

REMUNERATION AND COMPENSATION POLICY

Board of Directors

The Annual General Meeting of Stockholders, conducted on 23.05.2019, adopted Amended and Restated Regulations of Remunerations and Compensations due to the Board of Directors at OAO IDGC of Urals*. In compliance with the Regulations, remunerations comprise a lump sum quarterly payment for participation in the Board activities.

Quarterly service remunerations due to each Board of Directors member are calculated, factoring in the total number of Board of Directors meetings conducted during the reported quarter and number of meetings attended by a Board of Directors member. Basic annual remunerations (Rbase) are determined according to the revenues of the Company, calculated under RAS, for the last completed report year preceding election of the Board of Directors. The following increments are added to the remunerations: 30% for the Board Chair, 20% for the Chair of a Board Committee, 10% for a membership in a Board Committee. If a Committee conducts no meetings during the reported quarter, no increments for the Board of Directors Committee Chairmanship and membership are paid. The overall quarterly remunerations and increments due to each Board of Directors member do not exceed 1/4 of Rbase. Remunerations are not paid, if a Board of Directors member fails to attend more than 50% of the meetings conducted during the reported quarter. Remunerations are paid within 30 (Thirty) calendar days after the end of the reported quarter. Remunerations are charged and paid to the Board of Directors Chairman and members, subject to legal restrictions or prohibition of any allowances from businesses. Remunerations are paid from the income obtained from non-regulated services.

A Board of Directors member obtains compensations for expenses related to the participation in Board of Directors meetings, Board of Directors Committee meetings, General Meetings of Stockholders in compliance with the Company's C-level trip reimbursement rates, valid as of the date of such meetings. The payment of compensations is made within 3 (Three) business days after presentation of documents supporting the costs incurred.

Executive Bodies

The KPI system for the executive bodies is disclosed in Section "Key Performance Indicators".

Total remunerations and/or compensations due to each governing body, RUB thousand

Type of remunerations	Board of Directors	Executive Board
Service remunerations	29,715	0
Salary	8,409	29,661
Bonuses	444	18,791
Commission fees	0	0
Other types	0	934
Reimbursement of expenses	752	0
Total	39,320	49,386

In 2021, the Company has concluded a contract with AO SOGAZ on D&O insurance for the period starting 01.07.2021 and ending 30.06.2022, with a RUB 16,376.25 thousand premium paid to the insurer and RUB 825,000 thous. total limit of liabilities. In 2022, the Company has concluded a contract with AO SOGAZ, leader of the joint tenderer (joint bid with SAO VSK), on D&O insurance for the period starting 01.07.2022 and ending 30.06.2023 with a RUB 16,376.25 thousand premium paid to the insurer and RUB 825,000 thous. total limit of liabilities.

SETTLEMENT OF COMPETING INTERESTS

As the Regulations on the OAO IDGC of Urals Board of Directors state, once a director encountered a potential conflict of interest, incl. interest in a Company's transaction, such director shall be obliged to inform the Board of Directors on that immediately and always put interests of the Company before personal interests. The announcement shall always be made prior to the discussion of the item with a director's conflict of interest. Besides, within two months after they have or should have come to know of circumstances by virtue of which they may be acknowledged as interested in Company's transactions, Board members shall notify the Company of:

- legal entities in which they, their spouses, parents, children, siblings and half-siblings, adoptive parents and adoptees and (or) their controlled firms, are controlling entities or entitled to instruct;
- legal entities in which governing bodies are occupied by them, their spouses, parents, children, siblings and half-siblings, adoptive parents and adoptees and (or) their controlled entities;
- implemented or future transactions, known to them, in which they may be acknowledged as interested entities.

Should this information change, the Board members shall notify the Company of the changes within 14 days since they have or should have come to know of the changes.

The Company also strives to prevent and minimize any consequences of possible conflicts of interest among its executives. The Company has a comprehensive system of dealing with conflicts of interest among executives that is aimed at preventing any potential conflicts of interest and minimizing their negative consequences to the interests of OAO IDGC of Urals.

* Visit the official web-site of the Company to read the Regulations (Section Incorporating Documents and Bylaws (Main/About us/ Incorporating Documents and Bylaws)).



The Regulations on the Executive Board at OAO IDGC of Urals* state that the Executive Board members shall:

- Within 2 (Two) months after they have or should have come to know of circumstances by virtue of which they may be identified as interested in Company's transactions, the members shall notify the Company of:
 - a) legal entities in which they, their spouses, parents, children, siblings and half-siblings, adoptive parents and adoptees and (or) their controlled firms, are controlling entities or entitled to instruct;
 - b) legal entities in which governing bodies are occupied by them, their spouses, parents, children, siblings and half-siblings, adoptive parents and adoptees and (or) their controlled firms;
 - c) implemented or future transactions, known to them, in which they may be identified as interested entities.
- Should this information, already filed with the Company, change, the members shall notify the Company of the changes within 14 (Fourteen) days after they have or should have come to know of the changes.

In addition, simultaneous service of EB members on the management bodies or other paid positions in other companies shall be possible only if approved by the Board of Directors.

* Visit the official web-site of the Company to read the Regulations (Section Incorporating Documents and Bylaws (Main/About us/ Incorporating Documents and Bylaws).

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

Internal Control System

The Company's internal control system is an integral element of the Company's governing system, focused to ensure reasonable guarantees that the goals below are achieved:

- Company's efficiency and performance, including achievement of financial and operational indicators, soundness of assets;
- Company's compliance with applicable laws and Company's enactments, incl. Company's operations and accounting;
- Provision of integrity and timeliness of financial and other reporting.

The internal control system is risk-oriented, its control procedures shaped by risks and set in a way to ensure reasonable guarantee of an efficient and timely response to risks. The ICS covers all lines of Company's operations, with all processes regularly controlled at all management levels, under the "three lines of defense" model:

- First line of defense: management bodies (sole and collegiate executive bodies) and units in charge of control procedures due to their duties;
- Second line of defense: Company's control units;
- Third line of defense: internal audit unit.

The Company has set up the Internal Control and Risk Management Section, which, under the Internal Control Policy and the Regulations on the Structural Unit, is liable for:

- development and enforcement of fundamental documents related to the roll-out and improvement of the ICS;
- assistance to Company's management in building the ICS of business processes, elaboration of recommendations on description and implementation of control procedures in the processes and assignment of responsibility to officials;
- development of recommendations regarding improvement of control procedures, separate components (elements) of internal control and internal control system following internal audit of the process;
- preparation of information on the ICS status for stakeholders.

To enforce implementation and maintenance of the efficient internal control system, consistent with generally accepted practices and standards of internal control and requirements of regulators as well as promoting the Company's goals the Company has adopted the Internal Control Policy⁶⁸, that stipulates goals, operational principles and elements of the ICS, primary functions and responsibilities of ICS participants, ICS efficiency assessment procedure