

Explanatory Note

to 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»

In order to bring the Regulation on the payment of remuneration and compensation to members of the Board of Directors of IDGC of Centre, PJSC (hereinafter - the Regulation) into compliance with the principles and recommendations of the Corporate Governance Code and the best corporate practice, it is proposed to amend the Regulation as follows.

Item	Main amendments	Justification
1.	The variable part of the remuneration, paid from net profit during the growth of capitalization of the Company shall be excluded.	The presence of the variable part of the remuneration, depending on the capitalization of the Company, is contrary to the recommendations of para. 4.2.1. Part A, para. 236, Part B of the Corporate Governance Code for non-use of short-term motivation of members of the Board of Directors.
2.	The calculation and payment of the remuneration to make on a quarterly basis.	It meets corporate practices of many joint-stock companies, including subsidiaries and affiliates of JSCs with state participation. Among other things, it reduces the impact of inflation on the paid fee, which provides a positive effect on the motivation of members of the Board of Directors, excludes their unequal position with the Company's employees, who receive a monthly salary, which corresponds to the recommendations of the Corporate Code of Conduct in terms of the motivation of members of the Board of Directors. At the same time it should be noted that the recommendations of the Code in respect of the remuneration is not bound by a single set of payment, but only a fixed annual form of the remuneration.
3.	Reduction factor of 1/1.3 to the base rate of the remuneration of members of the Board of Directors to exclude, while maintaining the current rates of additional payments for the performance of duties of Chairman, Chairman and members of a Committee of the Board of Directors (30% for	For participation of a member of the Board of Directors in the work of Committees is his or her additional duty and entails an additional burden and responsibility, and therefore the remuneration for participation in the Committees should reflect the need to properly study questions at the committee level and time costs required to operate in each of the committees with the recommendations of para. 141, para. 151, para.198, para.233, para. 234 Part B of the Corporate Governance Code.

	the performance of duties of Chairman of the Board of Directors. 20% for the chairmanship of a Committee, 10% for the membership of a committee, for each committee, with the limitation of the aggregate size of 1.3 of the remuneration), and limitation of the overall size of payments of 1.5 of the annual base rate of the remuneration.	At the same time, the membership and chairmanship of the committees and the duties of Chairman of the Board of Directors Chairman are different obligations, and therefore it is reasonable to limit the overall size of the remuneration with taking into account the possibility of simultaneous execution by a member of the Board of Directors of the duties of Chairman of the Board of Directors and a member or chairman of one of the Committees.
4.	To set the reduction factor for non-participation in the form of personal attendance in meetings of the Board of Directors held in person, in accordance with the best corporate governance practice and taking into account the recommendations of the Code (the coefficient of 0.5 to the entire remuneration for a quarter).	It makes motivation of personal attendance of members of the Board of Directors at meetings in person, which corresponds to the principles and recommendations of para. 2.7.3. Part A, para. 167, para. 168, Part B of the Corporate Governance Code.
5.	To set that the additional payment for membership in a committee shall not be paid if a member of the Company's Board of Directors has not taken part in more than 50% of the committee's meetings for a quarter.	It complies with the conditions of the Regulation for the payment of the remuneration for participation in the Board of Directors.
6.	To set that the additional payment for chairmanship in a committee shall not be paid if a member of the Company's Board of Directors has not taken part in more than 50% of meetings of at least one committee for a quarter.	It complies with the conditions of the Regulation for the payment of the remuneration for participation in the Board of Directors, stimulates responsibility of Chairman of a Committee for participation in the work of Committees.
7.	To set that the additional payment for chairmanship and (or) membership in a specialized committee shall not be paid if, during the term of the duties of the chairman (member) of a Committee attributable to the corresponding full (incomplete) calendar quarter, at least one meeting of this committee in the form of joint presence was not held.	It stimulates to consider the most important issues of the company's activity in person, which corresponds to the recommendations for the activity of the Board of Directors under para. 2.7.3. Part A, para. 167, para. 168 Part B of the Corporate Governance Code.
8.	To specify the period of payment of the remuneration, establishing that the payment of the remuneration to a member of the Board of Directors of the Company	It ensures compliance with the definition of the remuneration on the basis of the annual fixed rate with the quarterly determination of the remuneration

	is made during the period from the date of the election of the candidate as a member of the Board of Directors of the Company to the date of termination of powers of the member of the Board of Directors of the Company, including in connection with the election of new members of the Board of Directors of the Company, to which the given member the Board of Directors was not re-elected. To specify the concept of a full and incomplete quarter for the purpose of determining remuneration.	and the actual term of membership in the Board of Directors during the corporate year.
9.	To supplement the section of the Regulation on compensation with clarification on the application of travel reimbursement regulations, defining standards at the level set in the Company to employees who are top managers of the Company.	It complies with the recommendation of para. 4.1.4. and para. 229 of the Corporate Governance Code.