

APPROVED

by PJSC Acron Board of Directors

Minutes No. 590 dated 29 December 2017

POLICY
on Remuneration and Reimbursement of Expenses
to Members of the Board of Directors, Executive Bodies
and Other Key Managing Officers of PJSC Acron

2017

1. GENERAL PROVISIONS

- 1.1. This Policy on Remuneration and Reimbursement of Expenses to Members of the Board of Directors, Executive Bodies and Other Key Managing Officers of PJSC Acron (“Policy”) is prepared in accordance with the current laws of the Russian Federation and the Charter and bylaws of the Public Joint Stock Company Acron (“Company”), and in compliance with the listing rules of the trade organiser that admitted the Company’s securities to organised trading, and recommendations of the Corporate Governance Code recommended for use at joint stock companies by the Bank of Russia (“Corporate Governance Code”).
- 1.2. This Policy defines the main principles and approaches used by the Company for the establishment of an effective and transparent system of remuneration and reimbursement of expenses to members of the Board of Directors, executive bodies and other key managing officers (employees) of the Company, in order to attract, motivate and retain persons with the competence and qualifications necessary for the Company.

For the purposes of this Policy, key managing officers (employees) of the Company (–“Key Managing Officers”) are understood to be the sole executive body (CEO) and all members of the collegial executive body (Managing Board) of the Company, due to the fact that they hold significant positions in the structure of the Company’s executive management and have a direct impact on the effectiveness of the Company’s financial and economic activity. At the time of the approval of this Policy, the Company has no Key Managing Officers other than those specified in this paragraph.

As recommended by the Nomination and Remuneration Committee of the Company’s Board of Directors, for the purposes of applying this Policy, the Board of Directors may approve an appendix to this Policy that supplements the above list of Key Managing Officers to include other positions that are significant in the structure of the Company’s executive management and have a direct impact on the effectiveness of the Company’s financial and economic activity.

This Policy regulates the Company's corporate relations. It is not a bylaw containing employment and labour law norms or establishing the Company’s remuneration system.

- 1.3. The system of remuneration and reimbursement of expenses to members of the Board of Directors, executive bodies and other Key Managing Officers is based on the following principles:

Transparency of the system of remuneration and reimbursement of expenses to key managers of the Company. In this Policy, the Company determines all key elements of remuneration of key managers, specifies the list of expenses subject to reimbursement, and establishes the level of service that key managers may claim. The Company also ensures the disclosure of this Policy to interested parties.

Alignment of key managers’ financial interests and shareholders’ long-term interests. The Company strives to ensure that remuneration and other forms of motivation effectively align key

managers' interests with the interests of the Company's shareholders, including by making remuneration dependent on the Company's performance as a whole and on the personal contribution of key leaders to achieving those results.

Sufficiency and adequacy of remuneration to the Company's goals, as well as responsibility and level of risks assumed by the Company's key managers. The Company shall ensure that the level of remuneration is sufficient to attract, motivate and retain persons with the necessary competence and qualifications. The Company determines the policy on remuneration and reimbursement of expenses to key managers of the Company, taking into account the current stage of the Company's development, the nature and scope of its activities and the level of risks. In order to determine the remuneration, the Company shall perform a comparative analysis of the level of remuneration at similar companies and take a balanced approach to target the level of remuneration, taking into account the Company's development strategy and the responsibility for its implementation assigned to the respective key managers.

Reporting to Company's shareholders. The Company shall disclose to shareholders information about the system and practice of remuneration and reimbursement of expenses to key managers.

1.4. Notwithstanding the Company's procedures and approaches to defining and applying certain types of remuneration, the Company seeks to avoid conflicts of interest when determining the remuneration of specific individuals, particularly when discussing the amount of remuneration with the individual concerned and voting on remuneration.

1.5. The Company shall disclose this Policy by publishing it on the Company's corporate website.

Information about main provisions of this Policy, the report on its implementation and practical use in the Company, as well as information about the ownership of the Company's shares by members of the Board of Directors, executive bodies and other Key Managing Officers of the Company shall be disclosed in the Company's annual report.

2. REMUNERATION AND REIMBURSEMENT OF EXPENSES TO MEMBERS OF THE BOARD OF DIRECTORS

2.1. By resolution of the general meeting of shareholders, members of the Board of Directors may be remunerated during their term of office and/or reimbursed for expenses incurred during the discharge of their duties as members of Acron's Board of Directors.

The amount of remuneration and reimbursement shall be established by resolution of the Company's general meeting.

Proposals to approve remuneration and reimbursement amounts shall be submitted to the general meeting by the Board of Directors based on the recommendation of the Nomination and Remuneration Committee, subject to the provisions of this Policy.

- 2.2. The annual remuneration of a member of the Board of Directors shall be determined by resolution of the general meeting. It shall be the only form of monetary remuneration for the members of the Board of Directors.

The remuneration shall be paid by the Company on a monthly basis in equal parts starting from the date of the general meeting resolution by means of wire transfer using the bank details specified in the Board member's statement.

Execution of the subsequent monthly payment of fixed annual remuneration is subject to the member's participation in a certain number of meetings of the Board of Directors. The Company may withhold payment of a member's fixed annual remuneration if the member participated in less than 2/3 of the total number of Board of Directors meetings from the moment of his/her election to this Board of Directors and through the date of the next monthly payment.

If the general meeting resolves that only independent directors will be remunerated for discharge of duties as members of the Board of Directors, such remuneration shall be paid to members of the Board of Directors that meet the requirements specified in clause 3.1 of the Regulation on Board of Directors. In such case, if a member of the Board of Directors ceases to meet the requirements specified in clause 3.1 of the Regulation on the Board of Directors, the remuneration established by the decision of the general meeting shall be paid to that member through the end of the month in which he/she ceased to meet the specified requirements.

A member of the Board of Directors may decline the remuneration provided for in this Policy in full or in part by sending a statement to the Board of Directors Chairperson.

- 2.3. When preparing proposals to approve the amount of fixed annual remuneration, the Board of Directors (Nomination and Remuneration Committee of the Board of Directors) shall take into account the expected time input and other necessary efforts by Board members in order to prepare for and participate in meetings of the Board of Directors and their duties and responsibilities.

The Company strives to ensure that the level of remuneration paid to members of the Board of Directors is sufficient to attract, retain and motivate Board members with the professional expertise and experience necessary to effectively manage the Company. For these purposes, the Company compares the remuneration of members of the Board of Directors in similar companies, and also takes into account the level of remuneration that has been developed in the Company and the industry as a whole.

- 2.4. The Company does not pay any additional remuneration to the members of the Board of Directors for participation in individual meetings of the Board of Directors or its committees, or for discharging the duties of Chairperson of the Board of Directors, member of a committee or chairperson of a committee, or Senior Independent Director.

Members of the Board of Directors are not eligible for any other forms of short-term and long-term motivation or additional monetary incentives.

The Company does not provide its shares (stock option plans) to members of the Board of Directors. At the same time, the Company welcomes ownership of its shares by members of the Board of Directors, as this facilitates the alignment of the financial interests of Board members and the long-term interests of the Company's shareholders.

- 2.5. The Company does not pay any additional remuneration or reimbursement to the members of the Board of Directors in the event of early termination of their powers in connection with the transfer of control over the Company or other circumstances.
- 2.6. In order to attract persons with the necessary competence and qualifications to the Board of Directors, the Company maintains liability insurance for members of the Board of Directors at its own expense. Liability insurance for Board members provides compensation for damages to the Company or to third parties, and it also protects their property interests in the event that they unintentionally make incorrect management decisions.

The preparation of recommendations on liability insurance for members of the Board of Directors shall be carried out by the Nomination and Remuneration Committee, taking into account the level of risks of the Company's current operation and the development strategy.

- 2.7. The Company compensates (reimburses) Board members' expenses related to participation on the Board and discharge of their duties (functions) to the extent established by resolution of the general meeting.

The following expenses shall be subject to reimbursement for Board members:

- The cost of round-trip business-class travel to the venue for an in-person meeting of the Board of Directors, including the use of business and VIP lounges
- Single accommodation at four- or five-star hotels during in-person meetings of the Board of Directors
- The cost of other trips taken in order to discharge their duties (functions)

The Company shall only reimburse reasonable (economically justified) and documented costs incurred by Board members in connection with their participation in the Board of Directors and discharge of their duties (functions), taking into account the principles of reasonableness and integrity.

The Company shall reimburse these expenses on the basis of Board members' expense reports by transferring funds using the bank details specified in each expense report after the Board member submits documents confirming the costs. The Company may prepay expenses which a Board member is expected to incur in connection with participation on Board of Directors and discharge of his/her duties (functions), including organisation of travel and accommodation at its own expense for a Board member, in cases provided for in this Policy.

- 2.8. The Company does not provide additional corporate opportunities (benefits and privileges) for Board members or compensation (reimbursement) of expenses other than that outlined in this Policy.

3. REMUNERATION AND REIMBURSEMENT OF EXPENSES TO MEMBERS OF EXECUTIVE BODIES AND OTHER KEY MANAGING OFFICERS

- 3.1. The remuneration system for members of executive bodies and other Key Managing Officers makes their remuneration dependent on the results of the Company's operation and their personal contribution to achieving such result.

The Company strives to ensure that the level of remuneration paid to members of executive bodies and other Key Managing Officers creates sufficient motivation for their effective performance, allowing the Company to attract and retain competent and qualified specialists. At the same time, the Company avoids establishing excess remuneration or an unreasonably large gap between the remuneration level of such persons and the Company's other employees. For these purposes, the Company performs a comparative analysis of the level of remuneration of similar persons in comparable companies, and also takes into account the level of remuneration of such persons established in the Company and the industry as a whole.

- 3.2. When determining the remuneration of members of the executive bodies and other Key Managing Officers, the Company strives to ensure a reasonable and justified ratio of fixed and variable remuneration depending on the results of the Company's operation as a whole and the person's individual contribution to achieving the result.

The effectiveness of the ratio of fixed and variable remuneration shall be verified by the Board of Directors (the Nomination and Remuneration Committee) when it evaluates the remuneration system of members of executive bodies and other Key Managing Officers.

- 3.3. Components of the remuneration system for members of the executive bodies and other Company's Key Managing Officers:

3.3.1. Fixed part of remuneration (official salary).

The official salary is the basic element of remuneration of members of the executive bodies and other Key Managing Officers. It represents a fixed amount of remuneration paid to the person for discharging duties of a certain complexity during a calendar month, not including bonuses and other incentive payments.

When setting a person's official salary, the Company takes into account the person's level of competence and qualification, his/her individual skills and experience as a key manager, the scope and volume of responsibility and the level of risks assumed.

The final amount of the official salary shall be established by an employment agreement executed with the Company's officer in accordance with bylaws establishing the system of labour remuneration in the Company, as well as with the Regulation on Grading the Positions of the Company's Employees. The grading system represents the distribution of employees' positions by level (grade) in accordance with the importance of each position in the Company's organisational structure and the person's degree of influence on the Company's operating and financial results. By establishing job levels (grades) on the basis of common job evaluation standards, the Company is able to establish reasonable official salaries for its officers, as well as additional benefits and privileges, taking into account the experience, competence and qualification of such persons, as well as the significance of each position based on its degree of influence on results of the Company's activity.

3.3.2. Variable part of remuneration (bonuses and other incentive payments).

Bonuses and other incentive payments are the variable part of the remuneration paid to members of the Company's executive bodies and other Key Managing Officers, which ensures their interest in implementing the Company's development strategies and business plans. The amount of variable remuneration depends on the Company's long-term and short-term performance in general and the amount of each officer's individual contribution to the ultimate result.

The variable part of the remuneration paid to members of the Company's executive bodies and other Key Managing Officers may include the following components:

- Short-term component (monthly bonus)
- Mid-term component (annual bonus)
- Long-term component (bonus under incentive programmes intended for a certain period of the Company's development or effective during the implementation of a certain investment or other project).

Bonuses and other incentive payments shall be established and paid in accordance with an employment agreement executed with the officer based on the Company's applicable bylaws outlining the Company's remuneration system and incentive programmes.

- 3.4. When establishing and reviewing the system of remuneration paid to members of the Company's executive bodies and other Key Managing Officers, the Nomination and Remuneration Committee performs an analysis and presents recommendations to the Board of Directors regarding the variable and permanent parts of the remuneration system and their proportional ratio to ensure a reasonable balance between the short-term and the long-term performance. In this case, short-term performance means performance over a maximum period of three years, and long-term performance means performance over a maximum period of five years.

In order to ensure a good balance between short-term and long-term incentives, the Company may defer payment of variable remuneration based on the results for the year, paying it out in equal instalments during the next several years.

3.5. The Company may introduce short-term and long-term incentive programmes for members of the Company's executive bodies and other Key Managing Officers under a resolution of the Board of Directors in order to improve the effectiveness of key managers.

Under these incentive programmes, the variable remuneration of members of the Company's executive bodies and other Key Managing Officers shall be dependent on the following factors:

- The Company's performance, *i.e.* achieving key business performance targets as detailed in the Company's development strategy and business plans, and
- The personal contribution by members of the Company's executive bodies and other Key Managing Officers to achieving the Company's targets, *i.e.* achieving the individual targets established for such persons by the relevant incentive programme.

The selected targets shall be relevant and correlated with the Company's long-term development strategy and business plans, and their target values shall be demanding. At the same time, the Company ties at least half of the variable remuneration paid to members of the Company's executive bodies and other Key Managing Officers to the long-term incentive programme.

Targets shall be assessed and the Company's performance (the personal contribution of members of the Company's executive bodies and other Key Managing Officers) under the short-term and the long-term incentive programmes shall be assessed in the context of risks borne by the Company in order to avoid creating incentives for risky managerial decisions that could the long-term interests of the Company's shareholders.

The Nomination and Remuneration Committee shall develop, periodically review and present recommendations on short-term and long-term incentive programmes for members of the Company's executive bodies and other Key Managing Officers to the Board of Directors based on recommendations of the Corporate Governance Code. In particular, when assessing the advisability of the introduction of incentive programmes, the current economic environment, features of the Company's business and organisational structure, the corporate values espoused by the Company, the Company's planning horizons, expected incentive effectiveness, cost of implementation of such programme and other material circumstances shall be taken into account.

The Nomination and Remuneration Committee monitors (supervises) the introduction and implementation of the incentive programmes and performs a preliminary assessment of the effectiveness of work (achievement of goals) by the executive bodies and other Key Managing Officers of the Company under the incentive programme based on results of the reporting year or other period stipulated by the relevant incentive programme.

The Board of Directors shall perform a final assessment of performance (achievement of targets) for members of the Company's executive bodies and other Key Managing Officers based on a report on the introduction and practical implementation of the incentive programme presented by the Nomination and Remuneration Committee.

- 3.6. By resolution of the Board of Directors and based on the recommendations of the Nomination and Remuneration Committee, the Company may introduce a long-term incentive programme for members of the Company's executive bodies and other Key Managing Officers using the Company's shares (options and other derivative financial instruments with the Company's shares as the underlying asset).

The conditions for introducing and implementing such long-term incentive programme shall be established in accordance with applicable laws and taking into account the recommendations of the Corporate Governance Code.

- 3.7. The Company's Internal Audit Department audits the accuracy of the accounting (financial), statistical, management and other reporting of the Company and also determines whether the Company's performance is accurately reflected in such reporting and meets the Company's targets.

If manipulation of the Company's reports or other unfair actions by executive bodies and other Key Managing Officers aimed at merely formal achievement of the Company's targets and performed to the detriment of the long-term interests of the Company's shareholders are detected, such information shall be disclosed immediately to the Board of Directors (Board of Directors Audit Committee). Based on the results of its analysis of the facts, the Board of Directors (Audit Committee) may propose that the Company recover those funds (bonuses) unlawfully received by the members of the Company's executive bodies or other Key Managing Officers due to manipulation of the Company's performance reporting or other unfair actions by such persons.

During the process of approving the terms and conditions of employment agreements executed with members of the Company's executive bodies and other Key Managing Officers, the Board of Directors (Nomination and Remuneration Committee) shall consider including an obligation to pay back to the Company any funds (bonuses) unlawfully received by the members of the Company's executive bodies or other Key Managing Officers due to manipulation of the Company's performance reporting or other unfair actions by such persons.

- 3.8. In cases stipulated by laws, when an employment agreement is terminated with a member of the Company's executive body or another Key Managing Officer at the Company's discretion and in the absence of his/her wrongful and unfair actions (omission), such person shall be paid reimbursement in the amount determined by the employment agreement. As a rule, the amount of such reimbursement (severance payment) shall not exceed double the fixed part of the annual remuneration of the member of the Company's executive body or other Key Managing Officer.
- 3.9. In order to engage persons with the skills and experience required for the Company's executive bodies or other significant offices, the Company insures at its own expense the liability of the members of the Company's executive bodies and other Key Managing Officers. Liability insurance for these persons provides compensation for damages to the Company or to third parties, and it also protects their property interests in the event that they unintentionally make incorrect management decisions.

The Nomination and Remuneration Committee shall develop recommendations on organising liability insurance for members of the Company's executive bodies and other Key Managing Officers with consideration for the level of risks of the Company's current business and implemented development strategy.

- 3.10. The Board of Directors shall monitor the effectiveness of the Company's executive bodies and other Key Managing Officers.

The Nomination and Remuneration Committee shall develop, consider and present to the Board of Directors recommendations on approving the terms of employment agreements with members of the Company's executive bodies and other Key Managing Officers, including their remuneration and early termination conditions (including all material obligations of the Company and the terms of their fulfilment).

The Nomination and Remuneration Committee shall also provide a preliminary assessment of the effectiveness of the Company's executive bodies and other Key Managing Officers based on results of the year or of another reporting period established hereby, and provide a preliminary assessment of whether such persons achieved their targets under the incentive programme.

Based on recommendations by the Nomination and Remuneration Committee, the Board of Directors approves the terms and conditions of employment agreements with members of the Company's executive bodies, including remuneration and other payments, and performs the final assessment of performance (achievement of goals) of the Company's executive bodies and other Key Managing Officers based on results of the year or of another period.

- 3.11. In order to improve the effectiveness and quality of fulfilment of their obligations by members of the Company's executive bodies and other Key Managing Officers, the Company provides them with additional corporate opportunities (benefits and privileges) depending on the level of office (grade). In particular, in accordance with the Company's applicable bylaws and Regulation on Grading the Positions of the Company's Employees, these persons shall be provided with the following additional corporate opportunities (benefits and privileges) at the Company's expense:

- Use of corporate mobile communications and Internet access
- Voluntary health insurance and international health insurance
- Use of corporate car transportation, including personal corporate car with a designated driver
- Use of fitness centres
- Business class round-trip travel for business purposes, use of business-class and VIP lounges
- Single suite accommodation in four- and five-star hotels during business trips
- Use of corporate bank cards to pay for travel expenses, entertainment expenses and other expenses directly related to official duties

- Higher per diem established by the Company's bylaws to cover additional expenses related to accommodations away from home during trips within the Russian Federation and abroad.

The additional corporate opportunities (benefits and privileges) provided to members of the Company's executive bodies and other Key Managing Officers shall be revised from time to time by the Company to ensure their accessibility and competitive strength.

When making decisions to provide additional corporate opportunities (benefits and privileges), the Company takes into account the complexity of the person's job, his/her working schedule, representative functions and the level of his/her contacts with contractors and representatives of the business community, as well as existing practices for providing additional business opportunities (benefits and privileges) at peer companies.

The Company's system of grading employees by level makes it possible to offer reasonable additional corporate opportunities (benefits and privileges) for the Company's executive bodies and other Key Managing Officers based on such persons' experience, expertise and qualification and the importance of their positions, taking into account their influence on the Company's performance.

- 3.12. The Company compensates (reimburses) the expenses of members of the Company's executive bodies and other Key Managing Officers related to fulfilment of their office (labour) duties in the amount and in accordance with the procedure stipulated by applicable laws and the Company's bylaws.

In particular, the following expenses of members of the Company's executive bodies and other Key Managing Officers shall be reimbursed:

- Expenses related to a business trip (round-trip travel, accommodations, additional expenses related to accommodations away from home (per diem) and other expenses incurred by relevant person with the consent or knowledge of the Company)
- Expenses related to relocation (cost of relocation for employee and his/her family, transportation of their property and cost of living arrangements in the new location, including rent)
- Entertainment expenses related to the official reception of and/or services provided to representatives of other organisations participating in negotiations to establish and/or maintain cooperation and participants arriving at a meeting of the Board of Directors, Managing Board or other governing body, regardless of the venue of such event
- Cost of postal, telephone, telegraph and other similar services, telecom services, including the cost of facsimile and satellite communication, e-mail, Internet access and use of required information systems

- Other expenses related to fulfilment of their office (labour) duties by members of the Company's executive bodies and other Key Managing Officers in the amount and in accordance with the procedure stipulated by applicable laws and the Company's bylaws.

Only reasonable (economically justifiable) and documented expenses incurred by members of the Company's executive bodies and other Key Managing Officers related to fulfilment of their office (labour) duties shall be recognised as reimbursable with consideration for the principles of reasonableness and good faith.

4. MONITORING THE POLICY'S IMPLEMENTATION AND EVALUATING ITS EFFECTIVENESS

- 4.1. The Board of Directors and its Nomination and Remuneration Committee shall monitor (supervise) the introduction and practical implementation of this Policy in the Company.

The Nomination and Remuneration Committee shall periodically review reports on the introduction and practical implementation of this Policy in the Company and provide the Board of Directors with conclusions and recommendations on revising this Policy and the system of remuneration and reimbursement stipulated by it.

- 4.2. The Board of Directors shall assess the effectiveness of this Policy and the remuneration and reimbursement system stipulated by it taking into account the relevant recommendations of the Nomination and Remuneration Committee.

The Board of Directors may hire an independent consultant to assess the effectiveness of this Policy and of the remuneration and reimbursement system stipulated by it.

5. FINAL PROVISIONS

- 5.1. The Board of Directors shall pass a resolution to approve this Policy, make amendments and addenda hereto or terminate this Policy taking into account the relevant recommendations of the Nomination and Remuneration Committee.
- 5.2. This Policy shall come into effect upon its approval by the Board of Directors and remain effective until its termination or approval as amended.
- 5.3. If any provisions hereof for any reason contradict requirements that are mandatory for the Company under Russian law (imperative provisions), such provisions become null and void, and prior to approval of the relevant amendments to this Policy, the Company shall be governed by norms of applicable Russian laws.