

**REGULATION ON DIVIDEND POLICY  
of RusHydro**

Moscow  
2021

## 1. GENERAL PROVISIONS

1.1. This Regulation on Dividend Policy of RusHydro (hereinafter referred to as the “Regulation”) is developed in accordance with the Civil Code of the Russian Federation, Federal Law No. 208-FZ “On Joint Stock Companies” of December 26, 1995, Order No. 1589-r “On Amending Order No. 774-r dated May 29, 2006, of the Government of the Russian Federation” dated June 11, 2021, of the Government of the Russian Federation, and other legal regulations of the Russian Federation, the Articles of Association of RusHydro (hereinafter referred to as the “Company”), as well as the Corporate Governance Code and other internal documents of the Company.

1.2. The Regulation is advisory in nature and shall provide guidance to the Board of Directors in making recommendations on the amount of dividends.

1.3. The purpose of the Regulation is to establish a transparent and comprehensible mechanism for the Company shareholders to adopt resolutions on the payment of dividends, to determine the amount of, procedure for, and timing of the dividend payments, as well as to ensure a balance between the shareholders’ interests related to receiving dividends and the Company’s needs for further development (hereinafter, the “Dividend Policy”).

1.4. The principles of the Dividend Policy shall be as follows:

- Observance of the rights and interests of shareholders
- Compliance of the Company’s dividend accrual and payment practices with Russian law
- Conformance with the best standards of corporate governance, including:
  - providing a transparent mechanism for determining the amount of dividends
  - providing shareholders with a dividend payment procedure the most convenient for them
  - implementing measures to prevent incomplete or untimely payment of dividends declared
- Stability, sustainability and predictability of the Company’s dividend policy for shareholders and prospective investors
- Maintenance of the required levels of solvency and financial stability of the Company
- Maintenance of the Company technical conditions, with a view to ensuring the Company future development
- Improvement of shareholder wealth, investment prospects and total market value of the Company
- Commitment of the Company management and shareholders to the Company profitability
- Protection of shareholders’ dividend rights.

1.5. First and foremost, the protection of shareholders’ dividend rights shall be ensured by the following:

- The possibility for shareholders to exercise their pre-emptive right to purchase securities in the event of an increase in the authorized capital of the Company

- The safeguard for the Company’s dividends and liquidation value being the only forms of income receivable from the Company by any of the shareholders
- Inadmissibility for shareholders, in particular majority shareholders, to gain profits (income) by other means (for example, transfer pricing, substitution of dividends with internal loans, or unreasonable provision of services at inflated prices).

1.6. The validity period of the Regulation shall be six (6) years from the date of its approval by the Board of Directors of the Company.

1.7. Dividends shall be paid to shareholders in monetary form (money).

Should there be a reasonable need, the Board of Directors may recommend to the General Meeting of Shareholders to adopt a resolution to pay dividends in non-monetary form. Such recommendation shall be supported by an explanation of the reasons of and need for such resolution, as part of the materials for the General Meeting of Shareholders.

1.8. The Board of Directors of the Company shall be responsible for shaping and implementing the key aspects of the dividend policy.

1.9. The terms and definitions used in this Regulation shall have the same meaning as they are used in Russian law on joint-stock companies and securities, unless this Regulation provides otherwise.

## **2. TERMS OF PAYMENT AND PROCEDURE FOR DETERMINING THE AMOUNT OF DIVIDENDS**

2.1. In accordance with Russian law, the prerequisite for the payment of dividends is the Company’s profit after taxation (net profit), calculated on the basis of the Company’s accounting statements prepared in compliance with Russian law.

2.2. In determining the recommended amount of dividends, the Company’s Board of Directors shall take into account the amount of profit presented in the RusHydro Group’s consolidated financial statements prepared under the International Financial Reporting Standards (hereinafter, “IFRS”), and shall also be guided by the following:

- The need for the Company to implement strategic development activities
- The need to allocate a portion of the profit to implement investment programs approved by federal executive authorities
- The debt load maximum limit, to ensure the RusHydro Group’s necessary solvency and financial stability in the long term
- Recommendations by the Government of the Russian Federation.

2.3. The Company shall strive to pay dividends once a year and to allocate to the payment of dividends based on the results of the reporting year a portion of profit that is not less than the average value of the dividends over the preceding 3 years—*DIVthreshold*. Therewith, the dividend amount (*DIVdistrib*) recommended by the Board of Directors, with account taken of Clause 2.2 of the Regulation, must satisfy the following:

$$***DIVdistrib = Max[DIVthreshold; DIVbaseline],***$$

$$***where DIVthreshold = (Div_{year-3} + Div_{year-2} + Div_{year-1})/3***$$

- ***DIVthreshold***—the minimum amount of dividend payments (the lower threshold), to be calculated as the average value of dividends over the three (3) preceding years. It shall be calculated by summing up the amounts of profit allocated to the payment of dividends, in pursuance of the resolutions as adopted by the annual General Meeting of Shareholders on the results of the dividend periods over the three (3) preceding years, and then dividing the resulting sum by three (3)
- ***DIVdistrib***—the amount of dividends that can be distributed
- ***DIVbaseline***—the base case, which is 50% of the profit presented in the RusHydro Group’s consolidated financial statements prepared under IFRS (the item Profit for the Year is presented as part of the Consolidated Profit & Loss Statement form), excluding certain items—if recognized as part of the said profit—as follows:
  - income and expenses associated with the recognition (recovery) of impairment losses on fixed assets and intangible assets, as well as their write-offs (except for write-offs related to sales);
  - income and expenses associated with changes in the fair value of financial assets, as calculated under IFRS;
  - income and/or expenses associated with exchange gains/(losses);
  - profits or losses that have been allocated to the non-controlling interests of a subsidiary, as identified under IFRS, during the reporting period.

In the calculation as per the procedure set out in this Clause, the numerical values of the indices in millions of rubles, rounded to integers in accordance with the mathematical rules of rounding, shall be used.

2.4. Should the ***DIVdistrib*** value exceed the amount of the net profit identified according to the accounting (financial) statements, then, to pay dividends, the retained earnings of previous years shall be used. In the case of a deficit of retained earnings of previous years, the ***DIVdistrib*** value may be reduced.

### **3. ADOPTING RESOLUTIONS ON PROFIT DISTRIBUTION AND DIVIDEND PAYMENTS**

3.1. The possibility of paying dividends shall preliminarily be considered by the Investment Committee under the Board of Directors of the Company (hereinafter referred to as the “Committee”), based on the financial results obtained for the reporting period.

3.2. The Company’s Board of Directors, based on the Committee’s recommendations, shall determine the portion of the Company’s net profit to be distributed as dividends and shall formulate recommendations to the Company’s General Meeting of Shareholders regarding the amount of dividends on the Company’s shares, the time frames and form of their payment, and setting the record date (the date on which the persons entitled to dividends are to be determined).

3.3. Resolutions on the payment of dividends on placed shares shall be adopted by the General Meeting of Shareholders.

3.4. When adopting a resolution on dividend payment, the following shall be established:

- The total amount of dividends
- The amount of dividends on shares of each category
- The form of payment of dividends
- The procedure for paying dividends where the dividends are to be paid in non-monetary form
- The record date (the date on which the persons entitled to dividends are to be determined)
- Other conditions as stipulated by Russian law.

3.5. The amount of dividends to be declared may not exceed the amount of dividends recommended by the Board of Directors of the Company.

3.6. Should the Company declare no net profit for a reporting year, the payment of dividends from retained earnings of previous years (if any) may be considered.

#### **4. DIVIDEND PAYMENT PROCEDURE**

4.1. Dividends may be paid by the Company itself and/or the Company's registrar and/or a specially engaged credit organization (agent).

4.2. The Company shall act a tax agent when paying dividends to shareholders on shares owned by them, the rights to which are recorded in the shareholder register.

4.3. Dividends shall be paid by the Company to shareholders less the amounts of taxes withheld under Russian law.

4.4. The record date (the date on which the persons entitled to receive dividends are determined) shall be set by a resolution of the General Meeting of Shareholders of the Company on the payment (declaration) of dividends only upon the proposal of the Board of Directors of the Company in the manner prescribed by Russian law.

4.5. Dividends shall be paid in the manner and within the time limits established by a resolution of the General Meeting of Shareholders of the Company, based on recommendations by the Board of Directors and subject to Russian law.

4.6. The Company shall pay dividends in monetary form (money) to individuals whose rights to shares are recorded in the Company's shareholder register, by transferring money to their respective bank accounts whose details are available with the Company's registrar, or, in the absence of information on the bank accounts, by postal money order. Other persons whose rights to shares are recorded in the Company's shareholder register shall be paid dividends by transferring money to their bank accounts.

4.7. A shareholder who has not received respective declared dividends because the Company or the registrar does not have accurate and necessary address details or bank details, or because of any other delay by a creditor, shall have the right to claim payment of such dividends (unclaimed dividends) within three years from the date of the resolution to pay such dividends. Upon the expiration of the said period, declared and unclaimed dividends shall be reclassified as Company's retained earnings, and the obligation to pay them shall cease.

4.8. No interest shall be charged for using unclaimed dividends.

4.9. A person recorded in the Company shareholder register shall, in a timely manner, inform the Company registrar of any changes in the data in the registered person questionnaire, in particular regarding bank details and changes in the correspondence address (mailing address). Should such a person fail to provide information about changes in their data in the registered person questionnaire, neither the Company nor the registrar shall be liable for any losses caused in this connection.

## **5. DIVIDEND POLICY DISCLOSURE**

5.1.1. The Company shall ensure that the Regulation and amendments thereto are always available on the Company's website at: <http://www.rushydro.ru>, [www.eng.rushydro.ru](http://www.eng.rushydro.ru), and <http://www.e-disclosure.ru/portal/company.aspx?id=8580>.

5.2. Information about a resolution on dividend payment, as adopted by the General Meeting of Shareholders, shall be disclosed in the manner prescribed by Russian law.

5.3. The materials to be submitted to shareholders with a view to adopting a resolution on the payment of dividends at the General Meeting of Shareholders shall contain information to confirm the presence or absence of prerequisites necessary for the payment of dividends, as well as other information as provided for by Russian law and internal documents of the Company.

5.4. The Company shall disclose information about the time frames and procedure for paying dividends on the Company's website (in the section on dividends).

5.5. If necessary, the Company shall publish on its website information on the procedure for submission of documents by shareholders eligible for preferential tax rates, as well as on other peculiarities of dividend taxation.