

## ITEM № 10

# ON APPROVAL OF THE REGULATION ON THE PAYMENT OF REMUNERATION AND COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS OF IDGC OF CENTRE, PJSC IN A NEW EDITION

**ITEM № 10 «ON APPROVAL OF THE REGULATION ON THE PAYMENT OF REMUNERATION AND COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS OF IDGC OF CENTRE, PJSC IN A NEW EDITION»**

**Explanatory information on the item**

In accordance with Federal Law dated 26.12.1995 № 208-FZ "On Joint-Stock Companies", approval of internal documents governing the activities of the company's management bodies is within the competence of the General Meeting of Shareholders of the company.

The need to approve the new edition of the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC is due to the need to bring the system of motivation (remuneration) of members of the Board of Directors of the Company in accordance with the scope of the functions performed by the members of the Board of Directors, the level of risks taken by them, and the scale of the Company's activities.

**MAIN CHANGES AND ADDITIONS refer to:**

- introduction of quarterly remuneration;
- increase in the amount of the base annual remuneration depending on the Company's revenue based on the results of the last completed reporting year preceding the election of the Board of Directors;
- abolishing remuneration in the event of an increase in the Company's market capitalization during the period of operation of the Board of Directors;
- clarification of the source of remuneration.

The new version of the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC is initiated by the Board of Directors of the Company.

The draft of the new edition of the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC was preliminarily considered by the Personnel and Remuneration Committee on 30.04.2019 (Minutes No. 06/19) and the Board of Directors on 06.05.2019 (Minutes No. 17/19) and recommended for approval by the Annual General Meeting of Shareholders of the Company.

The current edition of the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC, the draft of the new edition of the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC, as well as the summary table of amendments to the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC, are attached.

**ITEM № 10 «ON APPROVAL OF THE REGULATION ON THE PAYMENT OF REMUNERATION AND COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS OF IDGC OF CENTRE, PJSC IN A NEW EDITION»**

**Draft resolution on item № 10**

1. To approve the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC in a new edition.
2. To apply the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC in a new edition to members of the Company's Board of Directors elected at this and subsequent General Meetings of Shareholders of the Company.

**ITEM № 10 «ON APPROVAL OF THE REGULATION ON THE PAYMENT OF REMUNERATION AND COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS OF IDGC OF CENTRE, PJSC IN A NEW EDITION»**

**Draft of the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC in a new edition**

SEE APPENDIX 11

**ITEM № 10 «ON APPROVAL OF THE REGULATION ON THE PAYMENT OF REMUNERATION AND COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS OF IDGC OF CENTRE, PJSC IN A NEW EDITION»**

**The Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC in the current edition**

SEE APPENDIX 12

## ITEM № 10 «ON APPROVAL OF THE REGULATION ON THE PAYMENT OF REMUNERATION AND COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS OF IDGC OF CENTRE, PJSC IN A NEW EDITION»

### Summary table of amendments to the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC

Item #	# of article (paragraph, subparagraph) of the current edition of the Regulation on the payment of remuneration and compensation to members of the Board of Directors of the Company	Edition of proposed amendments and additions to the Regulation on the payment of remuneration and compensation to members of the Board of Directors of the Company	Comments
1	Clause 1 of the Regulation: This Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC (hereinafter - the Regulation) is developed according to the Federal law «About joint stock companies» and establishes sizes and an order of payment of remuneration and compensation to the Board of Directors of IDGC of Centre, PJSC (hereinafter – the Company).	It is proposed to start numbering paragraphs of the Regulation with the first clause: <b>1. This Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC (hereinafter - the Regulation) is developed according to the Federal law «About joint stock companies» and establishes sizes and an order of payment of remuneration and compensation to the Board of Directors of IDGC of Centre, PJSC (hereinafter – the Company).</b> The numbering of paragraphs 1-5 is changed to 2-6 respectively.	Editorial editing.
2	Paragraph 4.1. of the Regulation: 4.1. Payment of compensations to members of the Board of Directors of the Company is produced <b>following the results of work from the moment of election of the candidate in the Board of Directors of the Company till the moment of election of a board of directors of the Company with new members.</b> <b>Compensation in the form of a lump sum payment in Russian rubles is paid to members of the Board of Directors of the Company.</b>	It is proposed to read in the following edition: <b>5.1. Payment of remuneration to a member of the Board of Directors of the Company is produced for the period from the date of election of a candidate to the Board of Directors of the Company to the date of termination of the powers of the member of the Board of Directors of the Company.</b>	The modifications were made due to changes in the approach to the regularity of remuneration payments: instead of a one-time remuneration based on the results of the corporate year, the remuneration is paid quarterly.
3	The paragraph is not in the current edition of the Regulation.	It is proposed to read in the following edition: <b>5.2. Remuneration to each member of the Board of Directors is paid quarterly.</b>	The modifications were made due to changes in the approach to the regularity of remuneration payments: instead of a one-time remuneration based on the results of the corporate year, the remuneration is paid quarterly.
4	<b>Paragraph 4.2. of the Regulation:</b> <b>4.2. Rate of remuneration for participation in the board of directors of the Company of each member of the board of directors of the Company is calculated accounting of total quantity of sessions of the board of directors of the Company for the last corporate year and quantities of sessions in which each member of the board of directors took part, under the formula:</b> $S(1) = \frac{R_{base} \times 100 / 130}{m} (n), \text{ where}$ S (1) – rate of remuneration for participation in the Company's board of directors; Rbase – <b>the base unit</b> of compensation determined in an order, established in <b>item 4.3.</b> of this regulation. n – quantity of sessions of the board of directors (irrespective of the form of their carrying out) in which each member of the board of directors <b>during the period between annual shareholders general meetings</b> took part; m – total quantity of sessions of the board of directors (irrespective of the form of their carrying out) <b>during the period between annual shareholders general meetings.</b>	It is proposed to change and read in the following edition: <b>5.3. Rate of quarterly remuneration for participation in the board of directors of the Company of each member of the board of directors of the Company is calculated accounting of total quantity of sessions of the board of directors of the Company for the reporting quarter and quantities of sessions in which each member of the board of directors took part, under the formula:</b> $S(1) = \frac{R_{base} / 4 \times 100 / 130}{m} (n), \text{ where}$ S (1) – rate of <b>quarterly</b> remuneration for participation in the Company's board of directors; Rbase – <b>the base unit of yearly</b> remuneration determined in an order, established in <b>item 5.4.</b> of this Regulation. n – quantity of sessions of the board of directors (irrespective of the form of their carrying out) in which each member of the board of directors took part <b>in the reporting quarter</b> ; m – total quantity of sessions of the board of directors (irrespective of the form of their carrying out) <b>in the reporting quarter.</b>	The modifications were made due to changes in the approach to the regularity of remuneration payments: instead of a one-time remuneration based on the results of the corporate year, the remuneration is paid quarterly.



## ITEM № 10 «ON APPROVAL OF THE REGULATION ON THE PAYMENT OF REMUNERATION AND COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS OF IDGC OF CENTRE, PJSC IN A NEW EDITION»

### Summary table of amendments to the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC

Item #	# of article (paragraph, subparagraph) of the current edition of the Regulation on the payment of remuneration and compensation to members of the Board of Directors of the Company	Edition of proposed amendments and additions to the Regulation on the payment of remuneration and compensation to members of the Board of Directors of the Company	Comments																														
5	Paragraph 4.3. of the Regulation: 4.3. The size of a base unit of compensation (Rbase) is established proceeding from the revenue of the Company calculated under RAS for fiscal year, and constitutes: <table><tr><th>Size of revenue</th><th>Rbase</th></tr><tr><td>Over 200 billion RUB</td><td>1 000 000 RUB</td></tr><tr><td>Over 30 billion RUB</td><td>900 000 RUB</td></tr><tr><td>Over 10 billion RUB</td><td>800 000 RUB</td></tr><tr><td>Over 1 billion RUB</td><td>700 000 RUB</td></tr><tr><td>Over 600 million RUB</td><td>600 000 RUB</td></tr><tr><td>Less than 600 million RUB</td><td>500 000 RUB</td></tr></table>	Size of revenue	Rbase	Over 200 billion RUB	1 000 000 RUB	Over 30 billion RUB	900 000 RUB	Over 10 billion RUB	800 000 RUB	Over 1 billion RUB	700 000 RUB	Over 600 million RUB	600 000 RUB	Less than 600 million RUB	500 000 RUB	It is proposed to change and read in the following edition: <b>5.4.</b> The size of a <b>base unit of yearly</b> remuneration (Rbase) is established proceeding from the revenue of the Company calculated under <b>Russian accounting standards for the last completed reporting year preceding the election of the Company's Board of Directors</b> , and constitutes: <table><tr><th>Size of revenue</th><th>Rbase</th></tr><tr><td>Over 200 billion RUB</td><td>3 000 000 RUB</td></tr><tr><td><b>Over 70 billion RUB</b></td><td><b>2 700 000 RUB</b></td></tr><tr><td>Over 30 billion RUB</td><td><b>2 200 000 RUB</b></td></tr><tr><td>Over 10 billion RUB</td><td><b>1 600 000 RUB</b></td></tr><tr><td>Over 1 billion RUB</td><td><b>1 000 000 RUB</b></td></tr><tr><td>Over 600 million RUB</td><td><b>800 000 RUB</b></td></tr><tr><td>Less than 600 million RUB</td><td><b>600 000 RUB</b></td></tr></table>	Size of revenue	Rbase	Over 200 billion RUB	3 000 000 RUB	<b>Over 70 billion RUB</b>	<b>2 700 000 RUB</b>	Over 30 billion RUB	<b>2 200 000 RUB</b>	Over 10 billion RUB	<b>1 600 000 RUB</b>	Over 1 billion RUB	<b>1 000 000 RUB</b>	Over 600 million RUB	<b>800 000 RUB</b>	Less than 600 million RUB	<b>600 000 RUB</b>	The system of motivation (remuneration) of members of the Board of Directors of the Company is brought into line with the volume of functions performed by members of the Board of Directors, the level of risks taken by them, and the scale of the Company's activities.
	Size of revenue	Rbase																															
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6	Paragraph 4.4. of the Regulation: <b>4.4.</b> The compensation specified in point 4.2 of this regulation, is paid within <b>60 days after carrying out of annual shareholders general meeting of the Company</b> .	It is proposed to change and read in the following edition: <b>5.5.</b> The remuneration specified in point 5.3 of this Regulation, is paid within <b>30 (Thirty) calendar days after the end of the reporting quarter</b> .																															
	7	<b>Paragraph 4.5. of the Regulation:</b> <b>4.5.</b> In addition to the compensation specified in point 4.2 of this regulation, the following allowances are established: <b>4.5.1.</b> - 30% from S (1) - to the Chairman of the board of directors of the Company; <b>4.5.2.</b> - 20% from S (1) - to the Chairman of a specialized committee of the Company's board of directors; <b>4.5.3.</b> - 10% from S (1) - for membership in a specialized committee of the Company's board of directors. Allowances are not paid for presidency and-or membership in a specialized committee, <b>if for corporate year less than three sessions of a committee of the board of directors have been conducted</b> . With a view of this Regulation for determination of rates of remuneration and compensation to the Board of Directors <b>a corporate year</b> is understood as <b>the period</b> , from the moment of election of a personal membership of Board of directors at annual Shareholders general meeting of the Company and till the moment of carrying out of the subsequent annual Shareholders general meeting of the Company.	It is proposed to change and read in the following edition: <b>5.6.</b> In addition to the remuneration specified in point 5.3. of this Regulation, the following allowances are established: 30% from S(1) - to the Chairman of the Board of Directors of the Company; 20% from S(1) - to the Chairman of a specialized committee of the Company's Board of Directors; 10% from S(1) - for membership in a specialized committee of the Company's Board of Directors. <b>5.7.</b> Allowances are not paid for presidency and-or membership in a specialized committee, <b>if for the reporting quarter no session of a committee of the Board of Directors has been conducted</b> . <b>5.8.</b> With a view of this Regulation for determination of rates of remuneration and compensation to the Board of Directors <b>a reporting quarter</b> is understood as <b>a regular calendar quarter</b> (from the moment of election of a personal membership of the Board of Directors at the Annual Shareholders General Meeting of the Company and till the moment of carrying out of the subsequent Annual Shareholders General Meeting of the Company).																														

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## Summary table of amendments to the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC

Item #	# of article (paragraph, subparagraph) of the current edition of the Regulation on the payment of remuneration and compensation to members of the Board of Directors of the Company	Edition of proposed amendments and additions to the Regulation on the payment of remuneration and compensation to members of the Board of Directors of the Company	Comments
8	<p><b>Paragraphs 4.6. - 4.7. of the Regulation:</b></p> <p><b>4.6.</b> The general rate of remuneration, specified in point 4.2 of this regulation, taking into account the allowances specified in point 4.5 of this regulation, cannot exceed Rbase.</p> <p><b>4.7.</b> Compensation is not paid, if each member of the board of directors of the Company did not take part in more than 50 % of taken place <b>(from the moment of his or her election till the moment of the termination of powers)</b> sessions.</p>	<p>It is proposed to change and read in the following edition:</p> <p><b>5.9.</b> The general rate of <b>quarterly</b> remuneration, specified in point 5.3. of this Regulation, taking into account the allowances specified in point 5.6. of this Regulation, cannot exceed ¼ of the Rbase.</p> <p><b>5.10.</b> Remuneration is not paid, if each member of the Board of Directors of the Company did not take part in more than 50 % of taken place sessions <b>in the reporting quarter</b>.</p>	The modifications were made due to changes in the approach to the regularity of remuneration payments: instead of a one-time remuneration based on the results of the corporate year, the remuneration is paid quarterly.
9	<p>Paragraphs 4.8. – 4.9. of the Regulation:</p> <p>4.8. In the terms specified in point 4.4 of this regulation, the additional compensation from net profit in case of increase in the size of market capitalisation of the Company during work of Board of directors is paid to members of the Board of Directors.</p> <p>The size of an additional compensation of each member of the board of directors is paid according to point 4.8, constitutes 0,0175 percent from a gain of market value of the Company calculated from the moment of election of each member of the board of directors till the moment of election of a new membership of the Board of directors of the Company.</p> <p>With a view of determination of rate of remuneration the calculation of a gain of market value of the Company is produced as follows: where:</p> $\Delta(PK) = \overline{PK}_t - \overline{PK}_{t-1}$ <p><math>\Delta PK</math> – a gain of market value of the company;  <math>\overline{PK}_t</math> – average chronological market capitalisation of the company for the period (t);  <math>\overline{PK}_{t-1}</math> - average chronological market capitalisation of the company for the period (t-1);</p>	It is proposed to exclude.	Remuneration of members of the Board of Directors for an increase in the Company's market capitalization is excluded due to an increase in the basic amount of annual remuneration. The system of motivation (remuneration) of members of the Board of Directors of the Company is brought into line with the volume of functions performed by members of the Board of Directors, the level of risks taken by them, and the scale of the Company's activities.



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	<p>Average chronological market capitalisation of the Company is calculated under the following formula:</p> $\overline{PK} = \frac{\sum P_{iMMB}}{n} \times Q$ <p>where:</p> <p><math>P_{iMMB}</math> – weighted average price of stocks of the Company on i-th trading day of the corresponding period on the Moscow Interbank Stock Exchange;</p> <p>n – quantity of trading days in which transactions under Company stocks were made, from a date started to an expiry date of the corresponding period (t) or (t-1).</p> <p>Q – uniform for <math>\overline{PK}_t</math> and <math>\overline{PK}_{t-1}</math> size equal to quantity of the issued common stocks of the Company for the first date of the period (t-1).</p> <p>Determination order in formulas of the periods (t) and (t-1):</p> <p>period (t) is determined as the period consisting of 30 working days, is the date following date of the termination of powers of each member of the board of directors;</p> <p>period (t-1) is determined as the period consisting of 30 working days, the last day of which is the date prior to election of each member of the board of directors, and in the first day – the date counted (30 working days) in a return chronological order.</p> <p>If for the first day of the period (t-1) specified when due hereunder 6 months from the moment of the admission of stocks to trading on the Moscow Interbank Stock Exchange have not expired, the period (t-1) is determined as the period consisting of 30 working days, the first day of which is the date following the expiration of the specified six-months' period.</p> <p>The calculated size of a gain of market value of the Company under the formula (3) is necessary for correcting on the growth of the share market characterised by indexes of an exchange of the Moscow Interbank Stock Exchange under the following formula:</p> $T_{\text{index}} = \left( \frac{\overline{I}_{MMB,t}}{\overline{I}_{MMB,t-1}} \right)$		

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	<p>where:</p> <p><math>I_{MMBE_t}</math> - average chronological index of the Moscow Interbank Stock Exchange for the period (t).</p> <p><math>I_{MMBE_{t-1}}</math> - average chronological index of the Moscow Interbank Stock Exchange for the period t-1).</p> <p>The average chronological index is calculated under the following formula:</p> $I = \frac{\frac{I_1}{2} + I_2 + I_3 \dots + \frac{I_n}{2}}{n - 1}$ <p>where:</p> <p><math>I_1</math> – value of an index on 1st trading day of the corresponding period;</p> <p><math>I_n</math> – value of an index on last trading day of the corresponding period;</p> <p><math>n</math> – quantity of trading days from a start date to an expiry date of the corresponding period.</p> <p>The summary formula of calculation of base for determination of compensation of each member of the board of directors looks like:</p> $\Delta(JPC) = \frac{\Delta(PK) \times \left( \frac{PK_t}{PK_{t-1}} - (T_{PMKEX} - d_{QCOMP}) \right)}{\left( \frac{PK_t}{PK_{t-1}} - 1 \right)}$ <p>where:</p> <p>dcomp. – a share of the estimated Company in rate of increase of the share market which is calculated as:</p> $d_{QCOMP} = \left( \frac{Q_{QCOMP}}{Q_{MMBE}} \right) \times \left( \frac{PK_t}{PK_{t-1}} - T_{PMKEX} \right)$ <p>where:</p> <p>QCOMP – total volume of the Company's stocks trading on the Moscow Interbank Stock Exchange for the periods (t) and (t-1), (in RUB);</p> <p>QMICEX - total volume of trading on the Moscow Interbank Stock Exchange for the periods (t) and (t-1), (in RUB);</p>		

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	<p>If the company has issued, besides ordinary, preferred stocks at determination of rate of remuneration according to item 4.8 common stocks are considered only.</p> <p>Payment of compensation for a gain of market value of the Company is produced only in the event that the monthly average volume of transactions concluded with common stocks of the Company during a term of appointment of the remunerated membership of the Board of directors at the stock exchange constitutes not less than 1,5 million RUB;</p> <p>4.9. Total rate of remuneration of members of the Board of Directors of the company, paid according to point 4.8, cannot exceed 5% from net profit under RAS, received following the results of a fiscal year.</p> <p>In case total rate of remuneration exceeds 5% from net profit under RAS, rate of remuneration of each member of the board of directors of the company on a gain of market value of the Company is calculated under the formula:</p> $S'(1)_i = 0,05 * \text{Net profit} * \frac{S(1)_i}{B}, \text{ where}$ <p><math>S'(1)_i</math> - the corrected rate of remuneration of i-th each member of the Board of directors for the size of market capitalisation of the Company;  Net profit - the Company's net profit under RAS following the results of a fiscal year;  B - total rate of remuneration to members of the Board of Directors of the Company for participation in the board of directors for the last corporate year calculated according to point 4.8 of this regulation.  <math>S(1)_i</math> – rate of remuneration of i-th each member of the board of directors on a gain of market value of the Company, calculated according to points 4.8 of this regulation.</p>		
10	<p><b>Paragraph 4.10. of the Regulation:</b></p> <p><b>4.10.</b> A member of the board of directors of the Company can refuse receipt of the compensation provided by this regulation <b>completely or in a certain part</b> by direction of a corresponding application addressed to chief executive officer (general director) of the Company.</p>	<p>It is proposed to change and read in the following edition:</p> <p><b>5.11.</b> A member of the Board of Directors of the Company can refuse receipt of the remuneration provided by this Regulation by sending a corresponding application addressed to chief executive officer (general director) of the Company.</p>	<p>The changes are made in order to bring the Regulation into conformity with the Company's corporate practice.</p>

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11	<p><b>Paragraph 5 of the Regulation:</b></p> <p><b>5.</b> Payment of compensations.</p> <p><b>5.1.</b> A member of the Board of directors are compensated the expenses connected with participation in session of the Board of directors, at existing rates at the moment of carrying out of session of compensation of travelling and living expenses, established in the Company.</p> <p><b>5.2.</b> Payment of compensations is produced by the Company within three working days after representation of the documents confirming expenses made.</p>	<p>It is proposed to change and read in the following edition:</p> <p><b>6.</b> Payment of compensations.</p> <p><b>6.1.</b> A member of the Board of Directors is compensated with the expenses connected with participation in <b>sessions</b> of the Board of Directors, <b>a specialized Committee of the Board of Directors, general meetings of shareholders of the Company</b> at existing rates of compensation of travelling and living expenses at the moment of carrying out of the session (meeting), established <b>for top managers of the Company</b>.</p> <p><b>6.2.</b> Payment of compensations is produced by the Company within 3 (Three) working days after representation of the documents confirming expenses made.</p>	The changes are made in order to bring the Regulation into conformity with the Company's corporate practice.
12	The paragraph is not in the current edition of the Regulation.	<p>It is proposed to include paragraph 7 in the following edition:</p> <p><b>7. Remuneration is paid at the expense of profits from unregulated activities.</b></p>	Clarification of the source of remuneration.