

APPROVED

by Resolution of the General Meeting of Shareholders
of Open Joint-Stock Company RusHydro
Minutes of 25 June, 2008 No. _____

REGULATIONS

on payment of remuneration and compensation to members of the Board of Directors of Open Joint-Stock Company RusHydro

1. These Regulations have been drafted in accordance with the Federal Law on Joint-Stock Companies and establish the amount of and the procedure for payment of remuneration and compensation to the members of the Board of Directors of Open Joint-Stock Company RusHydro (hereinafter referred to as the Company).
- 2.1. These Regulations shall not apply to members of the Company Board of Directors who are the sole executive body of the Company or a member of the collegial executive body of the Company.
- 2.2. Remuneration and compensation shall not be computed or paid to the Chairman and to members of the Company Board of Directors in relation to whom the federal law envisages a restriction or prohibition on receipt of any payments from commercial organisations.
- 2.3. In case the prohibition or restrictions on receipt of payment from commercial organisations is lifted on grounds envisaged by the legislation of the Russian Federation, remuneration and compensation shall be paid to the members of the Board of Directors from the date on which the Company receives information about the lifting of the prohibition or restriction in the manner envisaged by these Regulations.
3. Payment of remuneration and compensation shall be made by the Company in cash.
- 4. Payment of remuneration**
- 4.1. A member of the Company Board of Directors shall be paid remuneration for participation in a meeting of the Board of Directors (irrespective of the form in which the meeting is held) in the amount equivalent to 10 (ten) minimum monthly rates of a first-grade worker as set by the Industry Tariff Agreement in the electric power sector of the Russian Federation (hereinafter referred to as the Agreement) on the day on which the meeting of the Company Board of Directors is held subject to indexation, provided for in the Agreement.

4.2. The amount of the remuneration paid in accordance with clause 4.1. hereof to the Board of Directors Chairman (Deputy Chairman of the Board of Directors) for each meeting at which he acted as Chairman of the Board of Directors (hereinafter referred to as acting as Chairman) shall be increased by 50%.

The remuneration envisaged in clause 4.1 hereof shall be paid within a period of one month of the meeting of the Company Board of Directors.

4.3. Members of the Board shall be paid an additional remuneration if the General Meeting of Company Shareholders adopts a resolution to pay out dividends on ordinary shares in the Company for the financial year (with regard for interim dividends, if a relevant resolution was adopted by the General Meeting of Company Shareholders).

The amount of the additional remuneration shall be calculated based on the amount of dividends declared by the Company on ordinary shares and the number of meetings in which the member of the Company Board of Directors took part during the financial year for which the General Meeting of Shareholders adopted the resolution to pay dividends, according to the formula:

(1)

$$S = \frac{d * n}{100 * x * m}, \text{ where}$$

S – sum of the remuneration per member of the Board of Directors for the financial year;

d – amount allocated by resolution of the Company General Meeting of Shareholders to pay dividends for the financial year (including the amount of interim dividends);

n – number of meetings of the Company Board of Directors attended by the Director (irrespective of the form in which they are held) during the financial year for which the General Meeting of Shareholders adopted the resolution to pay out dividends;¹

x – number of the members of the Company Board of Directors according to the Articles of Association;

m – number of meetings of the Company Board of Directors during the financial year for which the General Meeting of Shareholders adopted the resolution to pay out dividends.

¹ In the case envisaged by clause 2.3 hereof, n is the number of meetings of the Board of Directors attended by the Director (irrespective of the form in which they are held) from the date on which the Company receives information about the lifting of the prohibition or restriction on receipt of payments from commercial organisations during the financial year for which the General Meeting of Shareholders adopted the resolution to pay out dividends.

4.3.1. The remuneration indicated in clause 4.3 hereof shall also be paid to the members of the previous Boards of Directors of the Company exercising their authority during the financial year for which the General Meeting of Shareholders adopted the resolution to pay out dividends.

4.4. Members of the Board of Directors shall be paid additional remuneration in the event of an increase in the amount of market capitalisation of the Company during the term of the Board of Directors.²

4.4.1. The amount of the additional remuneration per each Director, paid in accordance with clause 4.4., constitutes 0.0175% of the increase in the market value of the Company calculated for the period from the time the member of the Board of Directors is elected until election of the new Board of Directors of the Company.

For the purpose of determining the amount of remuneration, the increase in the market value of the Company shall be calculated as follows:³

$$\Delta(MC) = \overline{MC}_t - \overline{MC}_{t-1} \quad (2),$$

where:

ΔMC – increase in the Company's market value;

\overline{MC}_t – average chronological capitalisation of the company for period (t);

\overline{MC}_{t-1} - average chronological capitalisation of the company for period ($t-1$).

The average chronological market capitalisation of the Company shall be calculated according to the following formula:

$$\overline{MC} = \frac{\sum_{i=1}^n (M_{iMICEX} \times d_{iMICEX} + M_{iRTS} \times d_{iRTS})}{n} \times Q \quad (3),$$

where:

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

² Applied if at least six months have passed from the time the shares are listed on the RTS and/or MICEX to the Director's termination of power.

³ The source of exchange indicators is the respective exchange.

d_{MICEX} – quotation weight on MICEX, calculated as the ratio of the volume of the Company's shares traded on MICEX to the aggregate volume of the Company's shares traded on RTS and MICEX (in units) on the i -th trading day of the relevant period on MICEX;

P_{RTS} – the average weighted Company share price on the i -th trading day of the period on RTS;

d_{RTS} – quotation weight on RTS, calculated as the ratio of the volume of the Company's shares traded on RTS to the aggregate volume of the Company's shares traded on RTS and MICEX (in units) on the i -th trading day of the relevant period on RTS;

n – number of trading days on which transactions were concluded with the Company's shares from the first to the last day of the relevant period (t) or ($t-1$),

Q – is the same magnitude for \overline{MC}_t and \overline{MC}_{t-1} , equal to the number of issued ordinary shares in the Company on the first date of period ($t-1$).

4.4.2. The procedure for determining periods (t) and ($t-1$) in the formulae:

- period (t) is calculated from the date following the termination of the powers of the Director, ending on the 30th business day;
- period ($t-1$) is determined as a period, consisting of 30 business days the last day of which is that preceding the date of election of the Director and the first day of which is the date counting backwards (30 business days) chronologically.

If, on the first day of period ($t-1$), determined in the established manner, 6 months have not expired from the date of listing on RTS and/or MICEX, period ($t-1$) shall be determined as the period consisting of 30 business days, the first day of which is that following expiry of the said six-month period.

4.4.3. The increase in the Company market value calculated according to formula (2) should be corrected for the growth of the stock market, characterised by the indices of the RTS and MICEX trading floors, using the following formula:

$$T_{market} = \left(\frac{\overline{I_{RTS}_t}}{\overline{I_{RTS}_{t-1}}} \times d_{RTS} \right) + \left(\frac{\overline{I_{MICEX}_t}}{\overline{I_{MICEX}_{t-1}}} \times d_{MICEX} \right) \quad (4),$$

where:

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

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

d_{RTS} – quotation weight on RTS, calculated as the ratio of the volume of Company shares traded on RTS to the aggregate volume of Company shares traded on RTS and MICEX (in units) for periods (t) and ($t-1$);

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

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

d_{MICEX} – quotation weight on MICEX, calculated as the ratio of the volume of Company shares traded on MICEX to the aggregate volume Company shares traded on RTS and MICEX (in units) for periods (t) and ($t-1$).

The average chronological index shall be calculated using the following formula:

$$I = \frac{\frac{I_1}{2} + I_2 + I_3 + \dots + \frac{I_n}{2}}{n-1} \quad (5),$$

where:

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

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

n – number of trading days between the first and last trading days of the relevant period.

4.4.4. The summary formula to calculate the base for determining the remuneration of a member of the Board of Directors takes the following form:

$$\Delta(IMV) = \frac{\Delta(MC) \times \left(\frac{MC_t}{MC_{t-1}} - (T_{market} - d_{comp.}) \right)}{\left(\frac{MC_t}{MC_{t-1}} - 1 \right)} \quad (6),$$

where:

$d_{comp.}$ – share of the company being assessed in the growth rate of the stock market, calculated as:

$$d_{comp.} = \left(\frac{Q_{comp.}}{Q_{TRS_MICEX}} \right) \times \left(\frac{MC_t}{MC_{t-1}} - T_{market} \right) \quad (7),$$

where:

$Q_{comp.}$ – total volume of the Company's shares traded on RTS and MICEX for periods (t) and ($t-1$) (in roubles);

Q_{RTS_MICEX} – total volume of shares traded on RTS and MICEX for periods (t) and ($t-1$) (in roubles).

4.4.5. If the Company has issued preference shares, in addition to ordinary shares, only the ordinary shares shall be taken into consideration when determining the amount of the remuneration in accordance with clause 4.4 hereof.

4.5. The remuneration indicated in clause 4.3. hereof shall be paid within a period of one month from the date on which the Annual General Meeting of Company Shareholders is held on the results of the financial year.

The remuneration indicated in clause 4.4. hereof shall be paid during the second month from the date on which the Annual General Meeting of Company Shareholders is held on the results of the financial year.

4.6. Restrictions on payment of remuneration

4.6.1. The remuneration envisaged by clauses 4.3. and 4.4. hereof shall not be paid if the member of the Board of Directors participated in less than 50% of the meetings of the Board of Directors held (from the time of his election to the time of termination of his powers).

4.6.2. The remuneration envisaged by clause 4.4. hereof shall not be paid if the Company did not receive any net profit for the financial year according to the annual financial statements approved by the Annual General Meeting of Company Shareholders.

4.7. A member of the Company Board of Directors may refuse to receive the remuneration envisaged by these Regulations in full or in part by submitting a relevant application in the name of the Chairman of the Company Management Board.

Given a relevant written application filed by a member of the Company Board of Directors, payment of all types of remuneration is made only with the written consent of such Director.

At the same time, if grounds emerge for payment of the remuneration, the Company is required to send the member of the Board of Directors a notification indicating the sum of the remuneration due. Such notification shall be forwarded no later than the corresponding remuneration payment date envisaged by these Regulations.

Given the written consent of the member of the Company Board of Directors to receive the remuneration, the relevant remuneration shall be paid to him within a period of two months of its receipt.

5. Payment of compensation

5.1. If members of the Board of Directors are sent on business trips to visit Company facilities, attend meetings with shareholders and investors, participate in General Meetings of Shareholders and meetings of the Company Board of Directors and fulfil other tasks related to their acting as Directors, they shall receive :

- payment of per diem in the manner established for the sole executive body of the Company or the sole executive body of the Company's management organisation;
- reimbursement for travel to the business trip destination and back to the place of permanent work or residence (including the insurance contribution for mandatory personal insurance of transport passengers, payment for services in obtaining travel documents, etc.) in the amount of the actual expenditures supported by travel documents, but no more than the cost of travel:

by rail – in business class carriages (SV, S);

by sea or river – at the rate set by the carrier, but not exceeding the cost of the journey in a luxury suite with comprehensive passenger services;

by air – at the business class rate;

by road – in a public transport vehicle (apart from taxi or car rental);

- reimbursement of accommodation costs – in the amount of the actual, duly documented costs, but not exceeding three minimum monthly tariff rates of a first-grade worker established by the Industry Tariff Agreement for the electric power sector of the Russian Federation on the day the costs are reimbursed, subject to indexation set in the Agreement, for each day of accommodation.

5.2. Payment of compensation shall be made by the Company within a period of one calendar day of the date on which the documents confirming the expenses incurred being submitted.

6. Validity of the Regulations

6.1. These Regulations shall come into effect as of the day of their approval by the General Meeting of Company Shareholders subject to clause 6.2 hereof.

6.2. Clause 4.3 hereof shall be applied to calculate the additional remuneration for members of the Company Board of Directors beginning from the 2007 financial year.