

## BOARD OF DIRECTORS' COMMITTEES

To enhance efficiency of the Board of Directors and investigate matters under its purview, the Board of Directors has established specialized functional consultative and advisory bodies – Board of Directors' Committees. Primary goals of each Committee lie in preliminary examination of vital topics referred to the Board of Directors' competence and in generation of recommendations used by the Board of Directors to decide on relevant aspects\*. If the Committees require counseling and advisory services with regard to aspects demanding specialized knowledge and skills, they are entitled to engage outside experts into examination process, relevant remunerations being paid from the Committees' budgets, approved by the Board of Directors, within allotted limits.

The Board of Directors' structure comprises 5 permanent Committees – the Audit Committee, Personnel and Remunerations Committee, Strategy and Development Committee, Reliability Committee and Technological Connection Committee. Any action or operation of these Committees are performed in strict compliance with the relevant Regulations stipulating the legal status, goals and objectives, rights and liabilities, structure and composition of the Committees as well as federal laws and enactments of the Russian Federation, Charter, Regulations on the Board of Directors and resolutions of the Board of Directors.

### THE AUDIT COMMITTEE

The Committee plays a key role in overseeing integrity, accuracy and reliability of financial reporting, accountability and efficiency of the system of risk management, internal control and corporate governance and in fostering independence and impartiality of internal and external audit.

#### Guided by:

- The Regulations on the Board of Directors' Audit Committee at IDGC of Urals<sup>65</sup>
- The Regulations on the Remunerations and Compensations due to the Board of Directors' Audit Committee at IDGC of Urals<sup>66</sup>

#### Primary Objectives:

- Review of Company's accounting (financial) statements and supervision over statements preparation process;
- Supervision of reliability and efficiency of the systems of internal control and risk management and corporate governance practices;
- Supervision of external audit and auditor selection;

- Fostering of independence and impartiality of internal audit;
- Supervision of efficiency of the system combating unfair practices of Company's employees and third parties.

In July 2016 the quantitative composition of the Committee expanded from 3 to 4 members. The Committee underwent a significant reshuffling: three (out of four) members have never ever served on the Audit Committee. Despite this, the Committee has managed to smooth succession of efficient practices of close contacts with the external auditor, Head of Internal Audit and Board of Internal Auditors. In December 2016 the Board of Directors decided to appoint the independent director to preside over Committee<sup>67</sup>. During the reported period the Committee conducted 13 meetings: 9 in-absentia meetings and 4 in-presentia meetings (video-conferences).

#### Compositions of the Committee and members' attendance

Composition No. 1 (03.08.2015-01.07.2016)	Minutes, No.					Total	Composition No. 2 (01.07.2016-present day)	Minutes, No.							Total		
	51	52	53	54	55			56	57	58	59	60	61	62		63	
Y.V. Yascheritsyna, the chair	+	+	+	+	+	5/5	A.V. Shevchuk, the chair	+	+	+	+	+	+	+	+	+	8/8
S.M. Kataev, member	+	+	+	+	+	5/5	V.V. Sofyin, member	+	+	+	+	+	+	+	+	+	8/8
E.R. Villevald, member	+	+	+	+	+	5/5	Y.V. Yascheritsyna, member	+	+	+	+	+	+	+	+	+	8/8
							R.A. Dmitrik, member	+	+	+	+	+	+	+	+	+	8/8

#### The Committee examined the following important agenda items during its meetings, conducted in 2016

##### Accounting (financial) statements

- analysis of significant aspects of the accounting policy and amendments to it (Minutes No.63 dated as of 27.12.2016);
- quarterly examination of the Company's accounting (financial) statements, prepared under RAS, and consolidated financial statements, prepared under IFRS (Minutes No.53 dated as of 21.04.2016, No.55 dated as of 31.05.2016, No.57 dated as of 22.08.2016, No.63 dated as of 27.12.2016);

##### Risk Management, Internal Control and Corporate Governance

- examination of the Amended and Restated Internal Control and Internal Audit Policies prior to the adoption by the Board of Directors (Minutes No.51 dated as of 29.02.2016);
- examination of management's report regarding implementation of the Company's Internal Control Policy (Minutes No.58 dated as of 29.09.2016);

- examination of the report regarding efficiency of the internal control and risk management systems of the Company (Minutes No.53 dated as of 21.04.2016).

##### External Audit

- preliminary approval of an external auditor nominee to be hired to audit FY2016 RAS accounting (financial) statements and FY2016 IFRS consolidated financial statements (Minutes No.54 dated as of 25.04.2016);
- efficiency evaluation of the external audit, in-

cluding but not limited to the auditor report (Minutes No.54 dated as of 25.04.2016);

- periodic examination of the written information from the external auditor regarding key challenges of the Company's accounting (financial) statements (Minutes No.53 dated as of 21.04.2016, No.63 dated as of 27.12.2016);
- preparation of recommendations regarding the auditor fee for the Board of Directors (Minutes No.56 dated as of 25.07.2016).

\* Find the exhaustive list of examined agenda items and wording of the Committee's resolutions at Committees of the Board of Directors Section the corporate web-site (Main/About us/Governing and Oversight Bodies/Committees of the Board of Directors)

**Internal Audit**

- adoption of the Regulations on Internal Audit Unit, structure and manning of the Internal Audit, Head of Internal Audit nominee and Head's remunerations (Minutes No.62 dated as of 23.12.2016);
- examination of the Guarantee and Enhanced Quality of Internal Audit Program (Minutes No.60 dated as of 31.10.2016)
- adoption of the 2017 Internal Audit's action plan and budget (Minutes No.63

dated as of 27.12.2016);

- examination of the progress reports prepared by the Internal Audit (Minutes No.52 dated as of 28.03.2016, No.55 dated as of 31.05.2016, No.57 dated as of 22.08.2016, No.63 dated as of 27.12.2016).

**Combating unfair practices of employees and third parties**

- periodic examination of management's information with regard to: i) progress in the remedial action plan to eliminate

weaknesses, exposed by the Company's Board of Internal Auditors, internal audit, external oversight bodies (watchdogs), ii) progress in measures, taken after whistleblowing on potential unethical practices of employees and relevant investigations (Minutes No.52 dated as of 28.03.2016, No.58 dated as of 29.09.2016, No.61 dated as of 21.11.2016).

**Other aspects**

- examination of the Amended and Restated Regulations on the Audit

Committee prior to adoption by the Board of Directors (Minutes No.51 dated as of 29.02.2016) and amendments to the Regulations (Minutes No.59 dated as of 12.10.2016);

- examination of the Audit Committee's report regarding its progress in 2015-2016 corporate year (Minutes No.55 dated as of 31.05.2016);
- adoption of the Audit Committee's action plan for 2016-2017 corporate year (Minutes No.56 dated as of 25.07.2016).

## THE PERSONNEL AND REMUNERATIONS COMMITTEE

The Committee was established by the Board of Directors to examine aspects related to shaping of efficient and transparent remunerations policy and practices; HR planning, professional composition and efficiency of executive bodies and other key officers of the Company.

**Guided by:**

- The Regulations on the Board of Directors' Personnel and Remunerations Committee at IDGC of Urals<sup>68</sup>
- The Regulations on the Remunerations and Compensations due to the Board of Directors' Personnel and Remunerations Committee at IDGC of Urals<sup>69</sup>

**Primary Objectives:**

- Preparation of recommendations regarding remunerations due to the Company's Board of Directors.
- Elaboration of principles and criteria used to define remunerations due to the Board of Directors, members of the collegiate executive body and person performing functions of the sole executive body of the Company, including management firm or director.
- Generation of proposals used to define essence of the

contracts concluded with the Board of Directors, members of the collegiate executive body and person performing functions of the sole executive body of the Company.

- Identification of criteria used to select nominees to the Board of Directors, members of the collegiate executive body and person performing functions of the sole executive body of the Company as well as preliminary evaluation of the nominees.
- Regular evaluation of the person performing functions of the sole executive body (management firm or director) and members of the collegiate executive bodies, and generation of reappointment proposals for the Board of Directors.

In July 2016 the quantitative composition of the Committee expanded from 4 to 5 members, with an independent director introduced to the composition. The Committee conducted 8 in-absentia meetings during the reported period.

**Compositions of the Committee and members' attendance**

Composition No. 1 (03.08.2015-01.07.2016)	Minutes, No.			Total	Composition No. 2 (01.07.2016-present day)	Minutes, No.					Total
	51	52	53			54	55	56	57	58	
Y.V. Goncharov, the chair	+	+	+	3/3	Y.V. Goncharov, the chair	+	+	+	+	+	5/5
Y.V. Yascheritsyna, member	+	+	+	3/3	Y.V. Yascheritsyna, member	+	+	+	+	+	5/5
A.N. Fadeev, member	+	+	-	2/3	A.N. Fadeev, member	+	+	+	+	+	5/5
N.A. Ozhe, member	+	+	+	3/3	N.A. Ozhe, member	+	+	+	+	+	5/5
					A.V. Shevchuk, member	+	+	+	+	+	5/5

**The Committee examined the following important agenda items during its meetings, conducted in 2016****HR planning**

- examination of the organizational structure to be adopted by the Board of Directors (Minutes No.51 dated as of 30.03.2016, No.57 dated as of 18.11.2016);
- preliminary approval of nominees to be appointed to HQ positions, defined by the Board of Directors (Minutes No.52 dated as

of 25.04.2016, No.54 dated as of 14.07.2016, No.56 dated as of 25.08.2016);

- approval of the revised youth and administrative labor reserves (Minutes No.55 dated as of 19.08.2016)

**Shaping of efficient and transparent remunerations policy and practices**

- adoption of the revisions introduced to the Company's CEO KPI Calculation and Evaluation Methodology (Minutes No.53 dated as of 29.04.2016, No.58 dated as of 27.12.2016);

**Practical arrangements**

- election of the Deputy Chair and Committee Sec-

retary (Minutes No.54 dated as of 14.07.2016);

- adoption of the Committee's action plan and budget draft (Minutes No.54 dated as of 14.07.2016, No.58 dated as of 27.12.2016).

## THE STRATEGY AND DEVELOPMENT COMMITTEE

The key role of the Committee is to assist the Board of Directors in developing the strategy, its revision and progress oversight as well as generating updating proposals.

### Guided by:

- The Regulations on the Board of Directors' Strategy and Development Committee at IDGC of Urals<sup>70</sup>
- The Regulations on the Remunerations and Compensations due to the Board of Directors' Strategy and Development Committee at IDGC of Urals<sup>71</sup>

### Primary Objectives:

- Identification of priorities, strategic goals and primary principles of the Company's strategic development.
- Enhancement of the Company's investment prospects, improvement of investment processes and adoption of feasible investment decisions.
- Revision of the current strategy of Company's development.
- Oversight of the progress in implementing existing blueprints and projects.
- Financial planning and definition of the Company's dividend policy.
- Efficiency evaluation of the Company's operations.



In July 2016 the composition of the Committee underwent significant reshuffling: six (out of twelve) members have never ever served on the Committee. Despite this, the Committee has managed to smooth succession of defining strategic priorities, improving investment processes and revising existing strategy of the Company's development. During 2016 the Committee conducted 11 meetings: 9 in-absentia meetings and 2 in-presentia meetings (videoconferences).

### Compositions of the Committee and members' attendance

Composition No. 1* (03.08.2015-01.07.2016)	Minutes, No.				Total	Composition No. 2 (01.07.2016-present day)	Minutes, No.								Total	
	68	69	70	71			72	73	74	75	76	77	78			
V.V. Sofyin, the chair	+	+	+	+	4/4	V.V. Sofyin, the chair	+	+	+	+	+	+	+	+	+	7/7
T.A. Ivanova, member	+	-	+	+	3/4	T.A. Ivanova, member	+	+	+	+	+	+	+	+	+	7/7
M.A. Lavrova, member	+	+	+	+	4/4	B.A. Bekneev, member	+	+	+	+	+	+	+	+	+	7/7
B.A. Bekneev, member	-	+	+	+	3/4	A.L. Zvyagintseva, member	+	+	+	+	+	+	+	+	+	7/7
E.V. Bogach, member	+	-	+	+	3/4	A.A. Timofeev, member	+	+	+	-	+	+	+	+	+	6/7
Y.V. Adler, member	+	+	-	+	3/4	A.A. Bocharov, member	+	+	+	+	+	+	+	+	+	7/7
A.A. Timofeev, member	+	+	+	+	4/4	S.I. Miromanov, member	+	+	+	+	+	+	+	+	+	7/7
V.M. Shcherbakova, member	+	+	+	+	4/4	V.M. Shcherbakova, member	+	+	+	+	+	+	+	+	+	7/7
K.V. Zavizenov, member	-	-	-	-	0/4	R.A. Dmitrik, member	+	+	+	+	+	+	+	+	+	7/7
E.R. Villevald, member	+	+	+	-	3/4	A.V. Shevchuk, member	+	+	+	-	+	+	+	+	+	6/7
N.A. Ozhe, member	+	+	+	-	3/4	N.A. Ozhe, member	+	+	+	+	+	+	+	+	+	7/7
T.V. Zobkova, member	-	+	+	+	3/4	Y.V. Petrieva, member	+	+	+	+	+	+	+	+	+	7/7

### The Committee examined the following important agenda items during its meetings, conducted in 2016

#### Adoption of the Company's business plans, covering investment programs and key operating risks

- examination of the Company's consolidated business plan under RAS and IFRS, to be adopted by the Board of Directors (Minutes No.68 dated as of 10.03.2016);
- examination of business plans, covering investment program and key operating risks to be adopted by the Board of Directors (Minutes No.69 dated as of 04.04.2016, No.77 dated as of 20.12.2016);
- examination of quarterly business plan completion reports to be adopted by

the Board of Directors (Minutes No.70 dated as of 25.04.2016, No.71 dated as of 02.06.2016, No.74 dated as of 23.09.2016, No.77 dated as of 20.12.2016);

- examination of reports regarding management of key operating risks to be adopted by the Board of Directors (Minutes No.70 dated as of 25.04.2016, No.75 dated as of 07.10.2016);

#### Enhanced Efficiency and Improved Performance Programs

- examination of progress reports regarding improved financial and economic performance of the Company to be adopted

by the Board of Directors (Minutes No.68 dated as of 10.03.2016, No.71 dated as of 02.06.2016, No.73 dated as of 12.08.2016, No.76 dated as of 19.10.2016);

- examination of the Company's Enhanced Efficiency and Cost Reduction Program to be adopted by the Board of Directors (Minutes No.69 dated as of 04.04.2016)

#### Practical arrangements

- examination and adoption of drafts of the Committee budget (Minutes No.68 dated as of 10.03.2016, No.72 dated as of 25.07.2016, No.78 dated as of 26.12.2016);

- approval of the Deputy Chair and Secretary (Minutes No.72 dated as of 25.07.2016);

- adoption of the Committee's action plan for 2016-2017 (Minutes No.72 dated as of 25.07.2016)

#### Other items

- examination of the Exchange-Traded Bond Program to be adopted by the Board of Directors (Minutes No.78 dated as of 26.12.2016);
- examination of the Non-core Asset Register to be adopted by the Board of Directors (Minutes No.78 dated as of 26.12.2016).

\* In consistency with the Board resolution (Minutes No.179 dated as of 19.11.2015) I.V. Bogacheva and F.A. Terebkov were removed from the Committee to be replaced by B.A. Bekneev and A.A. Timofeev

## T H E R E L I A B I L I T Y C O M M I T T E E

The key role of the Committee is to assist the Board of Directors in evaluating production programs, prevention and traumatism reducing programs and quality of incident investigations, etc.

### Guided by:

- The Regulations on the Board of Directors' Reliability Committee at IDGC of Urals<sup>72</sup>
- The Regulations on the Remunerations and Compensations due to the Board of Directors' Reliability Committee at IDGC of Urals<sup>73</sup>

### Primary Objectives:

- Evaluation of production programs, plans for technical revamp, refurbishment, greenfield construction and facilities maintenance, their analysis in terms of compliance with reliability of operations and technical status of electric networks.
- Evaluation whether follow-up measures from post-incident investigations are in-depth and consistent with the rules for investigation of power sector incidents<sup>74</sup> as well as oversight of their execution.
- Expertise of quality of incident investigations.
- Expertise of Company's incident-prevention activities (emergency preparedness, arrangement of recovery works on grid facilities).

- Expertise of programs focusing on mitigation and prevention of injury risks among personnel and outsiders as well as in oversight of their execution.
- Oversight and evaluation of activities of Company's engineering teams in terms of operation reliability and safety.
- Expertise of Company's internal technical control system.
- Expertise of Company's labor protection management system.
- Expertise of ecology policy program.
- Expertise of fire and industrial safety systems.

In July 2016 the composition of the Committee expanded from 7 to 9 members and underwent significant reshuffling: six (out of nine) members have never ever served on the Committee. Despite this, the Committee has managed to smooth succession of oversight and evaluation of technical teams, expertise of internal control systems. In 2016 the Committee conducted 6 meetings: 5 in-absentia meetings and 1 in-presentia meeting (videoconference).

### Compositions of the Committee and members' attendance

Composition No. 1* (03.08.2015-01.07.2016)	Minutes, No.		Total	Composition No. 2* (01.07.2016-present day)	Minutes, No.				Total
	39	40			41	42	43	44	
F.G. Shaydullin, the chair	+	+	2/2	V.L. Pelymsky, the chair	+	+	+	+	4/4
Y.V. Lebedev, member	+	-	1/2	F.G. Shaydullin, member	+	+	+	+	4/4
V.A. Bolotin, member	-	+	1/2	A.A. Nasonov, member	+	+	+	+	4/4
Y.V. Dobakhyants, member	+	+	2/2	V.A. Loktin, member	+	+	+	+	4/4
A.A. Nasonov, member	+	+	2/2	V.M. Shcherbakova, member	+	+	+	+	4/4
A.V. Korotenko, member	+	+	2/2	D.V. Vyalkov, member	+	+	+	+	4/4
E.R. Villevald, member	+	+	2/2	I.G. Polovnev, member	+	+	+	+	4/4
				R.A. Dmitrik, member	+	+	+	+	4/4
				S.A. Shabalin, member	+	+	+	+	4/4

### The Committee examined the following important agenda items during its meetings, conducted in 2016

#### Prevention of industrial traumatism and labor protection

- examination of progress reports regarding prevention of industrial traumatism and labor protection (Minutes No.39 dated as of 01.04.2016, No.40 dated as of 06.06.2016).

#### Evaluation of equipment health and reliability

- examination of the report regarding equipment health recorded by the PAMS (Minutes No.39 dated as of 01.04.2016, No.40 dated as of 06.06.2016);

- examination of the report regarding efficiency of the internal technical control system (Minutes No.40 dated as of 06.06.2016);
- examination of the progress report regarding Company's enhanced reliability programs (Minutes No.43 dated as of 03.11.2016).

#### Evaluation of preparedness for operations during special periods

- examination of the evaluation report regarding Company's efficiency in maintenance and repair works, technical revamp and reconstruction (Minutes No.39 dated as of 01.04.2016);

- examination of progress reports regarding bygone autumn-winter operations and preparedness for future autumn-winter operations (Minutes No.40 dated as of 06.06.2016, No.43 dated as of 05.10.2016, No.44 dated as of 19.12.2016);
- examination of the progress report regarding repair program and preparation to it (Minutes No.40 dated as of 06.06.2016, No.44 dated as of 19.12.2016);
- examination of the progress report regarding 2016 thunderstorm and fire season preparation (Minutes No.40 dated as of 06.06.2016).

#### Practical arrangements

- examination and adoption of drafts of the Committee budget (Minutes No.39 dated as of 01.04.2016, No.42 dated as of 18.08.2016);
- approval of the Deputy Chair and Secretary (Minutes No.42 dated as of 18.08.2016);
- adoption of the Committee's action plan for 2016-2017 (Minutes No.42 dated as of 18.08.2016).

\* Post-reporting events: in consistency with the Board resolution (Minutes No.218 dated as of 03.03.2017) Y.V. Lebedev was replaced by V.A. Loktin.

## THE TECHNOLOGICAL CONNECTION COMMITTEE

The Committee was established by the Board of Directors to examine items related to generation of proposals improving antimonopoly laws, fostering non-discriminatory access to connection services, updating Company's bylaws and standards stipulating non-discriminatory access to connection services as well as to evaluate Company's efficiency in connection of customers to the networks.

### Guided by:

- The Regulations on the Board of Directors' Technological Connection Committee at IDGC of Urals<sup>75</sup>
- The Regulations on the Remunerations and Compensations due to the Board of Directors' Technological Connection Committee at IDGC of Urals<sup>76</sup>

### Primary Objectives:

- Generation of proposals to improve legislation with regard to antimonopoly regulation and provision of non-discriminatory access of consumers to connection services.
- Generation of proposals to improve Company's bylaws and standards with regard to provision of non-discriminatory access of consumers to connection services.

- Preparation of principles and criteria for evaluation of Company's connection efficiency.
- Evaluation of Company's connection efficiency.
- Analysis of current situation and generation of proposals for the Board of Directors in terms of connection to electric networks.

In July 2016 the composition of the Committee expanded from 6 to 10 members and underwent a significant re-shuffling: 7 out of 10 members have never ever served on the Committee. Despite this, the Committee has managed to smooth succession of oversight and evaluation of the Company's connection performance. In 2016 the Committee conducted 5 meetings: 2 in-absentia meetings and 3 in-presentia meetings (videoconferences).

### Compositions of the Committee and members' attendance

Composition No. 1 (03.08.2015-01.07.2016)	Minutes, No.		Total	Composition No. 2 (01.07.2016-present day)	Minutes, No.			Total
	24	25			26	27	28	
N.A. Ozhe, the chair	+	+	2/2	N.A. Ozhe, the chair	+	+	+	3/3
Y.T. Belozertsev, member	+	-	1/2	D.V. Vyalkov, member	+	+	+	3/3
A.V. Mazikov, member	+	+	2/2	E.A. Smyk, member	+	+	+	3/3
D.D. Mikheev, member	-	+	1/2	A.L. Mikhailov, member	+	+	+	3/3
I.B. Masaleva, member	+	+	2/2	D.A. Ukrainsky, member	+	+	+	3/3
V.A. Davydkin, member	+	+	2/2	I.G. Polovnev, member	+	+	+	3/3
				N.S. Lobova, member	+	+	+	3/3
				I.B. Masaleva, member	+	+	+	3/3
				A.Y. Korneev, member	+	+	+	3/3
				V.A. Davydkin, member	+	+	+	3/3

### The Committee examined the following important agenda items during its meetings, conducted in 2016

#### Evaluation of connection services

- examination of progress reports regarding connection of consumers to the networks (Minutes No.25 dated as of 02.06.2016, No.26 dated as of

22.07.2016, No.27 dated as of 25.08.2016, No.28 dated as of 21.12.2016)

#### Practical arrangements

- examination and adoption of drafts of the Committee budget (Minutes No.24 dated as of 25.03.2016, No.26 dated as of 22.07.2016);

- approval of the Deputy Chair and Secretary (Minutes No.26 dated as of 22.07.2016);
- adoption of the Committee's action plan for 2016-2017 (Minutes No.26 dated as of 22.07.2016).

## GENERAL DIRECTOR AND EXECUTIVE BOARD

Collegiate executive body (CEB) or Executive Board operates under the charter and bylaw, adopted by the General Meeting (Regulations on the Executive Board). The Regulations stipulate terms and procedure for convention and conduct of meetings as well as mechanics of decision-taking. The Executive Board manages current operations of the Company and reports to the Board of Directors and General Meeting. The Board is a group of competent specialists with outstanding expertise in relevant spheres, able to fulfill their duties in a due manner to manage the Company. The Company's General Director is the Chair of the Executive Board in line with clause 2 Article 70 of the Federal Joint-Stock Companies' Law and clause 23.3 of the Company's Charter. The purview of the General Director covers all issues of the day-to-day operations of the Company, minus issues referred to the competence of the General Meeting of Stockholders, Board of Directors and Executive Board

The charter envisages that the membership of the Executive Board is approved by the Board of Directors.