

The following directors* served on the Executive Board during 2016:**Sergey Georgievich DREGVAL**

Born in 1971.

General Director. Educational background: Kiev International Civil Aviation University, Tyumen State Oil&Gas University (graduate degrees).

Share in the charter capital/Common stock owned — 0.

No security transactions statements during 2016 were filed with the Company.

Yury Vyacheslavovich LEBEDEV

Born in 1963.

First Deputy General Director – Chief Operating Officer. Educational background: Ivanovo Energy Institute (graduate degree).

Share in the charter capital/Common stock owned — 0.

No security transactions statements during 2016 were filed with the Company.

Valentina Mikhailovna SHCHERBAKOVA

Born in 1966.

Deputy General Director for Economics and Finance. Educational background: Novosibirsk State University (graduate degree).

Share in the charter capital/Common stock owned — 0.

No security transactions statements during 2016 were filed with the Company.

Alla Aleksandrovna PETROVA

Born in 1976.

Deputy General Director for Corporate Governance. Educational background: Altay State University (graduate degree).

Share in the charter capital/Common stock owned — 0.

No security transactions statements during 2016 were filed with the Company.

Aleksandr Mikhailovich KRIVYAKOV

Born in 1952.

Deputy General Director for Security. Educational background: Kirov's Urals Polytechnic Institute (graduate degree).

Share in the charter capital/Common stock owned — 0.

No security transactions statements during 2016 were filed with the Company.

Olga Mikhailovna ABROSIMOVA

Born in 1953.

Chief Accountant. Educational background: Urals State Technical University (graduate degree).

Share in the charter capital/Common stock owned — 0,000947%.

No security transactions statements during 2016 were filed with the Company.

The Executive Board examines items during its meetings in a scheduled manner, factoring resolutions of the General Meeting of Stockholders and Board of Directors as well as items proposed by the General Director and Executive Board members. During the reported period the Executive Board conducted 37 meetings. The Board focused on specification of current plans and decisions to secure target achievement. Besides, the Executive Board regularly examined budget completion reports, progress reports with regard to implementation of risk management program. The Executive Board also worked strenuously on materials and items to be approved by the Board of Directors, going deep into the issues to ensure high quality of the decisions.

REMUERATION AND COMPENSATION POLICY

CALCULATION OF REMUNERATIONS DUE TO THE BOARD OF DIRECTORS

The Annual General Meeting of Stockholders, conducted 18.06.2015, adopted Amended and Restated Regulations of Remunerations and Compensations due to the Board of Directors at IDGC of Urals (OAO) . In compliance with the Regulations remunerations comprise a lump sum payment for participation in the Board activities and additional payment from the net profit if Company's market value increases during the Board's tenure.

The exact amount of remunerations due to each Board member for the service shall be calculated, factoring the total number of Board meetings conducted during the previous corporate year and number of attended meetings. The basic amount of remunerations (Rbase) shall be set upon the annual RAS revenues of the Company. The following increments shall be 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. Increments for the Chair and/or membership in a Board Committee shall not be paid in case there were less than three Board meetings during the corporate year. Overall remunerations and increments shall not exceed Rbase. Remunerations shall not be paid to a Board member, if such member missed more than 50% of Board meetings (conducted during his service).

Additional remunerations, due to each Board member, for the increased market value of the Company shall total 0.0175 per cent of increased market value of the Company (IMC), calculated for a period between his/her election and election of a new Board. IMC remunerations shall be paid only if average monthly traded value of the Company's common shares during the Board's tenure totals at least

* The directors consented disclosure of personal data in the report in a manner, consistent with laws of the Russian Federation.

RUR 1.5 mn. Overall remunerations, paid to the Board members, shall not exceed 5% of RAS annual net profit. Remunerations shall be paid within 60 days since the annual general meeting. Remunerations shall not be charged and paid to the Board Chairperson and members, subject to legal restrictions or prohibition of any allowances from businesses.

Meeting-related expenses of a Board member shall be reimbursed in compliance with Company's trip reimbursement rates existing at the moment when a meeting was conducted. Compensations shall be paid within three business days since the filing of documents certifying incurred costs.

CALCULATION OF REMUNERATIONS DUE TO THE EXECUTIVE BOARD AND GENERAL DIRECTORS

The system of Key Performance Indicators (KPI system) was established by the Board of Directors on 31.03.2016⁷⁷. The KPI composition and calculation methodology were revised twice during the reported period by the Board of Directors on 29.04.2016 and 28.12.2016^{78,79} in the pursuance of the Government Directive⁸⁰ regarding a range of KPIs ("Total Shareholder Return", "Return on Invested Capital", "Reduction of per-unit opex" and "Efficiency of innovative activities"). The list of key performance indicators and targets, set for 2016 by the above-mentioned Board of Directors' resolutions, are presented in the table.

At the time of report preparation, the Board of Directors has not approved real KPI values, with due regard to the timeline of the reports used for their calculation. The FY2016 values cannot be compared with the previous periods due to the revised methods used for setting targets and calculating real KPIs. The KPI system enforced by the Company is coupled with variable remuneration of the management: each indicator has its own weight, quarterly and annual remunerations are to be paid as long as the relevant KPIs are completed.

Quarterly Indicators

The list of KPIs	FY2016 targets
Bulk power supply failure plateauing	plateauing
Plateauing of casualties	plateauing
Solvency and liquidity	E/D \geq 0.67 and MCLR \geq 1

Annual Indicators

The list of KPIs	FY2016 targets
TSR	> 44,29 + 0,01
ROIC	\geq target, calculated in line with Company's forecasts set by the business plan prepared under International Financial Reporting Standards (IFRS)
Reduction of per-unit opex	\geq 10%
Energy losses	\leq 7.98
Service reliability	\leq 1
Reduction of per-unit investment costs	\leq 1
Compliance with the facility launch schedule	\geq 95%
Compliance with connection terms	\leq 1.1
Labor efficiency	\geq 1,072 RUB/burden-hour
Purchases from small- and medium-size businesses	\geq 10% for purchases only from small- and medium-size businesses and \geq 18% for purchases from small- and medium-size businesses (including contracts stipulating sub-contracting small- and medium-size businesses)
Efficiency of innovative activities	\geq 90%

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

Type of remunerations	Board of Directors	Executive Board
Service remunerations	11,316.086	0
Salary	0	54,566.05
Bonuses	0	40,203.522
Commission fees	0	
Other types	0	
TOTAL	11,316.086	94,769.572

The table represents remunerations of the Board of Directors paid to all directors serving on the Board during the reported period. No compensations were paid to the Board of Directors and Executive Board.