

## **REPORT**

### **ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE**

recommended by the Bank of Russia in Letter No. 06-52/2463 of April 10, 2014 for application by joint-stock companies having stocks admitted to on-exchange trading

This Report on the Company compliance with the principles and recommendations of the Corporate Governance Code recommended by the Bank of Russia in Letter No. 06-52/2463 of 4/10/2014 for application by joint-stock companies having stocks admitted to on-exchange trading (the Corporate Governance Code) was reviewed at a meeting of the Board of Directors of the Public Joint-Stock Company of Energy and Electrification of Kuban (hereinafter referred to as “Kubanenergo PJSC”, the “Company”) 5/11/2017 (Minutes No. 273/2017 of 5/12/2017) as part of the Company Annual Report for 2016.

Board of Directors of Kubanenergo PJSC confirms that the data in this report present complete and accurate information about the Company compliance with the principles and recommendations of the Corporate Governance Code for 2016.

**Note.** As the Company is a member of the PJSC Rosseti Group of companies, the main decisions of the Kubanenergo PJSC management bodies are dependent on the position of this majority shareholder that is applying a standardized approach to its subsidiaries and affiliates. Considering the foregoing, the facts of non-compliance with certain provisions of the Corporate Governance Code are due to the practice adopted by the Group of companies.

N	Principles of Corporate Governance	Criteria for assessing compliance with the principles of corporate governance	Status of compliance with the principles of corporate governance	Explanations of deviations from criteria for assessing compliance with the principles of corporate governance
1.1	The Company shall ensure fair and equitable treatment of all shareholders in exercising their rights to participate in Company's management.			
1.1.1	The Company shall create the best possible conditions for its shareholders to participate in the General Meeting, conditions for the development of sound positions related to agenda items at the General Meeting, for coordinating their activities, as well as an opportunity to express their views on the issues under consideration.	<p>1. There is a publicly available Company internal document, approved by the General Meeting of Shareholders, that governs the procedures for holding General Meetings.</p> <p>2. The Company establishes a straightforward means of communicating with the Company, such as a hotline, e-mail or online forums, allowing shareholders to express their opinions and send questions regarding the agenda during preparations for the General Meeting. The Company undertook such actions before every General Meeting that took place during the reporting period.</p>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	
1.1.2	The procedure for notification of the General Meeting of Shareholders and provision of materials for the General Meeting allows the shareholders to properly prepare for participation therein.	<p>1. Notice of an upcoming General Meeting of Shareholders is posted (published) on the website no later than 30 days before the date of a relevant General Meeting.</p> <p>2. The notice about an upcoming meeting must indicate the place of the meeting and the documents required for admission to the premises.</p> <p>3. The shareholders were provided with access to information about who proposed agenda items and who nominated individuals to the Board of Directors and the Statutory Audit Commission.</p>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	
1.1.3	In the course of the General Meeting and preparation to it the	1. During the reporting period, the shareholders had the opportunity to put questions to	<input checked="" type="checkbox"/> observed	



			observed	
1.1.6	The procedures established by the Company for conducting general meetings provides an equal opportunity to all individuals present at a meeting to express their opinions and ask questions.	<p>1. When conducting, during the reporting period, general meetings of shareholders in the form of a meeting (with the joint presence of shareholders), sufficient time was provided for reports on agenda items, as well as time to discuss those items.</p> <p>2. Candidates for the Company management and supervisory bodies were available to answer questions asked by shareholders at the meeting at which their nominations were put to a vote.</p> <p>3. When making decisions related to the preparation and holding of general meetings of</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>Recommendations are partially observed:</p> <p>- In respect of the accessibility of candidates for the management and supervisory bodies to the shareholders at General Meetings of Shareholders — such a rule is not incorporated into the internal documents. The candidates are sent invitations to participate in the General Meeting. However, sometimes the invited candidates cannot ensure their attendance due to various employment and personal factors. Nevertheless, the shareholders can send any questions to those candidates who attend the General Meeting of Shareholders.</p> <p>- In respect of the use of telecommunications facilities to provide remote access to shareholders to participate in General Meetings.</p> <p>During the reporting period, the Board of Directors did not consider the use of telecommunications facilities to provide remote access to shareholders to participate in General Meetings. However, a shareholder can make a call or send an email to the Corporate Secretary of the Company (contact information is posted on the official website in the section “To Shareholders and Investors”) and ask his or her question. The Company will reconsider the established practice as necessary.</p>

		shareholders, the Board of Directors considered the use of telecommunications facilities to provide to shareholders a remote access to participate in general meetings during the reporting period.		
1.2	Shareholders are given equal and fair opportunities to participate in the profits of the Company by receiving dividends.			
1.2.1	The Company has developed and implemented a transparent and clear mechanism for determining the amount and payment of dividends.	<p>1. The Company has developed an open dividend policy that has been approved by the Board of Directors and that has been disclosed.</p> <p>2. If the Company dividend policy uses the Company reporting indicators to determine the amount of the dividend, then the relevant provisions of the dividend policy take into account the Group consolidated financial statements.</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>The Company has adopted the Regulation on Dividend Policy, but there is no indication that the consolidated financial statements are used.</p> <p>The dividends are calculated on the basis of accounting records data prepared in accordance with the Russian Accounting Standards.</p> <p>The Company will reconsider the established practice as necessary.</p>
1.2.2	The Company does not take a decision on the payment of dividends if such a decision, while not formally in violation of legal restrictions, is unjustified from an economic point of view and could lead to the formation of misconceptions about the Company activities.	1. The Company dividend policy provides clear guidance on the financial/economic circumstances under which the Company should not pay dividends.	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p>	

			<input type="checkbox"/> not observed	
1.2.3	The Company does not permit any diminution of the dividend rights of existing shareholders.	1. During the reporting period, the Company did not take any actions that led to the diminution of the dividend rights of existing shareholders.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
1.2.4	The Company is committed to preventing shareholders from using other means of earning a profit (income) at the Company's expense beyond dividends and liquidation value.	1. In order to prevent shareholders from using other means of earning a profit (income) at the Company's expense beyond dividends and liquidation value, the Company internal documents have established monitoring mechanisms that ensure the timely detection of and a procedure for the approval of transactions with persons affiliated (associated) with substantial shareholders (individuals with the right to make use of the votes stemming from voting shares) in cases where the law does not formally recognize such transactions as related-party transactions.	<input type="checkbox"/> observed  <input checked="" type="checkbox"/> partially observed	<p>At present, the Company internal documents do not establish any control mechanisms that ensure the timely identification and procedure for approving transactions with persons affiliated with substantial shareholders. The Company reviews necessary alterations of and amendments to internal documents, the implementation of which is to be carried out subject to agreement at the level of the management bodies, as well as at the level of the Company's shareholders.</p> <p>However, the Company has implemented the Regulation on contractual work, which regulates the process of qualification and subsequent monitoring of transactions for personal interest in accordance with the indicators provided for by the existing legislation. In addition, the Company's list of affiliated persons meets all requirements of the existing legislation and includes the most complete and up-to-date information on related parties.</p>

			<input type="checkbox"/> not <input type="checkbox"/> observed	
1.3	The corporate governance system and practices shall ensure equal terms and conditions for all shareholders owning shares of the same class (category), including minority and foreign shareholders, as well as their equal treatment by the Company.			
1.3.1	The Company has created the conditions for fair treatment of each shareholder by the Company management and supervisory bodies, including conditions ensuring the inadmissibility of abuse by major shareholders in relation to minority shareholders.	1. During the reporting period, the procedures for managing potential conflicts of interest involving major shareholders were effective, and the conflicts between shareholders, if any, were given due attention by the Board of Directors.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
1.3.2	The Company does not undertake actions that lead or may lead to the artificial redistribution of corporate control.	1. There were no quasi-treasury shares absent or they did not vote during the reporting period.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
1.4	The shareholders are provided with reliable and effective ways of recognition of their rights to shares, as well as with the opportunity of free and easy alienation of their shares.			
1.4	The shareholders are provided	1. The quality and reliability of the activities		

	with reliable and effective ways of recognition of their rights to shares, as well as with the opportunity of free and easy alienation of their shares.	performed by the Company registrar to maintain the register of securities holders meet the needs of the Company and its shareholders.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.1	The Board of Directors carries out strategic management within the Company, defines the basic principles and approaches to organizing a risk management and internal control system within the Company, supervises the activity of executive bodies, and also performs other key functions.			
2.1.1	The Board of Directors is responsible for decisions relating to the appointment and dismissal of members of executive bodies, including in connection with the improper performance of their duties. The Board of Directors also carries out supervisory measures to ensure that the Company executive bodies act in accordance with the approved development strategy and the Company main areas of activity.	1. The Board of Directors has the authority, enshrined in the Articles of Association, to appoint and dismiss members of executive bodies, as well as to determine the terms of their contracts.  2. The Board of Directors reviewed the report(s) of the sole executive body and of members of the collective executive body on the implementation of the Company strategy.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.1.2	The Board of Directors establishes the basic guidelines for the Company activities in the long term, evaluates and approves the Company key performance indicators and key business objectives, and evaluates and approves the strategy and business plans for the Company core activities.	1. During the reporting period, meetings of the Board of Directors addressed issues related to the progress concerning the implementation and updating of the Company strategy, approval of the Company financial and economic plan (budget), as well as the consideration of criteria and indicators (including interim) related to the Company strategy and business plans.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not	



			observed	
2.1.3	The Board of Directors determines the principles of and approaches to organizing a risk management and internal control system in the Company.	<p>1. The Board of Directors has defined the principles and approaches to organizing a risk management and internal control system in the Company.</p> <p>2. The Board of Directors assessed the Company risk management and internal control system during the reporting period.</p>	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.1.4	The Board of Directors determines the Company policy on remuneration and/or reimbursement (compensation) for expenses that incur to the members of the Company Board of Directors, executive bodies and other key executives.	<p>1. The Company has developed and implemented a policy (policies), approved by the Board of Directors, on the remuneration and reimbursement (compensation) for expenses that incur to the members of the Company Board of Directors, executive bodies and other key executives.</p> <p>2. Issues related to this policy (policies) were considered during the reporting period at meetings of the Board of Directors.</p>	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.1.5	The Board of Directors plays a key role in the prevention, identification and resolution of internal conflicts between the Company executive bodies, shareholders and employees.	<p>1. The Board of Directors plays a key role in the prevention, identification and resolution of internal conflicts.</p> <p>2. The Company has established a system for identifying transactions involving a conflict of</p>	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed	

		interest, and a system of measures aimed at resolving such conflicts	<input type="checkbox"/> not observed	
2.1.6	The Board of Directors plays a key role in ensuring the transparency of the Company, the timeliness and completeness of the Company disclosure of the information, and free access of shareholders to Company documents.	<p>1. The Board of Directors approved the Regulation on Information Policy.</p> <p>2. The Company has appointed responsible officials for implementation of its information policy.</p>	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.1.7	The Board of Directors oversees the corporate governance practices within the Company and plays a key role in significant corporate events.	1. During the reporting period, the Board of Directors considered the issue of the Company corporate governance practices.	<input type="checkbox"/> observed	<p>During the reporting period, this issue was not considered due to the lack of proposals for its introduction. At the same time, the Board of Directors maintained an appropriate level of corporate governance practices, including by approving the necessary internal documents that took into account the best available corporate governance practices.</p> <p>In the reporting period, the Board of Directors approved the size and members for committees of the Board of Directors, the Chairman and the Deputy Chairman of the Board of Directors, and the Corporate Secretary. In addition, the Board of Directors reviewed the 2015 report on compliance with the principles and recommendations of the Corporate Governance Code and it is planning to review such reports on an annual basis.</p>

			<input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.2	The Board of Directors is accountable to the Company shareholders.			
2.2.1	Information about the work of the Board of Directors is disclosed and presented to the shareholders.	<p>1. The Company annual report for the reporting period includes information on attendance of board and committee meetings by individual directors.</p> <p>2. The annual report contains information about key results of the Board of Directors' performance assessment carried out during the reporting period.</p>	<input type="checkbox"/> observed  <input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not observed	The Company does not observe the recommendation on making available the information on the Board of Directors' performance assessment in the Annual Report, since such an assessment had not been carried out in the reporting period due to the lack of a well-developed and harmonized methodology for that end.
2.2.2	The Chairman of the Board of Directors must be available to the Company shareholders.	1. The Company has a transparent procedure for providing shareholders with an opportunity to direct their questions and their position on those questions to the Chairman of the Board of Directors.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed	

			<input type="checkbox"/> not <input type="checkbox"/> observed	
2.3	The Board of Directors is an efficient and professional governing body that is capable of making objective and independent judgements and passing resolutions in the best interests of the Company and its shareholders.			
2.3.1	Only individuals who have an excellent business and personal reputation, and who also have the knowledge, skills and experience required to make decisions related to the remit of the Board of Directors and required for the effective performance of its functions may be elected by the members of the Board of Directors.	<p>1. The Company has adopted a procedure for assessing the effectiveness of the Board of Directors that includes an assessment of the professional qualifications of the members of the Board of Directors.</p> <p>2. During the reporting period, the Board of Directors (or its nominating committee) assessed candidates for the Board of Directors in terms of whether they had the necessary</p>	<input type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input checked="" type="checkbox"/> not observed	<p>The Company does not observe the recommendation on the Board of Directors' performance assessment, as well as on the availability of a procedure for evaluating candidates for the Board of Directors, because such an assessment had not been carried out in the reporting period due to the lack of a well-developed and harmonized methodology for that end.</p> <p>The HR and Remuneration Committee did not carry out any special assessment of candidates for the Board of Directors; the Company has established a practice of requesting consent from the candidates. In such a document, candidates give a brief information about themselves, including about their education and work experience. This information is included in the materials for the shareholders and is posted on the official website. Therefore, each shareholder can carry out an independent assessment of a candidate he or she votes for. In addition, after election to the Board of Directors, a newly elected member of the Board of Directors fills in a questionnaire, where he or she specifies detailed information about himself/herself, including on education, work experience, ownership of the Company shares, positions in other organizations, etc.</p>

		experience, knowledge and business reputation, as well as whether or not they had any conflicts of interest, etc.		
2.3.2	The members of the Board of Directors are elected through a transparent procedure that allows the shareholders to receive information about the candidates that is sufficient to form a picture of their personal and professional strengths.	1. Whenever a General Meeting of Shareholders was held during in the reporting period whose agenda included the issue of the election of the Board of Directors, the Company provided the shareholders with the CVs of all candidates for members of the Board of Directors, the results of the evaluation of the candidates conducted by the Board of Directors (or the Nominating Committee), and information on compliance of each candidate with the independence criteria in accordance with recommendations 102 - 107 of the Code, as well as the written consent of the candidates for election to the Board of Directors.	<input type="checkbox"/> observed  <input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not observed	<p>The results of the assessment of candidates carried out by the Board of Directors (or its HR and Remuneration committee), as well as the information on compliance of the candidate with independence criteria were not included in the materials intended for the General Meeting of Shareholders.</p> <p>At the same time, the information necessary for determining status of the candidate was available in the materials.</p>
2.3.3	The composition of the Board of Directors shall be balanced, including in terms of the qualifications of its members, their experience, knowledge and business qualities, and it shall enjoy the confidence of the shareholders.	1. As part of the procedures for assessing the work of the Board of Directors carried out during the reporting period, the Board of Directors analyzed its own needs in the area of professional qualifications, experience and business skills.		<p>The Board of Directors' performance assessment was not carried out in the reporting year due to the lack of an approved methodology.</p> <p>Also, the HR and Remuneration Committee did not assess the Board of Directors' performance.</p> <p>However, in the Company's opinion, the composition of the Board of Directors is balanced, and the qualifications of its members, their experience, knowledge and business abilities are fully consistent with the tasks and goals assigned to the Board.</p> <p>Given that the shareholders, in accordance with Article 53 of the Federal Law "On Joint-Stock Companies", had nominated candidates who were elected by the annual General Meeting of Shareholders – members of the Board of Directors enjoy the confidence of the shareholders.</p>

			<input type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input checked="" type="checkbox"/> not observed	
2.3.4	<p>The quantitative composition of the Board of Directors shall make it possible to organize the activities of the Board of Directors in the most efficient manner possible, including the possibility of the formation of the Board committees, and it shall also provide the Company significant minority shareholders with an opportunity to elect to the Board of Directors a candidate they vote for.</p>	<p>1. As part of the procedures for assessing the work of the Board of Directors carried out during the reporting period, the Board of Directors considered the issue of compliance of the quantitative composition of the Board of Directors with the Company requirements and the interests of shareholders.</p>	<input type="checkbox"/> observed  <input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not observed	<p>The assessment in the reporting period was not carried out due to the lack of an approved assessment methodology. The number of members of the Board of Directors is determined by the Company Articles of Association (11), which, in the opinion of the Company, is a number required to achieve the tasks and objectives raised before the Board of Directors.</p>
2.4	The Board of Directors shall include a sufficient number of independent directors.			
2.4.1	<p>An independent director is a person who has sufficient professionalism, experience and independence to form his or her</p>	<p>1. During the reporting period, all independent members of the Board of Directors met all the criteria for independence set out in recommendations 102-107 of the Code or were</p>	<input type="checkbox"/> observed	<p>Due to the fact that the Company's Board of Directors is elected at a General Meeting of Shareholders, it is impossible to bring influence upon its composition, as well as upon</p>

	<p>own position, is able to formulate objective and honest opinions, is independent from the influence of the Company executive bodies, individual groups of shareholders and other interested parties. It should be kept in mind that, under normal conditions, a candidate (elected member of the Board of Directors) who is associated with the Company, its major shareholders, a significant counterparty or competitor or the state may not be considered independent.</p>	<p>recognized as independent by a resolution of the Board of Directors.</p>	<div><input type="checkbox"/></div> <div><input type="checkbox"/> partially observed</div> <div><input checked="" type="checkbox"/> not observed</div>	<p>election or non-election of independent directors.</p> <p>The process of nominating candidates for the Board of Directors is the prerogative of the shareholders. During the reporting period, one independent director candidate proposed by the shareholders became a member of the Board of Directors.</p> <p>The established practice may be changed subject to the Company's shareholders' approval.</p>
2.4.2	<p>An assessment of the compliance of candidates for the Board of Directors with the criteria for independence shall be carried out along with a regular review of the compliance of independent members of the Board of Directors with the independence criteria. In conducting such an assessment, content should prevail over form.</p>	<p>1. During the reporting period, the Board of Directors (or its Nominating Committee) formed an opinion about independence of each candidate and presented shareholders with their conclusions.</p>	<div><input type="checkbox"/> observed</div> <div><input checked="" type="checkbox"/> partially observed</div>	<p>During the reporting period, one independent director has become a member of the Board of Directors. The Company's Board of Directors is elected by the General Meeting of Shareholders (see Clause 2.4.1).</p> <p>During the reporting period, neither the Board of Directors nor the HR and Remuneration Committee assessed the independence of each candidate.</p> <p>The rule determining the necessary actions of a member of the Board of Directors in the event that he or she ceases to be an independent director is currently provided for by in the Regulations on the Audit Committee only.</p> <p>This provision is planned to be incorporated into other relevant internal documents as necessary.</p>

		<p>2. During the reporting period, the Board of Directors (or its Nominating Committee) reviewed, on at least one occasion, the independence of the current members of the Board of Directors who are indicated as independent directors in the Company annual report.</p> <p>3. The Company has developed procedures for determining the necessary actions a board member must take in the event that he or she ceases to be independent, including the obligation inform the Board of Directors about this in a timely manner.</p>	<input type="checkbox"/> not observed	
2.4.3	Independent directors shall account for at least one third of all directors elected to the Board.	1. Independent directors shall account for at least one third of all directors elected to the Board.	<input type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input checked="" type="checkbox"/> not observed	During the reporting period, one independent director has become a member of the Board of Directors. The Company's Board of Directors is elected by the General Meeting of Shareholders (see Clause 2.4.1)
2.4.4	Independent directors play a key role in the prevention of internal conflicts within the Company and in the Company performance of material corporate actions.	1. Independent directors (who have no conflict of interest) provide a preliminary assessment of significant corporate actions related to possible conflicts of interest, and the results of that assessment are presented to the Board.	<input type="checkbox"/> observed  <input type="checkbox"/> partially	The assessment of material corporate actions by an independent director has not been submitted to the Board of Directors.



			<div>observed</div> <div> <input checked="" type="checkbox"/> not         </div> <div>observed</div>	
2.5	The Chairman of the Board of Directors shall facilitate the most effective performance of the functions assigned to it.			
2.5.1	<p>The Chairman of the Board of Directors is an independent director, or the elected independent directors select a senior independent director who coordinates the work of the independent directors and is responsible for communication with the Chairman of the Board of Directors.</p>	<p>1. The Chairman of the Board of Directors is an independent director or a senior independent director is selected from among the independent directors.</p> <p>2. The role, rights and responsibilities of the Chairman of the Board of Directors (and, if applicable, of the senior independent director) are stipulated, as required, in internal documents.</p>	<div> <input type="checkbox"/> observed         </div> <div> <input checked="" type="checkbox"/> partially         </div> <div>observed</div> <div> <input type="checkbox"/> not         </div> <div>observed</div>	<p>The Chairman of the Board of Directors is not an independent director.</p> <p>It is planned to amend the Regulations on the Board of Directors, according to which independent directors would have an opportunity to elect a senior independent director.</p>
2.5.2	<p>The Chairman of the Board of Directors ensures a constructive atmosphere for holding meetings, a free discussion of the issues included on the meeting agenda and supervision over the execution of decisions taken by the Board of Directors.</p>	<p>1. The effectiveness of work of the Chairman of the Board of Directors is evaluated in the framework of the performance evaluation procedures for the Board of Directors during the reporting period.</p>	<div> <input type="checkbox"/> observed         </div> <div> <input type="checkbox"/> partially         </div> <div>observed</div>	<p>No assessment in the reporting period was carried out due to the lack of an well-developed and approved methodology to that end.</p>

			<input checked="" type="checkbox"/> not observed	
2.5.3	The Chairman of the Board of Directors shall take the necessary measures for the timely provision of information to members of the Board of Directors in order to take decisions about items on the agenda.	1. The duty of the Chairman of the Board of Directors to take steps to ensure the timely delivery of materials to members of the Board of Directors concerning items on the agenda of a meeting of the Board is enshrined in Company internal documents.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.6	The Board members act in good faith and reasonably in the interests of the Company and its shareholders on the basis of sufficient information, with due care and diligence.			
2.6.1	The Board members take decisions based on all available information, without any conflicts of interest, taking into account the equal treatment of Company shareholders, within the framework of normal business risk.	<p>1. According to Company internal documents, a member of the Board of Directors must notify the Board of Directors if he or she has a conflict of interest in respect of any item on the agenda of a meeting of the board or of a board committee prior to the discussion of the relevant agenda item.</p> <p>2. Company internal documents provide that a Board member must abstain from voting on any matter in which he or she has a conflict of interest.</p> <p>3. The Company has established a procedure</p>	<input type="checkbox"/> observed  <input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not	The rule that allows the Board of Directors that is a member of the Committee of the Board of Directors to receive professional advice on matters within its authority, is enshrined in the regulations on committees. This provision is planned to be incorporated into other relevant internal documents as necessary.

		that allows the Board of Directors to receive professional advice on matters within its remit at the Company's expense.	observed	
2.6.2	The rights and obligations of members of the Board of Directors are clearly defined and incorporated into Company internal documents.	1. The Company has adopted and published an internal document that clearly stipulates the rights and responsibilities of members of the Board of Directors.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.6.3	Board members have sufficient time to perform their duties.	1. Individual attendance at Board and committee meetings, as well as the time devoted to preparation for participation in such meetings, was taken into account as part of the Board of Directors assessment procedures during the reporting period.	<input type="checkbox"/> observed	<p>The assessment was not carried out in the reporting period due to the lack of an approved assessment methodology. The high participation activity of the members of the Board of Directors in the reporting year (84.6% in the meetings of the Board of Directors, almost 100% in the meetings of the committees of the Board of Directors) confirms that the members of the Board of Directors have the time to fulfill their duties.</p> <p>Company internal documents do not require from members of the Board of Directors to notify the Board of their intention to become members of the management bodies of other organizations (beyond those that are the Company subsidiaries or dependent organizations), as well as the fact of such appointments. However, as a matter of actual practice, the Company:</p> <ul style="list-style-type: none"> <li>- sends requests to members of management bodies on a quarterly basis that contain information on positions held, and has the opportunity to receive up-to-date information,</li> <li>- monitors on a regular basis open sources for information on the involvement of members of the Company's Board of Directors in management or supervisory bodies of other organizations.</li> </ul>

		<p>2. In accordance with the Company internal documents, members of the Board of Directors are required to notify the Board of their intention to become members of the management bodies of other organizations (beyond those that are the Company subsidiaries or dependent organizations), as well as the fact of such appointments.</p>	<input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.6.4	<p>All members of the Board of Directors have equal access to the Company documents and information. Newly elected members of the Board of Directors are provided, in the shortest possible time, with sufficient information about the Company and the work of the Board of Directors.</p>	<p>1. In accordance with Company internal documents, the members of the Board of Directors have the right to access to documents and to make inquiries concerning the Company and its subsidiary organizations, and the Company executive bodies are required to provide relevant information and documents.</p> <p>2. The Company has established a formalized program of introductory events for newly elected members of the Board of Directors.</p>	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.7	Meetings of the Board of Directors, preparations for them and participation of the members of the Board of Directors ensure efficient operation of the Board of Directors.			
2.7.1	<p>Meetings of the Board of Directors shall be held as necessary, taking into account the range of activity and the tasks facing the Company at a certain period of time.</p>	<p>1. The Board of Directors held at least six meetings during the reporting year.</p>	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not	

			observed	
2.7.2	Internal documents of the Company secured the procedure for preparing and holding the meetings of the Board of Directors that allows the members of the Board of Directors to adequately prepare for these meetings, and stipulates, in particular, the following:	1. The Company has approved an internal document that stipulates the procedure for the preparation for and holding Board meetings, in which it is also established that a notice about a meeting must be provided, as a rule, not less than 5 days prior to a relevant meeting.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.7.3	The format of each meeting of the Board of Directors is determined based on the importance of the items on its agenda. The most important issues are decided on meetings of the Board of Directors in praesentia.	1. The Company Articles of Association or internal documents provide that the most important issues (according to the list provided in recommendation 168 of the Code) should be considered by the Board at meetings in presentia.	<input type="checkbox"/> observed     <input type="checkbox"/> partially observed   <input checked="" type="checkbox"/> not observed	<p>The Articles of Association and internal documents do not provide such a rule. At the same time, the Chairman of the Board of Directors is entitled to make an appropriate decision taking into account the importance of the issues under consideration.</p> <p>The Company plans to change the existing practice in the next update of the internal documents.</p>
2.7.4	Decisions on the most important issues concerning Company	1. The Company Articles of Association provide that decisions on the most important	<input type="checkbox"/> observed	This rule is provided for in respect of material transaction

	activities shall be taken at a meeting of the Board of Directors by a qualified majority or a majority of all the elected members of the Board of Directors.	issues outlined in recommendation 170 of the Code should be taken at a meeting of the Board of Directors by a qualified majority of not less than three fourths of the votes or by a majority of all the elected members of the Board of Directors.	<input type="checkbox"/>  <input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not observed	<p>approvals. With respect to the other issues mentioned, there is a rule on decision-making by a two-thirds majority or by a majority of those taking part in meetings of the Board of Directors.</p> <p>The Company plans to change the existing practice in the next update of the internal documents.</p>
2.8	The Board of Directors shall establish committees for preliminary consideration of the most important issues associated with the Company's activity.			
2.8.1	For the preliminary consideration of issues related to the control of Company financial and economic activities, an Audit Committee shall be established that is composed of independent directors.	<p>1. The Board of Directors has created an Audit Committee composed entirely of independent directors.</p> <p>2. Company internal documents stipulate tasks of the Audit Committee, including those outlined in recommendation 172 of the Code.</p> <p>3. At least one member of the Audit</p>	<input type="checkbox"/> observed  <input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not	<p>The Audit Committee was established, but does not have independent directors as its members (see Clause 2.4.1).</p> <p>The Company will review the existing practice based on the results of electing a new Board of Directors (if independent members of the Board of Directors are elected).</p> <p>The Audit Committee shall have members who have experience and expertise in the preparation, analysis, evaluation and auditing of accounting (financial) statements.</p>

		<p>Committee, who is an independent director, has experience and expertise in the preparation, analysis, evaluation and auditing of financial statements.</p> <p>4. Meetings of the Audit Committee took place at least once a quarter during the reporting period.</p>	observed	
2.8.2	<p>For preliminary consideration of issues related to the formation of effective and transparent remuneration practices, a Remuneration Committee was established that consists of independent directors and is chaired by an independent director who is not the Chairman of the Board of Directors.</p>	<p>1. The Board of Directors set up a Remuneration Committee that consists solely of independent directors.</p> <p>2. The Chairman of the Remuneration Committee is an independent director who is not the Chairman of the Board of Directors.</p> <p>3. Company internal documents stipulate tasks of the Remuneration Committee, including those outlined in recommendation 180 of the Code.</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>The Company has established the HR and Remuneration Committee.</p> <p>Its members do not include independent directors (paragraph 2.4.1).</p> <p>The committee's tasks are defined in the Regulation on the HR and Remuneration Committee, however, due to the fact that this version of the document was approved in 2014, it does not contain all the rules listed in recommendation 180 of the Code. The above authority's tasks do not meet the recommendations of the Code in terms of provisions on the incentives of the Corporate Secretary and in terms of the report on their actual implementation.</p> <p>, The Committee is headed by a person who is the Chairman of the Board of Directors.</p> <p>The Company plans to change the established practice as necessary.</p>
2.8.3	<p>For preliminary consideration of issues related to the implementation of staff planning (succession planning) and the</p>	<p>1. The Board of Directors established a nominating committee (or the tasks thereof specified in recommendation 186 of the Code are performed by another committee consisting</p>		<p>The Company has established the HR and Remuneration Committee. Its members do not include independent directors (paragraph 2.4.1).</p> <p>Of the tasks specified in the recommendations of the Code,</p>

	<p>professional composition and performance of the Board of Directors, a committee on nominations (appointments, human resources) was established, most of whose members are independent directors.</p>	<p>mostly of independent directors.</p> <p>2. The Company's internal documents stipulate the tasks of the nominating committee (or the relevant committee with combined functions), including the tasks outlined in recommendation 186 of the Code.</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>this Committee is entrusted with only those relating to the election and termination of the powers of the members of the Board, as well as to the approval of candidates for individual positions in the executive apparatus.</p> <p>The committee's tasks are defined in the Regulation on the HR and Remuneration Committee, however, due to the fact that this version of the document was approved in 2014, it does not contain all the rules listed in the recommendations of the Code.</p> <p>The Company plans to change the established practice as necessary.</p>
2.8.4	<p>Given the range of activities and the level of risks, the Board of Directors determined that the composition of its committees fully meets Company goals. Additional committees were either formed or are not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, committee on health, safety and the environment, etc.).</p>	<p>1. During the reporting period, the Company Board of Directors considered the matter of the compliance of the members of its committees with the tasks of the Board and the objectives of Company activities. Additional committees were either formed or were deemed unnecessary.</p>		<p>The Board of Directors elected members of the committees on the basis of the skills and qualifications of the candidates, along with approval of the Regulation on Committees. At present, the composition of the committees of the Board of Directors is fully consistent with the tasks and objectives raised before it.</p> <p>The following Committees of the Board of Directors were established:</p> <p>Audit Committee; HR and Remuneration Committee; Committee for Technological Connection; Committee for Strategy, Development, Investment and Reforming; and Reliability Committee.</p> <p>During the reporting period, the Board of Directors did not consider the matter of the compliance of the member of its Committees with the Board's and the Company's tasks and objectives due to the fact that the above issue was not included in the schedule of meetings of the Board of Directors and was not put by the Chairman in the agenda.</p> <p>The Company is planning to review the existing practices.</p>



			<input type="checkbox"/> observed  <input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
2.8.5	The composition of the committees is determined in such a way that it allows for a comprehensive discussion of issues beforehand, taking into account different views.	<p>1. Committees of the Board of Directors are chaired by independent directors.</p> <p>2. Company internal documents (policies) include provisions under which individuals who are not members of the Audit Committee, the Nominating Committee or the Remuneration Committee may attend committee meetings only at the invitation of a chairman of a relevant committee.</p>	<input type="checkbox"/> observed  <input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not observed	<p>During the reporting period, the Committees of the Board of Directors were not chaired by independent directors (see Clause 2.4.1).</p> <p>Company internal documents include provisions under which individuals who are not members of the Audit Committee or the Nomination and Remuneration Committee may attend committee meetings only at the invitation of a chairman of a relevant committee.</p>
2.8.6	The committee chairmen shall regularly inform the Board of Directors and its Chairman on the work of its committees.	1. During the reporting period, the chairmen of the committees reported regularly to the Board of Directors on the work of the committees.	<input type="checkbox"/> observed	<p>Such a practice is not currently implemented in the Company, proposals are being developed to introduce amendments to the Company's internal documents.</p> <p>During the reporting period, it was only the Audit Committee that regularly reported to the Board of Directors on its work.</p>

			<input type="checkbox"/>  <input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not observed	At the same time, in the reporting year, all issues subject to preliminary consideration by the Committees of the Board of Directors requiring the analysis and recommendations (opinions) for the Company's Board of Directors were considered by the Committees in due time, and the recommendations made were taken into account by the Board of Directors when making decisions.
2.9	The Board of Directors shall ensure that the quality of its work and that of its committees and its members is assessed.			
2.9.1	Performance of the Board of Directors is assessed to determine the degree of the work effectiveness of the Board, its committees and the Board members, the compliance of their work with the Company development needs, intensification of the work of the Board of Directors and identifying areas in which their work can be improved.	<p>1. The self-assessment and external evaluation of the Board of Directors carried out during the reporting period included an evaluation of the work of the committees, individual board members and the Board of Directors as a whole.</p> <p>2. The results of self-assessment or external assessment of the Board of Directors carried out during the reporting period were discussed at a meeting of the Board of Directors in presentia.</p>	<input type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input checked="" type="checkbox"/> not observed	The assessment was not carried out in the reporting period due to the lack of an approved (self)-assessment methodology.
2.9.2	The work of the Board of Directors, its committees and board members is assessed on a regular basis, at least once a year.	1. To conduct an independent assessment of performance of the Board of Directors during the last three reporting periods, the Company engaged a third-party entity (consultant) at least	<input type="checkbox"/> observed	

	To conduct an independent assessment of performance of the Board of Directors, a third-party entity (consultant) is engaged at least once every three years.	once.	<input type="checkbox"/>  <input type="checkbox"/> partially observed  <input checked="" type="checkbox"/> not observed	No external assessment experts were engaged to assess the Board of Directors' performance because the costs of their services were not included in the budget of the Company for the reporting year.
3.1	Company Corporate Secretary is responsible for efficient ongoing interaction with its shareholders, coordination of the Company actions designed to protect the rights and interests of its shareholders and support for the efficient work of its Board of Directors.			
3.1.1	The Corporate Secretary has the knowledge, experience and expertise that are sufficient for the execution of his or her duties. This official enjoys an impeccable reputation and the confidence of shareholders.	<p>1. The Company has adopted and disclosed the internal document: the Regulation on the Corporate Secretary.</p> <p>2. Company website and the annual report provide biographical information about the Corporate Secretary. The same level of detail is provided about the members of the Company Board of Directors and executive management.</p>	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> observed  <input type="checkbox"/> not observed	
3.1.2	The Corporate Secretary is sufficiently independent of the Company executive bodies, and has been invested with the necessary powers and resources to carry out its assigned tasks.	1. The Board of Directors approves the appointment and dismissal of the Corporate Secretary, as well as makes decisions to award additional remuneration to the Corporate Secretary.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed	

			<input type="checkbox"/> not observed	
4.1	The level of remuneration paid by the Company shall be sufficient to enable it to attract, motivate and retain employees who have the required skills and qualifications. Remuneration shall be paid to Board members, executive bodies and other key managers at the Company in accordance with the remuneration policy adopted by the Company.			
4.1.1	The level of remuneration provided by the Company to the members of the Board of Directors, executive bodies and other key executives creates sufficient incentive for them to work effectively, allowing the Company to hire and retain competent and skilled professionals. This allows the Company to avoid having to pay a level of remuneration that is more than necessary, and it prevents the formation of unjustifiably large gaps in the level of remuneration between these officials and the Company's employees.	1. The Company has adopted internal document(s) (policy/policies) regulating the remuneration of the members of the Board of Directors, executive bodies and other key executives, which clearly stipulate approaches to the remuneration of these individuals.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
4.1.2	Company remuneration policy is determined by the Remuneration Committee and approved by the Board of Directors. The Board of Directors, with the support of the Remuneration Committee, monitors the introduction and implementation of the Company remuneration policy, and if necessary it reviews and makes adjustments.	1. During the reporting period, the Remuneration committee reviewed the remuneration policy (policies) and the policy regulating its (their) implementation; if necessary, it presented appropriate recommendations to the Board of Directors.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not	

			observed	
4.1.3	The Company remuneration policy provides transparent mechanisms for determining the amount of remuneration for members of the Board of Directors, executive bodies and other key executives at the Company, and it also regulates all types of payments, benefits and privileges provided to such individuals.	1. The Company remuneration policy (policies) contains (contain) transparent mechanisms for determining the remuneration of members of the Board of Directors, executive bodies and other key executives at the Company, and it (they) also regulates (regulate) all kinds of payments, benefits and privileges provided to such individuals.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially  <input type="checkbox"/> not observed	
4.1.4	The Company determines a policy on the reimbursement (compensation) of expenses that enumerates a list of reimbursable expenses and the level of service that the members of the Board of Directors, executive bodies and other key executives at the Company may qualify for. This policy may form a part of the Company remuneration policy.	1. The policy (policies) on remuneration or the Company other internal documents establish reimbursement rules for the Board members, executive bodies and other key executives at the Company.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially  <input type="checkbox"/> not observed	
4.2	The system of remuneration for members of the Board of Directors shall ensure that the financial interests of the directors are in line with the long-term financial interests of shareholders.			
4.2.1	The Company pays fixed annual remuneration to the Members of the Board of Directors. The Company does not pay a remuneration for participation in meetings of the Board or Board committees.	1. The fixed annual remuneration was the only form of monetary remuneration that the Board members received for their work on the Board during the reporting period.	<input type="checkbox"/> observed	At present, the Regulation on Payment of Remuneration and Compensation to Board Members provides for the payment of extra charges, as well as additional rewards. As required, the Company will develop and submit a new

	The Company does not use short-term incentives or additional material incentives for members of the Board of Directors.		<input type="checkbox"/> partially observed  <input checked="" type="checkbox"/> not observed	version of the document for approval by the management bodies.
4.2.2	Long-term holding of the Company's shares has been the most conducive to ensuring the convergence of the financial interests of the members of the Board of Directors with the long-term interests of shareholders. At the same time, the Company does not make the right to dispose of shares dependent on the achievement of certain performance results, and the Board members do not participate in stock options plans.	1. If the internal document (documents) detailing the policy (policies) on remuneration include a provision allowing the Company's shares to be granted to members of the Board of Directors, then clear rules regulating how Board members can hold these shares must be stipulated that promote the long-term holding of such shares.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
4.2.3	The Company does not provide any additional payments or compensation in the event of the early termination of Board members in connection with the transfer of control over the Company or other circumstances.	1. The Company does not provide any additional payments or compensation in the event of the early termination of Board members in connection with the transfer of control over the Company or other circumstances.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	

4.3	The system of remuneration due to members of the executive bodies and other key Company managers provides that their remuneration is dependent on the Company performance results and their personal contributions to achieving these.				
4.3.1	Remuneration for members of executive bodies and other key executives at the Company shall be determined in such a way as to provide a reasonable and justified ratio between their base salary and variable remuneration depending on the Company performance and the personal (individual) contribution of each employee to the final result.	<p>1. During the reporting period, the annual performance indicators approved by the Board of Directors were used to determine the amount of variable compensation for members of executive bodies and other key executives at the Company.</p> <p>2. In the course of the last evaluation of the system of remuneration for members of executive bodies and other key executives at the Company, the Board of Directors (the Remuneration Committee) confirmed that the Company employed an effective ratio of base salary to variable compensation.</p> <p>3. The Company has established a procedure that provides for the return of bonuses that were unlawfully obtained by members of the executive bodies and other key executives at the Company.</p>	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed   <input type="checkbox"/> not observed		
4.3.2	The Company has established a long-term incentive program for members of the executive bodies and other key Company executives using the Company shares (options or other derivative instruments whose underlying asset is Company shares).	1. The Company has established a long-term incentive program for members of the executive bodies and other key management employees of the Company using the Company shares (financial instruments based on Company shares).	<input type="checkbox"/> observed          <input type="checkbox"/> partially		Such a program was not implemented in the Company due to the lack of a positive resolution of the shareholders. The Company is considering the creation of an equity incentive plan for members of the executive bodies and other key personnel of the Company.

		<p>2. The long-term incentive program for members of executive bodies and other key executives at the Company provides that the right to sell shares and other financial instruments that are granted within the program shall not be granted less than three years from the date that such shares or instruments are awarded. The right to sell shares shall be conditional upon achievement of certain performance indicators by the Company.</p>	<p>observed</p> <p><input checked="" type="checkbox"/> not observed</p>	
4.3.3	<p>The amount of compensation (golden parachute) that is paid by the Company in the event of the early termination of powers of the members of the executive bodies or key executives at the initiative of the Company and in the absence of any actions taken by the employees themselves that were not in good faith shall not exceed two times the base salary that is paid as part of the annual compensation package.</p>	<p>1. The amount of compensation (golden parachute) that is paid by the Company in the event of the early termination of powers of the members of the executive bodies or key executives at the initiative of the Company and in the absence of any actions taken by the employees themselves that were not in good faith did not, during the reporting period, exceed two times the base salary that is paid as part of the annual compensation package.</p>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	
5.1	<p>The Company has established an efficient risk management and internal control system that is designed to provide reasonable assurance that the Company goals will be achieved.</p>			
5.1.1	<p>The Board of Directors determines the principles and approaches used to shape the Company risk management and internal control system.</p>	<p>1. The functions that the Company various management bodies and divisions perform in the risk management and internal control system are clearly stipulated in the internal documents/respective Company policies that were approved by the Board of Directors.</p>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p>	



			<input type="checkbox"/> not observed	
5.1.2	Company executive bodies shall ensure the establishment and maintenance of an effective system of risk management and internal control at the Company.	1. Company executive bodies have ensured the distribution of functions and responsibilities for risk management and internal control between their subordinate unit and department heads.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
5.1.3	Company risk management and internal control system provides for an objective, fair and clear picture of the Company current state and prospects, the integrity and transparency of the Company reporting, and the reasonableness and acceptability of the risks taken by the Company.	1. The Company has approved a policy on combating corruption.  2. The Company provides an accessible way of notifying the Board of Directors or the Audit Committee of the Board about violations of the law, internal procedures, and the Company Code of Ethics.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
5.1.4	Company Board of Directors takes necessary measures to	1. During the reporting period, the Board of Directors or its Audit Committee assessed the	<input checked="" type="checkbox"/> observed	

	ensure that the Company current risk management and internal control system complies with the principles and approaches determined by the Board of Directors to ensure that such a system is organized and functions effectively.	effectiveness of the Company risk management and internal control system. Information about the main findings of this assessment are included in the Company annual report.	<input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
5.2	The Company organizes an internal audit to ensure the regular independent evaluation of the reliability and effectiveness of the risk management and internal control system and corporate governance practice.			
5.2.1	The Company has created a separate structural unit or contracted an independent external organization to conduct the internal audit. The functional and administrative reporting relationship of the internal audit unit has been established. Functionally, the internal audit unit is subordinate to the Board of Directors.	1. The Company has created a separate structural unit to conduct internal audits that is functionally subordinate to the Board of Directors or the audit committee or it has engaged an independent external organization with the same subordinate status to conduct internal audits.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
5.2.2	The internal audit unit evaluates the effectiveness of the internal control system and assesses the effectiveness of the risk management and corporate governance systems. The Company employs generally accepted standards in the field of internal auditing.	1. During the reporting period, the effectiveness of internal control and risk management functions were assessed as part of the internal audit process.  2. The Company uses generally accepted approaches to internal control and risk management.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed	

			<input type="checkbox"/> not observed	
6.1	The Company and its activities are transparent to shareholders, investors and other interested parties.			
6.1.1	The Company has developed and implemented an information policy that ensures effective communication of information between the Company, shareholders, investors and other interested parties.	<p>1. The Board of Directors approved the Company Information Policy, which is designed to meet the recommendations of the Code.</p> <p>2. The Board of Directors (or one of its committees) discussed issues related to the Company compliance with its information policy at least once during the reporting period.</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>The Company Regulation on Information Policy is in effect in the Company, however, the above Regulation was approved before the Corporate Governance Code entered into force and it could not take into account all the recommendations contained in the Code.</p> <p>The recommendations are not complied with by the Board of Directors or its Committees in respect of consideration of issues related to the compliance with the Information Policy.</p> <p>The Company is planning to review the existing practices as necessary.</p>
6.1.2	The Company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the	1. The Company discloses information on the system of corporate governance and the general principles of corporate governance that are applied at the Company, including on the Company website.	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially</p>	

	Code.	<p>2. The Company discloses information on the composition members of its executive bodies and its Board of Directors, the independence of board members and their membership of Board committees (in accordance with the definitions provided in the Code.</p> <p>3. In the case that a person should assume control of the Company, the Company publishes a memorandum by the controlling person concerning the plans of this person for the corporate governance of the Company.</p>	<p>observed</p> <p><input type="checkbox"/> not observed</p>	
6.2	The Company discloses complete, up-to-date and reliable information about the Company to allow its shareholders and investors to make informed decisions.			
6.2.1	The Company discloses information in accordance with the principles of regular publication, consistency, timeliness, as well as accessibility, accuracy, completeness and comparability of the data disclosed.	<p>1. The Company Information Policy defines approaches and criteria for determining the information that could materially affect the Company valuation, the value of its securities, and the procedures that ensure the timely disclosure of such information.</p> <p>2. If the Company securities are traded on foreign organized markets, then equivalent material information is disclosed in the Russian Federation and on these foreign markets at the same time during the reporting year.</p> <p>3. If foreign shareholders hold a substantial number of shares in the Company, then during the reporting year information was disclosed not only in Russian, but also in one of the most common foreign languages.</p>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	

6.2.2	The Company avoids taking a formal approach to the disclosure of information, and it discloses important information about its activities even when such disclosure is not required by law.	<p>1. During the reporting period, the Company disclosed its annual and semi-annual financial statements prepared in accordance with IFRS. The Company annual report for the reporting period included annual financial statements that were prepared in accordance with IFRS, along with the auditor's report.</p> <p>2. The Company discloses in its annual report on its website full information on its capital structure in accordance with recommendation 290 of the Code.</p>	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
6.2.3	The annual report, which is one of the most important tools for sharing information with shareholders and other interested parties, contains information that makes it possible to assess Company activities for the year.	<p>1. The Company annual report provides information on key aspects of Company operating activities and its financial results</p> <p>2. The Company annual report contains information about the environmental and social aspects of Company activities.</p>	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
6.3	The Company provides information and documents requested by its shareholders in accordance with the principle of equal and unhindered access.			
6.3.1	Information and documents requested by the Company's shareholders are provided in accordance with the principle of	1. The Company Information Policy stipulates a non-burdensome procedure for providing shareholders with access to information, including information about the Company	<input checked="" type="checkbox"/> observed	

	equal and unhindered access.	subsidiaries, at the request of shareholders.	<input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
6.3.2	When the Company provides information to shareholders, it ensures a reasonable balance between the interests of specific shareholders and the interest of the Company itself in ensuring the confidentiality of important trade secrets that could have a material impact on its competitiveness.	<p>1. During the reporting period, the Company never refused to satisfy shareholder requests for information, or if it did deny any requests, then such refusals were justified.</p> <p>2. In cases determined by the Company Information Policy the shareholders are warned about the confidential nature of the information that is disclosed and take responsibility to preserve its confidentiality.</p>	<input checked="" type="checkbox"/> observed          <input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not observed  <input type="checkbox"/> not complying	<p>During the reporting period, the Company never refused to satisfy shareholder requests for information. The Company Information Policy does not determine the cases when the shareholders are warned about the confidential nature of the information that is disclosed and take responsibility to maintain its confidentiality. However, this procedure is actually observed in case of providing confidential information or information constituting a commercial secret to the shareholders.</p>
7.1	Any actions that will or may materially affect the Company share capital structure and its financial position and, accordingly, the position of its shareholders (“material corporate actions”) shall be taken on fair terms and conditions ensuring that rights and interests of the shareholders as well as other interested parties are observed.			

7.1.1	<p>Material corporate actions include the reorganization of the Company, the acquisition of 30 per cent or more of voting shares (takeover), material transactions by the Company, an increase or decrease in the Company share capital, the listing and delisting of Company shares, as well as other actions that could lead to a significant change in the rights of shareholders or a violation of their interests. The Company Articles of Association include a list of (the criteria for) transactions or other actions falling within the category of material corporate actions. These actions fall within the purview of the Company Board of Directors.</p>	<p>1. The Company Articles of Association include a list of transactions or other actions that constitute material corporate actions and the criteria that are used to determine such actions. Decisions regarding material corporate actions fall within the purview of the Board of Directors. In cases where the authority to take such corporate actions falls under the purview of the General Meeting of Shareholders, the Board of Directors provides shareholders with appropriate recommendations.</p>		<p>The Company Articles of Association does not determine a list of transactions or other actions that constitute material corporate actions and the criteria that are used to determine such actions. This issue needs to be elaborated and coordinated thoroughly with subsequent approval by the Company General Meeting of Shareholders.</p> <p>At the same time, the following questions that fall within the competence of the General Meeting of Shareholders may be considered at the Annual General Meeting of Shareholders only:</p> <ul style="list-style-type: none"> <li>• Company reorganization,</li> <li>• raising the share capital by means of increasing the nominal value of shares or by placing supplement shares;</li> <li>• making decisions on approval of transactions in cases provided for by Article 83 of Federal Law “On Joint-Stock Companies”;</li> <li>• making decisions on approval of major transactions in cases provided for by Article 79 of Federal Law “On Joint-Stock Companies”;</li> </ul> <p>The following issues shall be assigned to the competence of the Board of Directors of the Company:</p> <ul style="list-style-type: none"> <li>• filing the application for listing of the Company’s shares and (or) issuable securities, convertible into shares of the Company;</li> <li>• preliminary approval of the decisions on conclusion of the separate transactions by the Company:</li> </ul> <ul style="list-style-type: none"> <li>✓ the subject of which are non-current assets in the amount exceeding 10% of the book value of its assets;</li> <li>✓ involving alienation or a possibility of alienation of property constituting fixed assets, intangible assets, assets under construction that are used in order to produce, transfer, dispatch, distribute of electric and thermal energy, as well as other types of property determined by certain decisions of the Board of Directors;</li> <li>✓ on transfer (acceptance) for temporary possession (use) of property and electric grid facilities for more than 5 years;</li> <li>✓ involving donation of the Company’s property or proprietary rights (claims) to itself or to a third party; transactions involving releasing from property obligation before itself or a third party; transactions involving gratuitous provision of services by the Company to third parties;</li> <li>✓ which can result in creation of obligations denominated in foreign currency, transactions with derivative financial instruments.</li> </ul>
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7.1.2	<p>The Board of Directors plays a key role in making decisions or developing recommendations about material corporate actions. The Board of Directors relies on the position of the Company independent directors.</p>	<p>1. The Company has established a procedure under which the independent directors declare their positions on material corporate actions prior to their approval.</p>	<p><input type="checkbox"/> observed</p>	<p>This procedure is not provided for by the internal documents of the Company, however, independent directors actually announce their positions on material corporate actions prior to their approval.</p>



			<input checked="" type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
7.1.3	When completing material corporate actions that affect the rights and legal interests of shareholders, equal conditions are provided for all Company shareholders. If the mechanisms protecting the legal rights of shareholders are insufficient, then further measures to protect the rights and legal interests of the Company shareholders are provided. The Company is governed not only by compliance with the formal requirements of the law, but also by the principles of corporate governance set out in the Code.	<p>1. Considering the nature of the Company business, the Company Articles of Association establish lower criteria than the minimum provided for under law for classifying the Company transactions as material corporate actions.</p> <p>2. During the reporting period, all material corporate actions were approved before they were carried out.</p>	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially observed  <input type="checkbox"/> not observed	
7.2	The Company has established a procedure regulating material corporate actions that allows shareholders to receive timely and complete information on such actions, provides them with an opportunity to influence decision-making about such actions and ensures compliance with and an adequate level of protection of their rights in the performance of such actions.			
7.2.1	Information about material corporate actions is disclosed together with the reasons, conditions and consequences of such actions.	1. During the reporting period, the Company promptly and thoroughly disclosed information on the Company material corporate actions, including the reasons and timing of such actions.	<input checked="" type="checkbox"/> observed  <input type="checkbox"/> partially	

			<p>observed</p> <p><input type="checkbox"/> not</p> <p>observed</p>	
7.2.2	<p>The rules and procedures governing material corporate actions taken by the Company are enshrined in the Company internal documents.</p>	<p>1. The Company internal documents provide for a procedure governing the hiring of an independent appraiser to determine the value of property that is alienated or acquired by a large transaction or a related party transaction.</p> <p>2. The Company internal documents provide for a procedure of hiring an independent appraiser to assess the value of shares that are acquired or bought back by the Company.</p> <p>3. The Company internal documents have established an expanded list of grounds on which the members of the Board of Directors and other persons referred to in respective laws are deemed to have an interest in the Company transactions.</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially</p> <p>observed</p> <p><input type="checkbox"/> not</p> <p>observed</p>	<p>This issue needs to be elaborated and coordinated thoroughly with subsequent approval by the Company General Meeting of Shareholders.</p> <p>The Company Articles of Association prescribe the involvement of an independent appraiser(s) to determine the value of shares, property and other assets of the Company in cases stipulated by the Federal Law “On Joint Stock Companies”, as well as by resolutions of the Board of Directors.</p> <p>The Company is developing the relevant changes to be introduced into the Articles of Association provided that the shareholders take a positive decision in respect thereof.</p>