc.);
- the BoD has the power to approve candidates for deputy CEOs and chief accountant;
- the Company has established an evaluation committee responsible for considering the value of major transactions.

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- flaws in the BoD activity management (including repeated non-compliance with deadlines for providing materials to BoD members, consideration of essential issues at meetings in absentia, overconcentration of essential issues on meeting agendas);

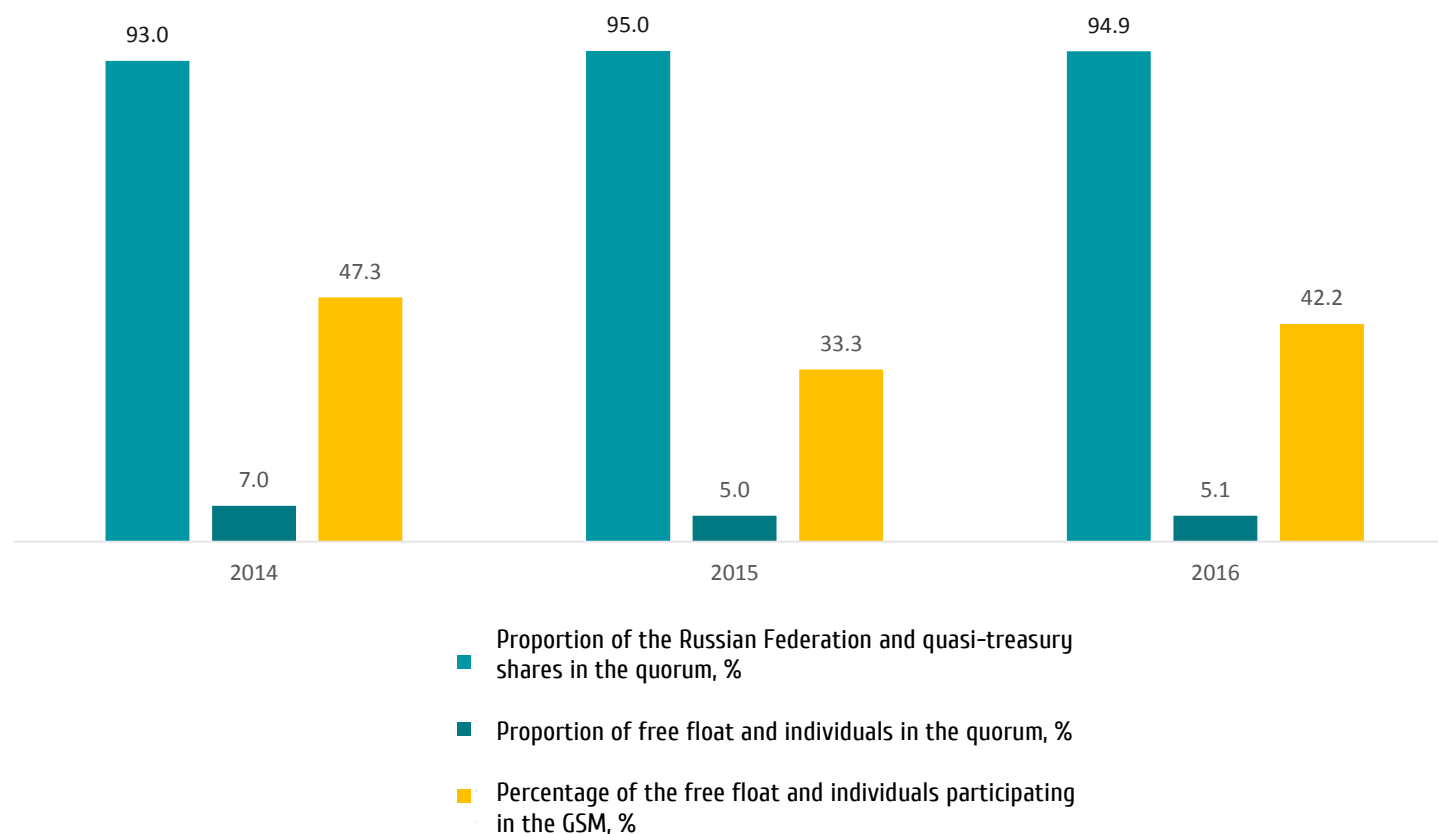
- some of the documents (programs, KPI-related procedures for the relevant year) are approved or adjusted in the middle or even at the end of the achievement period (in fact, retrospectively);
- the Company's shareholders have no right to call for a BoD meeting;
- BoD members are paid mean remuneration (even by the Russian standards) linked to the Company's financial performance indicators (revenue and net profit), which is not consistent with the CG Code recommendations;
- absence of an effective long-term motivation system for the management and controlled companies, imbalance towards quarterly and annual remuneration;
- the management strategy prioritizes the technical and investment policy over the shareholder return at controlled companies (taking into account the balanced opportunities and conditions of the regulated business activity);
- CG flaws at controlled companies (including non-observance of deadlines for providing materials for BoD/committee meetings, submitting significant issues for consideration at meetings in absentia, non-disclosure of details of the motivation system, etc);
- the Central Commission for compliance with corporate ethics standards and settlement of conflicts of interest, a collective executive body, is the supreme authority for preventing and managing conflicts of interest.
- the CG Code recommendations to pass resolutions on key issues of the Company's activities by a qualified majority or a majority vote of the elected BoD members are virtually not followed (2 out of 10 issues stipulated by the CG Code are taken account of in the Articles of Association); no issues subject to consideration only at physical meetings are provided for by the Articles of Association.
- due to the principal shareholder's (the Government of Russia) failure to nominate candidates to the Company's control and management bodies in due time (as was the case in 2016), the Company missed deadlines for the consideration of these matters by the BoD and was unable to timely disclose related information.



General shareholders meeting: activity and shareholder voting policies

The percentage of private minority shareholders participating in general shareholders meetings (GSMs) remained consistently average in 2014-2016 (42.2% of the total number of private minority shareholders in 2016), but higher than at many other PJSCs. However, their combined shareholding is rather small, which prevents them from influencing the BoD election process and decision-making on key issues of the Company's activity. Today, even the 100% consolidation of minority shareholders' votes is not enough to elect 2 INEDs; despite a relatively low successful election threshold (6.67% of the quorum) the votes of the minority shareholders participating in the meeting (5.1%) are not enough to elect at least one INED.

Candidates to the BoD were only nominated by Russia's Federal Agency for State Property Management (Rosimushchestvo) and the Company's minority shareholder operating as part of Gazprom Group (Gazprom energoholding LLC and Gazprom Finance B.V.).



Information on the shareholders of PJSC ROSSETI, according to Bloomberg data and information disclosure by the shareholders

| Shareholder Name | Voting stake, % | Comment on voting |
|--------------------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Russian Federation | 88.75 | No voting policy, Rosimushchestvo votes as instructed by the Government of Russia. |
| VANGUARD GROUP | 0.39 | The shareholder discloses its voting policy at shareholder meetings, as well as the way it voted in the last corporate season. According to the disclosure based on forms N-PX, the funds voted in the affirmative ("FOR") on all issues, including related party transactions, at the 2016 AGM (except for the Internal Audit Commission election), and voted for Vasiliy Belov as BoD candidate. The shareholder does not nominate BoD/Supervisory Board 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. |
| NORGES BANK | 0.14 | The shareholder discloses its voting policy and voting results. According to the disclosure for 2016, the shareholder voted in the affirmative ("FOR") on all issues, including the Internal Audit Commission election, at the 2016 AGM and voted for Vasiliy Belov as BoD candidate. The bank has so far not nominated BoD/Supervisory Board candidates in Russia, unlike other countries. The shareholder receives recommendations from proxy advisory firms. |
| ALPINEX ASSET MANAGEMENT | 0.13 | Closed end fund asset manager, no voting policy, no voting activity disclosure |
| EATON VANCE CORP | 0.12 | Asset manager for funds, no voting data based on form SEC N-PX available in relation to the 2016 AGM at ROSSETI. |
| VAN ECK ASSOCIATES CORPORATION | 0.11 | The stake is divided among several funds, no aggregated voting. |



General shareholders meeting: disclosure of information

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- explanatory notes and records of preliminary approval resolutions made by the BoD and/or the Management Board are provided on all major agenda items;
- the shareholders have a long period for submitting proposals in relation to the AGM agenda (90 days);
- the Company's materials disclose persons proposing candidates to the BoD and the Internal Audit Commission, but not separately for each candidate;
- detailed disclosure of the auditor selection procedure, including the final competition report specifying the bidders and their respective places (a case of good practice!);
- comparison tables of changes and additions, including the rationale for such amendments, are attached to new versions of the Company's by-laws;
- the annual report provides information on related party transactions approved in the reporting year, including the counterparty, subject and value of each transaction, as well as the parties in interest;
- the annual report contains information on meetings of BoD committees, details of the long-term development program and proposed changes to it, comments on the CG Code aspects the Company fails to comply with;
- GSM-related materials are also disclosed in English.

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- according to the Articles of Association and the Regulations for the General Meeting of Shareholders, the Company aims at disclosing GSM-related materials 30 days prior to the GSM date; in 2016, however, the late approval of the GSM agenda reduced this period to 20 days, which is not consistent with the CG Code recommendations;
- GSM-related materials do not disclose CVs of candidates to the BoD and the Internal Audit Commission, except for their positions and information on their consent for election;
- explanatory notes on agenda items are merely a formality (except for comments to the data provided in the annual report);
- the minutes of the BoD meeting approving the list of candidates are not disclosed in GSM-related materials.



Board of Directors: international and domestic practice

| BoD activity aspect | EDF S.A. | Eversource Energy | National Grid plc | PJSC ROSSETI |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of INEDs / total BoD size | 5/12 | 11/12 | 7/11 | 4/15 |
| Participation in meetings of BoD and committees in 2015 (attendance ratio / number of meetings) | BoD (11 meetings, all of them physical): attendance ratio 96.3%; Audit Committee (8 meetings, all of them physical): average 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); average attendance ratio 93% (1 non-attendance for a good reason). 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. | 43 meetings in the corporate year: attendance ratio 100% for 1 BoD member, 28-98% for other BoD members, 81% on average for INEDs, 25-95% for BoD members whose period of service in the corporate year covered 20 (or 23) meetings; Audit Committee (11 meetings held in the corporate year): attendance ratio is 65% for 1 member, 100% for the other members; Nomination and Remuneration Committee (5 meetings): attendance ratio 0% for 1 member, 67% for 2 members |
| 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 | Fixed remuneration: RUB 0.7 million, with uplift factors of 30% for BoD Chair, 20% for heads of committees, 10% for committee members. Remuneration is dependent on net profit (clause 4.4 of the Regulations for Remuneration and Compensation for Members of the Board of Directors). Actual: 0* |

* The base remuneration of BoD members at PJSC ROSSETI stipulated by corporate by-laws is significantly below the level of remuneration at peers and cannot even compare to the practice followed by Russian issuers; the gap between the average remuneration paid to BoD members and members of the Management Board (top managers) was almost 6 times wider at ROSSETI than at peers (87.8 times at ROSSETI, approximately 15.2 times at peers). The amount of remuneration depends on the Company's revenues and is paid out of net profit. In 2015, no remuneration was paid due to the absence of net profit on account of paper losses in the amount of RUB 18.2 billion (revaluation of financial investments in shares of subsidiaries). The policy of remuneration of BoD members needs to be revised.



Board of Directors

Chairman of the Board of Directors

Alexander Novak

(representing the Russian Federation), Minister of Energy of the Russian Federation, no shareholding in the Company;

Chairman of the Audit Committee

Vasiliy Belov (INED)

Senior Vice-President for Innovations, non-profit organization Fund for Development of the Center for Elaboration and Commercialization of New Technologies, no shareholding in the Company

Chairman of the Nomination and Remuneration Committee

Alexander Kalinin (INED)

President, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business (INED), no shareholding in the Company

Oleg Dubnov (INED)

Adviser to CEO, Institute of Professional Directors (INED), no shareholding in the Company

Oleg Barkin (INED)

Deputy Chairman of the Board, nonprofit partnership Council for Organizing Efficient System of Trading at Wholesale and Retail Electricity and Capacity Market (INED), no shareholding in the Company

The API was unable to arrange for meetings with the current BoD members, including INEDs. We therefore cannot include their independent opinions on key corporate governance issues in this report. The API was only able to obtain the opinion of a member of the previous Board of Directors.



Board of Directors: practical activity aspects

In the period under review (2015 and 9 months of 2016), the BoD held 64 meetings, including at least 11 meetings in the form of joint attendance. 308 issues were considered.

20 issues concerned related-party transactions for a total amount of more than RUB 2.6 billion (some of the deals provided for additional terms and conditions of previously effected transactions).

The BoD considered the following significant issues:

- KPIs, KPI achievement reports, KPI calculation procedures (15);
- reports on performance results (13);
- investment program for 2014 and for the 2015-2019 forecast period, budget, financial plan (12);
- long-term development program (9);
- internal audit (7) and risk management (3);
- charity (3);
- management remuneration principles and motivation system;
- CG Code implementation plan.

According to a former Board member, the BoD activity in the period under review failed to meet good practice standards and the CG Code recommendations in the following aspects:

- Deadlines for providing materials for BoD meetings are missed repeatedly. In some cases, materials for important and complicated issues which required thorough consideration were provided 4-5 days prior to the meeting, instead of the stipulated period of 10 days – sometimes even 1-2 days before the meeting, or on Friday, with the meeting scheduled for the following Monday);
- In some cases, committee meetings are held just a few (even 1-2) days prior to related BoD meetings, with the result that directors who are not members of committees are unable to consider related materials as long as they are supposed to;
- the approval of essential by-laws and key reports (e.g. the internal audit report) is considered at BoD meetings in absentia;

- submission of expressions in writing instead of personal attendance at BoD meetings is common practice; the personal attendance ratio at BoD meetings is lower than at peers;
- some of the documents related to business planning (innovative development programs, consolidated investment programs, KPI calculation procedures for the corresponding year) were approved after partial expiration of their implementation period (sometimes in the middle or at the end of the year), which reduces efficiency of business planning and motivation (this is partially attributable to the special nature of the Company's regulated business activity). For example, the KPI calculation procedure for 2015 was adopted and put into effect starting from the 4th quarter of 2015, the KPIs for 2016 were approved in December 2016, the 2016 innovative development program on 12/30/2016, the 2016 investment program was taken note of on 06/09/2016;
- insufficient involvement of the BoD and its committees in preparing draft resolutions on issues subject to instructions, with the result that decision making on such issues becomes, to a large extent, a formality. Just as other PJSCs, the Company lacks established procedures for the preliminary consideration by the SD/committees of proposals to the Government as regards issues where resolutions are made subject to instructions. A number of significant issues (including the approval of key by-laws) is considered at meetings in absentia; in some cases, delays in providing materials to BoD members impair the Board efficiency.
- The Company carried out the individual performance evaluation of BoD members in the corporate year 2014-2015 (with questionnaires filled in on Rosimushchestvo's interdepartmental portal). The evaluation results were not disclosed – meanwhile, the procedure does not assume interviewing BoD members and summarizing the main aspects of the BoD activity;
- The Board of Directors has formed a sufficiently active Strategy Committee and engaged external experts, but problems in providing information and organizing the committee's activity persist.



Audit Committee (AC)

The AC consists of INEDs (3 out of 4 AC members were INEDs in 2015).

In 2015, the AC held 11 meetings, including 6 physical meetings (28 issues were considered). The meeting attendance is relatively low (0-67%, only 1 AC member participated in all meetings).

The Committee considered new versions of corporate by-laws: the internal audit policy, the risk management policy, the internal control policy. Besides, the Committee considered the internal audit directorate's budget, the candidate for head of the internal audit directorate and essential terms of the contract with him, the report on completing the implementation roadmap for the Strategy of development and improvement of the internal control system at PJSC ROSSETI and its subsidiaries, as well as the internal audit division's reports on internal audit and risk management efficiency.

Besides, the AC considered a number of standard matters, such as accounting (financial) statements (25% of the issues), the candidate for external auditor.

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 underwhelming meeting attendance, in our view, indicates a formal approach of at least some of the BoD members to the Committee's activity.

Nomination and Remuneration Committee (NRC)

The NRC which consists of INEDs held 5 meetings in 2015, including only one physical meeting. The Committee considered 12 issues. 2 NRC members did not attend the physical meeting in person.

The Committee considered the principles of remuneration and the motivation system for the management of PJSC ROSSETI, as well as standard matters (approval of the KPI calculation procedure, assessment of the KPI achievement, executive office structure).

The NRC did not consider the BoD performance evaluation and proposals to shareholders on BoD candidates (before their nomination) for the next corporate year (for further consideration by Rosimushchestvo).

The Committee's activity, in our view, is based on a formal approach and needs to be revised.



Essential CG aspects

Relations with the external auditor

Documents related to the auditor selection procedure are subject to approval at a BoD meeting. In 2015, ROSSETI conducted an open bidding for the right to audit the Company's statements for 2015–2017, with 3 bidders. RSM Rus LLC was declared the winner. The auditor was approved at the Company's AGM. The cost of audit services is RUB 15 million (the initial bid price being RUB 36.2 million). The auditor does not provide non-audit services to the Company.

Information disclosure

The Company performs mandatory information disclosure in accordance with the current legislation.

The Company discloses material terms of related party transactions, including parties, amount (limits), party in interest). Details on BoD members' participation in physical BoD meetings are not disclosed in the annual report. However, the Company publishes minutes of BoD meetings (excluding confidential issues) on its website; the minutes contain names of BoD members in attendance, note the availability of expressions in writing, if any (for physical meetings) and provide information on individual voting activity (*a case of best practice*), despite non-disclosure of BoD members' dissenting opinions.

Internal control and risk management

The Company's internal control system is based on the internal control policy (2015), the internal control development and improvement strategy (2014). The executive internal control bodies include local divisions and employees (parties to controlled business processes), the control activities department of PJSC ROSSETI, the corporate treasury, etc. The internal control activities in relation to subsidiaries aim to ensure uniform approaches to internal control at subsidiaries, centralization of some of the procurement activities and control of subsidiaries' expenses by the corporate treasury. Assessing the efficiency of anti-corruption measures (including the hotline operation),

verifying employees' declarations, checking conflicts of interest and counterparties, etc. is problematic without interviews, but the system can be regarded as well-developed in terms of organization.

The Company manages existing risks according to its risk management policy. It should be noted that the policy of managing risks at the Company and its subsidiaries has an element of formality, given that many risks (especially economic risks) are only partially manageable and that risk management makes part of general activities. Basically, the Company's risk management efforts are limited to identifying threshold values for risk factors and related reports. The treatment of certain risks is derivative of other management goals and objectives of economic, legal, organizational and technical relevance rather than being a standalone activity. Therefore, there is no dedicated "risk-specific" management (a practice followed by banks).

At the same time, risk owners' periodic consolidated quarterly reports on risks for the BoD offer a really useful instrument for pinpointing the main problem points and predicting performance results. Besides, certain KPIs are linked to some of the risks via risk determinants.

Dividend policy

According to the Company's Dividend Policy Regulations, dividends on preferred shares are equal to 10% of the Company's net earnings per share (EPS); the parity of dividend payments is provided for in case dividends on ordinary shares exceed dividends on preferred shares.

The Company pays at least 25% of a base equal to RAS (Russian GAAP) net profit less extraordinary financial income (revaluation of financial investments, recovery of allowance, etc.), deductions to the reserve funds and other funds, investments and repayment of previous years' losses (no more than 50% of the net profit less deductions to funds and investments financed out of profits).

The dividend policy needs to be amended to reflect the need for a transition to IFRS standards and for higher transparency of the profit distribution policy, including the need to ensure a minimum return on investment payable out of profits.



Dividend payments at ROSSETI vs. peers

The Company paid interim dividends for the first quarter of 2016 as its 3-month profit amounted to ca. RUB 37 billion, mainly due to the positive re-valuation of shares in subsidiaries), which partially offset the non-payment of 2015 dividends. This practice lacks consistency being dependent on the principal shareholder's position. Dividends on preferred shares account for a mere 8.67% of the total dividend payments (although in absolute terms, the dividend per preferred share exceeds the dividend per ordinary shares almost 9 times).

| Mio € / Mio £ / Mio USD/Mio rubles | EDF S.A. | Eversource Energy | National Grid plc | PJSC ROSSETI |
|-----------------------------------------------------|----------|-------------------|-------------------|------------------------------------------------------------------------------|
| 2015 profit | 1,187 | 878.5 | 2,386 | Loss amounting to RUB 18.2 billion (Q1 2016: RUB 36.9 billion in net profit) |
| 2015 dividends (including interim dividends) | 2,043 | 529.8 | 1,337 | Passed (RUB 1,785 million for Q1 2016) |
| Payout ratio (the ratio of dividends to net profit) | 172% | 61% | 56% | 4.84% (Q1 2016) |

Charity and social responsibility

In 2015, the charity projects of PJSC ROSSETI, its subsidiaries and affiliates cost it RUB 1,449.69 million, with the following breakdown:

| Expenditure | Mio rubles |
|---------------------------------------------------------------------|------------|
| Culture | 92.86 |
| Healthcare | 5.75 |
| Science & education | 835.39 |
| Physical culture and mass sports | 155.53 |
| financially disadvantaged, physically handicapped and other persons | 38.47 |
| Environment and animal protection | 5.52 |
| Restoration of facilities and territories | 254.17 |
| Other socially significant expenditures | 62.00 |

In 2015, ROSSETI Group provided sponsor support in the amount of RUB 2.95 million to the social and economic development of regions. The Company does not disclose the amount of sponsorship in the sports sector, which we regard as a negative practice (the initial price of the advertising services contract concluded with PFC CSKA Moscow for 2013-2018 was RUB 4.185 billion; later, according to media reports, the contract price was reduced and partially distributed among subsidiaries).

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

| EDF S.A.** | Eversource Energy | National Grid plc | PJSC ROSSETI (2015 IFRS profit)* |
|------------|-------------------|-------------------|----------------------------------|
| 1.85% | 0.57% | 0.61% | 1.74%* |

* approximately 2.54%, taking into account media estimates*, no exact value can be provided due to non-disclosure.

** also a government-controlled company.



Management team remuneration

In 2015, the Management Board members were paid RUB 6.38 million for the performance of their duties as members of the Management Board, RUB 119.24 million in salaries, RUB 181.67 million in bonuses, RUB 5.13 million in compensations and other forms of remuneration. The Company's annual report discloses its KPIs, but not their correlation with the payments.

The Company does not disclose the senior management remuneration system, including the correlation between actual payments and the achievement of KPIs, although the KPIs, their target levels and the fact of their achievement (without exact figures) are disclosed in the annual report. In our opinion and in accordance with international practice, the BoD should consider disclosing the remuneration system, including the ratios between the quarterly, annual and long-term components and the correlation between the payments for the reporting period and the KPI achievement.

The Company does not have a proper system of long-term remuneration linked to its business value; a new program should be launched as long as ROSSETI intends to remain a public company, given the current shareholder capital structure and a painful history of diluting minority shareholdings.

It should be noted that the existing Management Board members of PJSC ROSSETI do not own shares in the Company.

| <i>Approximate proportions of CEO remuneration components at PJSC ROSSETI vs. peers in 2015</i> | <i>EDF S.A.</i> | <i>Eversource Energy</i> | <i>National Grid plc</i> | <i>PJSC ROSSETI (Management Board)</i> |
|-------------------------------------------------------------------------------------------------|-----------------|--------------------------|--------------------------|----------------------------------------|
| Fixed annual remuneration | 100% | 13% | 24% | 41% |
| Annual bonuses (also, quarterly bonuses at PJSC ROSSETI) | 0% | 25% | 28% | 59% |
| Long-term remuneration | 0% | 62% | 49% | 0% |



Disclosure of the management remuneration system at international peers

| | <i>EDF S.A.</i> | <i>Eversource Energy</i> | <i>National Grid plc</i> | <i>PJSC ROSSETI</i> |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Disclosure: all payments, incl. in the form of stock, estimate of future payments | CEO Actual (CEO): €450K in salaries (subject to regulatory restrictions), zero bonuses; long-term remuneration remains unknown until resignation subject to BoD decision | CEO + CFO + 3 top managers Actual (CEO): \$1,232K in salaries, \$2,400K in bonuses, \$5,800K 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): RUB 6.38 million for performance of duties as Management Board members, RUB 119.24 million in salaries, RUB 181.67 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, energy loss, 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 (incl. relative weights, if any) | Actual EBITDA >80% of target level in 2 out of 3 last years before early resignation | Average EPS adjusted for irregular profit components, TSR vs. companies included in EEI Index. | TSR vs. FTSE 100 companies 25%, adj. ROE of group vs. retail price index 50%, ROE in UK 12.5%, ROE in US 12.5% (vs. average ROE approved by regulatory authorities) | No data available |
| Long-term bonuses | €200K after 1 year (once) + €60K quarterly, but not to exceed total annual salary. Payment only at early resignation subject to BoD resolution, except for dismissal because of violations | 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) | No data available |