

# REMUNERATION AND REIMBURSEMENT FOR THE EXECUTIVE AND CONTROLLING BODIES

## Remuneration for the Board of Directors members and their Reimbursements

In the reporting year, remuneration and expenditure reimbursement for the Company's Board of Directors members were accrued and paid in accordance with the revised Regulation on Remuneration and Reimbursement Payment to the Board of Directors of the Company approved by the resolution of the Annual General Meeting of Shareholders of Kubanenergo on June 20, 2019 (Minutes No.42) (hereafter referred to as Regulation).

According to the Regulation, the remuneration to the members of the Board of Directors is paid quarterly in the period starting from the candidate election to the Board and finishing at the end of the Board's office.

The amount of remuneration for the involvement with the work of the Board of Directors for each of the Company Board members was calculated based on the overall number of the Board of Directors meetings in the reporting quarter and the number of meetings, in which every Board member took part.

The remuneration consists of base and additional parts:

the base part of the remuneration  $S(1)$  is calculated as per the formula:

$$S(1) = \frac{B_{\text{base}}}{4} \times 100/130 \times \left( \frac{n}{m} \right), \text{ where:}$$

$B_{\text{base}}$  – the amount of the base annual remuneration by reference to the Company's revenue under RAS calculated for the last completed reporting year before the election of the Company's Board of Directors is equal to:

Amount of the Company's revenue under RAS calculated for the last completed reporting year before the election of the Company's Board of Directors	$B_{\text{base}}$
over RUB 200 bn	RUB 3,000,000
over RUB 70 bn	RUB 2,700,000
over RUB 30 bn	RUB 2,200,000
over RUB 10 bn	RUB 1,600,000
over RUB 1 bn	RUB 1,000,000
over RUB 600 bn	RUB 800,000
under RUB 600 bn	RUB 600,000

$n$  – the number of meetings of the Board of Directors (irrespective of the form of their holding) attended by a Board member in the reporting quarter,

$m$  – the total number of meetings of the Board of Directors (irrespective of the form of their holding) in the reporting quarter; (мо от формы их проведения) в отчетном квартале;

- uplifts expressed in % relative to the remuneration base part are defined additionally:
  - 30% – for the Chair of the Company's Board of Directors;
  - 20% – for the Chair of the specialized Committee of the Board of Directors;
  - 10% – for the membership in the specialized Committee of the Company's Board of Directors.

Uplifts for performing the duties of a Committee Chair and/or member for the Board of Directors are not paid, if there are no Committee meetings held within the reporting quarter.

Remuneration is not paid to the members of the Board of Directors if they don't take part in more than 50% of the meetings held in the reporting quarter.

The remuneration is paid to the members of the Board of Directors within 30 calendar days after the end of the reporting quarter.

The Regulation on Remuneration and Reimbursement Payment to the Board of Directors:

- does not apply to the members of the Board of Directors that are simultaneously members of the executive bodies;

- provides that remunerations are not accrued and paid to the Chair or members of the Company's Board of Directors if the federal legislation restricts or prohibits them to receive any payments from commercial organizations;
- provides the right of the Board members to receive reimbursement of expenditures associated with attending the meetings of the Board of Directors, its Committee, General Meetings of Shareholders of the Company according to the rules for reimbursement of travel expenses valid at the time of the meeting and established for top managers of the Company

#### Remuneration accrued and paid to members of the Company's Board of Directors<sup>1</sup>, RUB mln

Indicator	2018 (corporate 2017/2018)	Corporate 2018/2019	2019	Corporate 2019/2020	2020
Base remuneration for participation in the work of the Board of Directors	6,844	7,558	12,568	17,421	20,692
Uplift of 30% to the Chair of the Board of Directors	207	69	213	511	635
Uplift of 20% to the Chair of the specialized Committee of the Board of Directors	277	277	373	321	395
Uplift of 10% for membership in the specialized Committee of the Board of Directors	277	346	611	1,215	1,604
<b>Total</b>	<b>7,605</b>	<b>8,250</b>	<b>13,765</b>	<b>19,468</b>	<b>23,326</b>

The main reason for increase in remuneration for the members of the Board of Directors for 2020 and corporate 2019/2020 – growth of the base annual remuneration (Rbase) in accordance with the previous revision of the Regulation in 2019.

The Company did not pay any other remunerations to the members of the Board of Directors.

The expenses of the Board of Directors members were not reimbursed in the reporting year.

The Company has no remuneration or reimbursement payments overdue to the Board of Directors members.

The Company did not provide any loans (credits) to the Board of Directors members.

<sup>1</sup> To ensure comparison of indicators in 2018–2020, the amounts of remuneration accrued and paid to the members of the Board of Directors for corporate years were released, as to June 20, 2019, there was a Regulation, under which remuneration to the members of the Board of Directors was paid once as per the results of work during the period from candidate election to the Board of Directors to formation of the new composition of the Board of Directors. The amount of the remuneration for participation in the work of the Company's Board of Directors was calculated in the same way as specified in the current Regulation, but the amount of the base annual remuneration (Rbase) set in relation to the Company's revenues had different values. In addition, the members of the Board of Directors also received extra payments from the net profits if the Company market capitalization increases during the work of the Board of Directors.

## Remuneration for the Members of the Executive Bodies and their Reimbursement Payment

### Remuneration for the members of the Management Board and their reimbursement payment

By a resolution of the Board of Directors of the Company (Minutes No.243/2016 dated June 24, 2016), the members of the Management Board are classified as first division top managers. Following the Regulation on Top Manager Incentives and Benefits Package of Kubanenergo OJSC, as approved by the Board of Directors (Minutes No.207/2015 dated April 17, 2015) with amendments made by the Board (Minutes No.381/2020 dated March 11, 2020 and No.414/2020 dated December 28, 2020), remuneration to the Management Board is paid according to the provisions of their employment contract via determining their monthly uplift for performing the duties of a member of the Company's Management Board.

The bonuses paid to the members of the Management Board depends on the results of the KPI set by the General Director in the reporting period – year. If the Management Board implements a number of conditions (strategic priorities) set by the General Director by the end of the year, they may receive additional bonuses at the discretion of the General Director. High values of KPIs defined as prioritized may be seen as a ground for the payment of a special Company result bonus for the reporting year to the Management Board at the discretion of the General Director.

Management Board also gets reimbursements for the accommodation expenses following the Regulation on the Reimbursements for Accommodation Rent (Sub-rent) Expenses, as approved by the Company order No. 257 dated April 28, 2020.

### Remuneration to General Director

The payment of remuneration to the General Director is subject to the Regulation on the Incentives for the General Director of the Company, as approved by the resolution of the Board of Directors (Minutes No.114/2011 dated July 22, 2011) with amendments made by the Board (Minutes No.150/2012 dated December 29, 2012, No204/2015 dated March 6, 2015, No.281/2017 dated July 21, 2017, No.306/2019 dated September 23, 2019, No.411/2020 dated November 26, 2020). The Regulation is an integral part of the employment contract with the General Director, and it determines the procedures for the basic salary calculation, approval and changes, General Director bonus types, and basic salary and bonus payment procedures.

The bonuses paid to the General Director depends on the results of the KPI set by the Board of Directors in the reporting periods – quarters and year. If the General Director implements a number of conditions (strategic priorities) set by the Board of Directors by the end of the year, the General Director may receive additional bonuses at the discretion of the Board of Directors. High values of KPIs defined by the Board of Directors as prioritized may be seen as a ground for the payment of a special Company result bonus for the reporting year to the General Director of the Company at the discretion of the Board of Directors.

The Board of Directors is entitled to reward the General Director for the completion of crucial tasks (works) if their implementation has specific requirements in terms of deadlines, quality, liability, and significance for the industry and the state.

Remuneration and reimbursement of expenses paid to the members of the Company's executive bodies (RUB ths.)

Indicator	2018	2019	2020
Remuneration for involvement with the Management Board work	1,401	1,459	1,918
Salary	31,404	31,266	29,359
Bonuses	32,281	23,936	24,765
Reimbursement of expenses	684	228	920
Other types of remuneration	1,977	2,112	3,352
<b>Total</b>	<b>67,747</b>	<b>59,001</b>	<b>60,314</b>

The Company has no remuneration or reimbursement payments overdue.

## Remuneration and Reimbursement for the Audit Commission Members

**According to the effective Regulation on the Remuneration and Reimbursement Paid to the Audit Commission of Kubanenergo<sup>1</sup>, as approved by the Annual General Meeting of Shareholders (Minutes No.40 dated May 28, 2018), the members of the Audit Commission receive remunerations depending on the results of the work during the corporate year and employees involvement with the work of this controlling body.**

The remuneration amount for the Audit Commission is calculated while taking into consideration the following:

- the size of the base part of the remuneration set according to the Company profits calculated using RAS for the fiscal year;

- the personal involvement modifier for the Audit Commission members reflecting their participation in meetings and inspections, as well as their fulfillment of additional duties as Chair or Secretary of Audit Commission.

The remuneration shall not be paid to the members of the Audit Commission who took part in less than half of the meetings held while they were in the Audit Commission.

Reimbursement of expenses related to the participation in the meetings of the Audit Commission is performed to the extent of the real expenditures according to the standard regulations.

### Remuneration accrued and paid to the members of the Audit Commission, RUB mln

2020. (for 2019/2020 corporate year)	2019 (for 2018/2019 corporate year)	2018 (for 2017/2018 corporate year)
648	790	797

The expenses of the Audit Commission members were not reimbursed in the reporting year.

The Company has no remuneration or reimbursement payments overdue to the Audit Commission members.

## TRANSACTIONS MADE BY ROSSETI KUBAN IN 2020

In 2020, Rosseti Kuban did not make any transactions recognized in Chapter X of Federal Law On Joint-Stock Companies with Significant Transactions. Significant transactions (groups of related transactions) with liabilities of 10 per cent and more of carrying amount of the Company's assets according to its accounting data for the completed reporting period prior to the transaction were not made by the Company in 2020.

In the reporting year, the Company made six related-party transactions (Chapter XI of Federal Law On Joint-Stock Companies). The report on the related-party transactions made by the Company in 2020 can be found in [Annex 2 of this report](#).

<sup>1</sup> Regulation on the Remuneration and Reimbursement Paid to the Audit Commission of Kubanenergo is published on the Company's website in the section About the Company / Constituent and in-house documents. The Regulation is not applied to the members of the Audit Commission, in respect of which the federal law prescribes a restriction or prohibition on receipt of any payments from commercial organizations.