

APPROVED

by the Resolution of the Annual General
Meeting of Shareholders of PJSC ALROSA
June 30, 2016, (Minutes No 34)
with the amendments approved by the
Resolution of the Annual General Meeting of
Shareholders of PJSC ALROSA
June 30, 2017, (Minutes No 35)

**Code of Corporate Governance
PJSC ALROSA**

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1. GENERAL PROVISIONS

1.1. The Code of Corporate Governance of PJSC ALROSA (hereinafter the Code) is a basic internal regulatory document that determines principles and general provisions of corporate governance of PJSC ALROSA (hereinafter the Company).

1.2. Purpose of the Code:

- to ensure the shareholders' right to participation in the Company's management;
- to ensure an efficient protection of the shareholders' rights and interests;
- to ensure development of the Company's disclosure policy and transparency of business activities;
- to ensure professional and ethical responsibility of the management bodies of the Company;
- to ensure an efficient control of the Company's financial and business activities.

1.3. The Company undertakes additional corporate relations obligations on voluntary basis, in comparison with the current legislation.

The Company is aimed at:

- following regulations and requirements of the Russian legislation, applicable foreign and international legislation, including corporate law, anti-corruption laws, securities laws, all the core principles of the Russian code of corporate governance, the international standards and recommendations;
- ensuring observance of standards and current legislation requirements and best practices of corporate governance and business ethics in the activities of subsidiaries and associated companies;
- expecting good knowledge and strict observance of the Code from employees and management bodies.

2. ABOUT THE COMPANY

2.1. The Company was incorporated in accordance with the Russian Federation Presidential Decree No. 158C "On the Establishment of the Almazly Rossii-Sakha Joint Stock Company" on February 19, 1992.

2.2. The Company is one of the largest diamond mining companies in the world.

2.3. Public entities (the Russian Federation, the Republic of Sakha (Yakutia), municipal entities of the Republic of Sakha (Yakutia)) and several thousand of individuals and legal entities are the shareholders of the Company.

2.4. The Company is aware of the responsibility to all the shareholders, recognizing the importance of high level of corporate governance for successful conduct of business and for gaining mutual understanding among all the parties interested in the Company's activity, assumes the obligations to follow the principals of this Code and to exert all the reasonable

efforts in order to reach an observance of the Code by the Company, officials and employees in usual activities.

3. PRINCIPLES OF CORPORATE GOVERNANCE

The Company assumes the obligations to apply the following principles of corporate governance in its activity:

3.1. enforcement of shareholders' rights and equal opportunities of shareholders in the course of exercising their rights:

3.1.1. shareholders' right to participate in the management of the Company by adopting decisions on the most critical issues of the Company's activity during the General Meeting of Shareholders and ensuring equal and fair treatment of all the shareholders in the course of exercising by them of their rights to participate in the management of the Company;

3.1.2. ensuring equal and fair opportunities of shareholders to participate in the profits of the Company by means of receiving dividends;

3.1.3. ensuring equal conditions for all the shareholders including minority and foreign shareholders and their equal treatment by the Company;

3.1.4. providing all the shareholders with reliable and efficient means of exercising their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner;

3.1.5. providing all the Company's shareholders with the possibility of receiving efficient protection from deterioration of their rights;

3.1.6. preventing shareholders' actions aimed at abuse of their rights in order to inflict harm to the Company and other shareholders.

3.2. Arrangement and maintenance of the Supervisory Board's activity:

3.2.1. the Supervisory Board is in charge of strategic management of the Company, determining major principles of and approaches to the creation of a risk management and internal control system within the Company, monitoring the activity of the Company's executive bodies and carrying out other key functions;

3.2.2. the Supervisory Board is accountable to the shareholders of the Company;

3.2.3. as a governing body of the Company the Supervisory Board should be efficient and professional, and able to make objective and independent judgements and adopt resolutions which are in the best interest of the Company and the shareholders of the Company;

3.2.4. the Supervisory Board should include a sufficient number of independent directors;

3.2.5. the Chairman of the Supervisory Board should support the most efficient performance of functions of the Supervisory Board;

3.2.6. the Supervisory Board' members must act reasonably and in good faith in the best interests of the Company and its shareholders, being sufficiently informed with due care and diligence;

3.2.7. ensuring the efficient activity of the Supervisory Board during the procedure of convening and conducting meetings (absentee voting) of the Supervisory Board, preparing the Supervisory Board members for participation in the meetings;

3.2.8. forming committees for preliminary consideration of the most important issues of the Company's activity by the Supervisory Board;

3.2.9. conducting performance assessment of the Supervisory Board, its committees and board members by the Supervisory Board.

3.3. Arrangement and maintenance of the Corporate Secretary's activity:

3.3.1. the Corporate Secretary ensures efficient interaction with shareholders, coordination of the Company's activities towards protection of shareholders' rights and interests, support of efficient activity of the Supervisory Board and its committees.

3.4. Arrangement and implementation of the remuneration system for the members of the Supervisory Board, executive bodies and other key management executives of the Company;

3.4.1. adequacy of the remuneration level paid by the Company necessary for attraction, motivation and retention of persons possessing competence and qualification required in the Company. Remuneration for the members of the Supervisory Board, executive bodies and other key management executives of the Company must be paid according to the approved remuneration policy of the Company;

3.4.2. remuneration system of the members of the Supervisory Board ensures alignment of financial interests of the members of the Supervisory Board with the long-term financial interests of shareholders;

3.4.3. Fixation in the system of remuneration for executive bodies and other leading officials of the Company of a principle of dependence of remuneration on performance results of the Company and their personal contribution to achieving such result.

3.5. In the framework of organization and functionality of the risk management system and internal control:

3.5.1. establishment of an efficient risk management system and internal control designed to provide reasonable confidence of achieving goals set by the Company;

3.5.2. organization of internal audit in the Company in order to independently evaluate, on a regular basis, reliability and efficiency of the risk management and internal control system and corporate governance practices.

3.6. disclosure of information about the Company, information policy of the Company:

3.6.1. transparency of the Company and its activities to shareholders, investors and other stakeholders;

3.6.2. well-timed disclosure of complete, up-to-date and verifiable information about the Company with the purpose of providing shareholders and investors with the possibility to make grounded decisions;

3.6.3. the Company at request of shareholders provides information and documents in accordance with the principles of fairness and unhindered accessibility.

3.7. Significant corporate actions.

3.7.1. implementation of the actions that cause or may cause a significant impact on the equity holding structure and financial standing of the Company and accordingly on the position of shareholders (significant corporate actions) is done on fair terms ensuring observance of rights and interests of shareholders and as well as other stakeholders.

3.7.2. implementation of the procedure of significant corporate actions enabling shareholders to receive in due time complete information about such actions, provides them with the possibility to affect implementation of these actions and guarantees observance and reasonable protection of their rights and interests while taking such actions.

4. SHAREHOLDERS' RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS IN THE COURSE OF EXERCISING OF THEIR RIGHTS BY THEM

4.1. Ensuring equal and fair treatment of all shareholders in the course of exercising of their right to participate in the Company's management.

4.1.1. The Company creates the most favorable conditions for shareholders' participation in the general meeting, conditions for elaborating legitimate position on the agenda issues of the general meeting, coordination of their activities as well as the possibility to give an opinion on issues under consideration.

a) The order of convening, preparing and holding the general meeting is regulated by the Regulations on the General Meeting of Shareholders approved by the General Meeting of Shareholders.

4.1.2. The procedure for notification of convening the general meeting and provision of materials for the general meeting should enable shareholders to get properly prepared for participation in it.

a) The Company, taking into consideration the importance of due time notification of a shareholder about holding the general meeting and advance familiarization of shareholders with the materials, according to the established legislation and the Company's Articles of Association, notifies shareholders about the general meeting convening procedure and ensures accessibility of the general meeting's materials no later than 30 days before the date of its holding in case the legislation does not provide for a longer period of time.

b) The Company discloses the information about the date of compiling the list of persons entitled to participate in the general meeting no later than 7 days before the date of the meeting in order to enable every interested person holding optimal portfolio of shares to participate in the general meeting.

c) The notification about holding the general meeting must contain all the information necessary for shareholders in order to adopt decision regarding participation in the general meeting as well as the method of participation.

In addition to the information contained in the notification about holding the general meeting according to the legislation it is also specified:

1) the exact location of convening the general meeting, including details about the room where the meeting will be held;

2) information about the documents to be presented for the admission to the room where the general meeting will be held;

d) Besides publishing notification about convening the general meeting on the Company's website on the Internet, the Company also publishes materials for the meeting, as well as information about road map to the place of holding of the general meeting, an approximate form of the power of attorney that a shareholder can hand over to his/her representative to participate in the general meeting, information on the procedure of certification of such power of attorney.

e) The Company provides the shareholders whose rights are recorded in the register with the opportunity to receive notification regarding holding the meeting and to have access to materials of the meeting in electronic form at the shareholder's request.

The shareholder's request should specify an e-mail address where the materials of the meeting can be sent in electronic form.

f) In order to ensure equal treatment of all shareholders, including foreign, the Company provides information on holding the meeting not only in Russian, but also in English.

g) During the preparation of the general meeting's agenda, the Company specifies who was proposed each item and who nominated each candidate to the Company's bodies.

4.1.3. During the preparation for and holding of the general meeting, the shareholders should have the possibility to freely and timely receive information about the meeting and its materials, to pose questions to executive bodies and the members of the Supervisory Board, to communicate with each other.

a) During preparation for the meeting, the Company creates the necessary organizational and technical conditions that provide shareholders with the possibility to pose questions to the members of the executive bodies and the Supervisory Board, as well as to publicly express their opinions regarding the agenda's items of the meeting. To that end, the Company supports the special telephone line (hotline) for communication with the shareholders, establishes the special e-mail address, ensures functionality of the forum for discussion of the agenda's items of the meeting on the Company's website on the Internet.

b) In order to strengthen the validity of adopted decisions by the general meeting, the Company provides shareholders with the following materials, in addition to the materials being mandatory by the legislation:

1) information on nominated auditors of the Company, enough to form insight into their professional expertise and independence, including the name of its self-regulating organization of auditors the member of which is the nominated auditor, description of the procedures used during the selection of external auditors, which ensure their independence and impartiality, as well as information on proposed external auditors' remuneration for auditing and non-auditing services (including information on fees and other costs of retaining the auditor) and other material terms of contracts to be entered into with the Company's auditor;

2) position of the Supervisory Board regarding the agenda of the general meeting as well as special opinions of the members of the Supervisory Board on each item of the agenda (if available) to be included into the minutes of the meeting of the Supervisory Board, where such opinion was expressed;

3) information on results of assessment of market value of assets used for payment for additional shares placed by the Company as well as assets and/or the shares of the Company, if such assessment was completed by an independent assessor, or other information enabling a shareholder to form an opinion on the real value of such assets and its dynamics;

4) when adopting decisions on increasing or decreasing authorized capital, approving major transactions and related party transactions it is necessary to provide argumentation of necessity of adopting relevant decisions and explanation of the consequences for the Company and its shareholders that arise in case of adopting such decisions;

5) when imposing amendments to the Articles of Association of the Company and internal documents of the Company it is necessary to provide tables comparing amendments with existing version, argumentation of necessity of adopting relevant decisions and explanation of consequences for the Company and its shareholders which shall arise in case of adopting such decisions;

6) when approving related party transactions it is necessary to provide a list of persons deemed to be interested in the transaction including argumentation according to which such persons are considered to be interested;

7) sufficient information that allows to form insight into personal and professional qualities of candidates nominated to the positions of the members of the Supervisory Board and other bodies of the Company, including information on their experience and biography, as well as whether they meet the statutory requirements to members of the Company's bodies, if such requirements are stipulated by the law. When considering the matter of transfer of powers of the sole executive body to a management company or a manager, it is necessary to provide relevant information on the manager and the management company including the information on its/his/her affiliation with any persons controlling the Company;

8) argumentation of proposed allocation of the Company's profit and assessment of its compliance with the approved Company's dividend policy, including in relation to profit proposed to be paid as dividends and applied towards the Company's own needs, together with explanatory notes and economic argumentation of allocating a certain amount of the profit to be used for the Company's own needs;

9) information on corporate actions which caused a negative impact on the shareholders' rights to dividends and/or diluted their shareholdings, as well as on judgments which identified

any instances where shareholders had received income from the Company other than by means of dividend payments or payments of the Company's liquidation value.

c) The Company does not deny a shareholder the right to review materials of the general meeting if notwithstanding misprints and other insignificant flaws, the shareholder's request enables the Company to determine his/her will and confirm his/her right to access the requested materials, including the receipt of their copies. If there are significant flaws, the Company immediately informs the shareholder about them to enable the latter to correct such flaws in due time.

d) The Company provides the shareholders that have a right to review the list of persons entitled to participate in the general meeting with the possibility to review it since the date of its receipt by the Company.

4.1.4. Exercise of the shareholder's right to demand convening of the general meeting, to nominate candidates to the Company's governing bodies and to impose proposals on the agenda of the general meeting should not present unjustified difficulties.

a) According to the Company's Articles of Association the period of imposing proposals on the agenda of the annual general meeting by the shareholders is increased up to 75 days from the end of a calendar year, comparing to 30 days as provided by the legislation.

b) If there are misprints and other insignificant flaws in a shareholder's proposal, the Company does not refuse to add the proposal to the agenda of the general meeting, to add a candidate to the list of nominees for election to the relevant body of the Company if a content of a proposal, in general, allows to determine the shareholder's will and to confirm his/her right to submit the proposal. If there are significant flaws the Company reports them in a timely manner to the shareholder so that it is possible to correct them before the Supervisory Board approves the agenda of the general meeting and the list of nominees for election to the relevant bodies of the Company.

c) The Company aims to establish a convenient procedure of sending requests to the Company to convene the general meeting, proposals nominating candidates to the Company's bodies and regarding items proposed to be included in the agenda of the general meeting.

4.1.5. Each shareholder should have a possibility to freely exercise the right to vote in the most simple and convenient way for him/her.

a) In accordance with the requirements of legislation the Company's shareholders receive voting ballots and shareholders are entitled to participate in the general meeting by filling out and sending such ballots.

b) The registration procedure of the general meeting participants should not create barriers to participation of any shareholder in the meeting and should be stipulated in detail in the internal documents of the Company. An exhaustive list of documents to be submitted to the Counting Commission for registration is stipulated by the internal documents regulating preparation for and holding of the general meeting.

c) When determining the number of persons in charge of registration and the time allowed for registration the Company ensures them to be sufficient to allow all the shareholders wishing to participate in the general meeting to register.

d) In accordance with the requirements of the legislation the Company engages a registrar to act as a Counting Commission. The contract for the Counting Commission includes the terms according to which the registrar when acting as a Counting Commission is bound to observe the Articles of Association and other internal documents of the Company, regulating preparation for and holding of the meeting, as well as the terms of property responsibility of the registrar for any failure to perform or improper performance of these functions.

e) The Company aims to terminate the general meeting within one day in order to avoid the increase in shareholders' expenses. If for objective reasons it is not possible to terminate the general meeting in one day, the Company terminates it, at least, on the following day.

According to the Articles of Association, the venue of holding the General Meeting of Shareholders is located at the seat of the Company.

f) In order to avoid any doubts regarding correctness of vote counting and to strengthen the confidence of shareholders in the Company, the Company seeks to sum up and to announce voting results before the termination of the general meeting.

g) In order to avoid any abuse, the Company stipulates in its internal documents a provision whereby a person, filling out a voting ballot, until the end of the general meeting, is entitled to request that a copy of the ballot filled out thereby be certified by the Company's Counting Commission (representatives of the registrar acting as a Counting Commission). For that purpose, the Company provides such person with the opportunity to make at such person's expense, a copy of voting ballot.

h) The general meeting's resolutions should be available to all the shareholders. In this connection, the Company includes in its Articles of Association and internal documents the regulations according to which the Company is obliged to publish the minutes of the general meeting on its website as soon as possible.

4.1.6. The Company's established procedure of holding the general meeting should provide all the persons, attending the meeting, with equal possibilities to express their opinions and to pose questions.

a) The general meeting is held in a certain way which enables shareholders to adopt grounded and informed decisions on all the agenda items. For that purpose, sufficient time for the agenda items reports and sufficient time for discussion of these items are provided.

b) In order to enhance shareholders' participation in the monitoring of the financial and economic activities of the Company, shareholders are given the opportunity to pose questions to the sole executive body, the chief accountant, members of the Auditing Committee, the chairman or other members of the Audit Committee under the Supervisory Board, and the external auditors of the Company regarding presented reports and thus to receive answers to the posed questions. The abovementioned persons are invited for participating in the General Meeting of Shareholders.

c) The Company invites candidates nominated for positions of members of the Supervisory Board and Auditing Committee for attending the respective general meeting in order to enable shareholders to question them and to assess the abovementioned candidates.

d) The Company provides participants of the meeting with the possibility to freely communicate and to consult with each other on the questions concerning the general meeting's voting, without violating the General Meeting of Shareholders procedure.

e) The Company seeks to apply telecommunication systems to provide the shareholders with remote access to the general meeting (for instance, by broadcasting the General Meeting of Shareholders via the Company's website, by using video conferencing).

4.2. Providing shareholders with equal and fair opportunity to participate in the profits of the Company by means of receiving dividends.

4.2.1. The Company has developed and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.

a) The Supervisory Board of the Company has approved the Regulations on the Dividend Policy. Dividend policy is set for a long-term period. In case of alternation of the dividend policy, the Company provides shareholders with explanation in detail and background of such amendments. The Company attempts not to impose amendments to the dividend policy if such changes are not caused by the Company's development needs or the existing overall economic situation.

b) In order to ensure transparency of the mechanism for determining the amount of dividends and their payment, the Regulations on the Dividend Policy stipulate the rules that set out the procedure for determining a portion of the net profit that will be allocated for the payment of dividends, the conditions under which dividends are declared, the procedure for calculating the amount of dividends on the shares.

c) The Regulations on the Dividend Policy stipulate the procedure for determining the minimum share of consolidated net profit to be allocated for the payment of dividends, subject to statutory restrictions on declaration and payment of dividends in respect of the Company.

e) The Regulations on the Dividend Policy are disclosed on the Company's website on the Internet.

f) Decision on dividend payment should enable a shareholder to receive complete information concerning the amount of dividends payable on the shares.

g) The procedure for dividend payment should ensure the most efficient way of implementation of shareholder rights to receive dividends.

h) Dividends are paid only in cash.

i) If the Company makes a decision to pay dividends, the shareholders are explained that it is important to timely inform the Company of any change in their data required for dividend payments (bank account details, mailing address, etc.) as well as consequences and risks of failure to timely inform the Company of such change.

4.2.2. The Company and the controllers of the Company when taking corporate actions do not allow the violation of dividend rights of shareholders and seek to ensure the preservation of dividend rights and shareholdings of shareholders (including by providing shareholders with

efficient and non-discriminatory mechanisms of preservation of the dividend rights and shareholdings).

4.3. Ensuring equal conditions for all shareholders and their equal treatment by the Company.

4.3.1. The Company ensures establishment, support and development of equal treatment of shareholders by executive bodies and controlling persons of the Company, including ruling out abuse of minority shareholders by major shareholders.

a) The minority shareholders should be protected from the abuse by controlling shareholders acting directly or indirectly and should be provided with efficient remedies in case of violation of their rights.

b) Shareholders must not abuse the rights granted to them. Shareholders are not permitted to perform any actions intended to cause harm to other shareholders or the Company, as well as other abuses of shareholders rights.

4.3.2. The Company does not take actions which result or may result in artificial reallocation of corporate control.

a) The Company takes necessary and sufficient measures to prevent legal entities controlled by the Company from taking part in a vote when resolution is passed by the general meeting.

b) The executive bodies of the Company are obliged not to participate in the management of the Company (not allowed to participate in the voting of the General Meeting of the Company) using the following:

- treasury shares (shares which belong to the Company itself);
- quasi-treasury shares (the Company's shares that belong to legal controlled entities).

c) The Company shall not use financial market tools, for example, entering into repo or loan agreements in respect of treasury or quasi-treasury shares for the sole purpose of transfer of rights to vote under the shares.

d) The Company shall seek to disclose the information made known to the Company about the possibility of purchasing by particular shareholder or shareholders of a degree of control disproportionate to his/her/their shareholdings in the share capital of the Company, including on the basis of shareholder agreements.

4.4. Reliability and efficiency of recording of share rights, as well as the opportunity to freely dispose of shares in a non-onerous manner.

a) Protection of a shareholder's ownership rights and provision of a guarantee of freedom to dispose of shares owned by such a shareholder are achieved by the Company through:

- selection of a reputable registrar that has well established and reliable technologies enabling it to record, in the most efficient way, ownership rights of shareholders and help them exercise their rights.

- taking actions together with the registrar aimed at updating details of the shareholders contained in the shareholder register.

b) In order to provide shareholders with the opportunity to sell their shares promptly and at a fair price, the Company ensures public floating of the shares and shall provide maintenance of a liquid stock market.

5. SUPERVISORY BOARD

5.1. Key functions of the Supervisory Board.

5.1.1. The Supervisory Board is in charge of adopting decisions to appoint and remove members of executive bodies, including in connection with the failure to properly perform their duties. The Supervisory Board also procures that the executive bodies act in accordance with the approved development strategy and main business goals of the Company.

a) One of the most important functions of the Supervisory Board is to form efficient executive bodies and exercise efficient control over their activity. The Supervisory Board is responsible for adopting timely and informed personnel decisions regarding executive bodies, including decisions on premature termination of their tenure.

b) The executive bodies of the Company are accountable to the shareholders and the Supervisory Board. In this connection, the shareholders may receive a report on the activities of the executive bodies of the Company only at the Annual General Meeting and, therefore, are not able to exercise effective control over executive bodies' activities, it is the Supervisory Board that plays the main role in exercising control over activities of the executive bodies.

c) The Supervisory Board's efficient control over activities of the executive bodies is also determined by provisions stipulated in the Articles of Association, according to which the issues concerning the formation of executive bodies, premature termination of their tenure, approval of terms of contracts to be entered into with members of the executive bodies, including terms of remuneration and other payments, are within the jurisdiction of the Supervisory Board.

d) The Articles of Association stipulate the competence of the Supervisory Board regarding the nomination of candidates to executive bodies of controlled organization included in a list approved by the Supervisory Board.

e) In accordance with approved criteria and indicators, the Supervisory Board regularly monitors the implementation of strategy and business plans of the Company by the executive bodies.

f) The Supervisory Board periodically hears the reports of the sole executive body and members of the plural executive body on the implementation of the strategy, with a particular attention to conformance of performance to target indicators set by the Company's strategy. The periodicity of such reports is set by the Supervisory Board based on the Company's scope of activity, strategy implementation milestones and necessity to make periodical adjustments.

5.1.2. The Supervisory Board sets core long-term targets of the Company's activity, assesses and approves key indicators of the activity and basic business goals of the Company, assesses and approves strategy and business plans in respect of principal areas of the Company's activity.

a) The Supervisory Board procures that respective resources are allocated in the course of developing the Company's strategy, determines the format in which the description of the strategy must be prepared, discusses and provides an objective assessment of the strategy development process, evaluates and approves the strategy.

b) When assessing a strategy the Supervisory Board, taking account of the Company's strengths and weaknesses, existing and projected economic and financial conditions of the Company's operation, decides whether such strategy is capable of being implemented.

c) The Supervisory Board from a very early stage participates in discussion of all significant changes relating to previously approved targets, strategy and business plans of the Company.

d) The strategy and business plans of the Company contain clear criteria, the majority of which is quantifiable and with interim target indicators. Such criteria enable the Supervisory Board to determine whether economic and financial results of the Company's activity correspond with planned targets, the efficiency of practical measures aimed at implementing the strategy as well as the extent to which it is implemented. In accordance with stated criteria and indicators, the Supervisory Board regularly monitors the implementation of the strategy and business plans.

e) One of the basic forms of implementation of functions of determining the Company's strategy is an annual approval by the Supervisory Board of a financial and business plan (consolidated budget) of the Company, developed and presented by the executive bodies of the Company. The grade of detail level of financial and business plan must enable the executive bodies to take initiative in managing the Company's daily operations.

f) The Supervisory Board, as a part of the Group's strategy, determines strategies of development and assessment of performance results of controlled companies included in the Group.

g) The Supervisory Board holds a special meeting at least once a year to discuss the strategy issues, progress of its implementation and updating. Periodicity of holding such meetings must correspond to the scope and nature of the Company's activity, risks taken by the Company, in particular, in connection with changes in the economic and legal environment in which the Company operates.

5.1.3. The Supervisory Board determines the principles of and approaches to the creation of the risk management and internal control system in the Company.

a) The Articles of Association provide for the Supervisory Board's powers to approve the general policy in the area of risk management and internal control.

b) the Supervisory Board assesses financial and non-financial risks faced by the Company, including operational, social, ethical, ecological and other non-financial risks and also determines the level of risk acceptable to the Company.

c) When approving the risk management policies, the Supervisory Board seeks to achieve an optimal balance between the risks and profitability to the Company as a whole, subject to the requirements of laws, internal regulation documents and the Articles of Association. In particular, such policies should provide that when performing transactions and operations

involving a high risk of loss of capital and investment, it is necessary to proceed based on a reasonable level of risk and conformance of the level of the risk to be assumed to the maximum levels set forth by the risk management policy.

d) System of motivation of the Company's staff must be developed with due account for the Company's general risk management policy.

e) The Supervisory Board organizes implementation of analysis and assessment of functionality of the system of risk management and internal control at least once a year. Implementation of such analysis may be based on particular reports regularly received from the executive bodies, internal audit divisions and external auditors, as well as based on reviews of the Supervisory Board and information from other sources. Periodicity of implementation of analysis and assessment of functionality of the risk management system and internal control must be determined in accordance with the nature and scope of the Company's activity, risks taken and changes in activity arrangement of the Company. Results of implementation of such analysis and assessment are considered during the Supervisory Board's meeting.

f) The executive bodies regularly report to the Supervisory Board (Audit Committee under the Supervisory Board) in relation to the creation and functioning of an efficient risk management and internal control system and are responsible for ensuring its efficient operation.

5.1.4. The Supervisory Board determines the Company's policy of remuneration and (or) reimbursement of costs (compensation) incurred by the members of the Supervisory Board, executive bodies and other leading officials of the Company.

a) The Company developed and implemented the policy of remuneration and (or) reimbursement of costs (compensation) incurred by the members of the Supervisory Board and executive bodies. The Company shall develop and implement the policy of remuneration and (or) reimbursement of costs (compensation) incurred by other leading officials, in other words by such employees that hold critical positions in the structure of the executive body and directly affect the efficiency of the financial and economic activity of the Company, the list of which is determined by the Supervisory Board.

b) The policy of remuneration and (or) reimbursement of costs (compensation) incurred by the members of the Supervisory Board, executive bodies and other leading officials must comply with the principles of transparency, accountability and take into account the role of the abovementioned bodies in the Company's activity.

5.1.5. The Supervisory Board should play a key role in prevention, detection and resolution of internal conflicts between the bodies, shareholders and employees of the Company.

a) The Company takes all the necessary and possible measures in order to prevent and regulate a conflict (mitigation of consequences) between a body of the Company and a shareholder (shareholders), as well as between shareholders if such conflict affects the Company's interests, and in particular to use out-of-court dispute resolution procedures, including mediation.

b) The Supervisory Board plays a key role in identifying and regulating such conflicts, providing the opportunity to receive an efficient protection for all the shareholders in case of violation of their rights.

c) If at any stage a conflict affects or might affect the Company's executive bodies, it is referred to the Supervisory Board. A member of the Supervisory Board whose interests are affected or may be affected, must not participate in a resolution of a such conflict.

d) In order to prevent a corporate conflict, the Company establishes a system designed to identify the Company's transactions involving a conflict of interests (in particular personal interests of shareholders, members of the Supervisory Board, other bodies or employees of the Company) including procedures that ensure:

1) well-timed receipt by the Company of an actual information on persons associated¹ or affiliated with members of the Supervisory Board, sole executive body, members of the plural executive body, other key managers and conflict of interests involving any of the above mentioned persons (including on related party transactions);

2) taking decisions on making transactions involving a conflict of interests or exercising control over terms of such transactions by persons not involved in a conflict of interests and not influenced by persons who have a respective conflict of interests.

Observance of the above mentioned procedures by employees is achieved by disciplinary measures and also taken into account by assessment of the relevant persons performance.

5.1.6. The Supervisory Board plays the key role in ensuring the transparency of the Company, well-timed and complete disclosure of information by the Company, unhindered access of shareholders to the Company's documents.

a) Well-timed and complete disclosure of information is the most important tool for formation of long-term trust-based relations with shareholders, has a beneficial effect on increase of the Company's value and attracting capital, trust maintenance of the Company's stakeholders (partners, clients, suppliers, public, government agencies). In this regard, control over the proper organization and efficient operation of the system of information disclosure by the Company and provision of information to shareholders is one of the most important functions of the Supervisory Board. To perform this function, the Supervisory Board approves the Company's information policy that stipulates a reasonable balance between the Company's openness and observance of the Company's commercial interests.

b) The Supervisory Board entrusts the Corporate Secretary of the Company with responsibility to exercise control over the observance of the Company's information policy.

5.1.7. The Supervisory Board exercises control over the corporate governance practice in the Company and plays a key role in material corporate events of the Company.

a) The Supervisory Board exercises control over the corporate governance practices that stipulate analyzing, on a regular basis, the compliance of the Company's corporate governance system and corporate values with goals and challenges facing the Company, as well as with the scope of the Company's activities and risks assumed thereby.

¹ In relation to an individual, his/her associated persons are: his/her spouse, parents, children, adoptive parents, adopted children, siblings (including half-sisters and half-brothers), grandparents, and any individual residing together with such first individual and having a common household with him/her.

b) When evaluating the practice of corporate governance the main attention is focused on the division of powers and determination of responsibilities of each of the Company's bodies and evaluation of performance thereby of respective functions and duties.

c) Upon the results of evaluation of corporate governance practice, the Supervisory Board forms proposals aimed at improving such practices and, if necessary, proposals aimed at making required changes to the Articles of Association and internal documents of the Company, also makes respective personnel decisions, or, if such decisions fall within the jurisdiction of the Company's executive bodies, to submit proposals regarding such decisions to the respective executive body.

5.2. Accountability of the Supervisory Board to shareholders of the Company.

5.2.1. Information on the work of the Supervisory Board is subject to disclosure and provision to shareholders.

a) The Company discloses information on a number of meetings of the Supervisory Board and its committees conducted during the past year, specifying the form of the meetings and information about presence of the Supervisory Board members at such meetings in an annual report and on the Company's website.

b) The Company publicly discloses information on the performance by the Supervisory Board of its responsibilities associated with its role in the organization of the Company's efficient risk management and internal control system.

c) Principal results of evaluation of performance of the Supervisory Board and executive bodies are disclosed in an annual report of the Company.

d) If during a reporting year any decision was made on premature termination of the tenure of executive bodies, reasons for making such decisions are disclosed in the annual report.

5.2.2. The Chairman of the Supervisory Board is available to communicate with the Company's shareholders. The shareholders are provided with the opportunity to pose questions to the Chairman of the Supervisory Board relating to matters falling within the jurisdiction of the Supervisory Board, as well as to communicate their opinion (position) on such matters via the Corporate Secretary or the chancery of the Company.

5.3. Efficiency and professionalism of the Supervisory Board as a governing body of the Company, the ability of the Supervisory Board to make objective and independent judgements and pass resolutions in the best interests of the Company and its shareholders.

5.3.1. It is recommended to elect to the Supervisory Board a person with impeccable business and personal reputation, knowledge, skills and experience necessary to take decisions falling within the jurisdiction of the Supervisory Board and to perform its functions efficiently.

a) Personal and professional qualities of a member of the Supervisory Board and his/her reputation should not give rise to doubts as to whether he/she will act in the best interests of the Company and the Company's shareholders. In this regard, it is recommended to nominate and elect to the Supervisory Board a person with impeccable business and personal reputation, knowledge, skills and experience necessary to take decisions falling within the jurisdiction of the Supervisory Board and to perform its function efficiently.

b) If a member of the Supervisory Board has a conflict of interests, it is a valid reason to doubt as to whether he/she will act in the best interests of the Company. In this regard, it is not recommended to elect to the Supervisory Board a person who is a member (shareholder) of the executive bodies and/or an employee of a legal entity competing with the Company.

c) The Company and controllers of the Company are recommended to aim at creating an efficient and professional Supervisory Board as a managing body able to make objective and independent judgements and in which issues within its jurisdiction are discussed, studied and efficiently decided in due time.

5.3.2. The election of members of the Supervisory Board is implemented by the means of transparent procedure enabling shareholders to receive sufficient information on candidates providing insight into their personal and professional qualities.

a) The Company ensures transparency of election procedures of the Supervisory Board, enabling to take into account the diversity of views of its shareholders and to ensure that the composition of the Supervisory Board corresponds to statutory requirements, tasks facing the Company, corporate values of the Company.

b) Shareholders are provided with the opportunity to receive information on candidates to the Supervisory Board, sufficient enough to form an insight into their personal and professional qualities. In particular, immediately after approval of a list of candidates, the Company discloses information about the person (group of persons) who nominated a particular candidate, information on age and education of a candidate, information on positions held by him/her during a period of at least the last five years, positions as of the time of a candidate's nomination, the nature of his/her relations with the Company, on membership on boards of directors of other legal entities, as well as about such candidate's nomination to boards of directors and his/her election (appointment) to a position in other legal entities, information on a candidate's relations with affiliated persons and major trading partners of the Company, and other information that may have an impact on candidate's performance of respective duties, and other information provided by the candidate. In addition, the Company states information on a candidate's compliance with requirements to independent directors. If a shareholder who has nominated a candidate or a candidate failed to provide complete or part of the abovementioned information, the Company discloses information on that fact. The Company uses an Internet forum where agenda items are discussed for the purpose of collecting shareholders' opinions regarding the conformance of the candidates to the criteria of independence.

c) The Company receives from a candidate a written consent to be elected to the Supervisory Board and work as a member of a committee if such candidate is expected to participate in work of a committee(s) of the Supervisory Board, and discloses information on obtaining such consent.

d) Information on candidates to the Supervisory Board is provided as a part of materials made available in the course of preparation for the General Meeting of Shareholders.

e) Minutes of the General Meeting of Shareholders where an issue of election of the Supervisory Board is discussed, includes information on the elected members of the Supervisory Board elected as independent directors.

5.3.3. The composition of the Supervisory Board should be balanced, in particular, in terms of qualifications of its members, their experience, expertise and business skills and enjoy the confidence of the shareholders.

The Company ensures that members of the executive bodies, as well as persons who are members of executive bodies of management organization of the Company and (or) have employment relations with Company or its management organization, do not account for no more than one fourth of the total number of elected members of the Supervisory Board.

5.3.4. The number of members of the Supervisory Board is 15 persons which provides the opportunity to organize the work of the Supervisory Board in the most efficient way, including the opportunity to form committees under the Supervisory Board, as well as provides substantial minority shareholders with the opportunity to elect a candidate to the Supervisory Board for whom they vote.

5.4. Independent directors.

5.4.1. An independent director is a person who is sufficiently able to have his/her own positions and make objective and bona fide judgements, free from the influence of the Company's executive bodies, and individual groups of shareholders or other stakeholders and who has sufficient professional skills and expertise.

The Company, when recognizing a member of the Supervisory Board as an independent director, evaluating whether a candidate to the Supervisory Board meets the independence criteria, as well as carrying out, on regular basis, analysis of whether independent directors of the Supervisory Board meet the independence criteria, is guided by Listing Rules of PJSC MOEX.

5.4.2. The HR and Remuneration Committee under the Supervisory Board, taking into account the information provided by a candidate, should evaluate independence of a candidate to the Supervisory Board and provide an opinion on independence of a candidate, as well as carry out a regular analysis of compliance of independent directors of the Supervisory Board with independence criteria and ensure immediate disclosure of information on the revealed circumstances due to which an independent director is no longer an independent one. When evaluating independence of every particular candidate (a member of the Supervisory Board) substance should take precedence over form.

In particular cases, which must be exceptional, the Supervisory Board when carrying out an evaluation may deem a particular candidate (a member of the Supervisory Board) to be independent even though he/she formally meets any criterion of affiliation with the Company, the Company's significant shareholder, material trading partner or the Company's competitor, provided such affiliation does not affect ability of a such person to make independent, objective and bona fide judgements. The Supervisory Board in this case is guided by the instructions stipulated in Listing rules of PJSC MOEX.

An independent director should abstain from performing actions as a result of which he/she may cease to be independent. If, after a person is elected to the Supervisory Board as an independent director, there occurs circumstances as a result of which he/she ceases to be independent, such member of the board is obliged to notify the Supervisory Board of such circumstances. The Supervisory Board should provide the disclosure of information on a member's loss of status of an independent director. The Company stipulates in its internal

documents the procedures to follow in case a member of the Supervisory Board ceases to be independent.

5.4.3. It is recommended that independent directors account for not less than one-fifth of all directors elected to the Supervisory Board.

a) Efficiency of the Supervisory Board performance of its functions, including protection of shareholders' interests and risk management, requires introduction of independent directors to the Supervisory Board.

b) Independent directors are meant to make a significant contribution to discussion and decision-making, first of all, on such issues as strategy developing for the Company's development and assessing whether or not the Company's activity corresponds to its development strategy, preventing and resolving corporate disputes, evaluating the performance of the executive bodies, assessing whether or not the Company's activity corresponds to the interests of all shareholders, disclosing reliable information on the Company's activity in due time, reorganizing and increasing the Company's share capital, making material changes to the Articles of Association that affect the rights of shareholders, on issues relating to the procedures for the Company takeover and other important issues that may affect the interests of the shareholders.

c) To enable independent directors to influence decisions made by the Supervisory Board, it is recommended that the independent directors accounted for not less than one-fifth of the Supervisory Board.

5.4.4. An independent director should play the key role in prevention of internal conflicts in the Company and in making material corporate actions by the Company.

Independent directors preliminary assess the possible actions and projects of the Company that may result in a corporate conflict. A document containing such assessment is included in the materials to be introduced to the Supervisory Board meeting where respective issues are considered.

5.5. Chairman of the Supervisory Board.

5.5.1. It is recommended to elect an independent director to the position of the Chairman of the Supervisory Board. If an independent director is not elected to the position of the Chairman of the Supervisory Board the senior independent director, which coordinates the work of independent directors and cooperates with the Chairman of the Supervisory Board, is identified among elected independent directors whose independence is confirmed by respective conclusion report of the HR and Remunerations Committee under the Supervisory Board, by unanimous decision of independent directors, coordinated with the Chairman of the Supervisory Board.

a) The Chairman of the Supervisory Board should ensure efficient organization of work of the Supervisory Board and its interaction with other bodies of the Company. In this regard, it is recommended to elect to the position of the Chairman of the Supervisory Board a person with an impeccable business and personal reputation and extensive experience of work as a top manager, and with no doubts regarding such person's honesty, integrity, and commitment to the Company's interests.

b) In order to create an efficient system of checks and balances at the level of the Supervisory Board a senior independent director is identified among elected independent directors. Therewith a senior independent director acts as an adviser to the Chairman of the Supervisory Board, ensuring an efficient work of the Supervisory Board, as well as coordinating independent directors interaction, including convening, as appropriate, and chairing meeting of independent directors.

c) It is recommended for the senior independent director to play a key role when evaluating the efficiency of performance of the Chairman of the Supervisory Board and when dealing with proposed successors to the position of the Chairman of the Supervisory Board.

d) The senior independent director, along with the Chairman of the Supervisory Board, is available for communication with shareholders via the Corporate Secretary and the chancery of the Company.

e) In a conflict situation (for example, if there are significant disagreements between members of the Supervisory Board or if the Chairman of the Supervisory Board fails to pay attention to any matters to be considered by individual members of the Supervisory Board or the Company's shareholders entitled to apply to the Supervisory Board for that purpose), the senior independent director should use his/her efforts to resolve a conflict by liaising with the Chairman of the Supervisory Board, other members of the Supervisory Board and the Company's shareholders with a view to ensuring efficient and stable work of the Supervisory Board.

f) Rights and duties of the senior independent director, including his/her role in resolving conflicts in the Supervisory Board, should correspond with recommendations of the Code, and be clearly set out in internal documents of the Company and explained to members of the Supervisory Board.

5.5.2. The Chairman of the Supervisory Board should ensure that the meetings the Supervisory Board are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely, monitor fulfilment of decisions adopted by the Supervisory Board.

a) The Chairman of the Supervisory Board shall arrange for developing a plan of work for the Supervisory Board, exercising control over implementation of its resolutions, drawing up agendas of the meetings of the Supervisory Board, developing the most efficient decisions on various matters on the agenda and, if necessary, shall organize free discussion of such matters. The Chairman of the Supervisory Board shall also ensure that such meetings are held in a constructive atmosphere.

b) The Chairman of the Supervisory Board should ensure efficient operation of committees under the Supervisory Board, in particular, by taking the lead in nominating members of the Supervisory Board to a particular committee based on their professional and personal qualities and taking account of proposals of the Supervisory Board members regarding the composition of the committees.

5.5.3. The Chairman of the Supervisory Board takes necessary measures to timely provide members of the Supervisory Board with the information necessary for adopting resolutions on issues on the agenda.

a) Internal documents of the Company stipulate a duty of the Chairman of the Supervisory Board to take all the required measures to timely provide members of the

Supervisory Board with the information necessary for adopting resolutions on issues on the agenda, to take the lead in drafting resolutions on issues under consideration.

b) The Chairman of the Supervisory Board maintains regular contacts with other bodies and officials of the Company with a view to obtaining the most comprehensive and reliable information required for decision-making by the Supervisory Board.

5.6. Members of the Supervisory Board.

5.6.1. Acting reasonably and in good faith means that members of the Supervisory Board should make decisions considering all available information, in the absence of a conflict of interests, treating shareholders of the Company equally, and assuming normal business risks.

a) Members of the Supervisory Board should carry out their duties reasonably and in good faith, with due care and diligence and in the best interests of the Company and its shareholders in order to achieve sustainable and successful development of the Company.

b) The Supervisory Board should take into account interests of other stakeholders, including employees, creditors, trading partners of the Company. The Company is socially responsible, so the Supervisory Board is recommended to take decisions in compliance with accepted environment and social standards.

c) If a member of the Supervisory Board has a potential conflict of interests², in particular, if he/she is interested in a particular transaction of the Company, such member of the Supervisory Board has to notify the Supervisory Board accordingly and, in any case, place the interests of the Company ahead of his/her own interests.

d) A member of the Supervisory Board should use his/her best efforts to actively participate in work carried out by the Supervisory Board.

e) In cases when decisions of the Supervisory Board may cause different consequences for different groups of shareholders, the Supervisory Board should treat all the shareholders fairly.

f) The Company establishes procedures (and a related budget) enabling members of the Supervisory Board to receive, at the expense of the Company, professional advice on issues relating to the jurisdiction of the Supervisory Board.

g) Members of the Supervisory Board are recommended to abstain from the actions that will or may result in a conflict between their interests and those of the Company.

² A conflict of interests means any contradiction between the Company's interests and personal interests a member of the Supervisory Board of the plural executive body or those of its sole executive body; such personal interests shall mean any direct or indirect personal interests or interests favoring a third party, including any interests arising by virtue of such member's or sole executive body's business, friendship, family or other ties and relations, positions held by him/her or by any persons affiliated with him/her in any other legal entity, his/her or such affiliated persons' ownership of shares in another legal entity, or contradiction between such person's duties vis-à-vis the Company and vis-à-vis such other legal entity. A conflict of interest may result, in particular, from entering into a transaction in which a respective person is interested, whether directly or not, acquisition of shares (interests) in any legal entity competing with the Company, or holding a position in such legal entity, or entering into contractual relations or other connection with it.

h) A member of the Supervisory Board involved in a conflict of interests is recommended to immediately inform the Supervisory Board through its Chairman or the Corporate Secretary of the existence of a conflict of interests and the grounds for such conflict of interests. In any case, such notification should be made before the issue in respect of which such member of the Supervisory Board has a conflict of interests is discussed at the meeting of the Supervisory Board or any of its committees at which such member of the Supervisory Board is present.

i) The member of the Supervisory Board that has a conflict of interests is not allowed to participate in decision-making. He/she is recommended to abstain from voting on issues in respect of which he/she has a conflict of interests.

j) In any case, where the nature of an issue being discussed or the specifics of a particular conflict of interest requires to do so, the Supervisory Board should suggest that a member of the Supervisory Board who has such conflict of interests should not be present at the meeting where the respective issue is to be discussed.

k) The fact that members of the Supervisory Board should act in the interests of the Company requires that they enjoy the trust of shareholders, therefore, it is necessary to exclude any situations where external pressure may be put on a member of the Supervisory Board in order to induce him/her to take action (or refrain from acting) or make a decision contrary to the Company's interests. In particular, members of the Supervisory Board and their affiliated persons should not accept gifts from parties interested in approving decisions, as well as to use any other direct or indirect benefit provided by such parties (except tokens of attention in accordance with generally accepted rules of courtesy or souvenirs during official events). The abovementioned approach is specifically stipulated in the Company's internal document – Anti-corruption policy approved by the Supervisory Board. This policy stated by the current Code is also applied to members of the Supervisory Board.

l) To rule out conflict of interests, executive directors are recommended to abstain from voting when approving the terms of contract to be entered into with members of executive bodies of the Company.

m) Ownership of the Company's shares by members of the Supervisory Board increases their interest in successful development of the Company and its capitalization growth. At the same time, ownership (direct or indirect) of the Company's shares by non-executive, independent directors may significantly affect objectivity and independence of their judgements and conduct.

The Supervisory Board is developing a policy of the Company regarding the Supervisory Board members' ownership of the Company's shares and shares (interests) in legal entities controlled by the Company, which stipulates the following:

- whether an independent director can own the Company's shares and (or) shares (interests) of legal entities controlled by the Company; restrictions of such ownership,
- the obligation of a member of the Supervisory Board to notify the Supervisory Board of his/her intention to enter into a transaction with shares in the Company or shares (interests) in legal entities controlled by the Company and immediately upon completion of such transactions, that such transactions have been entered into.

n) Managing the Company is a complex process involving a possibility that decisions made by the Company's bodies as a result of their reasonable and bona fide performance of their

duties will still turn to be wrong and entail negative consequences for the Company. In this connection, the Company, at its own expense, maintains liability insurance in respect of members of the Supervisory Board, in case losses are inflicted on the Company or any third parties through actions of members of the Supervisory Board it will be possible to get reimbursement of such losses. Liability insurance will not only allow the Company to compensate its losses but will also enable to attract competent professionals to the Supervisory Board where such professionals would otherwise be afraid of major potential claims that could be brought against them.

o) Since the duty to act reasonable and in good faith in the best interests of the Company is imposed by legislation to executive bodies, all the recommendations of the Code in relation to reasonable and bona fide actions of the members of the Supervisory Board and the liability insurance of the members of the Supervisory Board are also recommended to be applied to the executive bodies of the Company.

5.6.2. Rights and duties of members of the Supervisory Board are formed and stipulated in internal documents of the Company, first of all in the Articles of Association and Regulations on the Supervisory Board.

5.6.3. Members of the Supervisory Board should have sufficient time to perform their duties.

a) Bona fide and efficient performance of duties of a member of the Supervisory Board also involves sufficient time for work in the Supervisory Board, including its committees.

b) Members of the Supervisory Board are obliged to notify the Supervisory Board about intention to take position in management bodies of other organizations and immediately after their election (appointment) to the management bodies of such organizations of such election (appointment).

5.6.4. All members of the Supervisory Board have equal opportunity to access the Company's documents and information. Newly elected members of the Supervisory Board are provided with sufficient information on the Company and the work of the Supervisory Board by the Corporate Secretary within the minimum period of time.

a) The efficiency of work carried out by members of the Supervisory Board (especially non-executive directors and independent directors) largely depends on the form, timing and quality of the information they receive. The information that is periodically presented to members of the Supervisory Board by the executive bodies is not always sufficient to enable the members of the Supervisory Board to properly perform their duties. In this regard, members of the Supervisory Board are encouraged to request additional information when such information is necessary to make an informed decision. The duty of the Company's officials to provide members of the Supervisory Board with such information is stipulated in the internal documents of the Company, firstly in the Articles of Association and Regulations on the Supervisory Board.

b) Members of the Supervisory Board are provided with the opportunity to obtain all the information necessary to perform their duties, including information on legal entities controlled by the Company.

c) Members of the Supervisory Board are entitled to request information from the Company and promptly receive answers to their queries. All members of the Supervisory

Board have equal rights of access to the documents of the Company and the legal entities controlled by the Company.

If documents requested by a member of the Supervisory Board contain confidential information, including trade secrets, this may not prevent such document from being provided to a member of the Supervisory Board. A member of the Supervisory Board to whom such information is provided shall be obliged to keep it confidential. Such duty is stipulated in Regulations on the Supervisory Board. To confirm that he/she has assumed such duty to keep information confidential, a member of the Supervisory Board is required to issue a respective written acknowledgement or such duty may be set forth in a contract entered into with the member of the Supervisory Board.

d) The Company does not refuse to provide information to members of the Supervisory Board because in the opinion of the Company the requested information thereby has nothing to do with the agenda of a meeting or does not fall within the jurisdiction of the Supervisory Board.

e) The Company placed the system that provides, on a regular basis, members of the Supervisory Board with information on the most important developments relating to financial and business activities of the Company and controlled legal entities, as well as on other events that affect shareholders' interests.

f) Internal documents of the Company stipulate the obligation of the executive bodies to timely provide sufficient and reliable information on agenda items of a meeting of the Supervisory Board and at request of any member of the Supervisory Board, the documents also stipulate liability for failure to comply with the above stated duty.

g) Internal documents of the Company stipulate an order and procedure according to which executive bodies provide members of the Supervisory Board with information via the Corporate Secretary.

h) The Company has developed a procedure of newly elected members of the Supervisory Board's familiarization with information on the Company's strategy, approved corporate governance system, risk management system and internal control, division of duties among the executive bodies and other material information on the activity of the Company.

5.7. Meetings of the Supervisory Board.

5.7.1. Meetings of the Supervisory Board are conducted as needed, with due account for the scope of activity and current goals of the Company.

a) Members of the Supervisory should actively participate in the meetings of the Supervisory Board including in discussing and voting on matters on agenda, as well as in work of committees under the Supervisory Board.

b) Discussion of matters and recommendations provided by committees under the Supervisory Board and passing respective resolutions should take a considerable part of time at a meeting of the Supervisory Board.

c) The Company's Articles of Association and Regulation on the Supervisory Board determine the opportunity to hold meetings of the Supervisory Board both in person and in absentia.

d) Members of the Supervisory Board are recommended to notify the Supervisory Board of his/her inability to attend a meeting of the Supervisory Board in advance, specifying the reason thereof.

e) Minutes of a meeting of the Supervisory Board contain the information on how each director voted on various matters included in the agenda of the meeting.

f) Meetings of the Supervisory Board are conducted as needed, as a rule, at least once every two months, and in accordance with the plan of work approved by the Supervisory Board that includes a list of issues to be considered at respective meetings.

g) As soon as practicable after the meeting of the Supervisory Board at which the Supervisory Board was elected, the first meeting of the Supervisory Board is held in order to elect the Chairman and deputy chairpersons of the Supervisory Board, form the committees and elect their chairpersons.

5.7.2. Internal documents of the Company determine the procedure for preparation and holding meetings of the Supervisory Board, enabling members of the Supervisory Board to prepare properly for such meetings.

a) The Regulations on the Supervisory Board stipulate the procedure and time limits for sending voting ballots to each member of the Supervisory Board and receiving completed ballots when holding an absentee voting. The abovementioned time limits are reasonable and sufficient for obtaining voting ballots and passing resolutions on agenda items.

b) The Regulations on the Supervisory Board stipulate that a written opinion on a meeting's agenda items of a member of the Supervisory Board absent from the meeting is taken into account in the event of holding a meeting of the Supervisory Board in the form of joint-presence in order to determine the presence of a quorum and voting results, and set out the procedure for receiving a written opinion of a member of the Supervisory Board, ensuring its immediate sending and obtaining (via fax and electronic communication).

c) Members of the Supervisory Board absent at a meeting are provided with the opportunity to participate in discussing agenda items and voting remotely, via conference and video-conference calls.

d) The Regulations on the Supervisory Board provide a shareholder (shareholders) holding more than 2 % of the Company's³ shares with the right to demand the Supervisory Board to convene a meeting with a view to consider the most important issues relating to the Company's business.

e) In order to provide members of the Supervisory Board with the opportunity to prepare properly for a meeting of the Supervisory Board, the Regulations on the Supervisory Board set out reasonable and well-grounded time limits for notifying them.

f) Notification to members of the Supervisory Board of convening a meeting of the Supervisory Board, form of its holding and an agenda with materials regarding agenda items, is

³ If the legislation sets forth other requirements to the respective threshold percentage of the voting shares, this recommendation shall not apply.

provided in due time to enable members of the Supervisory Board to form their opinions on any matters on the agenda. The period of notification is not less than 7 days.

g) Members of the Supervisory Board have an opportunity to review in advance a work plan and a schedule of meetings of the Supervisory Board, as well as opinions of the committees under the Supervisory Board and (or) independent directors in relation to any items on the agenda.

h) It is recommended to determine in internal documents of the Company a form of notification of convening meetings and procedure of sending (providing) information ensuring its prompt delivery (including by electronic means) that are the most convenient for members of the Supervisory Board.

i) To create an efficient mechanism of accountability of members of the Supervisory Board, the Company maintains and keeps, along with minutes, transcripts of meetings of the Supervisory Board or other means of documenting, containing information on the position of each member of the Supervisory Board on issues on its agenda (audio/video records of meetings). Dissenting opinions of members of the Supervisory Board are enclosed with minutes of meetings and form an integral part thereof.

5.7.3. The form of meetings of the Supervisory Board is determined with due account for the importance of issues on the agenda of the meeting. The most important issues are decided at the meeting held in person.

a) The form of a meeting in person is a preferred form for holding meetings of the Supervisory Board, since it enables members of the Supervisory Board to discuss agenda items in a more substantive and detailed way.

b) Form of a meeting of the Supervisory Board is determined with due account for the importance of issues on the agenda of the meeting. The most important issues among others that are discussed at meetings held in person are:

- 1) approval of priority business areas and a financial and business plan of the Company;
- 2) convening an annual General Meeting of Shareholders and passing resolutions necessary for its convocation and holding, convocation or refusal to convene an extraordinary General Meeting of Shareholders;
- 3) preliminary approval of an Annual Report of the Company;
- 4) election or reelection of the Chairman of the Supervisory Board;
- 5) creation of executive bodies of the Company and their early termination of powers;
- 6) submission for consideration by the General Meeting of Shareholders of proposals relating to the Company's reorganization (including determination of a conversion ratio for the Company's shares) or liquidation of the Company;

- 7) approval or further approval of major transactions, material related party transactions, approval of other material transactions of the Company⁴ (hereinafter – approval of material transactions);
- 8) approval of a registrar of the Company and terms of a contract to be entered into with a registrar, as well as termination of a contract with a registrar;
- 9) submission for consideration by the General Meeting of Shareholders of a proposal on the transfer of powers of the sole executive body to a management company or a manager;
- 10) consideration of material aspects of activity of legal entities controlled by the Company⁵;
- 11) issues relating to the receipt by the Company of a mandatory or voluntary offer;
- 12) issues relating to an increase in the share capital of the Company (including determining the value of property to be contributed as payment for additional shares placed by the Company);
- 13) review of financial activities of the Company during a reporting period (quarter, year);
- 14) issues relating to listing and delisting of the Company's shares;
- 15) review of the results of the evaluation of efficiency of work of the Supervisory Board, executive bodies and key managers of the Company;
- 16) passing resolutions on the remuneration to be paid to members of executive bodies and other key managers of the Company;
- 17) review of risk management policy;
- 18) approval of the Company's dividend policy.

5.7.4. In order to take account, to a maximum possible extent, of opinions of all members of the Supervisory Board, the Company, regardless of quorum stipulated in the Articles of Association, aspires that resolutions on the most important issues concerning the Company's activity shall be adopted at meetings of the Supervisory Board by a qualified majority vote or by a majority vote of all elected members of the Supervisory Board.

Such issues include:

⁴ Material transactions of the Company mean its major transactions, related party transactions that are material for the Company (with the Company determining the materiality criteria), and other transactions that the Company deems to be material by referring them to the jurisdiction of the Supervisory Board as stipulated in the Articles of Association.

⁵ Material aspects of activity of legal entities controlled by the Company mean major transactions of legal entities controlled by the Company, as well as other aspects of their business that materially affect financial condition, financial performance results and changes in the financial position of the group of entities of which the Company and legal entities controlled thereby form part, and are stipulated in the Articles of Association.

- 1) approval of priority business areas and a financial and business plan of the Company;
- 2) approval of the dividend policy of the Company;
- 3) making a decision on listing of the Company's shares and (or) the Company's securities convertible into its shares;
- 4) determining a price of material transactions of the Company and approval of such transactions;
- 5) submission for consideration by the General Meeting of Shareholders of proposals on the Company's reorganization or liquidation;
- 6) submission for consideration by the General Meeting of Shareholders of proposals to increase or reduce the share capital of the Company, determination of the price (value) of the property to be contributed as payment for additional shares being placed by the Company;
- 7) submission for consideration by the General Meeting of Shareholders of issues relating to amendments to the Articles of Association, approval of material transactions of the Company, delisting of the Company's shares and (or) securities of the Company convertible into its shares;
- 8) consideration of material issues relating to activities of legal entities controlled by the Company;
- 9) adoption of recommendations relating to a voluntary or mandatory offer obtained by the Company;
- 10) adoption of recommendations relating to the amount of dividends payable on shares of the Company.

5.8. Committees under the Supervisory Board.

5.8.1. **The Audit Committee** is established for the purpose of preliminary consideration of matters regarding control over the financial and business activities of the Company.

a) Audit Committee is established with a view to facilitating the efficient performance of the functions of the Supervisory Board relating to control over financial and business activity of the Company.

b) The main objectives of the Audit Committee are as follows:

- 1) in relation to accounting (financial) statements:
 - control over completeness, accuracy and reliability of the Company's accounting (financial) statements;
 - analysis of material aspects of accounting policy of the Company;
 - participation in consideration of material issues and opinions concerning accounting (financial) statements of the Company;
- 2) in relation to risk management, internal control:

- control over reliability and efficiency of risk management system and internal control and corporate governance system, including evaluation of risk management and internal control procedures of the Company, corporate governance practices and drafting proposals for their improvement;
- analysis and evaluation of implementation of risk management and internal control policies;
- control over the procedures ensuring the Company's observance of requirements of the law, as well as ethical standards, the Company's rules and procedures, requirements of exchanges;
- analysis and evaluation of implementation of the policy relating to conflicts of interests' management;

3) in relation to internal and external audit:

- ensuring independence and objectivity of internal audit function;
- review of policies relating to internal audit (regulation on internal audit);
- review of a plan of work of internal audit department;
- consideration of issues relating to appointment (dismissal) of a head of internal audit department and the amount of his/her remuneration;
- review of existing authority or budget restrictions on the implementation of the internal audit function that can adversely affect its efficiency;
- evaluation of the efficiency of the internal audit function;
- consideration of the need for establishment of internal audit system (if there is no such function in the Company) and provision of results to the Supervisory Board;
- evaluation of independence, objectivity and lack of conflict of interests in relation to the external auditors of the Company, including evaluation of proposed auditors of the Company, development of proposals on appointment, re-election and dismissal of external auditors of the Company, on payment for their services and terms and conditions of their agreement;
- control over external audit and evaluation of quality of external audit and auditor's reports;
- ensuring efficient cooperation between the Internal Audit Department and the external auditor of the Company;
- developing and exercising control over the implementation of the Company's policy that determines the principles of provision by auditors of both auditing and non-auditing services to the Company;

4) in relation to prevention of bad faith action on the part of the Company's employees and third parties (including negligence, fraud, bribery and corruption, commercial bribery, abuse and other illegal acts that inflict damage upon the Company):

- control over the efficiency of the system of warning about potential bad faith actions on the part of the Company's employees and third parties, as well as other violations in the Company;
- control over special investigations relating to potential fraud or misuse of insider or confidential information;
- control over implementation of measures, taken by the executive management of the Company in connection with the receipt of information about potential bad faith actions on the part of the Company's employees and other violations.

c) The Company strives to ensure:

- that the Audit Committee was formed of independent directors only.
- that at least one independent director who is a member of the Audit Committee had an expertise in preparing, analyzing, evaluating and auditing accounting (financial) statements.

d) The Audit Committee, if needed, may invite to its meetings any officers of the Company, the head of Internal Audit Department and representatives of the external auditor of the Company, as well as engage, on a permanent or temporary basis according to the Company's established procedure, independent consultants (experts) to participate in the work of the Audit Committee for preparing materials and recommendations in relation to any matters included in the agenda.

e) Meetings of the Audit Committee or its Chairman meetings with the head of the Internal Audit Department of the Company concerning the matters falling within the jurisdiction of the Internal Audit Department are held at least once a quarter.

f) The Company publicly discloses prepared by the Audit Committee evaluation of an audit report provided by the external auditor, as well as the information on whether the Audit Committee includes an independent director with an expertise in preparing, analyzing, evaluating and auditing accounting (financial) statements.

5.8.2. The HR and Remunerations Committee is established for the purpose of preliminary consideration of matters concerning development of efficient and transparent remuneration practices, as well as the issues on implementation of human resource planning (succession planning) of professional composition and efficiency of work of the Supervisory Board.

a) The HR and Remunerations Committee promotes:

- development of efficient and transparent practice in relation to the remuneration paid to members of the Supervisory Board, executive bodies and other key managers of the Company.

- reinforcement of professional personnel and efficiency of work of the Supervisory Board by shaping recommendations during the process of nomination of candidates to the Supervisory Board.

b) The Company seeks to ensure that the HR and Remunerations Committee consisted only of independent directors.

The Chairman of the Supervisory Board cannot be a Chairman of the HR and Remunerations Committee.

c) The objectives of the HR and Remunerations Committee are as follows:

In relation to the preliminary consideration of issues concerning the development of efficient and transparent remuneration practice.

- development and periodic review of the Company's policy on remuneration payable to members of the Supervisory Board and the Company's executive bodies and other

key managers, including development of parameters of short and long-term incentive programs for members of the executive bodies;

- control over the introduction and implementation of the Company's remuneration policy and various incentive programs;
- preliminary evaluation of the work of executive bodies and other key managers of the Company upon the results of a year in the context of criteria set forth in the remuneration policy, as well as preliminary evaluation of whether or not the abovementioned persons achieved their goals under the long-term incentive program;
- development of the terms of early termination of employment contracts with members of executive bodies and other key managers of the Company, including all financial obligations of the Company and conditions on which such obligations shall be assumed;
- determination of tender procedures for selecting an independent consultant to advise on the remuneration payable to members of the executive bodies and other key managers of the Company;
- drafting recommendations to the Supervisory Board in relation to the setting of the amount of remuneration and principles of payment of bonuses to the Corporate Secretary, as well as preliminary evaluation of work of the Corporate Secretary upon results of a reporting year and proposals on bonuses to be paid to the Corporate Secretary;
- preparing a report on practical implementation of the policies on remuneration payable to the members of the Supervisory Board, members of the executive bodies and other key managers of the Company in order to include such report to an annual report and other documents of the Company.

In relation to preliminary consideration of issues concerning human resource planning (succession planning), professional composition and efficiency of the Supervisory Board.

- evaluation of composition of the Supervisory Board in terms of professional expertise, experience, independence, and involvement of its members in the work of the board, as well as determining priority areas for improving the composition of the board;
- interaction with shareholders, which should not be limited to the largest shareholders only, in the context of finding candidates who can be nominated to the Supervisory Board in order to form the board in such way that it would fully meet goals and objectives of the Company;
- analysis of professional qualifications and independence of all candidates nominated to the Supervisory Board, based on all the information available to the Committee; drafting and communicating recommendations to shareholders in respect of their voting in the election of candidates to the Supervisory Board;
- description of individual duties of directors and the Chairman of the Supervisory Board, including time they should spend on issues related to the Company's activities, both at and outside meetings, in the course of planned and unplanned work. Such description (prepared separately for a member of the board and for its Chairman) is approved by the Supervisory Board and provided to each new member of the Supervisory Board and the Chairman for review after their election;
- carrying out an annual detailed formalized procedure of self-evaluation or external evaluation of the Supervisory Board and committees under the Supervisory Board from the standpoint of their performance as a whole and individual contributions of directors to the work of the Supervisory Board and its committees, drafting recommendations to the Supervisory Board on improving proceedings of the Supervisory Board and its committees, preparing a report on the results of such self-evaluation or external evaluation to be included in the Company's annual report;

- preparing an introductory program for newly elected members of the Supervisory Board designed to help them get familiarized with the Company's key assets, strategy, business practices established in the Company, organizational structure and key managers of the Company, as well as proceedings of the Supervisory Board; exercising control over practical implementation of the introductory program;
- drafting an educational and advanced training program for members of the Supervisory Board, which takes into account individual needs of its several members, as well as exercising control over practical implementation of this program;
- analysis of current and expected needs of the Company regarding the professional qualifications of members of executive bodies and other leading officials of the Company based on the Company's competitive ability and development, succession planning in respect of the abovementioned bodies;
- drafting recommendations for the Supervisory Board on candidates for the position of the Corporate Secretary;
- drafting recommendations for the Supervisory Board on candidates for positions of members of the executive bodies and other key managers.

d) The HR and Remunerations Committee monitors the disclosure of information on the policy and practice of remuneration and the Company's share ownership by members of the Supervisory Board, as well as members of plural executive bodies and other key managers, in an annual report and on the Company's website.

e) The HR and Remunerations Committee determines a self-evaluation methodology and provides recommendations on the selection of an independent consultant who will evaluate the Supervisory Board's performance. The abovementioned methodology and a candidacy of an independent consultant are approved by the Supervisory Board.

5.8.3. *The Strategic Planning Committee* is established in order to increase the efficiency of the Company's performance in the long term.

The objectives of the Strategic Planning Committee are as follows:

- determination of strategic goals of the Company's business, control over implementation of its strategy, development of recommendations for the Supervisory Board on adjustments to be made to the Company's existing development strategy;
- development of business priorities of the Company;
- development of recommendations on the Company's dividend policy;
- evaluation of efficiency of the Company's performance in the long term;
- consideration, on a preliminary basis, and development of recommendations on the matters relating to the Company's participation in other entities (including on direct and indirect acquisitions and disposals of interests in the share capitals of other entities, granting a charge of shares or interests);
- evaluation of voluntary and mandatory offers to purchase the Company's securities;
- review of a financial model and a model of evaluation of the Company's business and the value of its business segments;
- consideration of the matters relating to the reorganization and liquidation of the Company and entities controlled by the Company;
- consideration of the matters relating to amendments in the organizational structure of the Company and entities controlled by the Company;

- consideration of the matters relating to the reorganization of business processes of the Company and legal entities controlled by the Company.

5.8.4. Taking into account the scale of activity and risk level, the Supervisory Board may establish other committees. When establishing them the Supervisory Board proceeds from the recommendations of the Code of Corporate Governance approved by the Government of the Russian Federation on February 13, 2014 and recommended by the Central Bank of Russia (letter of April 10, 2014 No. 06-52/2463).

5.8.5. The Supervisory Board approves internal documents stipulating the tasks of each committee, its power, procedure of its creation and work. The Company discloses information on created committees, as well as procures that such committees' recommendations are included in the minutes of the meeting of the Supervisory Board that considered the matter in respect of which such recommendations were given. If the Supervisory Board adopts a decision contradicting recommendations of the Committee, the Supervisory Board should explain the reasons why recommendations were not taken into account. The corresponding explanation should be included in the minutes of a meeting of the Supervisory Board.

5.8.6. The composition of the committees is determined in such a way that it would allow a comprehensive discussion of the issue being considered on a preliminary basis with due account for different opinions.

a) Each committee consists of at least three members of the Supervisory Board.

b) Since the participation in the work of a committee requires members of the Supervisory Board to thoroughly review each issue being discussed by the committee, the Regulations on Committees stipulate the maximum number of committees in whose work a member of the Supervisory Board may take part.

c) If necessary, experts and consultants who do not have the right to vote on the matters within the jurisdiction of the Committee may be retained on a temporary or permanent basis to work for a Committee.

d) Given the specific nature of issues considered by the Audit Committee, the HR and Remunerations Committee, it is recommended that persons who are not members of the above-mentioned committees could attend their meetings only at the invitation of their chairpersons.

e) The chairman of a committee plays the main role in organizing its work, whose main task is to ensure fairness when developing the committee's recommendations for the Supervisory Board. In this connection, it is recommended that the committees under the Supervisory Board be chaired by independent directors.

f) Chairpersons of the committees regularly inform the Supervisory Board and its Chairman of the work of their committees. The committees present reports on their activities to the Supervisory Board on an annual basis.

5.9. Evaluation of quality of the Supervisory Board, its committees and members of the Supervisory Board' performance.

5.9.1. Evaluation of quality of the Supervisory Board's performance is aimed at determining the efficiency of work of the Supervisory Board, the committees and members of

the Supervisory Board, whether their work meets the Company's needs of development, making the work of the Supervisory Board more intensive and identifying areas of improvement.

a) Evaluation of the quality of the Supervisory Board's performance enables to determine the degree of involvement of its member in the implementation of the Company's strategy and other goals of the Company, increase the role of the Supervisory Board in achieving an objective regarding successful development of the Company.

b) It is recommended that evaluation of the Supervisory Board's performance be carried out with due care and pursuant to a formal procedure, and that it includes not only an assessment of the Supervisory Board's work in general, but also an assessment of work of its committees and each member of the Supervisory Board, including its Chairman.

c) Evaluation of work of the Supervisory Board's Chairman should be conducted by independent directors (under the chairmanship of the senior independent director), taking into account all opinions of the Supervisory Board's members.

d) Criteria for evaluation of the Supervisory Board must include evaluation of professional and personal qualities of board members, their independence, level of coordination of their work and their personal contributions, as well as other factors affecting the performance of the board.

e) The results of self-evaluation and external evaluation are considered at the Supervisory Board meeting held in the form of joint presence.

f) The Chairman of the Supervisory Board and the HR and Remunerations Committee shall, if necessary, develop proposals on how to improve work of the Supervisory Board and its committees, taking into account results of such evaluation. Upon the results of evaluation of individual members of the Supervisory Board, recommendations may be given regarding training/education of such members. Individual education program (training) should be formed and carried out if necessary. The Chairman of the Supervisory Board and the HR and Remunerations Committee exercise control over implementation of such programs.

5.9.2. Evaluation of performance of the Supervisory Board, Committees and members of the Supervisory Board is carried out on a regular basis at least once a year. To carry out an independent evaluation of the quality of the Supervisory Board's performance, on a regular basis (at least once every three years) it is recommended to retain an independent organization (consultant) who is qualified to conduct such evaluation.

6. CORPORATE SECRETARY

6.1. Corporate Secretary's functions.

6.1.1. The Corporate Secretary should have knowledge, experience and qualifications sufficient for the performance of his/her duties, as well as impeccable reputation and should enjoy the trust of the shareholders.

a) A person appointed as a Corporate Secretary has degree in law or economics or business and at least experience in the area of corporate governance and as a manager.

b) It is not recommended to appoint as a Corporate Secretary a person who is affiliated with the Company or is associated with a person that controls the Company or with executive managers of the Company, as this can give rise to a conflict of interests and prevent the Corporate Secretary from performing his/her tasks properly.

c) If a conflict of interests arises the Corporate Secretary is obliged to immediately notify the Chairman of the Supervisory Board about it.

d) The Corporate Secretary takes care of improving his/her expertise on a regular basis. For the purpose of peer learning, the Corporate Secretary is recommended to maintain regular professional interactions with other corporate secretaries, for instance, by participating in professional association of corporate secretaries.

e) The Company discloses on the website and in an annual report information on the Corporate Secretary in the same amount as information on members of the Supervisory Board and executive bodies of the Company.

6.1.2. The Corporate Secretary should be sufficiently independent of the executive bodies and be vested with powers and resources required to perform his/her tasks.

a) To ensure independence of the Corporate Secretary, he directly reports to the Supervisory Board. For that purpose, the following issues fall within the jurisdiction of the Supervisory Board:

- approval of a candidate nominated to the position of the Corporate Secretary and his/her dismissal;
- approval of the Regulations on the Corporate Secretary;
- evaluation of the Corporate Secretary's performance and approval of reports on his/her work;
- payment of additional remuneration to the Corporate Secretary;

b) The Supervisory Board establishes an internal document, the Regulations on the Corporate Secretary that stipulate the following:

- requirements to a candidate nominated to the position of the Corporate Secretary;
- procedure for appointing the Corporate Secretary and his/her dismissal;
- subordination of the Corporate Secretary and the procedure for his/her interaction with the management bodies and structural units of the Company;
- functions, rights and duties of the Corporate Secretary;
- terms of and a procedure for paying remuneration to the Corporate Secretary;
- responsibility of the Corporate Secretary.

c) The functions of the Corporate Secretary include:

- participation in making arrangements for preparing for general meetings;
- maintenance of work of the Supervisory Board and committees under the Supervisory Board;
- participation in the implementation of the Company's information disclosure policy, as well as ensuring the keeping of corporate documents of the Company;

- ensuring interaction of the Company with shareholders and participation in prevention of corporate conflicts;
- ensuring interaction of the Company with regulators, market makers, registrar and other professional participants of the securities market, within the jurisdiction of the Corporate Secretary;
- ensuring implementation of the procedures established by the legislation and the Company's internal documents providing for the implementation of rights and legitimate interests of shareholders, exercising control over their implementation;
- promptly informing the Supervisory Board of all identified violations of law, as well as provisions of internal documents of the Company, observance of which falls within the jurisdiction of the Corporate Secretary;
- participation in the improvement of the corporate governance system and practice of the Company;

d) To perform his/her functions, the Corporate Secretary is vested with powers required to:

- request and receive documents of the Company;
- propose issues for consideration by the Company's management bodies within his/her jurisdiction to do so;
- exercise control over observance of the Articles of Association and internal documents of the Company by the Company's officials and employees, concerning the issues related to his/her functions;
- exercise interaction with the Chairman of the Supervisory Board and committees' chairpersons of the Supervisory Board.

e) Depending on the scope of the Company's business, capital ownership structure, a number of minority shareholders, the functions of the Corporate Secretary is performed by a specialized structural unit headed by the Corporate Secretary (Corporate Governance Department).

f) It is not recommended to the Corporate Secretary to combine his work as the Corporate Secretary with other functions in the Company.

7. SYSTEM OF REMUNERATION PAYABLE TO MEMBERS OF SUPERVISORY BOARD, EXECUTIVE BODIES AND OTHER KEY MANAGERS OF COMPANY

7.1. The level of remuneration paid by the Company.

7.1.1. The level of remuneration paid by the Company to members of the Supervisory Board, executive bodies and other key managers should establish an efficient motivation for their efficient work, enabling the Company to attract and retain competent and qualified specialists. However, the Company should avoid setting the level of remuneration higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above-mentioned persons and that of the Company's employees.

a) The level of remuneration of members of the Supervisory Board, executive bodies and other key managers should be sufficient to attract, retain and motivate managers who have required professional qualities to manage the Company effectively. It is not recommended to set

the level of remuneration paid to such persons exceeding the level required to achieve these goals.

b) When conducting a comparative review of the level of remuneration with that of other comparable companies, it is recommended to use a balanced approach to the positioning of a target level of remuneration. The desire to set the remuneration level higher than in comparable companies is not always justified and might trigger spiral growth of fees paid in a respective industry, without achieving higher results, whether on the part of the particular company or the industry as a whole, that would be commensurate with the overall increase of the remuneration level.

7.1.2. The Company's remuneration policy should be developed by the HR and Remunerations Committee and approved by the Supervisory Board. The Supervisory Board, acting on behalf of shareholders and in accordance with their long-term interests, supported by the HR and Remunerations Committee, should develop, approve and ensure control over implementation of the remuneration policy in the Company, including short-term and long-term incentives, in relation to members of the executive bodies and other key managers, and if necessary, to revise the policy and impose amendments.

When creating and revising the remuneration system of members of the executive bodies and other key managers, the HR and Remunerations Committee should conduct an analysis and provide the Supervisory Board with recommendations regarding each component of the remuneration system, as well as proportions between such components, in order to ensure a reasonable balance between short-term and long-term performance results. Short-term performance results mean performance results for a period not exceeding three years, and long-term performance results mean those for a period of at least five years.

The HR and Remunerations Committee and the Supervisory Board are recommended to carefully analyze the relative amounts of variable and fixed components of the remuneration system when creating the system and making adjustments to it. If variable components of the system of remuneration of members of the executive bodies and other key managers constitute its significant part, it is recommended that a long-term incentive program should account at least the half of the target amount for the variable components of remuneration. In order to ensure a balance between short-term and long-term incentives, the Company may also provide deferred payment of a bonus upon the results of a year, where such bonus will be paid for example in equal instalments over the next three years.

7.1.3. The Company's remuneration policy should contain transparent mechanisms of determining the amount of remuneration paid to members of the Supervisory Board, executive bodies and other key managers of the Company, as well as standardize all the types of payment, benefits and privileges provided to above-mentioned persons.

a) The Company's approved remuneration policy should ensure transparency of all financial benefits by providing a clear explanation of approaches and principles, as well as disclosing detailed information on all types of payments, benefits and privileges granted to members of the Supervisory Board, executive bodies and key managers in consideration of performance of their duties.

b) Regardless of the Company's approved procedures for determining the remuneration policy and approaches to the use of particular types of the remuneration, the Company should avoid conflict of interests when determining the amount of remuneration paid to a certain person,

in particular when considering and passing resolutions regarding the amount of remuneration in the presence of the person whose remuneration is being discussed.

7.1.4. The expense reimbursement policy (compensations) is a part of the Company's remuneration policy that specifies the list of expenses subject to recovery, and service levels provided to members of the Supervisory Board, executive bodies and other key managers of the Company when performing their duties.

Members of the Supervisory Board, executive bodies and other key managers are reimbursed (compensated) for their expenses for travelling to/from the place of a meeting of the Supervisory Board and in connection with other trips undertaken when performing their duties.

Members of the Supervisory Board are not compensated for any expenses other than those for travelling to/from the place of a meeting and in connection with other trips undertaken as a part of work of the Supervisory Board and the committees under the Supervisory Board.

Non-executive and independent directors are not provided with any pension contributions, insurance programs (other than directors' liability insurance and insurance related to travelling in connection with the work of the Supervisory Board), investments programs or other benefits and privileges.

7.2. Remuneration system for members of the Supervisory Board.

7.2.1. The fixed annual remuneration is a preferred form of monetary remuneration of members of the Supervisory Board. Remuneration for participation in individual meetings of the board and its committees is not advisable. It is not recommended to use any form of short-term incentives or additional financial incentives in respect of members of the Supervisory Board.

a) A fixed remuneration should reflect expected time required to be spent by a director and efforts required of him/her in connection with his/her preparation for and participation in meetings of the Supervisory Board. It is desirable to set the amounts of fixed fees payable to directors depending on the scope of duties of a director in the Supervisory Board so that such fee would be set with due account for additional time associated with the carrying out of functions of the Chairman of the board, a committee member, the chairman of a committee, the senior independent director.

b) Participation in meetings of the Supervisory Board and committees (including out-of-schedule meetings), discussion of agenda items and passing resolutions on such items is a basic duty of a director and shall not be rewarded because respective time spent by the director and his/her efforts should be taken into account when determining the amount of fixed annual fee.

c) In the Regulations on the remuneration of the Supervisory Board, the Company developed and published a clear policy with regard to attendance of meetings of the board. The abovementioned Regulations determine that the remuneration for participation in work of the Supervisory Board is not paid provided a member of the Supervisory Board did not participate in more than 50 % of meetings of the Supervisory Board held during a corporate year as of March 31 of the current year.

d) The use of short-term incentives in respect of members of the Supervisory Board runs contrary to the principle of harmonization of financial interests of directors and long-term interests of shareholders. Short-term incentives include any incentive program that involves

evaluation of performance, pegging it to changes in the Company's capitalization, and payment of bonuses upon the results of a period of less than three years.

7.2.2. Long-term ownership of the Company's shares contributes most to aligning financial interests of members of the Supervisory Board with long-term interests of shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement of certain performance results; nor should board members take part in the Company's option plans.

In case the Company applies the practice of paying remuneration to members of the Supervisory Board in the form of the Company's shares:

a) the policy of remuneration payable to members of the Supervisory Board sets out clear and transparent rules regulating the ownership of shares by the board members. These rules are designed to stimulate shareholdings and long-term ownership of shares by members of the Supervisory Board, for example, by assuming an obligation whereby they would hold such shares for a certain minimum period of time and (or) whereby the board members would own no less than a certain minimum number of shares. From the standpoint of long-term motivation, it would be best to establish such rules that would allow a director to dispose of the majority of his/her shares in the Company only upon the expiration of a certain period of time (at least one year) from the date when he/she ceases to be a member of the Supervisory Board.

b) the policy of ownership of the Company's shares by members of the Supervisory Board would provide that the directors should undertake to refrain from using any hedging arrangements mitigating the motivational effect of long-term ownership of shares.

c) the Company would stipulate and establish procedures for monitoring compliance by the directors with the rules on their ownership of shares and hedging arrangements.

7.2.3. It is not stipulated and the Company seeks not to provide, in relation to non-executive and independent directors for any additional allowance or compensations (severance payments) in the event of his/her early termination of powers of members of the Supervisory Board and in connection with a change of control over the Company or other circumstances.

7.3. System of remuneration payable to members of executive bodies and other key managers of the Company.

7.3.1. The remuneration payable to members of the executive bodies and other key managers of the Company is determined in such a way as to procure a reasonable and justified ratio between the fixed portion of the remuneration and the variable portion of the remuneration that is dependent on the Company's performance results and employees' personal (individual) contributions to the achievement thereof.

a) The Company determines the system of short-term and long-term motivation for members of executive bodies and other key managers of the Company.

b) When determining the amount of fixed remuneration, the Company takes into account all benefits and privileges provided to members of executive bodies and other key managers as well as sources of income related to their membership in management bodies of other companies, including its subsidiaries and dependent companies.

c) the HR and Remunerations Committee is recommended to develop with the help of independent consultants retained for this purpose as may be necessary, a set of customized key performance indicators which form the basis for the short-term motivation system.

The selected indicators should be relevant and related to the long-term strategy of the Company, and their target values should be demanding. The HR and Remunerations Committee presents key components of the short-term incentive program for approval by members of the Supervisory Board of the Company and subsequently procures the monitoring of the introduction and implementation of the program.

d) The results of the short-term incentive program are evaluated, as a rule, once a year. Besides, the results of the short-term incentive program can be evaluated upon the results of a period of one to three years, if required so by virtue of the nature or scope of the Company's business, risks assumed thereby or a particular stage of the Company's development.

e) The HR and Remunerations Committee should consider and evaluate the reasonability of the long-term incentive program, based on its business model, corporate values of the Company, business planning horizons of the Company, objectiveness of long-term indicators, expected efficiency of such incentives, and cost of implementation of the program under the circumstances of the Company.

f) Performance results of the Company in the framework of short-term and long-term incentive programs are evaluated in the context of the risks faced by the Company, in order to avoid creating incentives inducing to make risky management decisions that violate long-term interests of shareholders.

g) the Company will stipulate a procedure that enables, when identifying facts of manipulation of reported indicators of the Company or other bad faith actions on the part of members of executive bodies and other key managers of the Company aimed solely at achieving formally any of the targets set forth in respect of the Company's business and detrimental to the long-term interests of the Company's shareholders, to ensure the return of the Company's funds wrongfully obtained by executive bodies and other key managers of the Company. The duty to repay the Company wrongfully obtained funds shall be provided for in contracts to be entered into between the Company and such persons.

7.3.2. The Company shall develop and introduce the long-term incentive program for members of executive bodies and other key managers of the Company involving the Company's shares (options or other derivative financial instruments the underlying assets for which are the Company's shares) in accordance with the following principles:

a) provision of shares under the long-term incentive program shall be provided on an even basis, at one-year intervals.

b) the long-term incentive program shall determine the following:

- the right to dispose of shares or exercise options shall arise no earlier than three years from the date of their provision. In addition, the right to dispose of shares upon the expiration of a respective period will be made conditional on the achievement of certain targets by the Company, including non-financial targets, if applicable;

- in the event of early dismissal and (or) termination of a labor agreement, members of executive bodies and other key managers of the Company must agree to refrain from disposing

of shares until the expiration of a three-year period from the date when such shares were first provided to them under the long-term incentive program.

7.3.3. The amount of the severance pay (golden parachute) payable by the Company in the event of early dismissal of members of the executive bodies or key managers at the initiative of the Company, provided that there were no bad faith actions on their part, should not exceed two times the fixed portion of the annual remuneration, if the legislation does not establish a smaller amount of the severance pay (golden parachute) payable in the event of early dismissal and (or) termination of a labor agreement with members of executive bodies or other key managers of the Company. For the purpose of implementation of higher remuneration, it is advisable to present compelling justification, approve respective decisions on the meeting of the Supervisory Board and disclose information on reasons to approve such payments.

8. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

8.1. Efficiency of risk management and internal control system.

8.1.1. The Supervisory Board determines principles of and approaches to organization of the risk management and internal control system in the Company.

a) when creating the risk management and internal control system, generally accepted concepts and practices in the area of risk management and internal control are applied.

b) principles of and approaches to the organization of risk management and internal control system are determined by the Company depending on the goals of such system summarized below:

- ensuring reasonable confidence in achieving the Company's objectives;
- ensuring efficiency of financial and economic activity and rational use of resources;
- identifying and managing risks;
- ensuring the completeness and accuracy of financial, accounting, statistical, managerial and other reports;
- control over observance of legislation, as well as internal policy, regulations and procedures of the Company.

c) Efficient risk management and internal control system stipulates creating it at various levels of management, with due account for the role of the respective level in the course of developing, approving, applying and evaluating the risk management and internal control system:

- at the operational level – by putting in place and complying with required control procedures in the framework of operational processes;
- at the organizational level – by organization of functional units coordinating the Company's activity in the framework of risk management and internal control system and ensuring its functioning (such as risk management, internal control, compliance control, quality control etc.).

d) Organization of risk management and internal control system requires formalization in the internal documents of the Company of the role and tasks of the Supervisory Board, executive bodies, Auditing Committee, Internal Audit Department of and other units of the Company, as well as procedures for their interaction.

8.1.2. Executive bodies of the Company:

- ensure establishment and continuing operation of the efficient risk management and internal control system in the Company, and are responsible for fulfillment of decisions made by the Supervisory Board in relation to organization of the risk management and internal control system;
- distribute the powers, duties and responsibilities in respect of specific risk management and internal control procedures among the heads of departments of the Company who report to or are supervised by such executive bodies;

The heads of the departments of the Company are responsible, in accordance with their functional duties, for designing, documenting, putting in place, monitoring and developing the risk management and internal control system within their respective functional areas of the Company's business.

For efficient functioning of the risk management and internal control system, a separate structural unit in charge of risk management and internal control is established to perform the following tasks:

- general coordination of risk management processes;
- development of methodological documents in support of risk management processes;
- organization of training for the Company's employees on risk management and internal control issues;
- review of the Company's risk portfolio and making proposals regarding its response strategy and reallocation of resources in connection with risk management;
- drawing up consolidated reports on risks;
- prompt control over the risk management processes by the Company's departments and pursuant to the established procedure, by its controlled companies;
- preparation and provision of information to the Supervisory Board and the executive bodies on the efficiency of the risk management processes and other matters provided for by the risk management and internal control policies.

8.1.3. The Company's risk management and internal control system should provide for an objective, fair and clear view of the current condition and prospects of the Company, integrity and transparency of the Company's accounts and reports, and reasonableness and acceptability of risks being assumed by the Company.

a) The risk management and internal control system enables the Company to timely respond to risks and appears to be a set of organizational measures, methodologies, procedures, corporate culture rules and actions taken by the Company with a view to achieving an optimal balance between the growth of the Company's value, its profitability and risks, achieving its financial stability and efficient operation, ensuring the safety of assets, complying with the law, the Articles of Association and internal documents of the Company, and preparing reliable statements and accounts in due time.

b) In the framework of the risk management and internal control system of the Company, a set of measures is designed to prevent corruption that reduces reputational risks and risks that the Company may be subject to liability for bribery. The anti-bribery policy approved in the Company sets forth the measures aimed at developing elements of corporate culture, organizational structure, rules and procedures that rule out corruption.

c) In the framework of the risk management and internal control system of the Company, a secure, confidential and affordable method (hotline) of informing the Supervisory Board (or its Audit Committee) and the Internal Audit Department of any breaches of legislation, internal procedures and the ethics code of the Company by any of its employees and/or a member of a management body or a body of control over financial and economic activity of the Company is provided.

The hotline is used to submit proposals to the Supervisory Board and the Internal Audit Department on improvement of anti-corruption procedures and other internal control procedures. A person who submitted the corresponding information is protected from any forms of pressure (including termination of his/her employment, persecution, and other forms of discrimination).

8.1.4. The Supervisory Board takes required measures to procure that the existing risk management and internal control system of the Company is consistent with the principles of and approaches to its creation and that it operates efficiently.

The Supervisory Board, at least once a year, considers issues of organization, operation, and efficiency of the risk management and internal control system and if necessary makes recommendations on its improvement. Information on the results of review of issues regarding the efficiency of risk management and internal control is communicated to shareholders as a part of an annual report of the Company.

8.2. Internal audit.

8.2.1. Organization of internal audit is conducted by means of creation of a separate structural division (Internal Audit Department). In order to ensure independency of the Internal Audit Department, its functional and administrative reporting are separated. Functionally, the Internal Audit Department reports to the Supervisory Board and from the administrative standpoint, it reports directly to the sole executive body of the Company.

a) The Internal Audit Department functionally reports to the Supervisory Board, which means the following:

- Approval by the Supervisory Board (Audit Committee) of the internal audit policy (regulations on internal audit) that determines goals, objectives and functions of the internal audit;
- Approval by the Supervisory Board (preliminary review by the Audit Committee) of a work plan of the internal audit and a budget of the Internal Audit Department;
- Consideration by the Supervisory Board (Audit Committee) of significant limitations on the powers of the Internal Audit Department or other restrictions that might adversely affect the performance of the internal audit function.

b) The Internal Audit Department administratively reports to the sole executive body, which means the following:

- Allocation of required funds in accordance with the approved budget of the Internal Audit Department;
- Receiving reports on the Internal Audit Department's operations;
- Provision of support when interacting with other units of the Company;
- Administration of policies and procedures of the Internal Audit Department.

8.2.2. When conducting internal audit, evaluation of efficiency of internal control and risk management system is carried out, as well as evaluation of corporate governance, and generally accepted standards of internal auditing are applied.

a) Efficiency evaluation of internal control system includes:

- Analyzing whether or not the goals of business processes, projects, and structural units correspond to those of the Company, checking reliability and integrity of business processes (activity) and information systems, in particular, reliability of procedures designed to prevent any unlawful actions, abuse and corruption;
- Checking reliability of accounting (financial), statistical, managerial and other statements, determining to what extent the results of business processes and performance results of the Company's structural units corresponded to its target indicators and goals;
- Determining the adequacy of criteria set forth by the executive bodies with a view to analyzing the extent of execution of existing goals;
- Identifying any weaknesses of the internal control system that prevented (prevent) the Company from attaining existing goals;
- Evaluating the results of implementation of measures meant to remedy breaches and weaknesses and improve the internal control system implemented by the Company on all management levels;
- Checking the efficiency and rationale of use of resources;
- Checking the preservation of assets;
- Checking the observance of the legislative requirements, Articles of Association and internal documents of the Company.

b) Efficiency evaluation of the risk management system includes:

- Checking whether elements of the risk management system are well developed and sufficient for efficient risk management (goals and tasks, infrastructure, organization of processes, regulatory and methodological support, interaction between structural units in the framework of the risk management system, and reporting);
- Checking whether risks are fully identified and correctly evaluated by the Company's management at all levels of its management;
- Checking efficiency of control procedures and other risk management measures, including the efficiency of use of resources that were allocated for this purpose;
- Reviewing information on realized risks (breaches, failures to attain certain set goals, or legal proceedings identified as a result of internal audits).

c) Evaluation of corporate governance includes checking:

- Compliance with ethical principles and corporate values of the Company;
- Procedures for goal-setting by the Company, for monitoring and control over their achievement;
- Adequacy of the existing level of legal framework and information exchange procedures (including in relation to internal control and risk management issues) on all levels of the Company's management, in particular, liaising with interested parties;
- Security of shareholder rights, including controlled companies, and efficiency of relations with interested parties;
- Procedures for the disclosure of information about activities of the Company and companies controlled thereby.

d) The internal audit tasks include the following:

- Assisting the executive bodies and employees of the Company in developing and monitoring compliance with procedures and measures aimed at improving the risk management and internal control system, carrying out corporate governance in the Company;
- Coordinating work with the external auditors of the Company and persons providing advisory services in the area of risk management, internal control, and corporate governance;
- Carrying out internal audits of controlled companies pursuant to the established procedure;
- Preparing and submitting to the Supervisory Board and the executive bodies reports on the results of the Internal Audit Department's work (in particular, reports including information on material risks, deficiencies, results and efficiency of measures taken to address any identified deficiencies, results of implementation of the work plan of the internal audit department, results of evaluation of the actual condition, reliability and efficiency of the risk management and internal control system and the corporate governance system);
- Checking whether members of executive bodies and employees of the Company comply with the statutory provisions and internal policies of the Company on insider information and prevention of corruption, with the requirements of the Company's code of ethics.

e) When arranging for an internal audit, generally accepted standards of internal auditing are applied.

9. DISCLOSURE OF INFORMATION, INFORMATION POLICY

9.1. The Company's transparency for shareholders, investors and other interested parties.

9.1.1. The Company develops and implements the information policy enabling the Company to efficiently exchange information with shareholders, investors and other interested parties.

a) The Company's information policy sets out purposes and principles of the information disclosure by the Company, sets the list of information in addition to that provided for by the law, which the Company undertakes to disclose, as well as the procedure for the information disclosure (specifying information channels to be used for the disclosure and forms of such disclosure), time periods during which the disclosed information should be accessible, the procedure for communication between members of the executive bodies, officials and employees of the Company with shareholders and investors, as well as representatives of mass media and other stakeholders, and measures aimed to ensuring control over compliance with the Company's information policy.

b) Implementation of the Company's information policy is carried out by the executive bodies. Control over observance of the information policy is carried out by the Supervisory Board.

c) An important part of the Company's information policy is the Company's interaction with shareholders, investors, analysts and other interested parties. Such interaction is facilitated by:

- Setting up the Company's website where it posts answers to frequently asked questions from shareholders and investors, a regularly updated calendar of its corporate events, and other information as may be useful for its shareholders and investors;
- Holding regular meetings with participation of members of the executive bodies and other key managers of the Company and analysts;
- Organizing regular presentations (including in the form of conference calls and webcasts) and meetings with members of the management bodies and other key employees of the Company, in particular, in connection with the disclosure (publication) of accounting (financial) statements of the Company or in relation to major investment projects or plans for strategic development of the Company.

9.1.2. The Company discloses information on the system and practice of corporate governance, including detailed information on compliance with the principles and recommendation of the Code.

a) The Company discloses the following information on corporate governance system:

- On the system and general principles of corporate governance applied by the Company;
- On executive bodies, their composition, specifying the chairman of the plural executive body and biographical details of each member of the executive bodies (including information about their age, education, skills and experience) that should be sufficient to enable one to get an idea of such member's personal and professional qualities, information on the positions they currently hold or held during at least the last five years, in management bodies of other legal entities;
- On the composition of the Supervisory Board, specifying the chairman, his/her deputies, a senior independent director, as well as biographical details of each member of the Supervisory Board (including information about their age, education, current position/employment, skills and experience) sufficient to enable one to get an idea of such board member's personal and professional qualities, the date when each director was first elected to the board, their membership on the board of directors of other companies, information about whether they are independent directors, as well as information on the positions they currently hold or held during the last five years in management bodies of other legal entities;
- On the loss by a member of the Supervisory Board of his/her status of an independent director;
- On the composition of the committees under the Supervisory Board, specifying the chairman and independent directors in the composition of the committees.

b) The Company discloses the current Code and explanations regarding the specificity and special aspects of the Company, which are the reason of distinctions between the current Code's regulations and principles and recommendation of the Corporate Governance Code approved at the meeting of the Government of the Russian Federation on February 13, 2014 recommended by the Central Bank of Russia (letter of April 10, 2014 N 06-52/2463).

9.2. Information disclosure.

9.2.1. The information disclosure is carried out in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.

a) The information disclosure is one of the most important tools of interaction of the Company with shareholders and other stakeholders (creditors, partners, customers, suppliers, communities, governmental authorities), contributes to establishing long-term relationships with such persons and gaining their trust, increasing the Company's value and raise capital.

b) Implementation of the principle of regular, consistent and timely disclosure of information in the corporate governance practice stipulates the following:

- The continuity of the process of the information disclosure. To do this, the Company determines a procedure ensuring coordination of work of all its structural units and departments of the Company involved in the disclosure of information or whose activities may lead to the need to disclose information;
 - Max short lead time for the information disclosure which may have a considerable impact on the Company's estimated value and its securities;
 - Immediate provision of information on the Company's position regarding rumors or false information presenting a distorted view of the Company's estimated value or its securities, which presents a threat to the interests of shareholders and investors.

c) The implementation of the principle of accessibility of the information subject to disclosure stipulates the use of various channels and means of the information disclosure by the Company, particularly electronic ones, which may be used by a majority of stakeholders. Channels for the disseminating of information should provide stakeholders with free and easy access to the disclosed information. Access to information should be provided at no charge and involve no special procedures (obtaining passwords, registration or other technical restrictions) for reviewing information.

d) The Company's website is the main channel for the information disclosure by the Company, so its website should contain sufficient information enabling one to form an objective view of material aspects of the Company's activity.

e) Along with the disclosure of information in Russian, the same information on the Company (including a notice on conducting shareholders' meeting, annual report, accounting (financial) statements) is disclosed in English and free access to such information is also provided.

f) To comply with the principles of reliability, completeness and comparability of the data disclosed thereby, the Company seeks to procure:

- That the disclosed information is understandable and consistent and that the data are comparable (so that it would be possible to compare performance indicators of the Company for different periods as well as to compare the Company's indicators with those of similar companies);

- The information provided by the Company is objective and balanced. When describing activities, the Company does not refrain from disclosing negative information about itself that is material to shareholders and investors;
- Neutrality of financial and other information, which means that the information should be presented regardless of the interests of any persons or their groups. The information is not neutral if its content or form is selected with a view to achieving certain results or effects.

9.2.2. The Company avoids a formalistic approach to the information disclosure and discloses material information on its activity even if the disclosure of such information is not stipulated by the law.

a) The Company discloses information not only about itself but also about controlled legal entities, which are material⁶ to the Company. In particular, information on roles of each of the material legal entities controlled by the Company, major areas of their business, functional relations between the key companies within the group, and mechanisms that ensure lines of reporting and control within the group constitutes an important aspect of the information disclosure within the group.

b) Along with the information required to be disclosed by the law, the Company in accordance with the recommendations of the Corporate Governance Code approved at the meeting of the Government of the Russian Federation on February 13, 2014 and recommended by the Central Bank of Russia (the letters of April 10, 2014 N 06-52/2463) additionally discloses the following information:

- Information about mission, strategy, corporate values, the Company's objectives and policies approved in the Company;
- Additional information on its financial activity and the Company's financial condition;
- Information on the Company's equity structure;
- Information regarding social and environmental responsibility of the Company.

9.2.3. The annual financial statements prepared in accordance with IFRS, with an auditor's report on such statements, and other additional information in accordance with the recommendations of the Corporate Governance Code approved at the meeting of the Government of the Russian Federation on February 13, 2014 and recommended by the Central Bank of Russia (letter of April 10, 2014 N 06-52/2463) are included in an annual report along with the information required to be disclosed by the law.

9.3. Provision of information at requests of shareholders.

9.3.1. Exercise by the shareholders of their right to access the Company's documents and information should not be unreasonably burdensome.

⁶ Legal entities controlled by and material to the Company (material controlled legal entities) shall mean any entities controlled by the Company each of which accounts for at least 5% of the total of its consolidated assets or at least 5% of the total consolidated receipts, as per the most recent consolidated financial statements of the Company, as well as other entities controlled by the Company that, in the opinion of the Company, materially affect the financial condition, financial performance results and changes in the financial position of the group of entities to which the companies and legal entities controlled thereby belong.

a) Shareholders' right of access to the Company's documents and information, including those that are not disclosed by the Company, constitutes one of the most important elements of a mechanism designed to ensure responsibility of the Company's controlling persons and members of its executive bodies that enable shareholders to justify claims against them for the recovery of losses inflicted on the Company.

The procedure for providing shareholders with the access to information and documents is stipulated by the Company's information policy. Such procedure should not be burdensome for the shareholders.

Shareholders having rights of equal scope are provided with equal opportunities to access the Company's documents.

b) The Company's information policy stipulates that shareholders are able to receive the required information regarding legal entities controlled by the Company. To provide such information to shareholders, the Company takes actions required to obtain the same from a respective legal entity controlled by the Company.

c) If a shareholder's request to provide him/her with the access to documents or provide to him/her copies of documents contains any misprints or other insignificant flaws, the Company does not refuse to grant the request. If there are significant flaws that prevent the Company from fulfilling the shareholder's request, the Company informs the shareholder accordingly, so that he/she would be able to eliminate them.

d) The Company should not artificially overvalue its costs for making and sending copies of any of the Company's documents.

e) The Company should strive, with due account for technical means available to it, to put in place a procedure for sending shareholder requests for provision of access to the Company's information and documents that would be convenient for the shareholders (in particular, by establishing rules governing the use of modern means of communication and electronic information exchange).

f) Provision of information and documents by the Company to shareholders is implemented in a convenient for shareholders way and in a convenient form for them, in particular, using electronic media and modern means of communications (taking account of wishes of shareholders who have requested such documents and information regarding their preferred form of obtaining the same, confirmation of correctness of copies of documents and their preferred method of delivery of the same).

9.3.2. When the Company provides shareholders with information, a reasonable balance is maintained between the interests of individual shareholders and the Company's interests related to the fact that the Company is interested in keeping confidential sensitive business information that might have a material impact on its competitiveness.

The Company does not exclude the existence of special measures designed to protect the information that is not publicly available.

In order to achieve a balance between the interests of individual shareholders and the Company's interests, the Company's information policy stipulates the list of information that constitutes a commercial or professional secret or otherwise falls within the category of

confidential information. Access to such information may be provided on the condition that the shareholder is advised of the confidential nature of the information and assumes the obligation to maintain its confidentiality and provided that the requirements of federal laws be observed.

At the same time, the information policy provides for the right of the executive bodies or the Supervisory Board to object to a request from a shareholder if, from the Company's point of view, the nature and scope of the requested information suggests that the shareholder abuses the right to access to information of the Company. Such objections cannot be arbitrary and biased and must be consistent with the principle of equality of conditions for the shareholders, whereby under equal circumstances shareholders must be treated equally.

10. MATERIAL CORPORATE ACTIONS

10.1. List of material corporate actions, procedure and terms of their implementation.

10.1.1. Material corporate actions shall be deemed to include the reorganization of the Company, acquisition of 30 or more percent of the Company's shares (takeover), entering by the Company into major and other material transactions (hereinafter – material transactions), increasing or decreasing the Company's share capital, listing and delisting of the Company's shares, as well as other actions that might result in material changes in rights of its shareholders or violation of their interests.

a) The materiality of other actions (in particular, a change in the Company's principal line of business, a change in the Company's name, ensuring the protections of the Company's intellectual property, acquisition by the Company of a license or renunciation of a license) as well as criteria for identifying materiality of transactions of the Company and legal entities controlled by the Company are determined in the Articles of Association. For that purpose, the Supervisory Board should deem a particular corporate action to be material if independent directors advise it to do so.

b) Taking into account the importance of material corporate actions, the Company provides the shareholders with an opportunity to influence such actions and enjoy an adequate level of protection of their rights when any such actions are taken. This goal is achieved by putting in place a transparent and fair procedure which is based on the proper disclosure of information about reasons for and terms and conditions of any material corporate action and about possible impact that such action may have on the Company and shareholders.

c) Each material corporate action has its own certain specifics, both in terms of its effect on the position of the Company and rights of shareholders, and in terms of the rules and procedures for taking the same. In this connection the Company, in respect of particular material corporate actions, takes corresponding recommendations of the Corporate Governance Code approved at the meeting of the Government of the Russian Federation on February 13, 2014 and recommended by the Central Bank of Russia (letter of April 10, 2014 N 06-52/2463).

d) The Articles of Association determine the list (criteria) of transactions and other actions deemed to be material corporate actions, and consideration of such actions falls within the jurisdiction of the Supervisory Board.

e) Equal conditions for all the Company's shareholders are provided when making material corporate actions affecting rights and legitimate interests of shareholders, and if there

are insufficient mechanisms foreseen by the law, designed to protect shareholders' rights – additional measures, protecting rights and legitimate interests of shareholders. Provided that the Company is not only guided by formal law requirements, but also by corporate governance principles stipulated in the current Code and Corporate Governance Code, approved at the meeting of the Government of the Russian Federation on February 13, 2014 and recommended by the Central Bank of Russia (letter of April 10, 2014 N 06-52/2463).

10.1.2. The Company ensures such procedure for making material corporate actions, which enables shareholders to timely obtain the complete information on such actions, provides them with the opportunity to affect such action to be done and guarantees compliance and reasonable level of protection of their rights in the event of making such actions.

a) The information on making material corporate actions is subject to disclosure with explanations of reasons, terms and consequences of making such actions.

b) Rules and procedures in respect of the Company making material corporate actions are set in the internal documents of the Company.

10.2. Material transactions entered into by the Company.

10.2.1. The Company enters into material transactions at fair prices and on transparent terms and conditions that ensure the protection of interests of all the shareholders.

a) The Articles of Association refer to the competence of the Supervisory Board the consideration of transactions that do not meet the criteria set forth by the law in respect of major transactions but are still material to the Company by referring them to the competence of the Supervisory Board. Such transactions include the following:

1) transactions regarding the sale of shares (interests) of legal entities controlled by the Company;

2) transactions with the property of the Company and controlled legal entities (including related transactions entered into by the Company and one and (or) more legal entities controlled thereby) whose value exceeds a threshold amount specified in the Articles of Association or which is material to the Company's business operations;

3) establishment of a legal entity controlled by the Company and having material significance for the Company's business.

b) The Articles of Association extend the statutory procedure for approval or further approval of major transactions to include the Company's transactions that fall both within the category of major transactions and within the category of related party transactions but that are not subject to preliminary coordination or further approval as related party transactions in accordance with the law.

c) If there are doubts as to whether or not a particular transaction is a major one, such transaction is entered into in accordance with the procedure provided for in respect of major transactions.

d) All major transactions should be approved before they are entered into.

10.2.2. The Supervisory Board also exercises control over material transactions entered into by legal entities controlled by the Company, by determining the list thereof in a separate decision. In determining the materiality of a transaction entered into by a legal entity belonging to the group of entities that includes the Company and legal entities controlled thereby, the Company is guided by the following criteria:

1) the proportion between the value of assets to be acquired or disposed of pursuant to the transaction and the book value of the assets of the group of entities that includes the Company and legal entities controlled thereby;

2) the proportion between the value of assets to be acquired or disposed of pursuant to the transaction and the market capitalization of the Company.

10.2.3. Determining the value of property to be acquired or disposed of pursuant to a major transaction or a related party transaction falls within the jurisdiction of the Supervisory Board. Under the law, it is not required to retain an independent appraiser to determine the market value of such property. However, in such cases, where one needs to determine the value of property to be acquired or disposed of pursuant to a major transaction or a material related party transaction, the Supervisory Board is recommended to retain an independent appraiser with an established impeccable reputation in the market and appraisal experience in the respective area or to provide a reason for not doing so.

10.2.4. In instances where the decision to approve a material transaction does not formally entitle the shareholders to demand that their shares be redeemed by the Company, but such transaction is objectively capable of influencing their intention to remain shareholders of the Company, or in instances where the right of the shareholders to demand such redemption of their shares cannot be exercised because of a low value of the net assets of the Company, it is recommended that a person controlling the Company should undertake to acquire the shares from the shareholders or to ensure a legal entity controlled thereby to acquire the shares.

Shares must be repurchased or redeemed by the Company at a fair price determined by an independent appraiser with an established impeccable reputation in the market and appraisal experience in the respective area, with due account for the weighted average price of the shares over a reasonable period of time, without accounting for the effect of a respective transaction to be entered into by the Company (including without accounting for any change in the price of the shares in connection with the dissemination of information on the Company's entering into the transaction), and without accounting for a discount for selling shares as part of a non-controlling block of shares.

When determining the procedure of acquisition of shares in the Company by legal entities controlled thereby, all of the Company's shareholders owning shares of a respective category (type) are provided with equal opportunities to sell their shares in the Company to such controlled legal entity in proportion to their blocks of respective shares in the Company on equal terms and conditions.

10.2.5. A decision on the disposal of treasury or quasi-treasury shares by the Company is referred by virtue of applicable corporate control mechanisms to the jurisdiction of the Supervisory Board. For that purpose, the procedure for disposing of such shares should provide all of the Company's shareholders owning shares of a respective category (type) with equal opportunities to purchase shares being disposed in proportion to their blocks of respective shares in the Company on equal terms and conditions.

10.2.6. The Company determines mechanisms of preliminary consideration and approval of transactions by the Supervisory Board, entered into by third parties on their own behalf, but for the account of the Company, where such transactions, if they were to be entered into by the Company would fall within the category of major transactions or related party transactions.

10.2.7. The Articles of Association may expand a list of grounds on which members of the Supervisory Board and other persons referred to in respective laws, are deemed to be interested in transactions of the Company. When expanding the list of such grounds, it is recommended to evaluate actual affiliation relations between respective persons. For example, it is recommended to presume that if a member of the Supervisory Board or his/her affiliate is an employee of a trading partner who has been vested with managerial powers but is not formally a member of the management bodies of such trading partner of the Company, such person is also deemed interested in a transaction of the Company with such trading partner.

10.2.8. A material transaction in which the Company's controlling person is interested is to be considered prior to their consideration at the meeting of the Supervisory Board, including in the event that such transaction is referred to be considered by the general meeting, and on a preliminary basis, by independent directors of the Company. A document setting out an opinion of independent directors regarding the respective issue is included in the materials provided for the respective Supervisory Board's meeting.

10.2.9. When the Supervisory Board is exercising control over transactions entered into by legal entities controlled by the Company, possible signs of interest in such transactions on the part of members of the executive bodies of the Company or persons controlling the Company are evaluated.

10.2.10. In practice, it happens that at a general meeting of shareholders which considers issues regarding approval or further approval of a related party transaction, shareholders that are not formally interested in the transaction but are actually interested therein by virtue of certain elements of affiliation, vote on its approval. A similar situation may occur when a meeting of the Supervisory Board considers a related party transaction. However, such approval or further approval of a related party transaction may become a beginning of a corporate conflict in the Company.

a) If there is no formal interest but there exists a conflict of interest or other actual interest in a transaction to be approved, in accordance with good corporate governance practices, a respective shareholder or member of the Company's Supervisory Board who has such actual interest in the transaction, should refrain from taking part in a vote on approval or further approval of the transaction in question.

b) If such actual interest in a transaction is identified prior to its approval, the Supervisory Board describes respective facts and circumstances in materials on such transaction and recommends actually interested shareholders and members of the Supervisory Board to refrain from taking part in a vote on approval or further approval of such transaction.

10.3. Reorganization of the Company

10.3.1. The Supervisory Board should be actively involved in setting the terms and conditions of reorganization of the Company.

a) The Supervisory Board's decision to refer a proposal on reorganization of the Company to the shareholders meeting is passed only in case if the Supervisory Board is convinced that the reorganization is necessary and its terms and conditions are acceptable.

b) When considering whether the reorganization is acceptable, the Supervisory Board should evaluate the reorganization's terms and conditions based on whether they are consistent with the interests of the shareholders, including shareholders owning small stakes, and determine whether or not conversion ratios resulting from the reorganization are just and fair.

10.3.2. For the purpose of efficient analysis of the abovementioned aspects of the reorganization, setting its terms and conditions, interaction with the executive bodies in connection with the reorganization and nomination of an appraiser on the basis of whose report the conversion ratios are to be approved, the Supervisory Board is recommended to form a special temporary committee consisting of members of the Supervisory Board. If the reorganization is an interested party reorganization, the Committee should include independent directors, which would enable to properly assess whether the terms and conditions of such reorganization are fair.

A document setting out recommendations of such committee should form part of materials to be provided for the meeting of the Supervisory Board at which the proposed reorganization is to be considered. It is advisable to include the independent directors' opinion on matters relating to the terms and conditions of the reorganization in the set of materials to be provided in connection with the general meeting of shareholders whose agenda includes such proposed reorganization.

10.3.3. The Supervisory Board and in particular independent directors must be available to communicate with shareholders of the Company in the course of preparation of the Supervisory Board's decision on referring the matter regarding the reorganization to the consideration of the general meeting of shareholders of the Company.

10.3.4. Before the approval by the Supervisory Board of draft documents relating to the proposed reorganization and before the issue is referred for consideration to the general meeting of shareholders, members of the Supervisory Board, including independent directors, should be given the opportunity to participate in negotiations on the reorganization and organize discussion of the progress of the negotiations by the Supervisory Board and (or) its committees.

10.3.5. To determine a conversion ratio in the course of reorganization, it is recommended to retain an independent appraiser. It is advisable to retain for appraisal in the course of reorganization only those appraisers with a good business reputation in the market and experience of appraisal in the respective area. Each of the legal entities involved in the reorganization should be appraised by the same appraiser (including with a view to ensuring that equivalent approaches and assumptions are applied in comparable situations for the purpose of appraisal).

10.3.6. The ratio of conversion of shares in the course of reorganization is based on a market price of respective shares and violation of interests of the Company's shareholders is not allowed. The estimated value of shares set for their redemption should not be less than their value determined for the purpose of reorganization.

10.3.7. General meetings of shareholders of each of legal entities involved in the reorganization are recommended to be held simultaneously.

10.3.8. If, as a result of the Company's reorganization, the Company ceases to conduct its business (or if as a result thereof the Company divests substantial part of its assets), such reorganization should be carried out in such a way that, upon its completion, the shareholders of the Company would receive shares in other companies which have been or are being admitted to organized markets.

10.4. Takeover of the Company

10.4.1. The management bodies of the Company monitor the strict compliance by the Company of legal requirements applicable if the Company takes over another company or if the Company is being taken over, including the requirements to a respective voluntary offer, notice of the right to require redemption of securities of the Company, as well as a request of a majority shareholder regarding compulsory redemption of the Company's securities.

a) The Supervisory Board should be actively involved in the procedures relating to the takeover of the Company, in particular, it should monitor and, if possible, prevent attempts to carry out a takeover of the Company without submitting a voluntary or mandatory offer, liaise with the Company's controlling person so that the latter would take measures designed to ensure that the acquirer of shares will properly perform its duty to submit the mandatory offer as provided for by the law.

b) The Supervisory Board monitors indirect acquisitions, acquisitions by means of purchasing depositary receipts that evidence shares in the Company, acquisitions that are carried out concertedly by several persons who have no formal connections with each other, without submitting a voluntary offer.

c) The Supervisory Board analyses the reasons for failure to submit a mandatory offer given by a person who effectuates a takeover, and check whether they comply with the law, with due account for the principles and recommendations set out in the current Code. In particular, the bad faith practice should be considered the refusal to make an offer to shareholders based on a transfer of shares in the Company between affiliated persons who are not under common control, or if a refusal to make a mandatory offer is based on a decrease in the size of a shareholding below a respective threshold.

d) If takeover of the Company is identified without submitting a voluntary or mandatory offer, the Supervisory Board should, in particular, propose that a person effecting takeover or the persons jointly effecting takeover to perform a duty to submit the mandatory offer or submit the voluntary offer meeting the requirements set forth in respect of mandatory offers.

e) The Supervisory Board checks the terms and conditions of a voluntary or mandatory offer submitted to the Company's shareholders, the grounds and conditions for compulsory redemption of shares by the Company's shareholders, including the fairness of the repurchase (redemption) price of shares, feasibility of acceptance of a public offer by the shareholders. The Supervisory Board of the Company communicates its opinion on the Company's takeover and related procedures to the shareholders.

f) The Supervisory Board provides assistance so as procure that a person submitting a mandatory offer would obtain all necessary permits for the acquisition of a respective block of shares in the Company well in advance and, thus, that the acceptance of the mandatory offer by the shareholders would not violate the requirements of the law in respect of preliminary approval of the acquisition of a shareholding in the Company. The Company discloses as to whether any

requirements for preliminary approval of acquisition apply to the acquisition of a large block of its shares.

10.4.2. The Company identifies and prevents attempts to manipulate the price of shares in the Company with a view to influencing the takeover price of the Company.

If attempts are made to conduct a takeover of the Company, the Company discloses on the website voluntary or mandatory offer to purchase the Company's securities, information on the guarantor who provided a bank guarantee, the bank guarantee, a report of an independent appraiser on the market value of securities to be acquired, an opinion of the Supervisory Board (including the opinion of each of independent directors) in respect of the takeover, including information on compliance by a person that carries out the takeover with the legal requirements and corporate governance principles.

10.4.3. The Supervisory Board monitors the compliance by the Company when taking over another company, with the law, with due account for the principles and recommendations set out in the current Code (in particular, submission of an offer to shareholders of the company being taken over in case of an indirect takeover, a takeover by means of purchasing depository receipts for shares in the company being taken over, a takeover carried out by the Company jointly with the persons who have no formal connections with the Company).

10.4.4. Companies or any legal entity controlled by the Company should not provide financial assistance to the person that is taking over (directly or indirectly) the Company. Such recommendation applies to any financial assistance provided with a view to reducing or releasing of obligations incurred by a person that carries out a takeover in connection with its takeover of a company.

10.5. Listing and delisting of the Company's shares

10.5.1. When considering issues relating to a listing of the Company's securities, the Supervisory Board evaluates all benefits and costs associated with the listing of the Company's securities well in advance.

10.5.2. When considering issues relating to the delisting of the Company's securities, the Supervisory Board ensures that the respective decision is made in a fully transparent manner, in particular, it ensures that the holders of relevant securities are provided with information about grounds for such decision and risks of the delisting assumed by security holders in connection with the delisting, and protects their rights in connection with the delisting process.

10.5.3. Good corporate governance practice in connection with issues relating to the delisting of shares (securities convertible into shares) of the Company suggests that the Company's controlling person submits a voluntary offer on fair terms and conditions with subsequent (if a number of acquired shares allows to do so) compulsory redemption of shares and delisting of respective securities upon completion of the abovementioned procedures.

10.5.4. The Company should not take actions that may result in the forced delisting of its securities.

10.6. Increase in the share capital of the Company, split, consolidation and conversion of shares.

10.6.1. The legislation provides for the protection of the rights of the shareholders in the event of an increase in the share capital of the Company in the form of the pre-emptive right to purchase shares, the right to vote on a decision to make amendments to the Articles of Association that would limit the rights of such shareholders and on a decision to increase the share capital, as well as in the form of the right to demand that shares owned by them be redeemed if any amendments limiting their rights are made to the Articles of Association. However, in practice, the means of protection provided for by the law are not always sufficient. For example, when preferred shares of a certain type are placed, no pre-emptive right is provided to shareholders holding ordinary shares and shareholders holding preferred shares of other types. Besides, the pre-emptive right is not necessarily an efficient means of protection of the shareholder rights in a situation where shares are placed through closed subscription and paid for with the property and where a shareholder exercising the pre-emptive right does not have such property. In this case, the economic effect of the acquisition of shares to be paid for in cash can significantly differ from that of the acquisition of shares to be paid for with non-monetary assets.

a) The Company places additional shares to be paid for with non-monetary assets only in exceptional cases (e.g., when additional shares are to be paid for with marketable securities or unique property that is required for the Company to carry out principal activity). To appraise respective property, it is recommended to only retain appraisers with an impeccable business reputation in the market and experience of appraisal in the respective area. In such cases, issues related to the increase in the share capital should be considered by independent directors who should form their opinion as to whether the terms and conditions of the proposed increase in the share capital are fair. If an opinion expressed by independent directors is negative, the Company refrains from making a decision on such increase in the share capital of the Company.

b) When considering a placement of a new type of preferred shares, the Supervisory Board should carefully review the advisability of the creation of the new type of shares based on the assumption that a simple equity structure, in particular, consisting solely of ordinary shares, is better for investors in the long term as it is most conducive to the implementation of the principle of “one share – one vote”, as well as to the protection of the property rights of the shareholders.

When the Company passes a decision on amending regulations of the Articles of Association stipulating the opportunity of placement of a new type of preferred shares, it is necessary to make sure that the placement of such shares does not violate any dividend rights of existing shareholders and does not lead to dilution of their shareholdings.

If the placement of the new type of preferred shares violates dividend rights of existing shareholders or leads to the dilution of their shareholdings, the Company should change rights associated with the shares being placed so as not to violate dividend rights of shareholders or should organize the placement of such shares in such a way that the respective shareholders (including those who have no pre-emptive rights under the law) would be able to buy such shares in a matter of priority in proportion to their existing shares.

c) A split, consolidation or conversion of shares by the Company is allowed only provided that this does not adversely affect the rights of shareholders (in particular, it is not allowed to effectuate a split, consolidation or conversion of shares for the purpose of

redistribution (or changing the extent) of corporate control or take actions that would adversely affect dividend rights of shareholders or reduce their share in the capital of the Company).

11. FINAL CLAUSE

11.1. This Code comes into force on the date of its approval by the General Meeting of Shareholders of the Company.

11.2. This Code is reconsidered and improved under the following grounds:

- Increase in the numbers of shareholders;
- Accumulation of the positive corporate governance experience;
- Emergence of new Russian and international standards and requirements in respect of the Company's corporate governance.

11.3. The Supervisory Board maintains control over observation of the Code and recommendations to the General Meeting of Shareholders regarding introduction of amendments to the Code, taking into account the emergence of new Russian and international standards of corporate governance, interests of shareholders, the Company and other interested parties.

11.4. The text of the Code is published on the Company's internet website and is accessible to all the interested parties.