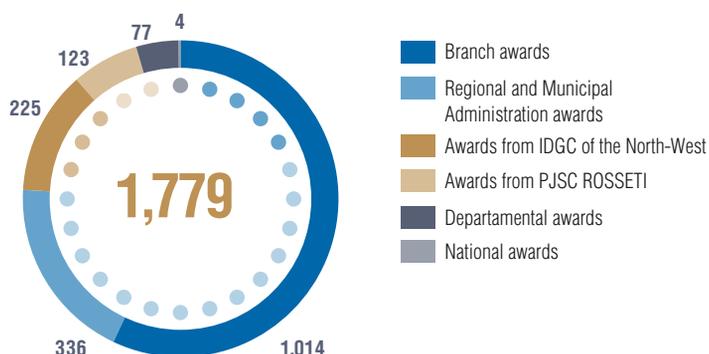


The Company has a merit-based incentives system in place providing for rewards for the highest performance, implementation of innovative projects, many years of conscientious work, high workmanship, and contribution to the development of the energy sector in the Northwest of Russia.

A total of 1,779 awards were distributed during 2015 among the Company's employees who had the largest contribution to energy sector development.

AWARD DISTRIBUTION IN THE COMPANY IN 2015



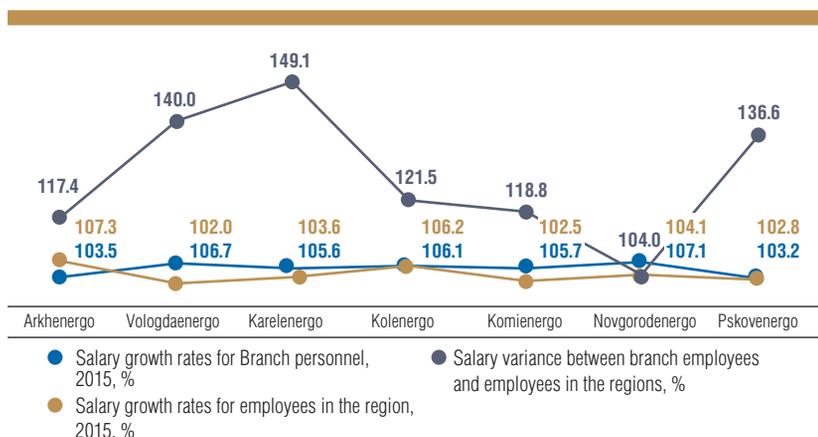
Remuneration in the Company's branch

The remuneration system at PJSC IDGC of the North-West is based on social partnership stipulated by the Collective Bargaining Agreement and the Company Employees Remuneration Regulations enacted on May 01, 2009 (as amended and restated). The remuneration system currently in effect at the Company meets the Uniform Wage Rate Recommendations for the Russian electricity sector approved by the PJSC ROSSETI and All-Russia Electrical Industry Trade Union Association.

The average salary growth rate at the Company totaled 4.8%, which is 7.7% below the 2015 CPI in the Russian Federation (12.9%). However, the growth rate of the minimum monthly tariff rate (MMTR) in average yearly indicators for 2015 and 2014 was 12.6% (RUB 6,417 vs RUB 5,700, respectively).

Generally, the average salary at PJSC IDGC of the North-West in 2015 amounted to RUB 44,337. However, the leading growth of the average salary of workers is observed in the reporting year at a rate of 8.4%.

Efficiency of the HR and social policy is closely related to timely payment and indexation of salary and its competitiveness in regional labor markets. Therefore, the salary of the employees of all of the Company's branches is traditionally above the market of the relevant region.



The Company's remuneration policy aims at providing employees with a fair remuneration which is not below the industry average of RUB 38,341 and the average in the Company's region (NWFD) of RUB 37,616 taking into account competency and responsibility. It should be noted that regional coefficients and northern extra pays play an important role in salary differentiation between the branches (no such extra pays in Novgorodenergo and Pskovenergo only).

Employee medical insurance

Voluntary medical insurance (hereinafter, VMI) and health and accident insurance (hereinafter, HAI) for Company employees are provided in accordance with the Insurance Coverage Regulations of PJSC IDGC of the North-West for 2013 to 2015 approved by the Board of Directors' resolutions dated September 30, 2013 (Minutes No. 135/6) with amendments approved on December 17, 2014 (Minutes No. 170/12) and the Company's Insurance Coverage Plan for 2015 approved by the Board of Directors' resolution dated December 30, 2014 (Minutes No. 172/14).

VMI and HAI services in 2015 were provided by JSC SOGAZ. Expenses under insurance agreements in 2015 amounted to: RUB 62.5 million for VMI and RUB 0.7 million for HAI.

In 2015, the Company made efforts to compensate employees the costs of their children health improvement which is especially important in view of climate conditions in the Extreme North where most Company's branches are located. Throughout the reporting year, children of the Company's employees aged 7 through 15 years old visited country resorts, resort health centers, including those in the Krasnodar Territory with all costs fully or partially compensated by the Company. It was for the first time, that the Company partially

The Company employee incentives system encourages employees by additional and extra payments as well as bonuses based on the performance of the Company's divisions, bonuses for identified unmetered and out of contract electricity consumption, grid connections, and bonuses for completion of critical tasks.

compensated its employees the price of travel vouchers to resorts and resort health centers in the Republic of Crimea.

One of the critical elements of the Company's employees health improvement, promotion of a healthy lifestyle and prevention of diseases is to provide the Company employees with sports opportunities, carrying out competitions, sports celebrations, employees involvement in Spartakiads, friendly matches, shows, and contests.

In 2015, the Company held for its employees about 150 sporting events hosing over 2,500 people.

PJSC IDGC of the North-West team took part in the mini football tournament and took the fourth place in the Golden League.

As part of the Company's action plan dedicated to the 70th anniversary of the victory in the Great Patriotic War of 1941–1945, the Northwest Energy Specialists' Spartakiad took place on May 30, 2015 in Petrodvorets jointly with Red Star, inter-regional youth military patriotic organization. Over 200 people competed in martial arts.

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SPORTING EVENTS