

APPROVED:

By the Resolution of the Annual General
Meeting of Shareholders of PJSC ALROSA,
Minutes No. 40 of __.__.2019

REGULATIONS

**on Remuneration to Members of the Supervisory Board of PJSC ALROSA
(Revised Version)**

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These Regulations On Remuneration to Members of the Supervisory Board of PJSC ALROSA (hereinafter – the Regulations) have been developed in accordance with the Federal Law On Joint Stock Companies of December 26, 1995, No. 208-FZ, standard acts of the Russian Federation, Articles of Association of PJSC ALROSA (hereinafter – the Company), and recommendations of the Federal Agency for State Property Management of the Ministry of Economic Development of Russia.

These Regulations determine the size, terms and procedures of remuneration to Members of the Supervisory Board of the Company.

1. General Provisions

1.1. Remuneration to Members of the Supervisory Board of the Company (hereinafter – the remuneration) can be paid for:

- involvement in the Supervisory Board activities (base remuneration),
- for the functions of the chairman of the Supervisory Board, senior independent director, and for the chairmanship of and (or) membership in its committees (additional remuneration).

Members of the Supervisory Board shall also receive compensation of the following expenses connected with the execution of duties of a Supervisory Board member:

- travel costs;
- accommodation expenses;
- expenses for the services related to ensuring technical conditions for the participation in meetings of the Supervisory Board and/or the Supervisory Board committees held through videoconferencing or using other technical communications.

Other compensations connected with the execution of a Supervisory Board member's duties shall be payable on the basis of a separate decision of the authorized management body of the Company.

1.2. No remuneration (base and additional) and compensation shall be payable to:

- the Chairman and members of the Supervisory Board under the applicable laws of the Russian Federation, when these persons are considered to be public officials or municipal servants;
- the Chairman and members of the Supervisory Board replacing the public post of the Russian Federation, the public post of the constituent entity of the Russian Federation, municipal post or replacing the post of the federal public service, the public service of the constituent entity of the Russian Federation or the post of municipal service (hereinafter – public posts and public positions);

- Members of the Supervisory Board, simultaneously holding the positions of the sole executive body or a member of the collective executive body of the Company.

1.3. Any remuneration shall be paid in compliance with a relevant resolution of the General Meeting of the Company's Shareholders. The amount of the remuneration to be paid shall be determined by a resolution of the General Meeting of the Company's Shareholders.

The General Meeting of Shareholders shall consider the remuneration as a separate item on the agenda of the Annual General Meeting of the Company's Shareholders.

1.4. The total sum of planned remuneration to the Supervisory Board members, which forecast amount is calculated by the Company's HR and Payroll Department in compliance with these Regulations, shall be included into the Company's Annual Work Plan and Budget in accordance with the Company's Accounting Policy and other internal regulations.

1.5. The total sum of remuneration (including additional remuneration) payable to the Supervisory Board members may not exceed 10% of the Company's net profit.

Should the total sum of remuneration payable to the Supervisory Board members entitled to such remuneration, calculated in compliance with Section 2 hereof, exceed 10% of the Company's net profit for a reporting period, each Supervisory Board member's remuneration including any additional remuneration shall be proportionally decreased.

1.6. In case the President and the Government of the Russian Federation issue relevant instructions causing the Supervisory Board to adopt relevant resolutions, the actual amount of the remuneration payable to the Supervisory Board members may be changed respectively.

1.7. Should no net (distributable) profit be available to the Company, no remuneration to the Supervisory Board members shall be calculated or paid.

1.8. Any information concerning the remuneration paid to the Supervisory Board members under these Regulations shall be disclosed by the Company when so stipulated by the laws of the Russian Federation.

2. Remuneration to Supervisory Board Members

2.1. Remuneration to Supervisory Board members shall be payable based on the results of their work for the period from the moment of their election to the Supervisory Board to the moment of election of the next Supervisory Board.

Should the Supervisory Board members be re-elected by an Extraordinary General Meeting of Shareholders, the amount of the remuneration payable to any newly elected (retired) member of the Supervisory Board shall be calculated in proportion to the time spent in office within the Corporate Year¹.

If a member of the Supervisory Board in the period of work in the Supervisory Board in the current Corporate Year replaced a public post or public position, was the Company's sole executive body or a member of the plural executive body of the Company, the period when such member of the Supervisory Board did not replace the said posts and positions shall be accounted for the purpose of calculation of the remuneration to such member of the Supervisory Board.

2.2. Remuneration for participation in the work of the Supervisory Board (base remuneration).

2.2.1. The amount of the remuneration for participation in the work of the Supervisory Board payable to each Supervisory Board member shall be calculated with account for the total number of the Supervisory Board meetings held during the previous Corporate Year, as of March 31 of the current year, and the number of meetings attended by a respective Supervisory Board member, in accordance with the formula as follows:

$$S(1) = S_{\text{base}} * \frac{\sum n_i - \sum ng}{m}$$

where:

S(1) is the size of remuneration for participation in the work of the Supervisory Board;

S_{base} is the base remuneration calculated as indicated in Clause 2.2.2 hereof;

$\sum n_i$ is the number of the Supervisory Board meetings held within the Corporate Year, as of March 31 of the current year, attended by a respective Supervisory Board member. Whereas:

$n_i = 1$, if a Supervisory Board member attended the Supervisory Board meeting where personal attendance was required or submitted filled out questionnaires on the items of the agenda of the Supervisory Board meeting held in the form of absentee voting, by the date of such meeting;

$n_i = 0.5$, if a Supervisory Board member failed to attend the Supervisory Board meeting where personal attendance was required, submitting, however, a written opinion on the items of the agenda;

$n_i = 0$, if a Supervisory Board member failed to attend the Supervisory Board meeting where personal attendance was required, failed to submit a written opinion on the items of the agenda and filled out questionnaires on the items of the agenda of the Supervisory Board meeting held in the form of absentee voting, by the date of such meeting;

¹ Corporate year – period between annual General Meetings of Shareholders of the Company.

Σng is the number of the Supervisory Board meetings held during the Corporate Year, as of March 31 of the current year, in which a relevant member of the Supervisory Board participated in the period of replacing a public post or public position.

Whereas:

$ng = 1$, if a member of the Supervisory Board, in the period of replacing a public post or public position, attended a Supervisory Board meeting where personal attendance was required or submitted filled out questionnaires on the items of the agenda of the Supervisory Board meeting held in the form of absentee voting, by the date of such meeting;

$ng = 0.5$, if a member of the Supervisory Board, in the period of replacing a public post or public position, failed to attend a Supervisory Board meeting where personal attendance was required, submitting, however, a written opinion on the items of the agenda;

$ng = 0$, if a Supervisory Board member, in the period of replacing a public post or public position, failed to attend the Supervisory Board meeting where personal attendance was required, failed to submit a written opinion on the items of the agenda and filled out questionnaires on the items of the agenda of the Supervisory Board meeting held in the form of absentee voting, by the date of such meeting;

$\Sigma ng = 0$, if during the Corporate Year a member of the Supervisory Board did not replace a public post or public position, or the Company has no such information at the end of the Corporate Year;

m is the total number of the Supervisory Board meetings (irrespective of their form) held within the Corporate Year, as of March 31 of the current year, or within the period in office during the Corporate Year (for newly elected (retired) Supervisory Board members).

2.2.2. The amount of the base part of the principal remuneration (S_{base}) shall be fixed based on the income calculated on the basis of the consolidated financial statements under the International Financial Reporting Standards and shall be:

Income	Sbase
over RUB 200 bn	RUB 6 mln
over RUB 30 bn	RUB 4 mln
over RUB 10 bn	RUB 2 mln

2.2.3. No remuneration for the participation in work of the Supervisory Board shall be payable to the Supervisory Board member who failed to attend more than 50% of the total number of the meetings held within the Corporate Year, as of March 31 of the current year, or within the period in office during the Corporate Year (for newly elected (retired) Supervisory Board members).

2.3. Additional remuneration for the functions of the chairman of the Supervisory Board, senior independent director, and for the chairmanship of and (or) membership in its committees.

2.3.1. Besides the remuneration stipulated by Clause 2.2 hereof, the additional remuneration $S(2)$ shall be fixed equal to:

- 50% of $S(1)$ – to the chairman of the Supervisory Board;
- 30% of $S(1)$ – to senior independent director;
- 30% of $S(1)$ – to a chairman of the Supervisory Board committee;
- 20% of $S(1)$ – to a member of the Supervisory Board committee.

2.3.2 No additional remuneration shall be paid to the chairman of the Supervisory Board, if less than five Supervisory Board meetings were held within one Corporate Year.

2.3.3. The additional remuneration for chairmanship and (or) membership in the Supervisory Board committees shall only be paid upon approval of the relevant committee's Corporate Year Report by a Supervisory Board meeting prior to the Annual General Meeting of Shareholders.

2.3.4. No additional remuneration for chairmanship and (or) membership in the Supervisory Board committees shall be paid, if:

– less than three meetings of a relevant Supervisory Board committee were held within one Corporate Year;

– a Supervisory Board member failed to attend more than 50% of the Supervisory Board meetings (including vote both in person and absentee voting) held during a Corporate year or the period in office within the Corporate Year (for newly elected (retired) members of the Supervisory Board).

2.3.5. The additional remuneration for membership and (or) chairmanship in the Supervisory Board committees is calculated for each committee separately.

The size of additional remuneration for membership and (or) chairmanship in the Supervisory Board committees of each member of a committee is calculated taking into account the total number of meetings of a Committee for the past Corporate Year, held as of March 31 of the Current Year in which a Committee’s member participated, according to the formula:

$$N_k = 20\% * \frac{\sum nk}{m};$$

$$N_p = 30\% * \frac{\sum nk}{m}$$

where:

N_k – additional remuneration for membership in the Supervisory Board committee;

N_p – additional remuneration for chairmanship in the Supervisory Board committee;

$\sum nk$ – number of meetings of the Supervisory Board committee held during the Corporate Year as of March 31 of the current year in which a relevant member and (or) chairman of the Supervisory Board participated. Whereas:

$nk = 1$, if a member and (or) chairman of the Supervisory Board committee participated in a meeting of the Supervisory Board committee where personal attendance is required, or submitted filled out questionnaires on agenda items by the date of a meeting of the Supervisory Board committee held in the form of absentee voting;

$nk = 0.5$, if a member and (or) chairman of the Supervisory Board committee did not participate in a meeting of the Supervisory Board committee where personal attendance is required but submitted a written opinion on agenda items of a meeting;

$nk = 0$, if a member and (or) chairman of the Supervisory Board committee did not participate in a meeting of the Supervisory Board committee where personal attendance is required and did not submit a written opinion on agenda items of a meeting, as well as did not submit filled out questionnaires on agenda items of a meeting by the date of a meeting of the Supervisory Board committee held in the form of absentee voting;

m – total number of meetings of the Supervisory Board committee (regardless of their form), held during the Corporate Year as of March 31 of the current year or within the period in office during the Corporate Year (for newly elected (retired) members of the Supervisory Board committee).

2.4. The total amount of remuneration payable to a Supervisory Board member shall be calculated as follows:

$$S_{TOTAL} = S(1) + S(2)$$

where:

S_{TOTAL} is the total amount of remuneration payable to a Supervisory Board member;

$S(1)$ is the size of remuneration paid under Clause 2.2. hereof;

S(2) is the size of additional remuneration paid under Clause 2.3 hereof;

2.5. Calculation of the remuneration recommended to be paid to a Supervisory Board member shall be carried out by the Company's HR and Payroll Department in compliance with relevant instructions of the Company's CEO – Chairman of the Executive Committee. The calculations shall be made in compliance with the provisions hereof, on the basis of certificates, extracts from the Supervisory Board minutes, extracts from the minutes of the Supervisory Board Committees and other documents submitted by the Corporate Secretary of the Company.

2.5.1. In order to calculate the sum of remuneration payable to a Supervisory Board member, the Corporate Secretary of the Company shall send to the CEO – Chairman of the Executive Committee of the Company:

- a certificate stating the number of the meetings (absentee voting) held by the Supervisory Board and attendance of each Supervisory Board member thereto, as of March 31 of the current year;

- information about written opinions on the items under consideration submitted by the Supervisory Board members (for the meetings, at which personal attendance was required), as of March 31 of the current year;

- information about the periods within the Corporate Year when Supervisory Board members replaced public posts or public positions, were the Company's sole executive body or a member of the plural executive body of the Company;

- a certificate stating the number of the meetings (absentee voting) held by each Supervisory Board Committee and participating in it of a Supervisory Board member as the chairman or member of a relevant committee, as of March 31 of the current year.

The certificate shall be signed by the Corporate Secretary of the Company and submitted to the CEO – Chairman of the Executive Committee of the Company every year no later than April 5.

2.5.2. Any meetings of the Supervisory Board or Committees thereunder held after March 31 of the current year shall not be taken into account in calculation of the remuneration payable for the relevant Corporate Year.

3. Procedure of Payment of Remuneration and Compensations

3.1. The decision on the remuneration to Supervisory Board members shall be made by the General Meeting of Shareholders.

3.2. The remuneration under Section 2 hereof shall be paid within 30 days after the Annual General Meeting of Shareholders of the Company that makes a decision on the remuneration to Supervisory Board members.

3.3. The remuneration under these Regulations shall be paid by the Company via transfer of the funds to the Supervisory Board members' private bank account (by a bank transfer) in Russian rubles.

According to the Currency legislation of the Russian Federation remuneration to the Supervisory Board members – non-residents of the Russian Federation may be paid in foreign currency at the rate of the Bank of Russia on the date of adoption of a remuneration decision by the General Meeting of Shareholders.

3.4. In compliance with the tax laws of the Russian Federation, the Company's Accounting Department shall calculate, withdraw and pay personal income tax and any other similar taxes arising from the remuneration paid to a Supervisory Board member.

3.5. A Supervisory Board member may refuse any remuneration hereunder or a part thereof, by sending a relevant application to the CEO – Chairman of the Executive Committee of the Company.

3.6. In order to compensate the expenses, a Supervisory Board member shall send to the Company a written application according to form in Annex 1 hereto attaching original documents to confirm such expenses and documents required for the payment of money.

3.7. Compensations shall be paid by the Company within 30 work days from the date when the Company receives the documents stipulated by Clause 3.6 hereof.

4. Final Provisions

4.1. These Regulations and any modifications and amendments hereto shall come into effect from the date of their approval by the General Meeting of Shareholders of the Company.

4.2. These Regulations shall apply to any relations arising since the date of the Annual General Meeting of Shareholders based on the results of 2018, and the provisions hereof shall apply to calculation of the remuneration (base and additional) to the Supervisory Board members elected at the Annual General Meeting of Shareholders based on the results of 2018, and thereafter.

4.3. Should any provisions of these Regulations come into a conflict with the laws of the Russian Federation and/or the Company's Articles of Association, they shall become invalid, and the relevant provisions of the laws of the Russian Federation and/or the Company's Articles of Association shall apply. Invalidity of any individual provisions hereof shall not invalidate any other provisions or these Regulations as a whole.

To the CEO – Chairman of the Executive
Committee of PJSC ALROSA

from the member of the Supervisory Board
of PJSC ALROSA
*(Full name of the member of the Supervisory
Board)*

Application for Compensation

I hereby request to arrange for the compensation of my expenses in the amount of RUB _____, related to the business trip, accommodation and payment for the services related to ensuring technical conditions for the participation in the meetings of the Supervisory Board and/or the Supervisory Board committees

– travel costs – _____

(bank details and class of tickets purchased, amount of expenses)

– accommodation expenses – _____

(number of days, room and hotel category, amount of expenses)

– expenses for the services related to ensuring technical conditions for the participation in the meetings of the Supervisory Board and/or the Supervisory Board committees – _____

(bank details of the organization that provided services, amount of expenses)

I hereby request to pay the compensation by a transfer to the bank account (deposit) to the bank details as follows:

Encl.:

- 1) documents confirming the expenses subject to compensation.

Date _____

_____/Full name/