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|  |  | JOINT STOCK COMPANY  MANGISTAU POWER DISTRIBUTION СOMPANY |

APPROVED BY

The Minutes of the Board of Directors of JSC “Mangistau Power Distribution Company”

No. 7

dd. August 11, 2017

**RULES FOR EVALUATING THE ACTIVITIES AND REMUNERATION OF SENIOR EMPLOYEES AND MANAGERS OF**

**JSC "mangistau power distribution company" on the basis of performance for the year**

**pr-ism-015-2017**

Reg. No.\_\_\_\_\_\_

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Revision 3

Aktau city

**Approval page**

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| **Position** | **Signature** | **Date** | **Full name** |
| **Approved by:** |  |  |  |
| Deputy Chairman of the Management Board for Operation - Chief Engineer, representative of the management of IMS |  |  | Zh.B. Sagymbekov |
| Head of the Legal Department |  |  | B.M. Salamatova |
| Acting Head of Human Resources Administration |  |  | S.B. Audanbayeva |
| **Developed by:** |  |  |  |
| Head of Strategy and Corporate Development Department |  |  | A.K. Khodzhabekova |

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1. Purpose

1. These for evaluating the activities and remuneration of executives and managers of the JSC “Mangistau power distribution company” (hereinafter referred to as the Rules) are developed in order to define the conditions and procedure for evaluating activities and paying remuneration to the executives and managers of JSC “Mangistau power distribution company”.
2. These Rules are based on the following principles:
3. the relation of remuneration with the implementation of tasks that meet the interests of the Company and its shareholders;
4. simplicity and transparency of the principles of determining the amount of remuneration;
5. the dependence of the amount of remuneration on the performance of the Company and the performance of employees.

2. Scope of application

1. These Rules apply to the Chairman of the Management Board, members of the Management Board and managers of the Company.
2. These rules do not apply to foreign workers who are engaged in the prescribed manner, unless other conditions are stipulated in the employment contract.

**3. Definitions and abbreviations**

1. The following definitions and abbreviations apply in these Rules:
2. **Company** – JSC “Mangistau power distribution company”;
3. **official salary -** a fixed wage per employee per month for the performance of work duties, taking into account the qualifications of the employee, complexity, quantity, quality and conditions of work performed;
4. **GMS** – General meeting of Shareholders of the Company;
5. **Senior employee/employee** - Chairman of the Management Board, Deputy Chairmen of the Management Board, Members of the Management Board of the Company;
6. **managers/employee** – managing directors, except for members of the Management Board;
7. **performance coefficients** - key performance indicators characterizing the efficiency of the Company's financial and production activities and the degree of achievement of strategic targets by employees;
8. **motivational performance coefficients -** indicators included in the employee remuneration system to focus their efforts on achieving the priorities in this reporting period;
9. **corporate performance coefficients -** a type of motivational performance coefficients that determines the amount of remuneration for the results of the Company's work, and are the same for all employees of the Compan**y**;
10. **functional performance coefficients** – a type of motivational performance coefficients, which are set differentially for each employee and determine the amount of remuneration for employee performance;
11. **weight of performance coefficient** - the coefficient that determines the importance, the priority of this indicator in relation to other indicators;
12. **limit** - the performance coefficient characterizing the minimum expectations from the result of the activity, which with a high probability is achievable under the condition of conscientious fulfillment of official duties, usually corresponding to the best of the following values: the planned value for the planned year (based on the Development Plan) or the actual value for the year preceding the planned one;
13. **target** - value of performance coefficient characterizing the expected level of high performance;
14. **challenge** - the value of the performance coefficient characterizing outstanding performance, contributing to the realization of the Company's ambitious targets;
15. **performance based on performance coefficient** -the value that determines the degree of achievement of the target levels for the performance coefficient;
16. **final performance** - weighted average performance based on all motivational performance coefficients based on their weight;
17. **LTRP** – Long Term Remuneration Program;
18. **Responsible unit** – structural unit responsible for economics and planning.

**4. Responsibility**

1. These Rules are approved by the decision of the Board of Directors of the Company.
2. Responsibility for monitoring the implementation of requirements and management of these Rules shall be borne by the head in charge of the economy and finance of the Company.
3. Responsibility for managing and fulfilling the requirements of these Rules shall be borne by the head of the Responsible Unit.

**5. Normative references and relating documents**

1. These rules are designed to meet the requirements of the following regulatory documents:
2. Legislation of the Republic of Kazakhstan;
3. Charter of the Company;
4. Corporate Governance Code;
5. Long-term strategy of the Company;
6. Regulations on remuneration and labor incentives for the Company's employees;
7. Documentation and records management rules.

**6. Evaluation of the efficiency of activity of executives and managers**

1. The procedure for evaluating the performance of executives and managers consists of the following steps:
2. the choice of motivational performance coefficients, setting target values;
3. approval of motivational performance coefficients;
4. performance monitoring;
5. calculation and approval of actual performance.
6. Motivational performance coefficients are developed as a performance coefficients map (FZ 01 PR-ISM-015-2016 to these Rules) by cascading the Company's strategic targets into specific indicators.
7. Performance coefficients maps for executives and managers are developed by the Strategy and Corporate Development Department and are coordinated for the optimality of the number of performance coefficients (3-7), weights and the adequacy of target values.
8. Performance coefficients maps are submitted for approval in the prescribed manner no later than April 30 of the reporting year..
9. Performance coefficients maps for executives are approved by the GMS of the Company.
10. Performance coefficients maps for managers are approved by the Board of Directors (hereinafter – the “BoD”) of the Company.
11. Monitoring of the fulfillment of motivational performance coefficients by executives is carried out by the GMS of the Company on an annual basis.
12. Monitoring of the fulfillment of motivational performance coefficients by the managers is carried out by BoD of the Company on an annual basis.
13. Adjustment of the performance coefficients map is carried out by the responsible department in the event of unforeseen circumstances that significantly affect the performance of the indicators and are independent of the efforts of the company’s management, as well as due to:
14. the emergence of new / refusal from existing business processes / activities;
15. adjustments to the Company's long-term development strategy;
16. changes in the organizational structure of the Company. At the same time, performance coefficient cards are not adjusted after September 1 of the reporting year.
17. In case of replacement of a senior employee or manager responsible for a particular business process / line of activity, the responsible unit immediately notifies the employee designated as responsible for the business process / line of activity approved by the performance coefficients map for approval / adjustment and subsequent approval according to established procedure.
18. At the end of the reporting period, executives and managers fill in the performance coefficient maps with actual values (FZ 02 PR-ISM-015-2016 to these Rules) and transfer them to the responsible unit.
19. Actual values of performance coefficients are converted to percentages of performance, calculation of remuneration is made and sent to shareholders to check actual values of performance coefficients and calculations of remuneration.
20. Performance coefficients maps with actual values and calculations of remuneration for executives, agreed upon by the responsible unit of the Company, are submitted for approval by the GMS of the Company in the prescribed manner.
21. Performance coefficients maps with actual values and calculations of remuneration of managers, agreed upon by the responsible unit of the Company, are submitted in accordance with the established procedure for approval by the BoD of the Company.
22. GMS of the Company decides on the payment / non-payment of remuneration.

**7. Remuneration based on the results of activity**

1. Remuneration based on the results of activity (short-term and long-term remuneration) are paid depending on the results of work with the aim of material incentives for the achieved success and improvement of work efficiency, are not permanent and are not taken into account when calculating the average salary.
2. Remuneration based on the results of activity is charged in proportion to the hours actually worked for the relevant position, with the exception of periods of disciplinary action and temporary disability. For the calculation of remuneration, the time spent on a regular leave (working days), the period spent on a business trip (including refresher courses) are included in the actual hours worked.
3. Shareholders of the Company at their discretion decide on the payment and the amount of remuneration. At the same time, the specific amount of remuneration for executives is established on the basis of an individual approach to evaluating the activities of each of them based on the results of the reporting period, within the established maximum remuneration limits.
4. Shareholders of the Company shall have the right to decide on non-payment of remuneration based on performance:
5. Failure to meet the limit balues of individual corporate performance coefficients;
6. final performance in terms of the performance of functional performance coefficients - less than 50% (inclusive);
7. In case of cancellation (termination) of an employment contract on the grounds provided for in Articles 50, 51, sub-clauses 2), 6), 19) (in the absence of employee’s guilt), 20), 23) (in the absence of employee’s guilt), 24 ) clause 1 of article 52, sub-clauses 3), 5), 6) clause 1 of clause 57, articles 58, 59 of the Labor Code of the Republic of Kazakhstan, remuneration for the reporting period can be paid in accordance with these Rules if there is a performance coefficients map approved in the prescribed manner proportional to the actual hours worked.
8. In the event of cancellation (termination) of an employment contract on the grounds provided for by article 56 of the Labor Code of the Republic of Kazakhstan after the end of the reporting period, remunerations are paid in accordance with these Rules.
9. Remuneration based on the results of operations is paid to the extent of funds provided for these purposes in the budget of the Company, after the approval of the results of financial and economic activities based on the audited financial statements for the reporting period.
10. The amount of remuneration based on performance results is recommended to be calculated in accordance with the methodological recommendations given in Annex 1 to these Rules. An example of the calculation of long-term remuneration is given in Annex 2 to these Rules.
11. Regarding the accrual and payment of remuneration not regulated by these Rules, decisions are made in accordance with the Legislation of the Republic of Kazakhstan and the Charter of the Company.
12. Formation of the actual amount of funds for the payment of performance bonuses is made in accounting by means of creation of the reserve.
13. The limits of remuneration for the results of work for the reporting period are determined in accordance with the following remuneration structure:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Structure of remuneration, in % | | |
| Annual salary (including financial assistance to the annual paid leave) | Short Term Remuneration | Long term remuneration |
| Head of the executive body | 30 | 30 | 40 |
| Executive Board Members | 40 | 30 | 30 |

1. Before the occurrence of the right to receive long-term remuneration, the remuneration structure of executives is as follows:

|  |  |  |
| --- | --- | --- |
|  | Annual salary (including financial assistance to the annual paid leave) | Short Term Remuneration |
| Head of the executive body | 36,84 | 63,16 |
| Executive Board Members | 36,84 | 63,16 |

1. The maximum remuneration for executives shall not exceed the annual remuneration (salary) of an employee 2-fold.
2. The maximum remuneration for managers shall not exceed the annual remuneration (salary) of an employee 1-fold. At the same time, the total amount of remuneration for the Company shall not exceed 10% of the net profit for the reporting year.

**8. Procedure and terms of payment of short-term remuneration** **(remuneration on the basis of performance for the year)**

39. The main condition for the payment of remuneration for the year is the presence of total profit for the reporting year, calculated taking into account the planned amount for the payment of remuneration.

40. Employees who actually worked for at least 5 (five) months in the reporting period, following the results of the performance of the approved performance coefficient for the reporting year, as well as newly accepted employees for whom performance coefficient cards in until August 1 of the reporting year.

41. The planning of funds for the payment of remuneration based on the results of work for the year is made on the basis of the planned indicator of total profit, the planned number of employees and annual wages of each employee.

**9. Procedure and terms of payment of long-term remuneration**

42. Long-term performance remuneration is intended to stimulate the achievement of targets by executives that affect the sustainable development of business in the long term, due to the growth of the Company's long-term value.

43. The duration of the LTRP period is three years from the launch date of the program.

44. LTRP is implemented in three stages:

1. approval of the long-term performance coefficient card for executives who participate in the LTRP and LTRP period during the first half of the first year of the LTRP period;
2. implementation by executives during the LTRP period of achieving the established values of the performance coefficients;
3. evaluation by the Company's Shareholders of the achievements of the long-term performance coefficient and the decision on the payment / non-payment of the long-term remuneration.
4. Approval of the long-term performance coefficient card and the list of LTRP participants is carried out by the GMS of the Company annually for a 3-year period.
5. After approval of the long-term performance coefficients map, the manager signs the obligation in accordance of the form FZ 03 PR-ISM-015-2016 to these Rules.
6. The planning of funds for the payment of long-term remuneration is made annually on the basis of the maximum amount of long-term remuneration and the planned number of managers.
7. Payment of remuneration to executives is carried out according to the results of the LTRP period and is paid for the next 3 years on an annual basis according to the following scheme:

Table 1

|  |  |  |  |
| --- | --- | --- | --- |
|  | Period of payment | | |
| 1 year | 2 year | 3 year |
| The percentage of the maximum amount of long-term remuneration | 70 | 15 | 15 |

1. The deferred part of the remuneration is not paid in case of detection of the guilty actions of the manager during the remuneration payment period on the basis of the decision of the GMS Company. In this case, the paid part of the remuneration may be withheld in the manner established by the legislation of the Republic of Kazakhstan, on the basis of the decision taken by the GMS Company and the Obligations.
2. Employees elected to the executive body during the first half of the first year of the LTRP period may be paid the long-term remuneration for the first period. At the same time, the LTRP period for a new senior employee begins with the date of his election and ends at the same time as other executives.

10. Forms of documents and records

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | Record name | Record form | To be performed by | **Place of storage** | **Term of storage** |
| 1 | Performance coefficients map with target values | FZ 01 PR-ISM-015-2016 | Responsible unit | Responsible unit | 5 years |
| 2 | Performance coefficients map with actual values | FZ 01 PR-ISM-015-2016 | Responsible unit | Responsible unit | 5 years |
| 3 | Obligation of LTRP participant | FZ 01 PR-ISM-015-2016 | Responsible unit | Responsible unit | 5 years |

FZ 01 PR-ISM-015-2017

**Approved by**

**\_\_\_\_\_\_\_\_\_\_\_\_**

Performance coefficients map with target values

Position name, full name

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| No. | Performance coefficient name | UOM | Weight | Limit | Target | Challenge |
| 1 | Corporate performance |  |  |  |  |  |
|  | 1) |  |  |  |  |  |
|  | 2) |  |  |  |  |  |
|  | n) |  |  |  |  |  |
| 2 | Functional performance |  |  |  |  |  |
|  | 1) |  |  |  |  |  |
|  | 2) |  |  |  |  |  |
|  | n) |  |  |  |  |  |

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| No. | Position | Surname, initials | Signature, date |
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Date of filling «\_\_\_\_»\_\_\_\_\_\_\_\_\_\_\_\_\_20\_\_\_\_

FZ 02 PR-ISM -015-2017

Approved by

\_\_\_\_\_\_\_\_\_\_\_\_

Performance coefficients map with actual values

Position name, full name

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| No. | Performance coefficient name | UOM | Weight | Actual | Performance (%) | Final performance (item 4 \* item 6) |
| 1 | 2 | 3  3 | 4 | 5 | 6 | 7 |
| 1 | Corporate performance |  |  |  |  |  |
|  | 1) |  |  |  |  |  |
|  | 2) |  |  |  |  |  |
|  | n) |  |  |  |  |  |
| 2 | Functional performance |  |  |  |  |  |
|  | 1) |  |  |  |  |  |
|  | 2) |  |  |  |  |  |
|  | n) |  |  |  |  |  |

\*Performance based on performance coefficient - the value that determines the degree of achievement of target levels for performance coefficients;

Final performance - weighted average performance for all motivational performance coefficients, taking into account their weight.

Approved by:

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Date of filling «\_\_\_\_»\_\_\_\_\_\_\_\_\_\_\_\_\_20\_\_\_\_

FZ 03 PR-ISM-015-2017

Obligation of LTRP participant

«\_\_\_\_»\_\_\_\_\_\_\_\_\_20\_\_\_\_

Hereby I, (Full name), in case of:

1. termination of the employment contract and / or change of data for the transfer of the deferred part of the remuneration payments, I undertake to notify the responsible department of the Company about these changes;
2. detection of guilty actions committed by me during the remuneration payment period, I agree to withholding of the paid part of the remuneration or to return the amount by transferring it to the Company's settlement account on the basis of the decision of the GMS of the Company.

Signature

Annex No. 1

Guidelines for calculating the amount of remuneration based on performance

1. The basic amount of remuneration according to the results of activities (V) is calculated by the formula:

V = O year\* Pr (1)

**Oyear**- the annual amount of the official salary of the employee for the actual hours worked in the reporting period (for long-term remuneration, the reporting period is 3 years from the date of launch of LTRP);

Pr - marginal remuneration ratio multiple to annual salary.

1. The amount of remuneration for the performance of the Company **(Vk)** is calculated by the formula:

Vk = V\* **Dk** \* K1 (2)

V - basic remuneration;

**Dk**\_ share of remuneration for fulfillment of corporate performance coefficients;

**K1** - the coefficient depending on the performance achieved by the employee in terms of the corporate performance coefficients.

1. The amount of remuneration for employee performance **(Vr)** is calculated by the formula:

Vr = V \* **Df** \*K2, (3)

V - basic remuneration;

Df - share of remuneration for fulfillment of functional performance coefficients;

**K2** - the coefficient depending on the performance achieved by the employee in terms of the functional performance coefficients.

1. The share of remuneration for the fulfillment of corporate and functional performance coefficients depends on the level of positions in accordance with the degree of influence of the position on the fulfillment of the Company's strategic targets and is recommended to be calculated in accordance with Table 1.

Table 1

|  |  |  |
| --- | --- | --- |
| Position name | Corporate  performance coefficients | Functional performance coefficient |
| For short term remuneration: remunerations: |  |  |
| Executive officer | 100% | - |
| Member of the executive body | 60% | 40% |
| Manager | 50% | 50% |
| For long term remuneration: |  |  |
| Executive officer and members of the executive body | 100% | - |

5. Total remuneration **(Vyear)** is calculated as the amount of remuneration for the performance of the Company **(Vk)** and remuneration for the employee performance **(Vr)**:

**Vyear = Vk + Vr (4)**

6. Assessment of employee performance is calculated based on the scheme, given in Table 2.

Table 2

|  |  |
| --- | --- |
| Actual value for the performance coefficient | Performance based on performance coefficient,% |
| Lower than the LIMIT | 0 |
| Equal to the LIMIT | 50 |
| Between the LIMIT and TARGET | (Actual - Limit / Target - Limit) \*50 + 50 |
| Equal to the TARGET | 100 |
| Between the TARGET and CHALLENGE | (Actual - Target /Challenge - Target) \*25 + 100 |
| Higher or equal to the CHALLENGE | 125 |

7. The final performance based on all performance coefficients is determined by the formula:

Performance \_ based on \_ performance coefficient t \* Weight \_ performance coefficienti , (5)

n – number of performance coefficient,

1. - reference number of the performance coefficient.

**RECORD OF CHANGES AND AMENDMENTS**

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### ACKNOWLEDGEMENT PAGE

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