

Approved by:
Annual General Shareholders Meeting of IDGC
of North-West
as of May 29, 2008 Minutes No.1

Chairman of the Meeting
_____ V.S. Pinkhasik

REGULATION
on the Remuneration Payment to the members of the Board of Directors of
“Interregional Distribution Grid Company of North-West”, Joint Stock Company
(revised version)

Gatchina
2008

1. The present Regulation was developed in accordance with the Federal Law “On Joint Stock Companies” and establishes the amounts and order of procedure of remuneration and compensation payment to the members of the Board of Directors of IDGC of North-West (hereinafter referred to as the Company).

2. Remuneration and compensations are not accrued and paid to the Chairperson and members of the Board of Directors who are persons, in relation to whom restriction or interdiction for reception of profit from commercial organizations is stipulated by the federal laws.

3. Payment of remuneration and compensation is performed by the Company in the monetary form.

4. Payment of remuneration.

4.1. For participation in the Board of Directors meeting held in the absentee form (by filling in a questionnaire), a member of the Board of Directors receives payment equal to 8 (eight) minimum monthly wages of the first-class employee established by the industry wage agreement in the RF power complex (hereinafter referred to as the Agreement) at the date of holding the Company Board of Directors meeting, taking into account indexations established by the Agreement, within seven calendar days after holding the Company’s Board of Directors meeting.

For participation in the Board of Directors meeting held in the form of joint presence, a member of the Board of Directors receives payment equal to 10 (ten) minimum monthly wages of the first-class employee established by the industry wage agreement in the RF power complex (hereinafter referred to as the Agreement) at the date of holding the Company Board of Directors meeting, taking into account indexations established by the Agreement, within one month after holding the Company Board of Directors meeting.

The amount of remuneration paid out in accordance with paragraph 4.1. of the present Regulation to the Chairperson (Deputy Chairperson) increases by 50 % for every meeting, at which he/she performed functions of the Chairperson of the Board of Directors (hereinafter referred to as exercise of functions of the Chairperson).

4.2. Members of the Board of Directors receive additional remuneration for net profit index of the Company according to the data of the annual financial statements adopted by the general shareholders meeting of the Company.

4.2.1. The amount of remuneration paid to the member of the Board of Directors is calculated based on the following formula (1):

$$S = \frac{NP * n}{300 * x * m} \quad (1),$$

where

S – the sum of additional remuneration paid to one member of the Board of Directors, based on the results of the financial year;

NP – the Company’s net profit approved by the decision of the annual General meeting of shareholders;

n – the amount of the meetings of the Board of Directors of the Company, in which the member of the Board of Directors (regardless of their form) took part during the year in which the Company got the net profit following the results of its activity;

x – the quantity of the members of the Board of Directors according to the Charter;

m – the quantity of the meetings of the Board of Directors of the Company during the year in which the Company got the net profit on the results of its activity.

4.2.2. The amount of remuneration paid to the Chairperson (Deputy Chairperson) for performing functions of the Chairperson of the Company Board of Directors is calculated based on

the following formula (2):

$$B = \frac{NP * (n_f + 1.5j)}{100 * x * m} \quad (2),$$

where

B – the sum of remuneration to the Chairperson (Deputy Chairperson – for performing functions of the Chairperson) of the Board of Directors of the Company by the results of the financial year;

n_f – the quantity of the meetings of the Board of Directors at which the Chairperson (Deputy Chairperson) did not carry out the functions of the Chairperson of the Board of Directors (irrespective of the form of their carrying out) for the year, following the results of activity of which the Company's net profit was received;

NP – the Company's net profit approved by the decision of the annual General meeting of shareholders¹;

j – the quantity of the meetings of the Board of Directors at which the Chairperson (Deputy Chairperson) functioned as the Chairperson of the Board of Directors;

x – the quantity of the members of the Board of Directors according to the Charter;

m – the quantity of the meetings of the Board of Directors of the Company during the year in which the Company got the net profit on the results of its activity.

4.2.3. If in the year, in which the Company got the net profit by the results of its activity, the Board of Directors was elected in a new structure, remuneration specified in subparagraphs 4.2.1 and 4.2.2 is also paid to the members of the Board of Directors of the previous structures. This rule shall not be applied to the periods before adoption of this Regulation, except as otherwise provided by the decision on adoption of this Regulation.

4.2.4. If as a result of reorganization, the Company is liquidated, the members of the Board of Directors receive remuneration for net profit indicator fixed in the financial statements of the Company for the last day under report.

If as a result of reorganization and termination of the Company activities, after the end of the calendar year the financial statements for the last calendar year is not adopted by the general shareholders meeting, remuneration for the Company net profit indicator shall be paid on the basis of the data of the annual financial statements adopted by the tax body, and also for the net profit indicator of the period under report after the specified financial year fixed in the Company financial statements as of the last date under report.

4.2.5. If the Company holds asset reassessment, the results of which shall influence the Company net profit indicator, proceeding from which the amount of remuneration of the Company Board of Directors is calculated, in this case for payment of remuneration of the Board of Directors in accordance with paragraph 4.2. the settlement indicator of net profit without influence of the reassessment held is used. This indicator shall be adopted by the annual general shareholders meeting.

4.3. Additional remuneration is paid to the members of the Board of Directors in case of increasing the amount of the Company's market capitalization during the period of work of the Board of Directors².

¹ If as a result of reorganization and termination of the Company activities, the financial statements for the last calendar year are not adopted by the general shareholders meeting, remuneration for the Company net profit indicator shall be paid on the basis of the data of the annual financial statements adopted by the tax body.

² It is applied if at least six months have passed since the moment of admission of shares to trading in RTS and MICEX before termination of authority of the Board of Directors' member.

4.3.1. The amount of additional remuneration of the member of the Board of Directors, paid in accordance with subparagraph 4.3, makes up 0.0175% of the increase of the Company's market value less the increase of the Company's net assets, expected for the period from the moment of election of the members of the Board of Directors till the moment of election of a new structure of the Board of Directors of the Company.

To determine the amount of remuneration, the calculation of the increase of the Company's market value is counted as follows³:

$$\Delta (MV) = \overline{MV}_t - \overline{MV}_{t-1}, \quad (3)$$

where:

$\Delta (MV)$ – the increase of the Company's market value;

\overline{MV}_t – the average chronological market capitalization of the Company for the period (t);

\overline{MV}_{t-1} – the average chronological market capitalization of the Company for the period (t-1);

The average chronological market capitalization of the Company is calculated based on the following pattern:

$$\overline{MV} = \frac{\sum_{i=1}^n (P_{iMICEX} * d_{iMICEX} + P_{iRTS} * d_{iRTS})}{n} * Q \quad (4)$$

where:

P_{iMICEX} – the weighted average value of the Company's shares on i-th trading day of the respective period at MICEX;

d_{iMICEX} – the weight of quotation at MICEX calculated by division of the volume of trades in the Company's shares at MICEX by the total volume of trades of the Company's shares at RTS and MICEX (in pieces) on the i-th trading day of the corresponding period at MICEX;

P_{iRTS} – the weighted average value of the Company's shares on i-th trading day of the period at RTS;

d_{iRTS} – the weight of quotation at RTS calculated by division of the volume of trades of the Company's shares at RTS to the total volume of trades of the Company's shares at RTS and MICEX (in pieces) on the i-th trading day of the period at RTS;

n – the amount of trading days when the transactions on the Company shares were completed, from the beginning till the end of the period (t) or (t-1),

Q - the quantity of the placed ordinary shares of the Company which is uniform for \overline{MV}_t and \overline{MV}_{t-1} on the first day of the period (t-1).

4.3.2. Procedure of definition of period (t) and (t-1):

- period (t) is calculated from the latter date of the Company's ordinary shares trading at MICEX and/or RTS and following and ends on the 30th business day counted in the reversed chronological order;

- period (t-1) is a period of 30 business days, the latter day of which is the date previous to the date of election of the member of the Board of Directors, and the first day of which is the date calculated (30 business days) in the reverse chronological order.

³ the source of indicators is the corresponding stock exchange

If on the first day of period (t-1) defined in accordance with the established procedure the period of 6 months has not expired year from the moment of admission of shares to trading in RTS and/or MICEX, the period (t-1) is defined as the period consisting of 30 business days, the first day of which is the date following the expiry of the specified six-month period.

4.3.3. The calculated amount of the increase of the Company's market value under the formula (3) should be corrected according to the growth of the equity market characterized by the indexes of the RTS and MICEX stocks under the following formula:

$$T_{market} = \left(\frac{\overline{I_{RTS_t}}}{I_{RTS_{t-1}}} * d_{RTS} \right) + \left(\frac{\overline{I_{MICEX_t}}}{I_{MICEX_{t-1}}} * d_{MICEX} \right) \quad (5),$$

where:

I_{RTS_t} – the average chronological index of RTS for the period (t).

$I_{RTS_{t-1}}$ – the average chronological index of RTS for the period (t-1).

d_{RTS} – the weight of quotation at RTS calculated by division of the volume of trades of the Company's shares at RTS by the total volume of trades of the Company's shares at RTS and MICEX (in pieces) for the periods t and (t-1);

I_{MICEX_t} – the average chronological index of MICEX for the period (t).

$I_{MICEX_{t-1}}$ – the average chronological index of MICEX for the period (t-1).

d_{MICEX} – the weight of quotation at MICEX calculated by division of the volume of trades of the Company's shares at MICEX by the total volume of trades of the Company's shares at RTS and MICEX (in pieces) for the periods (t) and (t-1);

The average chronological index is calculated as follows:

$$I = \frac{I_1/2 + I_2 + I_3 \dots \dots + I_n/2}{n-1} \quad (6),$$

where:

I_1 – value of the index on the 1st trading day of the respective period;

I_n – value of the index on the last trading day of the respective period;

n – amount of trading days starting from the date of beginning till the date of the end of the respective period.

4.3.4. The final formula for calculating the base for determination of remuneration of a member of the Board of Directors is as follows:

$$\Delta (DRS) = \frac{\Delta (MV) * (MV_t/MV_{t-1} - (T_{market} - d_{comp}))}{(MV_t/MV_{t-1} - 1)} \quad (7),$$

where:

d_{comp} – the share of the Company under evaluation in the rate of growth of the equity market, which is calculated as follows:

$$d_{comp} = (Q_{comp}/Q_{RTS_MICEX}) * (MV_t/MV_{t-1} - T_{market}) \quad (8),$$

where:

Q_{comp} – the total volume of trades of the company under evaluation at RTS and MICEX for the periods (t) and (t-1), RUR;

$Q_{RTS-MICEX}$ – the total volume of trades at RTS and MICEX for the periods (t) and (t-1), RUR.

4.3.5. In the Company issued preferred shares besides the ordinary ones, at calculation of the amount of remuneration in accordance with paragraph 4.3. only ordinary shares are taken into account.

4.3.6. Remuneration for increase of the market value of the Company is made only in case the average month amount of transactions completed with ordinary shares of the Company within the term of authority of the remunerated Board of Directors' members in the stock exchange⁴ equals at least RUR 1.5 million rubles.

4.4. Remunerations specified in subparagraphs 4.2 and 4.3 are paid by the rights holder of the Company within one month after the date of the Company's activity termination.

4.5. Restrictions for payment of remuneration

4.5.1. Remunerations specified in subparagraphs 4.2 and 4.3 of the present Regulation are not paid to a member of the Board of Directors if he/she did not take part in more than 50% of the meetings (from the moment of his/her election till the moment of termination of his/her authority).

4.5.2. Amount of remuneration stipulated by paragraph 4.2. may not exceed the General Director's wages:

- by the number of 5 for a member of the Board of Directors;
- by the number of 7 for the Chairperson of the Board of Directors.

4.5.3. Amount of remuneration of the Board of Directors' member stipulated by paragraph 4.3. may not exceed the established General Director's by the number of 5.

4.6. Members of the Board of Directors are entitled to conclude with the Company a contract of sale and purchase of the Company shares with the deferred execution of liabilities under transfer and payment of shares within the limits of the Option Program adopted by the Board of Directors of the Company. The maximum amount of the contract for Chairperson of the Company Board of Directors equals 0.15 %, a member of the Board of Directors – 0.10% of the total amount of the Company placed ordinary shares. Members of the Board of Directors who take part in the Option Program are not entitled to receive additional remuneration stipulated by paragraph 4.3. of this Regulation.

Information on participation of the Board of Directors members in the Option Program and sole amount of the option contract are disclosed in the materials for the annual general shareholders meeting.

4.7. A Board of Directors' member can refuse to receive remuneration provided by this Regulation in full or in part by sending the respective application addressed to General Director of the Company.

At presence of the corresponding written application of the Board of Directors' member, payment of all types of remuneration is made only under the written consent of this Board of Directors' member. Thus, at occurring of grounds for remuneration payment, the Company is obliged to send a notification to this Board of Directors member specifying amount of the remuneration due. This notice should be sent not later than the corresponding term of remuneration payment provided by this Regulation.

⁴ Separately on the section of MICEX stock exchange, JSC and separately on two floors of RTS, JSC (stock exchange market and classical market).

At presence of the written consent for reception of remuneration from the Company Board of Directors' member, the respective remuneration is paid within one month from the moment of its reception.

5. Payment of compensation.

5.1. In case of the member of the Board of Directors being sent to a business trip for visiting of the Company's objects, having meetings with the shareholders and investors, participating in the General meeting of shareholders, and also for implementing other tasks, related to the functions of a member of the Board of Directors of the Company, the following compensation is paid to the member of the Board of Directors:

- payment of daily allowances according to the procedure established for the sole executive body of the Company, or the sole executive body of the managing organization of the Company;

- reimbursement of expenses on travel to the place of a business trip and back to the place of permanent employment or residence (including insurance payment on the obligatory personal insurance of the passengers on transport, payment for the services on processing travel documents, etc.) in the amount of actual expenses confirmed by the travel documents, but no more than the travel fare:

- by a railway transport - in the carriage of the enhanced comfort of business-class (Sleeper, carriage);

- by a marine and river transport - on the tariffs set by the transport company, but no more than the fare in a "de luxe" cabin with complex service for passengers;

- by an air transport - on the tariff of business-class;

- by a motor transport - in the vehicle of the common use (except for a taxi and car lease);

- reimbursement of expenses on an apartment rent in the amount of actual expenses confirmed by the corresponding documents, but no more than three minimum monthly tariff of a first-class worker, set by the branch tariff agreement in the electric power industry of the Russian Federation as at the day of compensation payment, taking into account the indexation, set by the Agreement, for each day of residence.

5.2. Payment of compensation is carried out by the Company within one calendar day after submitting the documents confirming the incurred expenses.

6. If the Company underwent changes, or if there are circumstances beyond the Company's control which does not allow applying the procedure of remuneration payment provided by this Regulation, the Board of Directors should initiate adoption of the necessary decision by the General shareholders meeting.