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# *Compliance with the Russian Corporate Governance Code*

This Report on Compliance with the Principles and Recommendations of the Corporate Governance Code was reviewed by the Supervisory Board of Moscow Exchange at the meeting held on the Supervisory Board meeting on 27 March 2020 (Minutes No. 22).

The Supervisory Board confirms that the data quoted herein contain comprehensive and reliable information on the Company compliance with the principles

and recommendations of the Corporate Governance Code for the 2019 reporting year.

The Annual Report sections describe the most significant aspects of the corporate governance model and practices at Moscow Exchange, as well as the approach to assessing compliance with the corporate governance principles legitimized in the Corporate Conduct Code.

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle <sup>1</sup>	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle <sup>2</sup>
<b>1.1</b>	<b>The company shall ensure equal and fair treatment of all shareholders when they exercise their right to participate in the company's governance.</b>			
1.1.1	The company should create most favourable conditions for its shareholders enabling them to participate in the general meeting and develop informed positions on issues on its agenda, as well as provide them with the opportunity to coordinate their actions and express their opinions on issues being discussed.	<p>1. The Company's internal document approved by the General Meeting of Shareholders and governing the procedures for holding the General Meeting is in the public domain.</p> <p>2. The Company provides an easy-to-access way to communicate with the community, such as the "hotline", email or Internet forum that enables shareholders to express their opinion and to put forward issues to the agenda pending preparation for the General Meeting. These actions were taken by the Company the day before each general meeting held in the reporting period</p>	<b>Complied with</b>	
1.1.2	Procedures for notification of the general meeting and provision of materials for it should enable the shareholders to get properly prepared for participation therein.	<p>1. The notice of the General Meeting of Shareholders was posted (published) on the website at least 30 days prior to the General Meeting date.</p> <p>2. The notice of the meeting specifies the venue of the meeting and the documents required to get access to the premise.</p> <p>3. Access to the information on the person who proposed the agenda items and the one who nominated candidates to the Board of Directors and the Internal Audit Commission of the Company was provided to shareholders.</p>	<b>Complied with</b>	

<sup>1</sup> The "complied with" status is only indicated if the Company meets all the criteria of the corporate governance principle compliance assessment. Otherwise, the "partially complied with" or "not complied with" status is displayed.

<sup>2</sup> They are shown for each criterion of the corporate governance principle compliance if the Company meets only part of the criteria or fails to meet any of the principle compliance assessment criteria. If the Company indicated the "complied with" status, no explanations are required.

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
1.1.3	During the preparation for and holding of the general meeting, the shareholders should be able to freely and timely receive information about the meeting and its materials, to pose questions to members of the company's executive bodies and board of directors, and to communicate with each other.	<ol style="list-style-type: none"> <li>1. The shareholders were enabled to ask members of the executive bodies and members of the Company's Board of Directors before and during the annual General Meeting in the reporting period.</li> <li>2. The standpoint of the Board of Directors (including any special opinions included into the minutes) on each agenda item of the General Meetings conducted during the reporting period was included into the materials of the General Meeting of Shareholders.</li> <li>3. The Company provided the shareholders with the appropriate entitlement with the access to the list of persons eligible to attend the General Meeting, starting from the date of its receipt by the Company, in all cases of holding the General Meetings in the reporting period.</li> </ol>	<b>Complied with</b>	
1.1.4	There should be no unjustified difficulties preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company's governing bodies, and to place proposals on its agenda.	<ol style="list-style-type: none"> <li>1. In the reporting period, shareholders were entitled, within not less than 60 days from the end of the respective calendar year, put forward proposals to be included into the agenda of the annual General Meeting.</li> <li>2. In the reporting period, the Company did not refuse to accept proposals to the agenda or candidates to the Company's bodies due to misprints and other insignificant defects in the shareholder's proposal.</li> </ol>	<b>Complied with</b>	
1.1.5	Each shareholder should be able to freely exercise his right to vote in a straightforward and most convenient way.	<ol style="list-style-type: none"> <li>1. The Company's internal document (internal policy) contains the provisions, whereby each participant in the General Meeting may, before completion of the respective meeting, to require a copy of the ballot completed by the shareholder and certified by the counting board.</li> </ol>	<b>Complied with</b>	

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1.1.6	Procedures for holding a general meeting set by the company should provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.	<p>1. When General Meetings of Shareholders are held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time is envisaged for the reports on agenda items and the time to discuss these issues.</p> <p>2. Nominees to the Company's management and control bodies were available to answer shareholders' questions at the meeting where they were voted upon.</p> <p>3. The Board of Directors reviewed the use of telecommunications tools to provide shareholders with remote access to participate in the General Meetings in the reporting period, when making decisions related to preparation and holding of the General Shareholders' Meetings.</p>	<b>Complied with</b>	
<b>1.2</b>	<b>Shareholders are provided with an equitable and fair opportunity to participate in the company's profits through the distribution of dividends.</b>			
1.2.1	The company should develop and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	<p>1. The dividend policy of the Company was developed, approved by the Board of Directors, and disclosed.</p> <p>2. If the Company's dividend policy uses the Company's reporting measures to determine the amount of dividends, the relevant dividend policy provisions incorporate the consolidated measures of financial statements.</p>	<b>Complied with</b>	
1.2.2	The company should not make a decision on the payment of dividends, if such decision, without formally violating limits set by law, is unjustified from the economic point of view and might lead to the formation of false assumptions about the company's activity.	<p>1. The Company's dividend policy comprises clear-cut indications to financial/ economic circumstances when no dividends are due to the Company.</p>	<b>Complied with</b>	
1.2.3	The company should not allow deterioration of dividend rights of its existing shareholders.	<p>1. In the reporting period, the Company did not take steps that impaired the existing shareholders' dividend rights.</p>	<b>Complied with</b>	

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1.2.4	The company should strive to rule out any ways through which its shareholders can obtain any profit or gain at the company's expense other than dividends and distributions of its liquidation value.	1. To eliminate other methods for shareholders to generate profit (income) at the Company's expense, other than dividends and the liquidation value, the Company's internal documents establish the controls that ensure timely identification and procedure for approval of the transactions with the persons affiliated (related) with substantial shareholders (the persons entitled to dispose of the votes attached to voting shares), where the law does not formally recognize such transactions as related party transactions.	Complied with	
1.3	<b>The system and practices of corporate governance should ensure equal terms and conditions for all shareholders owning shares of the same class (category) in a company, including minority and foreign shareholders, as well as their equal treatment by the company.</b>			
1.3.1	The company should create conditions which would enable its governing bodies and controlling persons to treat each shareholder fairly, in particular, which would rule out the possibility of any abuse of minority shareholders by major shareholders.	1. During the reporting period, the procedures for management of potential conflicts of interests among the existing shareholders are efficient, and the Board of Directors paid enough attention to conflicts among shareholders, if any.	Complied with	
1.3.2	The company should not perform any acts which will or might result in artificial reallocation of corporate control therein.	1. Quasi-treasury shares are not available or were not used in the voting during the reporting period.	Complied with	
1.4	<b>Shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.</b>			
1.4	The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	1. Quality and reliability of the business pursued by the Company's registrar to keep the register of the securities' holders meet the Company's and its shareholders' needs.	Complied with	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
2.1	<b>The Board of Directors shall be in charge of strategic management of the company, determine major principles of and approaches to creation of a risk management and internal control system within the company, monitor the activity of the company's executive bodies, and carry out other key functions.</b>			
2.1.1	The board of directors should be responsible for decisions to appoint and remove [members] of executive bodies, including in connection with their failure to properly perform their duties. The board of directors should also procure that the company's executive bodies act in accordance with an approved development strategy and main business goals of the company.	<ol style="list-style-type: none"> <li>1. The Board of Directors has the powers stipulated in the Articles of Association to appoint, dismiss, and determine conditions of the contracts, with respect to members of executive bodies.</li> <li>2. The Board of Directors reviewed the report(s) of the sole executive body and members of the collegial executive body on fulfillment of the Company's strategy.</li> </ol>	<b>Complied with</b>	
2.1.2	The board of directors should establish basic long-term targets of the company's activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal areas of operations.	<ol style="list-style-type: none"> <li>1. During the reporting period, meetings of the Board of Directors reviewed the progress of execution and updating the strategy, approval of the Company's financial and business plan (budget), and the review of the criteria and measures (including intermediate) to implement the Company's strategy and business plans.</li> </ol>	<b>Complied with</b>	
2.1.3	The board of directors should determine principles of and approaches to creation of the risk management and internal control system in the company.	<ol style="list-style-type: none"> <li>1. The Board of Directors determines the principles and approaches to the risk management and internal control system in the Company.</li> <li>2. The Board of Directors assessed the risk management and internal control system of the Company during the reporting period.</li> </ol>	<b>Complied with</b>	
2.1.4	The board of directors should determine the company's policy on remuneration due to and/or reimbursement of costs incurred by its board members, members of its executive bodies and other key managers.	<ol style="list-style-type: none"> <li>1. The Company has developed and implemented the policy(-ies) approved by the Board of Directors on remuneration and reimbursement of costs incurred by the members of the Board of Directors, the Company's executive bodies and other key managers of the Company.</li> <li>2. The meetings of the Board of Directors reviewed issues related to the above policy (-ies) during the reporting period.</li> </ol>	<b>Complied with</b>	

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2.1.5	The board of directors should play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	<ol style="list-style-type: none"> <li>1. The Board of Directors plays a key part in prevention, detection and settlement of internal conflicts.</li> <li>2. The Company has established the system to identify the transactions related to the conflict of interests and the system of efforts aimed at settlement of such conflicts</li> </ol>	<b>Complied with</b>	
2.1.6	The board of directors should play a key role in procuring that the company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents.	<ol style="list-style-type: none"> <li>1. The Board of Directors approved the Regulations on information policy.</li> <li>2. The Company determined the persons in charge of implementation of the information policy.</li> </ol>	<b>Complied with</b>	
2.1.7	The board of directors should monitor the company's corporate governance practices and play a key role in its material corporate events.	<ol style="list-style-type: none"> <li>1. During the reporting period, the Board of Directors reviewed the corporate governance practice in the Company.</li> </ol>	<b>Complied with</b>	
2.2	<b>The Board of Directors should be accountable to the company's shareholders.</b>			
2.2.1	Information about the board of directors' work should be disclosed and provided to the shareholders.	<ol style="list-style-type: none"> <li>1. The Company's annual report for the reporting period includes information on the attendance rate of meetings of the Board of Directors and its committees by individual directors.</li> <li>2. The annual report contains information on the principal findings of the Board of Directors' performance assessment in the reporting period.</li> </ol>	<b>Complied with</b>	
2.2.2	The chairman of the board of directors must be available to communicate with the company's shareholders.	<ol style="list-style-type: none"> <li>1. The Company has a transparent procedure that enables shareholders to submit their questions and their standpoint thereon to the Chairman of the Board of Directors.</li> </ol>	<b>Complied with</b>	

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<b>2.3</b>	<b>The board of directors should be an efficient and professional governing body of the company which is able to make objective and independent judgements and pass resolutions in the best interests of the company and its shareholders.</b>			
2.3.1	Only persons with impeccable business and personal reputation should be elected to the board of directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of directors and to perform its functions efficiently.	<p>1. The procedure for assessing the efficiency of operations of the Board of Directors adopted in the Company comprises, in particular, the assessment of professional qualifications of members of the Board of Directors.</p> <p>2. In the reporting period, the Board of Directors (or its Nomination Committee) assessed the nominees to the Board of Directors in terms of the required experience, expertise goodwill, lack of the conflict of interests, etc.</p>	<b>Complied with</b>	
2.3.2	Board members should be elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	1. Where the General Meeting of Shareholders, the agenda of which included election of the Board of Directors, was held in the reporting period, the Company provided shareholders with the life record data for all the nominees to the Board of Directors, scores assigned to such nominees by the Board of Directors (or its Nominations Committee) and information on conformity of the nominees to the independence criteria, according to the recommendations in paragraphs 102 to 107 of the Code and the nominees' written consent to be elected to the Board of Directors.	<b>Complied with</b>	
2.3.3	The composition of board of directors should be balanced, in particular, in terms of qualifications, expertise, and business skills of its members. The board of directors should enjoy the confidence of the shareholders.	1. As part of the assessment of the Board of Directors in the reporting period, the Board of Directors reviewed its own needs in professional qualifications, experience and business skills.	<b>Complied with</b>	

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2.3.4	The membership of the board of directors of the company must enable the board to organize its activities in a most efficient way, in particular, to create committees of the board of directors, as well as to enable substantial minority shareholders of the company to elect a candidate to the board of directors for whom they would vote.	1. As part of the assessment of the Board of Directors held in the reporting period, the Board of Directors reviewed the conformity of the number of members of the Board of Directors to the Company's needs and the shareholders' interests.	<b>Complied with</b>	
<b>2.4</b>	<b>The Board of Directors should include a sufficient number of independent directors.</b>			
2.4.1	An independent director should mean any person who has required professional skills and expertise and is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government.	1. During the reporting period, all independent members of the Board of Directors met the independence criteria specified in recommendations 102 to 107 of the Code or were recognized as such by resolution of the Board of Directors.	<b>Partially complied with</b>	In 2019, the Moscow Exchange Listing Rules were amended to update the parties' affiliation assessment method. In view of these circumstances, in the reporting period, three members of the Supervisory Board who were simultaneously members of the Supervisory Board of the subsidiary being a credit organization with which the Company held funds for settlement of trades, were temporarily found to lose their independence status due to the increase of the settlement account balance and subsequent surpassing the limit set out in the Listing Rules for significant counterparties. The discrepancy was corrected on the next day after being identified; the directors restored compliance with the independence criteria.

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2.4.2	It is recommended to evaluate whether candidates nominated to the board of directors meet the independence criteria as well as to review, on a regular basis, whether or not independent board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.	<p>1. In the reporting period, the Board of Directors (or the Nominations Committee of the Board of Directors) formed the estimate of independence of each nominee to the Board of Directors and submitted the relevant opinion to shareholders.</p> <p>2. In the reporting period, the Board of Directors (or the Nominations Committee of the Board of Directors) reviewed the independence of the existing members of the Board of Directors, as indicated by the Company in the annual report as independent directors, at least once.</p> <p>3. The Company has drafted the procedures that determine the necessary actions to be taken by a member of the Board of Directors, if he/she loses his/her independence, including the obligations to timely notify the Board of Directors accordingly.</p>	<b>Complied with</b>	
2.4.3	Independent directors should account for at least one-third of all directors elected to the board of directors.	1. Independent directors shall account for at least one third of the Board of Directors.	<b>Complied with</b>	
2.4.4	Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions.	1. Independent directors (who do not have any conflict of interests) preliminarily estimate the substantial corporate actions related to a potential conflict of interests, and the findings of such assessment are submitted to the Board of Directors.	<b>Complied with</b>	In the reporting year, the Company did not record any material corporate actions related to a potential conflict of interest.

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<b>2.5</b>	<b>The Chairman of the Board of Directors should help the Board carry out the functions imposed on it in a most efficient manner.</b>			
2.5.1	It is recommended to either elect an independent director to the position of the chairman of the board of directors or identify the senior independent director among the company's independent directors who would coordinate work of the independent directors and liaise with the chairman of the board of directors.	<ol style="list-style-type: none"> <li>1. The Chairman of the Board of Director is an independent director or a senior independent director is identified among independent directors<sup>1</sup>.</li> <li>2. Role, rights and duties of the Chairman of the Board of Directors (and, if applicable, the senior independent director) are duly determined in the Company's internal documents.</li> </ol>	<b>Partially complied with</b>	<ol style="list-style-type: none"> <li>1. Partially complied. In 2019, the Moscow Exchange Listing Rules were amended to update the parties' affiliation assessment method. In view of these circumstances, in the reporting period, the Chairman of the Supervisory Board of the Company who was simultaneously a member of the Supervisory Board of the subsidiary being a credit organization with which the Company held funds for settlement of trades, was temporarily found to lose their independence status due to the increase of the settlement account balance and subsequent surpassing the limit set out in the Listing Rules for significant counterparties. The discrepancy was corrected on the next day after being identified; the director restored compliance with the independence criteria.</li> <li>2. Complied with.</li> </ol>
2.5.2	The board chairman should ensure that board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairman should also monitor fulfilment of decisions made by the board of directors.	<ol style="list-style-type: none"> <li>1. Performance of the Chairman of the Board of Directors was estimated as part of the BoD efficiency assessment procedure in the reporting period.</li> </ol>	<b>Complied with</b>	
2.5.3	The chairman of the board of directors should take any and all measures as may be required to provide the board members in a timely fashion with information required to make decisions on issues on the agenda.	<ol style="list-style-type: none"> <li>1. The duty of the Chairman of the Board of Directors to take efforts to ensure timely filing of documents to members of the Board of Directors on agenda items of the meeting of the Board of Directors is legitimized in the Company's internal documents.</li> </ol>	<b>Complied with</b>	

<sup>1</sup> Please specify, which of the two alternative approaches admitted by the principle is implemented in the Company and explain the reasons for the selection made.

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<b>2.6</b>	<b>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.</b>			
2.6.1	Acting reasonably and in good faith means that board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks.	<p>1. The Company's internal documents establish that a member of the Board of Directors is obliged to notify the Board of Directors if he/she has a conflict of interests with respect to any agenda item of the meeting of the Board of Directors or a committee of the Board of Directors, before the start of the discussion of the relevant agenda item.</p> <p>2. The Company's internal documents envisage that a member of the Board of Directors should refrain from voting on any item where he/she has a conflict of interests.</p> <p>3. The Company establishes the procedure that enables the Board of Directors to obtain professional advice on issues falling within its competence, at the Company's expense.</p>	<b>Complied with</b>	
2.6.2	Rights and duties of board members should be clearly stated and documented in the company's internal documents.	1. The Company adopted and published the internal document that clearly determines rights and duties of members of the Board of Directors.	<b>Complied with</b>	
2.6.3	Board members should have sufficient time to perform their duties.	<p>1. Individual attendance of meetings of the Board and committees as well as the time spent on preparation for participation in the meetings was taken into account as part of the assessment procedure of the Board of Directors in the reporting period.</p> <p>2. According to the Company's internal documents, members of the Board of Directors are obliged to notify the Board of Directors of their intention to join management bodies of other companies (except for the Company's affiliates and dependent companies) and about such actual appointment.</p>	<b>Partially complied with</b>	<p>1. Complied with.</p> <p>2. Partly complied with.</p> <p>The internal documents do not provide for the Supervisory Board members' duty to notify the Board of Directors of their intention to become member of the governance bodies of other entities (other than company subsidiaries and affiliates).</p> <p>The Supervisory Board members, however, observe this duty through quarterly questionnaire-based survey of Supervisory Board members, conducted by Moscow Exchange.</p> <p><i>Continuation on next page &gt;</i></p>

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				<p>In accordance with the Supervisory Board Regulations, an SB member has the duty to provide full and reliable information on the legal entities wherein he/she holds positions with governance bodies, and/or serves on the boards of directors (supervisory boards).</p> <p>In accordance with the decision made by the Supervisory Board on March 2, 2017, a new version of the SB Regulations incorporating this recommendation will be brought before the AGM in 2017.</p>
2.6.4	All board members should have equal opportunity to access the company's documents and information. Newly elected board members should be provided with sufficient information about the company and work of its board of directors as soon as practicable.	<p>1. According to the Company's internal documents, members of the Board of Directors are free to gain access to documents and to make requests pertaining to the Company and its affiliates, and the Company's executive bodies are obliged to provide the relevant information and documents.</p> <p>2. The Company has a formalized program of introductory events for newly elected members of the Board of Directors.</p>	<b>Complied with</b>	
<b>2.7</b>	<b>Meetings of the Board of Directors, preparation for them, and participation of Board members therein should ensure efficient work of the Board.</b>			
2.7.1	It is recommended to hold meetings of the board of directors as needed, with due account of the company's scope of activities and its then current goals.	1. The Board of Directors held at least six meetings in the reporting year.	<b>Complied with</b>	
2.7.2	It is recommended to develop a procedure for preparing for and holding meetings of the board of directors and set it out in the company's internal documents. The above procedure should enable the shareholders to get prepared properly for such meetings.	1. The Company approved the internal document that governs the procedure for preparation for and holding of meetings of the Board of Directors, which, in particular, stipulates that the notice of the meeting should be normally made at least 5 days prior to the meeting.	<b>Complied with</b>	

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2.7.3	<p>The form of a meeting of the board of directors should be determined with due account of importance of issues on the agenda of the meeting. Most important issues should be decided at the meetings held in person.</p>	<p>1. The Articles of Association or the internal document of the Company envisage that the most significant issues (according to the list in Recommendation 168 of the Code) should be considered at the personal meetings of the Board.</p>	<p><b>Partially complied with</b></p>	<p>According to the Charter, the issues listed in Recommendation 168 of the Code (except for material related party transactions and placing the issue of delegating the CEO's powers to the asset management company before the AGM for consideration) are decided at the meetings held in person.</p> <p>Issues of material related party transactions are included on the said list, since the Company's Code of Corporate Governance does not classify related party transactions as a specific material transaction criterion.</p> <p>In view of the foregoing, the Company does not seek to meet this recommendation in full with respect to the above-mentioned part, and will strive to consider material and related party transactions at in-person meetings.</p> <p>The Company has set materiality thresholds in terms of amount and subject of a transaction, regardless of parties to the transaction.</p> <p>Placing the issue of delegating the sole executive body's powers to the asset management company before the AGM is not within the Supervisory Board competence, since, in pursuance with the Federal Law on Organised Trading, (1) the Company's sole executive body is elected by the Supervisory Board, and (2) the Organiser of Trading is not authorised to delegate the powers of the sole executive body to other entity (asset manager, asset management company).</p>

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2.7.4	Decisions on most important issues relating to the company's business should be made at a meeting of the board of directors by a qualified majority vote or by a majority vote of all elected board members.	1. The Articles of Association of the Company envisages that resolutions on the most critical issues set forth in Recommendation 170 of the Code, shall be adopted at the meeting of the Board of Directors, by a qualified, at least three fourths majority of votes, or by a majority of votes of all elected members of the Board of Directors.	<b>Partially complied with</b>	<p>Most issues listed in Recommendation 170 of the Code, are included on the list of issues that should be decided by a three fourths majority vote of directors participating in the meeting, or by the majority of all votes.</p> <p>As of the beginning of the reporting period, the list did not include approval of (1) priority activities, (2) business plan, (3) placing amendments to the Charter before the Annual General Meeting of Shareholders (AGM), approval of major transactions and delisting, and (4) review of material aspects of controlled entities' activities.</p> <p>The main reason that the Exchange does not fully comply with this principle is in progressive implementation of the Corporate Governance Code recommendations.</p> <p>In 2018, the Audit Committee considered it advisable to add some issues on the relevant list.</p> <p>On 25 April 2019, the AGM adopted the new version of the Company's Charter under which the list of issues was extended.</p> <p>By the end of the reporting year, the list includes all issues as recommended except priorities approval, since priorities are normally described in the strategy approved by a three fourths majority vote of all Supervisory Board members attending the meeting.</p> <p>The Company believes that a preliminary and thorough discussion of most issues including those specified above, by ad-hoc committees allows the Supervisory Board to make decisions unanimously and helps reduce risks related to non-compliance with the principle specified above.</p> <p><i>Continuation on next page &gt;</i></p>

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				Submitting issues on listing to the consideration by the AGM is not on the list as these issues are referred to the Supervisory Board competency (3/4 majority vote), but not to the AGM.
<b>2.8</b>	<b>The Board of Directors should form committees for preliminary consideration of the most important aspects of the company's business.</b>			
2.8.1	For the purpose of preliminary consideration of any matters of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors.	<ol style="list-style-type: none"> <li>1. The Board of Directors established the Audit Committee comprising independent directors only.</li> <li>2. The Company's internal documents determine the objectives for the Audit Committee, including, in particular, any objectives contained in Recommendation 172 of the Code.</li> <li>3. At least one member of the Audit Committee, which is an independent director, has experience and expertise in drafting, reviewing, assessment and audit of financial statements (accounts).</li> <li>4. Meetings of the Audit Committee were held at least quarterly during the reporting period.</li> </ol>	<b>Partially complied with</b>	<ol style="list-style-type: none"> <li>1. Partly complied with. In 2019, the Moscow Exchange Listing Rules were amended to update the parties' affiliation assessment method. In view of these circumstances, in the reporting period, one member of the Audit Committee of the Supervisory Board of the Company who was simultaneously a member of the Supervisory Board of the subsidiary being a credit organization with which the Company held funds for settlement of trades, was temporarily found to lose their independence status due to the increase of the settlement account balance and subsequent surpassing the limit set out in the Listing Rules for significant counterparties. The discrepancy was corrected on the next day after being identified; the director restored compliance with the independence criteria.</li> <li>2. Complied.</li> <li>3. Complied.</li> <li>4. Complied.</li> </ol>

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
2.8.2	For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who should not concurrently be the board chairman.	<ol style="list-style-type: none"> <li>1. The Board of Directors set up the Remuneration Committee consisting of independent directors only.</li> <li>2. Chairman of the Remunerations Committee is an independent director, other than Chairman of the Board of Directors.</li> <li>3. The Company's internal documents determine the objectives of the Remunerations Committee, including those contained in Recommendation 180 of the Code.</li> </ol>	<b>Partially complied with</b>	<p>1-2. Partly complied with.</p> <p>In 2019, the Moscow Exchange Listing Rules were amended to update the parties' affiliation assessment method. In view of these circumstances, in the reporting period, two members of the Nomination and Remuneration Committee of the Supervisory Board of the Company who were simultaneously members of the Supervisory Board of the subsidiary being a credit organization with which the Company held funds for settlement of trades, were temporarily found to lose their independence status due to the increase of the settlement account balance and subsequent surpassing the limit set out in the Listing Rules for significant counterparties. The discrepancy was corrected on the next day after being identified; the directors restored compliance with the independence criteria.</p> <p>3. Complied.</p>
2.8.3	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the board of directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors.	<ol style="list-style-type: none"> <li>1. The Board of Directors established the Nominations Committee (or its objectives specified in Recommendation 186 of the Code are implemented as part of another committee<sup>1</sup>), a majority of which are independent directors.</li> <li>2. The Company's internal documents determine the objectives of the Nominations Committee (or the relevant committee with a combined functionality), including those contained in Recommendation 186 of the Code.</li> </ol>	<b>Partially complied with</b>	<p>1. Partly complied with.</p> <p>The tasks set out in para 186 of the Bank of Russia CGC are carried out by the Nomination and Remuneration Committee (please see notes to paragraph 2.8.2).</p> <p>2. Complied with.</p>

<sup>1</sup> If the objectives of the Nomination Committee are only implemented as part of another committee, indicate its name.

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
2.8.4	Taking account of its scope of activities and levels of related risks, the company should form other committees of its board of directors, in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc.	1. In the reporting period, the Company's Board of Directors reviewed the conformity of membership in its committees to the objectives assigned to the Board of Directors and to the Company's operating goals. Additional committees were either established or were not recognized as necessary.	<b>Complied with</b>	<sup>1</sup> The Company has six committees of the Supervisory Board (namely, the Nomination and Remuneration Committee, Audit Committee, Budget Committee Risk Management Committee, Strategic Planning Committee and the Technical Policy Committee). Additional committees were not recognized as necessary.
2.8.5	The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due account of	1. Committees of the Board of Directors are headed by independent directors. 2. The Company's internal documents (policies) contain the provisions, whereby persons not included into the Audit Committee, the Nominations Committee and the Remunerations Committee, may attend meetings of the committees upon invitation of the Chairman of the respective committee only.	<b>Partially complied with</b>	1. Partly complied with. The Company has six committees of the Supervisory Board (namely, the Nomination and Remuneration Committee, Audit Committee, Budget Committee Risk Management Committee, Strategic Planning Committee and the Technical Policy Committee). According to resolution of the Supervisory Board, four out of six committees are chaired by independent directors. In certain periods of the reporting year, the Chairman of one of the Committees was not compliant with the independence criteria (see comments to clause 2.8.2). The Supervisory Board was taking decisions on the lineup of the committees and their chairmen depending on whether the directors have sufficient time to perform their duties within the committees, and to ensure comprehensive discussions permitting for a diversity of views.

<sup>1</sup> List the established additional committee.

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
2.8.5	The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due account of	<ol style="list-style-type: none"> <li>1. Committees of the Board of Directors are headed by independent directors.</li> <li>2. The Company's internal documents (policies) contain the provisions, whereby persons not included into the Audit Committee, the Nominations Committee and the Remunerations Committee, may attend meetings of the committees upon invitation of the Chairman of the respective committee only.</li> </ol>	<b>Partially complied with</b>	<p>Issues related to the range of the Supervisory Board committees and their lists of members including the nomination of chairmen, are considered after the Annual General Meeting of Shareholders. The Supervisory Board considers the independence status of potential committee members and above all their competencies and ability to make sufficient contribution to the Committee.</p> <p>Based on these considerations, the Committees members and chairmen are named. As the number of independent directors in the Supervisory Board increases and/or the number of committees decreases, the recommendation may be fulfilled.</p> <p>Thus, incomplete compliance with this part of the code is a temporary nature; the Exchange seeks to comply in full.</p> <p>2. Complied.</p>
2.8.6	The chairmen of the committees should inform the board of directors and its chairman of the work of their committees on a regular basis.	<ol style="list-style-type: none"> <li>1. During the reporting period, chairmen of the committees reported on the committees' operations to the Board of Directors on a regular basis.</li> </ol>	<b>Complied with</b>	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
<b>2.9</b>	<b>The Board of Directors should evaluate of the quality of its work and that of its committees and Board members.</b>			
2.9.1	Evaluation of quality of the board of directors' work should be aimed at determining how efficiently the board of directors, its committees and board members work and whether their work meets the company's needs, as well as at making their work more intensive and identifying areas of improvement.	<ol style="list-style-type: none"> <li>1. Self-assessment or external assessment of the Board of Directors' performance conducted in the reporting period included the assessment of operations of the committees, individual members of the Board of Directors and the entire Board of Directors.</li> <li>2. The findings of self-assessment or external assessment of the Board of Directors in the reporting period were reviewed at the personal meeting of the Board of Directors.</li> </ol>	<b>Complied with</b>	
2.9.2	Quality of work of the board of directors, its committees and board members should be evaluated on a regular basis, at least once a year. To carry out an independent evaluation of the quality of the board of directors' work, it is recommended to retain a third party entity (consultant) on a regular basis, at least once every three years.	<ol style="list-style-type: none"> <li>1. For independent quality assessment of the Board of Directors' performance, an external company (advisor) was engaged by the Company at least once in three recent reporting periods</li> </ol>	<b>Complied with</b>	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
<b>3.1</b>	<b>The company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support of efficient work of its Board of Directors.</b>			
3.1.1	The corporate secretary should have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of the shareholders.	<ol style="list-style-type: none"> <li>1. The Company adopted and disclosed the internal document – Regulations on the Corporate Secretary.</li> <li>2. The Company's website and annual report discloses background information on the Corporate Secretary with the same level of detail as for members of the Board of Directors and the executive management of the Company.</li> </ol>	<b>Complied with</b>	
3.1.2	The corporate secretary should be sufficiently independent of the company's executive bodies and be vested with powers and resources required to perform his/her tasks.	<ol style="list-style-type: none"> <li>1. The Board of Directors approved the appointment, dismissal and additional remuneration of the Corporate Secretary.</li> </ol>	<b>Complied with</b>	
<b>4.1</b>	<b>The level of remuneration paid by the company should be sufficient to enable it to attract, motivate, and retain persons having required skills and qualifications. Remuneration due to board members, the executive bodies, and other key managers of the company should be paid in accordance with a remuneration policy approved by the company.</b>			
4.1.1	It is recommended that the level of remuneration paid by the company to its board members, executive bodies, and other key managers should be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled, and duly qualified persons. The company should avoid setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above persons and that of the company's employees.	<ol style="list-style-type: none"> <li>1. The Company adopted the internal document(s), the remuneration policy(-ies) for members of the Board of Directors, the executive bodies and other key managers, which clearly describe approaches to remuneration of these persons.</li> </ol>	<b>Complied with</b>	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
4.1.2	The company's remuneration policy should be developed by its remuneration committee and approved by the board of directors. With the help of its remuneration committee, the board of directors should monitor implementation of and compliance with the remuneration policy by the company and, should this be necessary, review and amend the same.	1. In the reporting period, the Remunerations Committee reviewed the remuneration policy(-ies) and the practice of its/their implementation and, if necessary, submitted the relevant recommendations to the Board of Directors.	<b>Complied with</b>	
4.1.3	The company's remuneration policy should provide for transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons.	1. The Company's remuneration policy(-ies) contain(s) transparent arrangements on determining the amount of the remuneration of members of the Board of Directors, executive bodies and other key managers of the Company and govern(s) all types of fees, benefits and advantages provided to these persons.	<b>Complied with</b>	
4.1.4	The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the board of directors, the executive bodies, and other key managers of the company. Such policy can form part of the company's policy on compensations.	1. The remuneration policy(-ies) or other internal documents of the Company establish(-es) the rules on reimbursement of costs to the members of the Board of Directors, executive bodies and other key employees of the Company.	<b>Complied with</b>	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
<b>4.2</b>	<b>The system of remuneration of board members should ensure harmonisation of financial interests of the directors with long-term financial interests of the shareholders.</b>			
4.2.1	A fixed annual fee shall be a preferred form of monetary remuneration of the board members. It is not advisable to pay a fee for participation in individual meetings of the board of directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of board members.	1. Fixed annual remuneration was the only monetary form of remuneration for the members of the Board of Directors for work within the Board of Directors during the reporting period.	<b>Complied with</b>	
4.2.2	Long-term ownership of shares in the company contributes most to aligning financial interests of board members with long-term interests of the company's shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor should board members take part in the company's option plans.	1. If the Company's internal document(s), the remuneration policy(-ies), envisage(s) granting of shares to members of the Board of Directors, clear rules for holding shares by members of the Board of Directors, intended to encourage long-term ownership of such shares, should be available and disclosed.	<b>Complied with</b>	Company's internal documents do not provide for the provision of shares to the Supervisory Board members.
4.2.3	It is not recommended to provide for any additional allowance or compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances.	1. The Company does not envisage any additional benefits or compensations in case of early termination of powers of the members of the Board of Directors in connection with change of control over the Company or other circumstances.	<b>Complied with</b>	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
<b>4.3</b>	<b>The system of remuneration due to the executive bodies and other key managers of the company should provide that their remuneration is dependent on the company's performance and their personal contributions to the achievement thereof.</b>			
4.3.1	Remuneration due to the executive bodies and other key managers of the company should be set in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's performance results and employees' personal (individual) contributions to the achievement thereof.	<ol style="list-style-type: none"> <li>1. During the reporting period, the annual performance indicators approved by the Board of Directors, were used to determine the amount of variable remuneration of members of executive bodies and other key managers of the Company.</li> <li>2. During the most recent assessment of the remuneration system for the members of executive bodies and other key managers of the Company, the Board of Directors (the Remunerations Committee) made sure the Company applied an efficient ratio of the fixed remuneration portion to the variable one.</li> <li>3. The Company has the procedure for refunding to the Company bonuses unlawfully obtained by the members of executive bodies and other key managers of the Company.</li> </ol>	<b>Partially complied with</b>	<ol style="list-style-type: none"> <li>1. Complied with.</li> <li>2. Partly complied with.</li> </ol> <p>In the reporting year, there were neither assessment of the remuneration payable to executive body members, no dedicated discussion of a ratio between its fixed portion and its variable portion, since those activities were carried out in 2017.</p> <p>In addition to that, in 2019, the Nomination and Remuneration Committee evaluated a ratio between a fixed portion of remuneration and its variable portion more than once: (1) when setting or changing size of remuneration payable to a member of the Executive Board, (2) when discussing a new long-term incentive programme. In particular, in its report on the first stage of the programme project, the adviser included a comparative analysis of the management remuneration structure including members of the executive bodies, vs. remuneration levels at the peer companies.</p> <p>The total size of remuneration due to a member of the Executive Board, inclusive of a ratio between a fixed portion of remuneration and its variable portion, was also assessed against remuneration payable by peer companies, based on overviews (studies) procured from the leading consulting firms (inclusive of international ones).</p> <p>In 2020, the Long-Term Incentive Programme aimed also at the improvement of remuneration structure is expected.</p> <p style="text-align: right;"><i>Continuation on next page &gt;</i></p>

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
				<p>3. Not complied with.</p> <p>The Company does not have in place any procedure whereby any bonus payment unreasonably received by executive body members and other key managers would be restituted to the Company. Such restitution is conducted in accordance with the applicable laws of the Russian Federation. Restitution of unlawfully obtained bonuses to the Company is only possible in court or through a damage restitution procedure. The restitution procedure is set in Chapter 37 and Chapter 39 of the Russian Federation Labour Code, therefore, it is not required to additionally secure this procedure in internal documents of the Company.</p> <p>In case of restitution under the Russian Labour Code, an employee is charged the average monthly salary, with the remaining part collected through court action.</p> <p>In case a wrongful bonus payment is to be returned to the Company and an insufficient amount of the average monthly salary plus the bonus (including deferred parts thereof), the Company will file the action with a court.</p> <p>Seeking to mitigate risks and develop individual accountability concept, the Policy of Remuneration and Compensation of the Company ensures a possibility for the Supervisory Board to take a decision on reducing or cancelling bonus payouts (inclusive of its deferred parts), also in the follow-up of audits by internal/external auditors and regulatory authorities, which allows for the Company to retribute bonus amounts unlawfully obtained by members of the executive bodies.</p> <p>Considering the foregoing, the Company will plan to adhere to the recommendation after the relevant amendments are made to legislation.</p>

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
4.3.2	Companies whose shares are admitted to trading at organised markets are recommended to put in place a long-term incentive programme for the company's executive bodies and other key managers involving the company's shares (or options or other derivative financial instruments the underlying assets for which are the company's shares).	<p>1. The Company introduced the long-term incentive program for members of executive bodies and other key managers of the Company using shares in the Company (financial instruments based on the shares in the Company).</p> <p>2. The long-term incentive program for the members of executive bodies and other key managers of the Company implies that the right to sell the shares and other financial instruments used in such program will not arise until three years from their provision; provided that the right to sell the same is conditional upon achievement of certain performance indicators of the Company.</p>	<b>Partially complied with</b>	<p>1. Complied with.</p> <p>2. Partly complied with.</p> <p>Under the executive long-term incentive plan, the right to dispose of the plan shares vests in stages: in one/two/three years, subject to continued employment. When introducing the programme, the Supervisory Board discussed the terms during which the rights under the programme may be exercised, and found it expedient to identify opportunities for the rights under the programme to be exercised in the stages specified, so to retain and motivate the key staff.</p> <p>The right to dispose shares subjects to the Moscow Exchange Group breakeven in the year preceding to such right. Besides the breakeven indicator, the Programme also stipulates for setting of long-term KPIs, which may affect the terms and conditions of the shares disposal rights. The resolution on setting such long-term KPIs and their details shall be taken by the Supervisory Board of the Company upon the recommendation of relevant Committee of the Supervisory Board.</p> <p>During the reporting year, the Nomination and Remuneration Committee and the Supervisory Board was considering the terms and conditions of the long-term incentive programme, including the links between achieving certain targets and the right to sell shares under the programme. In December 2019, the Supervisory Board approved the principles of the new long-term incentive programme. The programme will be adopted and then introduced in March 2020.</p>

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
4.3.3	The amount of severance pay (so-called «golden parachute») payable by the company in the event of early dismissal of an executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, should not exceed two times the fixed portion of his/her annual remuneration.	1. The amount of compensation (golden parachute) paid by the Company in case of early termination of powers to the members of executive bodies or key managers at the Company's initiative and in the absence of unfair actions on their part, did not exceed the double fixed portion of the annual remuneration in the reporting period.	<b>Complied with</b>	
<b>5.1</b>	<b>The company should have in place an efficient risk management and internal control system designed to provide reasonable confidence that the company's goals will be achieved.</b>			
5.1.1	The board of directors should determine the principles of and approaches to creation of the risk management and internal control system in the company.	1. Functions of various management bodies and business units of the Company in the risk management and internal control system are clearly determined in internal documents/ the Company's relevant policy approved by the Board of Directors.	<b>Complied with</b>	
5.1.2	The company's executive bodies should ensure the establishment and continuing operation of the efficient risk management and internal control system in the company.	1. The Company's executive bodies ensured allocation of the functions and powers as concerns risk management and internal control among their subordinate managers (heads) of business units and divisions.	<b>Complied with</b>	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
5.1.3	The company's risk management and internal control system should enable one to obtain an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the company.	<ol style="list-style-type: none"> <li>1. The Company approved the anti-bribery policy.</li> <li>2. The Company established an affordable method to notify the Board of Directors or the Board of Directors Audit Committee on actual violations of the laws, internal procedures, and the Company's ethics code.</li> </ol>	<b>Complied with</b>	
5.1.4	The board of directors is recommended to take required and sufficient 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 as set forth by the board of directors and that it operates efficiently.	<ol style="list-style-type: none"> <li>1. In the reporting year, the Board of Directors and the Board of Directors Audit Committee assessed efficiency of the risk management and internal control system of the Company. Information on the key findings of such assessment are included into the Company's annual report.</li> </ol>	<b>Complied with</b>	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
<b>5.2</b>	<b>To independently evaluate, on a regular basis, reliability and efficiency of the risk management and internal control system and corporate governance practices, the company should arrange for internal audits.</b>			
5.2.1	It is recommended that internal audits be carried out by a separate structural division (internal audit department) to be created by the company or through retaining an independent third-party entity. To ensure the independence of the internal audit department, it should have separate lines of functional and administrative reporting. Functionally, the internal audit department should report to the board of directors, while from the administrative standpoint, it should report directly to the company's one-person executive body.	1. For the purposes of internal audit, the Company established a separate business unit for internal audit, which functionally reports to the Board of Directors or the Audit Committee, or engaged an independent external company with the same principle of reporting.	<b>Complied with</b>	
5.2.2	When carrying out an internal audit, it is recommended to evaluate efficiency of the internal control system and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal auditing.	1. In the reporting period, as part of internal audit, the internal control and risk management system efficiency was assessed.  2. The Company uses common approaches to internal control and risk management.		

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
<b>6.1 The company and its activities should be transparent to its shareholders, investors and other stakeholders.</b>				
6.1.1	The company should develop and implement an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders.	<ol style="list-style-type: none"> <li>1. The Company's Board of Directors approved the Company's information policy developed with the view to the Code's recommendations.</li> <li>2. The Board of Directors (or one of its committees) reviewed the issues related to the Company's compliance with its information policy at least once in the reporting period.</li> </ol>	<b>Complied with</b>	
6.1.2	The company should disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	<ol style="list-style-type: none"> <li>1. The Company discloses the corporate governance system in the Company and the general corporate governance principles applied in the Company, in particular, in the Company's website.</li> <li>2. The Company discloses the composition of executive bodies and the Board of Directors, independence of members of the Board and their membership in committees of the Board of Directors (as defined in the Code).</li> <li>3. If there is a person who controls the Company, the Company publishes the memorandum of the controlling person concerning such person's plans for corporate governance in the Company.</li> </ol>	<b>Complied with</b>	<ol style="list-style-type: none"> <li>1. Complied with.</li> <li>2. Complied with.</li> <li>3. There are no persons controlling the Company.</li> </ol>
<b>6.2 The company should disclose, on a timely basis, full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions.</b>				
6.2.1	The company should disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.	<ol style="list-style-type: none"> <li>1. The Company's information policy determines the approaches to and criteria for determining the information that may materially influence the Company's value, the value of its securities and the procedures that ensure timely disclosures of such information.</li> <li>2. If the Company's securities are traded in foreign organized markets, materials information is disclosed in the Russian Federation and on such markets simultaneously and equivalently in the reporting year.</li> <li>3. If foreign shareholders hold a significant number of shares in the Company, then, in the reporting period, disclosures were carried out not only in Russian but also in one of the most common foreign languages.</li> </ol>	<b>Complied with</b>	<ol style="list-style-type: none"> <li>1. Complied with.</li> <li>2. Not applicable as the Company securities do not trade on foreign regulated markets.</li> <li>3. Complied with.</li> </ol>

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
6.2.2	The company is advised against using a formalistic approach to information disclosure; it should disclose material information on its activities, even if disclosure of such information is not required by law.	<ol style="list-style-type: none"> <li>1. In the reporting period, the Company disclosed annual and half-year IFRS financial statements. The Company's annual report for the reporting period includes annual IFRS financial statements with the auditor's opinion.</li> <li>2. The Company discloses comprehensive information on the Company's capital structure, according to Recommendation 290 of the Code in the annual report and the Company's website.</li> </ol>	<b>Complied with</b>	
6.2.3	The company's annual report, as one of the most important tools of its information exchange with its shareholders and other stakeholders, should contain information enabling one to evaluate the company's performance results for the year.	<ol style="list-style-type: none"> <li>1. The Company's annual report contains information on the key dimensions of the Company's operations and its financial performance</li> <li>2. The Company's annual report contains information on environmental and social dimensions of the Company's business.</li> </ol>	<b>Complied with</b>	
<b>6.3</b>	<b>The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.</b>			
6.3.1	Exercise by the shareholders of their right to access the company's documents and information should not be unreasonably burdensome.	<ol style="list-style-type: none"> <li>1. The Company's information policy determines the easy procedure for providing access to shareholders to the information, in particular, the information on the legal entities dependent on the Company, at the shareholders' request.</li> </ol>	<b>Complied with</b>	
6.3.2	When providing information to its shareholders, the company should maintain a reasonable balance between the interests of individual shareholders and its own 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.	<ol style="list-style-type: none"> <li>1. In the reporting period, the Company did not deny satisfaction of any shareholders' requests for information or such denials were reasonable.</li> <li>2. In cases determined in the Company's information policy, shareholders are warned of the confidential nature of the information and undertake to keep it confidential.</li> </ol>	<b>Complied with</b>	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status of conformity with the corporate governance principle	Explanations of deviation from the assessment criteria of compliance with the corporate governance principle
<b>7.1</b>	<b>Any actions which will or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") should be taken on fair terms and conditions ensuring that the rights and interests of shareholders as well as other stakeholders are observed.</b>			
7.1.1	<p>Material corporate actions shall be deemed to include reorganisation of the company, acquisition of 30 or more percent of its voting shares (takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions which might result in material changes in rights of its shareholders or violation of their interests. It is recommended to include in the company's articles of association a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions should fall within the jurisdiction of the company's board of directors.</p>	<p>1. The Company's Articles of Association determines the list of actions and other efforts that constitute material corporate actions, and their determination criteria. Decision-making on material corporate actions falls within the competence of the Board of Directors. Where taking of these corporate actions is directly referred by law to the competence of GSM, the Board of Directors makes the relevant recommendations to the shareholders.</p>	<p><b>Partially complied with</b></p>	<p>1. Partly complied with.</p> <p>The list of material corporate actions is not indicated in the Charter, but in the Company Corporate Governance Code. As part of its review of the issue of the Bank of Russia CGC implementation, the Audit Committee found it appropriate to provide, in the Company Charter, a reference to the Corporate Governance Code that contains the List of Material Corporate Actions.</p> <p>At present, the Company has no intention to include the list of transactions and actions that constitute material corporate actions for the Company.</p> <p>The applicable law and the Company Charter reserve decisions on material actions for the Supervisory Board or the shareholders meeting. In connection with any matters brought before the shareholders meeting, including those related to material corporate actions, the Supervisory Board provides relevant recommendations to shareholders.</p> <p>2. Partly complied with.</p> <p>The list of material corporate actions in the Company Corporate Governance Code covers, among other things, the matters of Company's reorganisation, acquisition of 30 percent or more of Company's voting shares (takeover), execution of material transactions, charter capital increase or reduction, share listing and de-listing.</p>

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7.1.2	The board of directors should play a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it should rely on opinions of the company's independent directors.	1. The Company envisages the procedure; whereby independent directors announce their standpoint on material corporate actions before their approval.	<b>Complied with</b>	
7.1.3	When taking any material corporate actions which would affect rights or legitimate interests of the company's shareholders, equal terms and conditions should be ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company's shareholders. In such instances, the company should not only seek to comply with the formal requirements of law but should also be guided by the principles of corporate governance set out in this Code.	1. The Company's Articles of Association, taking into account the particular features of its operations, established lower minimum criteria for classifying the Company's transactions as major corporate actions than envisaged in law.  2. During the reporting period, all material corporate actions underwent approval before their implementation.	<b>Complied with</b>	

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<b>7.2</b>	<b>The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due time and influence them, and that would also guarantee that shareholder rights are observed and duly protected in the course of taking such actions.</b>			
7.2.1	When disclosing information about material corporate actions, it is recommended to give explanations concerning reasons for, conditions and consequences of such actions.	1. In the reporting period, the Company disclosed information on the Company's material corporate actions timely and in detail, including reasons for and timing of taking such actions.	<b>Complied with</b>	In 2019, the Company did not conduct material corporate actions.
7.2.2	Rules and procedures in relation to material corporate actions taken by the company should be set out in its internal documents.	<p>1. The Company's internal documents envisage the procedure for engaging an independent appraiser in evaluating the assets disposed of or purchased under a major transaction or a related party transaction.</p> <p>2. The Company's internal documents envisage the procedure for engaging an independent appraiser in evaluating the purchase and redemption price for the shares in the Company.</p> <p>3. The Company's internal documents envisage an expanded list of reasons for the members of the Company's Board of Directors and other persons envisaged in the law to be recognized as interested in the Company's transactions.</p>	<b>Partially complied with</b>	<p>1. Partly complied with.</p> <p>In February 2019, the new Corporate Governance Code was adopted, allowing for the engagement of an appraiser when purchasing or selling assets under major transactions.</p> <p>Company's internal documents do not provide for an independent appraiser to be engaged in assessing assets sold or purchased under related party transactions (as separate grounds). However, the new Corporate Governance Code provides for the engagement of an appraiser for the real estate or non-core assets valuation when the value of such assets exceeds RUB 600 mln, whether there is an interested party in the transaction or not. The Company believes that this approach aims to reduce the risk of non-compliance with the Corporate Governance Code's principle described above.</p> <p><i>Continuation on next page &gt;</i></p>

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				<p>2. Partly complied with.</p> <p>In redemption requested by shareholders, an appraiser is engaged under the law.</p> <p>The Company's by-laws do not envisage the obligation to engage an appraiser to evaluate the Company's shares.</p> <p>The reason for this non-compliance is that since Company's shares are traded on the exchange, the share purchase price has been determined subject to share weighted average price according to trading results for six months. Hence, the Company does not plan to establish the obligation to involve an appraiser in purchasing its shares in the near future.</p> <p>3. Not complied with.</p> <p>Internal documents do not provide for an extended list of the grounds for which the Supervisory Board members and other persons referred to in the law may be found to be interested in a transaction.</p> <p>On April 26, 2016 the Audit Committee recognized inexpedient the extension of the specified list of the grounds.</p> <p>However, the Company has introduced an alternate, meaning control over transactions involving a conflict of interest, whereby it collects and studies information of related parties, associates and affiliates of shareholders, therefore allowing to minimize risks attributed to potential pursuit of personal gains among members of management bodies.</p>