

Key performance indicators¹

The system of key performance indicators (“KPI”) for RusHydro’s management team is based on national statutory requirements² and is designed to improve the Company’s performance and achieve the goals set by its shareholders. Since 2017, the management KPI system includes annual KPI of the Management Board and KPI under RusHydro’s Long-Term Incentive Plan (“LTIP”).

In 2016, based on recommendations of an independent advisor³, the Company developed a list of annual KPI for RusHydro’s Management Board along with relevant calculation and evaluation methodologies, while also coming up with KPI for the Long-Term Incentive Plan, both of

which are aimed at motivating the Company’s management to achieve strategic goals and thus aligning the interests of the Company’s management and shareholders. In 2019, the independent advisor updated the list of the LTIP KPI by introducing “Earnings per share (EPS), RUB/share” as a KPI with a 15% weight. The Management

Board’s KPI and the Company’s LTIP KPI are calculated and evaluated using the calculation and evaluation methodology (approved by the Board of Directors) for the Management Board’s KPI⁴ and the calculation and evaluation methodology for the KPI of RusHydro’s Long-Term Incentive Plan⁵.

KPI of the Long-Term Incentive Plan

There are four KPI covering the first, second and third cycles of RusHydro’s LTIP: three financial indicators (including total shareholder return (TSR) as a

mandatory indicator required by the Federal Agency for State Property Management) and an integrated innovative KPI⁵.

The achievement of target KPI for the Long-Term Incentive Plan is assessed upon expiry of the respective period.

¹ In the Key Performance Indicators section, a special methodology is used to calculate KPIs, hence, the values of indicators with the same name may differ in other sections of the report. The methodology for calculating the KPI of the Long-Term Development Program is disclosed in Appendix No. 9.

² Clause 4 of the List of the Russian President’s Instructions No. Pr-1474 of July 5, 2013, Instruction of the Russian Government No. ISH-P13-2043 of March 27, 2014, and Directives of the Russian Government No. 2579p-P13 of April 25, 2014 and No. 7558p-P13 of November 12, 2014 in accordance with the Methodological Guidelines of the Federal Agency for State Property Management.

³ Recommendations of the independent advisor (Ernst & Young (CIS) B.V.) on the methodology for the Management Board’s remuneration system were approved by the Board of Directors (Minutes No. 241 of September 23, 2016).

⁴ Minutes No. 245 of December 26, 2016 as amended by resolutions of the Board of Directors (Minutes No. 251 of April 18, 2017, No. 269 of April 25, 2018, and No. 296 of September 25, 2019).

⁵ Minutes No. 264 of December 28, 2017 as amended by resolutions of the Board of Directors (Minutes No. 283 of February 21, 2019).

⁶ Approved by resolution of the Interagency Working Group for Implementing the Innovative Development Priorities of the Presidium of the Russian President’s Council for Modernization of the Economy and Innovative Development of Russia (Minutes No. AD-P36-247pr of December 17, 2015). The integrated innovative KPI is listed among KPI in compliance with Directives of the Russian Government No. 1427p-P13 of March 3, 2016 and Resolution of the Board of Directors (Minutes No. 242 of October 10, 2016).

Target KPI for the first LTIP cycle in 2017-2019¹

KPI	Target	Actual	Target KPI achievement	Weight, %	KPI achievement in 2019, %
Total shareholder return (TSR), %	100	0	Not achieved	15	0
Integrated innovative KPI, %	85	95	Achieved	25	100
Free cash flow (FCF), RUB mn	-138,601	-69,093	Achieved	45	100
Earnings per share (EPS), RUB/share	0.85	0.95	Achieved	15	100

Target KPI of the Long-Term Incentive Plan

KPI	Target	
	second LTIP cycle in 2018-2020 ²	third LTIP cycle in 2019-2021 ³
Total shareholder return (TSR), %	100	100
Integrated innovative KPI, %	85	85
Free cash flow (FCF), RUB mn	-117,064	-57,454
Earnings per share (EPS), RUB/share	0.84	0.80

KPI of the Long-Term Development Program

RusHydro's Long-Term Development Program consists of KPI established for 2018-2022.

The target KPI were calculated in accordance with RusHydro

Group's draft Consolidated Business Plan for 2018-2022 (including the Consolidated Investment Program) and subject to the initiatives stipulated in the Group's programs.

The list of KPI for RusHydro's Long-Term Development Program for 2018-2022 includes the list of annual KPI of the Management Board and the list of LTIP KPI.

¹ Approved by resolutions of the Board of Directors dated December 23, 2016 (Minutes No. 245 of December 26, 2016) and June 21, 2017 (Minutes No. 254 of June 22, 2017) as amended on December 25, 2018 (Minutes No. 282 of December 12, 2018) and on February 19, 2019 (Minutes No. 283 of February 21, 2019).

² Pursuant to resolutions of the Board of Directors No. 301 of December 26, 2019 amending target performance indicators for the second cycle of RusHydro's Long-Term Incentive Plan for 2018-2020.

³ Pursuant to resolutions of the Board of Directors No. 301 of December 26, 2019 amending target performance indicators for the third cycle of RusHydro's Long-Term Incentive Plan for 2019-2021.

Target and actual KPI of the Long-Term Development Program¹

KPI	2019			2020	2021	2022
	Target	Actual	Achievement	Target		
Total shareholder return (TSR), %	100	0	Not achieved	100	100	100
ROE, %	18.24	23.03	Achieved	16.12	16.70	16.03
EBITDA ² , RUB mn	166,880	171,907	Achieved	193,795	209,894	207,698
Prevention of accidents exceeding the limit number of accidents:	0	0	Achieved	0	0	0
– number of production-related accidents	≤ 5-year average ³	≤ 5-year average ⁴	Achieved	≤ 5-year average	≤ 5-year average	≤ 5-year average
– number of major accidents	0	0	Achieved	0	0	0
Adherence to the capacity commissioning schedule, funding and spending plan, %	85	88	Achieved	85	85	85
Share of procurement from small and medium businesses, %	18	71	Achieved	18	18	18
<i>including procurement from small and medium businesses only, %</i>	15	49		15	15	15
Labor productivity, RUB '000/man-hour	5.62 ⁵	6.42	Achieved	5.31	5.60	5.75
Integrated innovative KPI, %	85	96	Achieved	85	85	85
Decrease in operating expenses (costs), %	2	2.02	Achieved	2	2	2
Free cash flow (FCF), RUB mn	-51,302 ⁶	-36,384	Achieved	25,498	54,277	56,424
Earnings per share (EPS)	0.25	0.31	Achieved	0.27	0.30	0.31

¹ Target performance indicators for the Long-Term Development Program for 2018–2022 were approved as part of RusHydro's LTDP for 2018–2022 (Minutes No. 271 of a meeting held by the Board of Directors dated June 1, 2018, as amended by resolutions of the Board of Directors (Minutes No. 297 of October 21, 2019)). The actual performance indicators for 2019 are calculated using RusHydro's calculation and evaluation methodology for the KPI of RusHydro's Long-Term Development Program approved by the Board of Directors as part of LTDP for 2018–2022.

² According to the applicable calculation and evaluation methodology for the KPI of RusHydro's Management Board, the EBITDA approved by resolution of the Board of Directors shall be calculated on the basis of RusHydro Group's audited consolidated financial statements under the IFRS using the following formula: EBITDA = EBT + depreciation and amortization + non-cash expenses – non-cash revenue + interest payable + fuel cost. The EBITDA calculated using this formula is different from that used in RusHydro Group's IFRS financial statements due to different approaches to calculating the indicator. According to Note 6 to the IFRS consolidated financial statements of RusHydro Group, EBITDA is calculated as operating profit/loss net of depreciation and amortization, gain on financial assets at fair value through profit or loss, impairment of fixed assets, impairment of financial assets, gain/loss on disposal of fixed assets and other non-cash operating income and expenses.

³ 17.6.

⁴ 10.

⁵ As per adjusted 2019 KPI for the Management Board approved by resolution of the Board of Directors dated September 20, 2019 (Minutes No. 295 of September 23, 2019). The pre-adjustment value is 5.72.

⁶ As per adjusted consolidated Business Plan of RusHydro Group for 2019 and target KPI of the Long-Term Incentive Plan approved by resolution of the Board of Directors dated September 20, 2019 (Minutes No. 295 of September 23, 2019). The pre-adjustment value is RUB -55,710 mn.

Annual KPI of RusHydro's Management Board in 2019

The annual KPI of RusHydro's Management Board for 2019 consist of five financial and two industry-specific indicators. Financial indicators of the annual KPI for RusHydro's Management Board include a mandatory

indicator required by the Federal Agency for State Property Management – return on equity (ROE). The Company's financial indicators are calculated based on the Group's financial statements prepared under the IFRS.

The target annual KPI of RusHydro's Management Board for 2019 were approved by a resolution of the Board of Directors¹.

Target and actual KPI of RusHydro's Management Board members

KPI	Period	Target	Actual	Target KPI achievement	Weight, %	KPI achievement in 2019, %
EBITDA ² , RUB mn	2018	170,932	181,526	Achieved	15	100
	2019	166,880	171,907	Achieved		
ROE, %	2018	15.86	23.88	Achieved	15	100
	2019	18.24	23.03	Achieved		
Share of procurement from small and medium businesses, % <i>including procurement from small and medium businesses only, %</i>	2018	≥18	76	Achieved	10	100
	2019	≥18	71	Achieved		
	2018	≥15	46	Achieved		
	2019	≥15	49	Achieved		
Prevention of accidents exceeding the limit number of accidents:	2018	0	0	Achieved	20	100
	2019	0	0	Achieved		
— number of production-related accidents	2018	≤ 5-year average ³	9	Achieved		
	2019	≤ 5-year average ⁴	10	Achieved		
— number of major accidents	2018	0	0	Achieved		
	2019	0	0	Achieved		
Adherence to the capacity commissioning schedule, funding and spending plan, %	2018	85	92.8	Achieved	20	100
	2019	85	88	Achieved		
Labor productivity, RUB '000/man-hour	2018	5.30	6.12	Achieved	10	100
	2019	5.62	6.42	Achieved		
Decrease in operating expenses (costs), %	2018	2	2.69	Achieved (subject to factors beyond control of the management team ⁵)	10	100
		2	2.02	Achieved		

¹ Minutes No. 282 of December 27, 2018 as amended by resolutions of the Board of Directors (Minutes No. 295 of September 23, 2019).

² According to the applicable calculation and evaluation methodology for the KPI of RusHydro's Management Board, the EBITDA approved by resolution of the Board of Directors shall be calculated on the basis of RusHydro Group's audited consolidated financial statements under the IFRS using the following formula: EBITDA = EBT + depreciation and amortization + non-cash expenses – non-cash revenue + interest payable + fuel cost.

The EBITDA calculated using this formula is different from that used in RusHydro Group's IFRS financial statements due to different approaches to calculating the indicator. According to Note 6 to the IFRS consolidated financial statements of RusHydro Group, EBITDA is calculated as operating profit/loss net of depreciation and amortization, gain on financial assets at fair value through profit or loss, impairment of fixed assets, impairment of financial assets, gain/loss on disposal of fixed assets and other non-cash operating income and expenses.

³ 22.8.

⁴ 17.6.

⁵ Resolution of the Board of Directors (Minutes No. 286 of April 5, 2019).