

APPROVED BY  
decision of the Board of Directors of RusHydro  
(Minutes No. 281 dated December 27, 2018)

**POLICY  
FOR THE HOLDING OF RUSHYDRO SHARES AND  
SHARES (STAKES) OF ITS CONTROLLED ENTITIES  
BY MEMBERS OF THE BOARD OF DIRECTORS  
AND MEMBERS OF THE MANAGEMENT BOARD**

2018

## Terms and definitions used in this Policy

- The Company's shares - ordinary shares of RusHydro and securities placed in accordance with foreign laws which certify rights to ordinary shares of RusHydro (depository receipts).
- Shares of controlled entities - shares of an entity controlled by the Company, including shares not recognized as such under the legislation of the Russian Federation, but recognized as shares under the legislation of the country of registration (incorporation) of the controlled entity.
- Stakes in controlled entities - stakes in the authorized capital of a controlled entity, including stakes not recognized as such under the legislation of the Russian Federation, but recognized as stakes under the legislation of the country of registration (incorporation) of the controlled entity, as well as equivalents of ownership interests in the authorized capital under the legislation of the country of registration (incorporation) of the controlled entity.
- Close period - a period of time equal to 30 calendar days before the Company's annual report is published.  
According to the rules of the London Stock Exchange, the Company's annual report shall be published online within 4 months after the end of the financial year and before the date of its approval at the annual General Meeting of Shareholders of the Company.
- Control of an organization - the right to directly or indirectly (via controlled persons) dispose of over 50 percent of the votes in the supreme management body of the controlled entity or the right to appoint (elect) the sole executive body and/or more than 50 percent of members to the collective management body of the controlled entity by virtue of participation in the controlled entity and/or under property trust agreements and/or simple partnership agreements and/or commission agreements and/or a shareholders' agreement and/or another agreement for exercising rights certified by the shares (stakes) of the controlled entity.
- Independent Director - a member of the Board of Directors of RusHydro who meets the independence criteria (inter alia, who has been recognized as an independent director by decision of the Company's Board of Directors) established in the Code of Corporate Governance of RusHydro, the Listing Rules of Moscow Exchange, and other external requirements applicable by the Company.
- Company - RusHydro.
- Policy - the Policy for the Holding of RusHydro Shares and Shares (Stakes) of its Controlled Entities by Members of the Board of Directors and Members of the Management Board of RusHydro.

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| Controlled entities  | - in accordance with the terms and definitions used in Federal Law No. 39-FZ dated April 22, 1996 "On the Securities Market".   |
| Financial derivative   | - in accordance with the terms and definitions used in Federal Law No. 39-FZ dated April 22, 1996 "On the Securities Market".   |
| Connected person of a member of the Board of Directors or a member of the Management Board | - (a) a spouse or a partner of a member of the Board of Directors of the Company or a member of the Management Board who is considered to be equivalent to a spouse according to the personal law of the member of the Board of Directors;<br>(b) children of a member of the Board of Directors or a member of the Management Board of the Company, including adopted children, under 18 years of age;<br>(c) a relative of a member of the Board of Directors or a member of the Management Board of the Company who has been living with the latter for at least 1 year as of the date of the respective transaction with the Company's securities specified herein;<br>(d) a legal entity whose management functions are performed by a member of the Board of Directors or by a member of the Management Board of the Company or by a person specified in clauses (a), (b), or (c) or by a person directly or indirectly (via controlled persons) controlled by one of such persons or collectively, or which was incorporated for the benefit of such persons, or whose economic interests are equivalent to a large extent to the economic interests of such persons;<br>(e) parents, adoptive parents, full and half siblings, grandparents, or other persons living together with a member of the Board of Directors or a member of the Management Board and sharing a common household with the latter. |
| Hedging  | - transactions (a set of transactions) with financial derivatives (including different types thereof) executed to mitigate (compensate for) unfavorable consequences for the hedging person (in full or in part) due to the incurrence of loss, income deficiency, decline of revenues, decline of the market value of assets, including property rights (claims), an increase in the obligations of the hedging person as a result of a change in the price, interest rate, foreign exchange rate, including the exchange rate of a foreign currency against the currency of the Russian Federation, or another indicator (set of indicators) of the object (objects) of hedging.  |

## 1. General Provisions

1.1. This Policy is an internal document of the Company which sets out the rules and restrictions of the Company with regard to the holding of the Company's shares<sup>1</sup> and shares and

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<sup>1</sup> Individual provisions of this Policy shall only apply to depository receipts; in this case, a corresponding reference to depository receipts will be given in the text of this Policy

stakes in its controlled entities by the members of the Board of Directors and the members of the Management Board of the Company.

1.2. This Policy has the following aims:

- for the Company to achieve and maintain a high level of corporate governance;
- to ensure that the Company complies with the obligations arising out of the listing of shares and depository receipts;
- to increase the effectiveness and transparency of the Board of Directors of the Company.

1.3. In order to achieve these aims, this Policy accomplishes the following objectives:

- establishing rules and regulations for the holding of the Company's shares and stakes in controlled entities that are understandable and clear to the members of the Board of Directors, the members of the Management Board and third parties;

- establishing notification procedures in connection with transactions with shares;
- establishing procedures for monitoring the implementation of this Policy;
- applying advanced standards and practices of corporate governance.

1.4. The requirements of this Policy shall be binding upon the members of the Board of Directors of the Company and the members of the Management Board of the Company.

Candidates to the membership of the Company's Board of Directors, should they be elected to the Company's Board of Directors, undertake to comply with this Policy and thus assume the obligations set out herein by signing a consent to that effect.

1.5. The rules and restrictions of this Policy shall apply to the persons connected with the members of the Board of Directors of the Company and the members of the Management Board of the Company.

The members of the Board of Directors and the members of the Management Board shall ensure on their own that the requirements of this Policy are fulfilled by persons connected with them.

1.6. This Policy, as well as all amendments hereto, shall be approved by the Company's Board of Directors.

1.7. This Policy takes into account and uses the principles and requirements of:

- Federal Law No. 208-FZ dated December 26, 1995, "On Joint-Stock Companies";
- Federal Law No. 39-FZ dated April 22, 1996, "On the Securities Market";
- Federal Law No. 224-FZ dated July 27, 2010, "On Countering the Wrongful Use of Insider Information and Market Manipulation, and on Amending Certain Legislative Acts of the Russian Federation";
- The Code of Corporate Governance recommended by the Bank of Russia for use by joint-stock companies whose securities have been admitted to on-exchange trading (Letter No. 06-52/2463 dated April 10, 2014, of the Central Bank of the Russian Federation "On the Code of Corporate Governance");
- The UK Corporate Governance Code;
- Regulation (EU) No. 596/2014 of the European Parliament and of the EU Council of April 16, 2014 "On Market Abuse (Market Abuse Regulation)" and repealing Directive 2003/6/EC of the European Parliament and of the EU Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC;
- The Regulation on the procedure for convening and holding meetings of the RusHydro Board of Directors;
- The RusHydro Corporate Governance Code;
- The RusHydro Regulation on Insider Information.

1.8. This Policy shall be published on the Company's corporate website.

## 2. Holding of the Company's shares

2.1. The Company is interested in the convergence of the long-term interests of the members of the Board of Directors with shareholders' long-term interests, by virtue whereof members of the Board of Directors are generally encouraged by the Company to hold the Company's shares, subject to compliance with the provisions of this Policy.

2.2. The Regulation on Payment of Remunerations and Compensations to the Members of the Company's Board of Directors does not provide for payment of remunerations in the form of shares; however, it does not restrict the members of the Board of Directors in spending a part of their monetary remuneration on purchasing the Company's shares.

2.3. When acquiring and during the period of ownership of the Company's shares, the members of the Board of Directors and the members of the Management Board of the Company are prohibited from using hedging mechanisms with regard to the Company's shares.

2.4. The Company does not recommend that the members of the Board of Directors and the members of the Management Board execute transactions with or hold financial derivatives in which the Company's shares constitute an underlying asset.

2.5. The Company considers the purchase and sale of shares by a member of the Board of Directors or a member of the Management Board through on-exchange trading to be proper.

If a member of the Board of Directors or a member of the Management Board executes over-the-counter transactions with shares, the terms of such transactions must be market terms, i.e. the price shall correspond to market quotations and the other terms and conditions shall correspond to the generally accepted conditions of the purchase and sale of shares.

The terms and conditions, time and circumstances of the off-exchange transactions must not harm the reputation of the member of the Board of Directors or the member of the Management Board, nor shall it harm the reputation of the Company.

2.6. The members of the Board of Directors and the members of the Management Board who hold the Company's shares shall exercise their voting right, pre-emptive rights, rights to demand redemption, and rights to receive dividends on a non-preferential basis.

Transfer of the voting right to third parties during the period of ownership of the shares and receipt of the voting right from third parties are undesirable.

2.7. The Company is neutral with regard to the conclusion of shareholders' agreements by a member of the Board of Directors or a member of the Management Board with other shareholders, provided that it does not harm shareholders' interests or the Company's interests and does not entail corporate conflicts or contain a conflict of interests.

Joint actions of a member of the Board of Directors or a member of the Management Board and the persons with whom such member has entered into shareholders' agreements for executing transactions with the Company's shares shall be in line with this Policy.

The member of the Board of Directors or the member of the Management Board shall ensure on their own that such persons fulfil the requirements of this Policy.

2.8. Ownership of the Company's shares by members of the Board of Directors must not create a conflict of interests for the members of the Board of Directors when performing their functions as a member of the Board of Directors.

Should a conflict of interests occur, the member of the Board of Directors shall be guided by the Company's interests and shall comply with the requirements for conflict of interest situations as established in the Regulation on the Procedure for Convening and Holding Meetings of the Company's Board of Directors.

2.9. Independent Directors may hold shares just like other members of the Board of Directors, but only as long as such shareholding does not affect the objectivity and independence of their judgments and decisions.

An Independent Director and/or persons connected with him/her who intend to become the owners of the Company's shares or beneficiaries<sup>1</sup> under the Company's shares making up more than one percent of the authorized capital or of the total amount of Company's voting shares or the market value of which is more than 20 times greater than the annual fixed (base) remuneration of the member of the Company's Board of Directors must be aware that it will lead to the loss of the status of an Independent Director.

Such acquisition is possible only after the Company prevents any possible adverse

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<sup>1</sup> A beneficiary under the Company's shares shall mean an individual who receives economic benefit from holding shares and/or disposing of votes granted under the shares comprising the Company's authorized capital by virtue of his/her participation in the Company, under an agreement, or otherwise.

consequences for the Company (non-conformance to the listing rules, decline of ratings etc.).

Within 15 calendar days following the receipt of the Independent Director's notice of intention to acquire the Company's shares, the Company shall notify the Independent Director about the possible adverse consequences for the Company associated with the loss of the status of an independent director by the member of the Board of Directors and about the time period required for the Company to prevent them.

2.10. The members of the Board of Directors, the members of the Management Board and their connected persons are prohibited from executing transactions with the Company's depository receipts during the Close Period.

### 3. Holding of shares and stakes in entities controlled by the Company

3.1. The Company grants that a member of the Board of Directors or the member of the Management Board may become the owner of shares or stakes in controlled entities before being elected a member of the Board of Directors or a member of the Management Board, respectively, or may acquire them against his/her will (conversion etc.), or may acquire them before the legal entity in question is recognized as a controlled entity, or before this Policy is approved.

3.2. Since the cost of shares and stakes belonging to the Company in controlled entities affects the cost of the Company's own shares, ownership of the Company's shares by a member of the Board of Directors is sufficient motivation for him/her to act for the benefit of the Company, and vice versa, ownership of shares and stakes in individual controlled entities may cause the member to act for the benefit of such controlled entity only. Therefore, acquisition by the members of the Board of Directors of shares and stakes in controlled entities, as well as financial derivatives in which shares and stakes of controlled entities constitute an underlying asset, despite the absence of a prohibition, is evaluated by the Company as undesirable.

Acquisition by the members of the Management Board of shares and stakes in controlled entities, as well as financial derivatives in which shares and stakes of controlled entities constitute underlying assets, is undesirable.

3.3. Should a conflict of interests occur in connection with the ownership of shares and stakes by a member of the Board of Directors in controlled entities, the member of the Board of Directors shall be guided by the Company's interests and shall comply with the requirements for conflict of interest situations established in the Regulation on the Procedure for Convening and Holding Meetings of the Company's Board of Directors.

### 4. Notifications and Monitoring

4.1. The members of the Board of Directors and the members of the Management Board shall notify the Company about their transactions with the Company's shares and/or about the conclusion of contracts that are financial derivatives whose the price depends on such securities in the manner and within the term established by law.

4.2. The members of the Board of Directors, the members of the Management Board and their connected persons shall notify the UK Financial Conduct Authority (FCA)<sup>1</sup> and the Company<sup>2</sup> about all transactions they execute with the Company's depository receipts after reaching a total amount of previously executed transactions equivalent to EUR 5,000<sup>3</sup> for a calendar year. The threshold value of EUR 5,000 is calculated by adding all transactions with the Company's depository receipts executed by a member of the Board of Directors, a member of the Management Board, or their connected persons during the calendar year. This notice shall be sent to the FCA and the Company within 3 business days from the transaction date.

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<sup>1</sup> Via the website [https://marketoversight.fca.org.uk/electronic submissions system/MaPo\\_PDMR\\_Introduction](https://marketoversight.fca.org.uk/electronic submissions system/MaPo_PDMR_Introduction)

<sup>2</sup> A form of the Notice of Transactions with the Company's Depository Receipts can be found in the Regulation on the Company's Insider Information.

<sup>3</sup> If settlements under the transactions are effected in a different currency, the amount of the transaction based on the euro exchange rate shall be determined as of the transaction date.

4.3. The members of the Board of Directors and the members of the Management Board of the Company shall notify their connected persons about the obligations and restrictions set out in Clauses 2.10 and 4.2 hereof, and shall communicate information about such notice to the Company via the Company's Corporate Secretary within the following period:

- within 15 days from the approval date of this Policy;
- within 15 days from the date the connected persons who have not been notified about the said obligations and restrictions appear;
- within 15 days following the election of a new composition of the Board of Directors, except when a member of the Board of Directors has notified its connected persons before that date;
- within 15 days from the date of election of a Management Board member to the Management Board.

4.4. The members of the Board of Directors shall notify the Audit Committee of the Company's Board of Directors and the Company's Board of Directors via the Company's Corporate Secretary about their intention to execute transactions with the Company's shares or shares (stakes) in the Company's controlled entities 10 business days in advance, and Independent Directors, in the cases set out in Clause 2.9 hereof, not later than 20 calendar days before the scheduled date of the transaction; notice of the execution of the transaction shall be given immediately upon execution of such transactions.

4.5. The Audit Committee of the Company's Board of Directors shall have the right to give recommendations to a member of the Board of Directors in connection with planned transactions with shares and stakes for the purpose of eliminating a possible conflict of interests, violations of internal documents, or breach of the Company's or shareholders' interests.

4.6. The members of the Board of Directors and the members of the Management Board of the Company, as well as candidates to the Board of Directors, shall submit information on their direct or indirect shareholding in the Company or in its controlled entities and information on such shareholding of their connected persons within 5 business days of receiving a request from the Company.

4.7. Compliance with this Policy shall be monitored annually by the Audit Committee of the Company's Board of Directors reviewing the matter of compliance with this Policy at the same time that it reviews the regular report on the Company's compliance with requirements in the field of insider information.

## 5. Final Provisions

5.1. When executing transactions with shares, the members of the Board of Directors and the members of the Management Board shall, apart from this Policy, take into account the requirements of the RusHydro Regulation on Insider Information.