

REPORT

ON COMPLIANCE WITH 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.

This Report on Compliance with 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 examined by the Board of Directors of the Public Joint-Stock Company of Power Industry and Electrification of the Kuban Region (PJSC Kubanenergo, the Company) at the meeting on 5/17/2016 (Minutes No. 239/2016 of 5/19/2016) within the scope of the Annual Report for 2015.

The Board of Directors of PJSC Kubanenergo acknowledges that the data disclosed in this report constitute complete and accurate information with respect to the compliance by the Company of principles and recommendations of the Corporate Governance Code for 2015.

Note As the Company is a part of PJSC Russian Grids group of companies, key decisions of PJSC Kubanenergo's management bodies are governed by this majority shareholder's attitude taking standardized approach to its subsidiaries and affiliates. Given the aforesaid, individual provisions of the Corporate Governance Code are not complied with due to the practice accepted in the group of companies.

No.	Corporate governance principles	Assessment criteria for compliance with corporate governance principle	Status of compliance with corporate governance principle	Explanation for deviation from assessment criteria for compliance with corporate governance principle
1.1	The Company shall ensure fair and equitable treatment of all shareholders in exercising their rights to participate in the Company's management.			
1.1.1	The Company creates the best possible conditions for its shareholders for participation in the general meeting, conditions for elaboration of an evidence-based position on the agenda of the general meeting, coordination of their activities, as well as the opportunity to express their views on the issues.	<p>1. The internal document of the Company approved by the general meeting of shareholders and regulating procedures for holding of general meetings is publicly available.</p> <p>2. The Company provides an affordable way of communication with the public such as the hot line, e-mail or Internet forums enabling shareholders to express their opinions and address questions with respect to the agenda in the course of the preparation for the general meeting. The aforesaid measures were taken by the Company ahead of each general meeting during the reporting period.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
1.1.2	The procedure for notification of and provision of materials for the general meeting gives shareholders the opportunity to properly prepare for participation in it.	<p>1. Notification of any general meeting of shareholders is published on the website no later than 30 days before the date of the general meeting.</p> <p>2. The notification of the meeting specifies the venue and documents required to access to the premises.</p> <p>3. The shareholders were provided with access to the information stating who proposed items on the agenda and who put nominations to the Board of Directors and the Audit Committee of the Company.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
1.1.3	In the course of preparation for and holding of the general	1. In the reporting period, the shareholders were granted the opportunity to ask questions	<input checked="" type="checkbox"/> observed	

			observed	
1.1.6	Procedures for holding of general meetings established by the Company provide all persons present at the meeting with equal opportunity to express their opinions and ask questions of their interest.	<p>1. When holding general meetings of shareholders in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was provided to report on items on the agenda and time to discuss these issues.</p> <p>2. Candidates for the management and control bodies of the Company were available to answer shareholders' questions at the meeting where their nominations were put to the vote.</p> <p>3. When making decisions related to the preparation for and holding of general meetings shareholders, the Board of Directors considered the use of telecommunications to provide shareholders with remote access to participate in general meetings in the reporting period.</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> observed in part <input type="checkbox"/> not observed	<p>Recommendations are observed in part:</p> <ul style="list-style-type: none"> - Internal documents contain no provision with respect to the availability of candidates for members of management and control bodies to answer the shareholders at the General Meeting of Shareholders. As the Company had no time to bring the internal document in compliance with the specified provision of the Corporate Governance Code. However, in practice candidates are sent invitations to participate in the General Meeting. - With respect to the use of telecommunications to provide shareholders with remote access to participate in General Meetings due to lack of a budget item for financing of the aforesaid measures, as well as due to the fact that the current Company's practice is satisfactory to the shareholders. The Company will revise the standing practice, as necessary.
1.2	Shareholders are given an equal and fair opportunity to participate in profit-sharing of the Company by receiving dividends.			
1.2.1	The Company developed and implemented a transparent and clear mechanism for the calculation of the amount and	1. The Company developed, made approved by the Board of Directors and disclosed the dividend policy.		The Dividend Policy Regulation exists in the Company but there is no indication that consolidated financial statements are applied. The Company had no time to bring the internal document in compliance with the specified provision of the

	payment of dividends.	2. If Company's financial statements are used in the dividend policy to determine the amount of dividends, relevant provisions of the dividend policy shall take into account Group's consolidated financial statements.	<input type="checkbox"/> observed <input checked="" type="checkbox"/> observed in part <input type="checkbox"/> not observed	Corporate Governance Code. Revised document development schedule will be discussed when and if approved by the Company internally.
1.2.2	The Company does not take a decision to pay dividends if such decision is economically unfeasible and can result in misconceptions of the Company business, even though it is formally not in breach of statutory restrictions.	1. The dividend policy of the Company provides clear guidance on financial / economic circumstances subject to which the Company should not pay dividends.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
1.2.3	The Company does not admit deterioration of existing shareholder's dividend-related rights.	1. The Company took no measures in the reporting period that could result in deterioration of existing shareholder's dividend-related rights.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part	

			<input type="checkbox"/> not observed	
1.2.4	<p>The Company seeks to prevent the shareholders from using other ways to make profit (income) for account of the Company in addition to dividends and liquidation value.</p>	<p>1. In order to prevent the shareholders from using any other ways to make profit (income) for account of the Company in addition to dividends and liquidation value, internal documents of the Company established monitoring mechanisms that ensure timely detection of and procedure for the approval of transactions with persons affiliated (associated) with substantial shareholders (individuals having the right to dispose of votes granted by the voting shares) where the law does not formally recognize such transactions as interested party transactions.</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> observed in part <input type="checkbox"/> not observed	<p>Currently, the Company’s internal documents establish no monitoring mechanisms that ensure timely detection of and procedure for the approval of transactions with persons affiliated with substantial shareholders as not all documents have been scrutinized for compliance with the Code recommendations. The Company analyzes necessary amendments and modifications to the internal documents that will be implemented in coordination with management bodies and shareholders of the Company. However, the Company has the Contractual Work Regulations which regulate the process of qualification and follow-up control of transactions for the existence of interest in the commission thereof in accordance with the applicable statutory criteria. Furthermore, the list of affiliated persons of the Company complies with all applicable laws and includes the most complete and up-to-date information with respect to associated parties.</p>
1.3	<p>Corporate governance system and practice ensure fair treatment of all shareholders, owners of shares of one category (type) including minority (small) shareholders and foreign shareholders, and equitable treatment by the Company.</p>			
1.3.1	<p>The Company has provided conditions for fair treatment of each shareholder by the management and control bodies</p>	<p>1. During the reporting period, management procedures for potential conflicts of interest of substantial shareholders have been effective, and conflicts between the shareholders, if any,</p>	<input checked="" type="checkbox"/> observed	

	of the Company, including, without limitation, conditions ensuring inadmissibility of abuse by major shareholders in relation to the minority shareholders.	were duly treated by the Board of Directors.	<input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
1.3.2	The Company takes no measures that will or could result in affected reallocation of corporate control.	1. No quasi-treasury shares have been issued or participated in voting in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
1.4	The shareholders are provided with reliable and efficient methods to record their rights to the shares, and the opportunity of free and unhindered disposal of the shares owned by them.			
1.4	The shareholders are provided with reliable and efficient methods to record their rights to the shares, and the opportunity of free and unhindered disposal of the shares owned by them.	1. Quality and reliability of the Company registrar's activities associated with keeping security holders' register meet the Company's and its shareholders' demands.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
2.1	The Board of Directors carries out strategic management of the Company, defines basic principles and approaches to social risk management and internal control system organization, controls executive bodies' activities, and performs other key functions.			

2.1.1	The Board of Directors is responsible for decisions associated with the appointment and dismissal of executive bodies, including those associated with improper fulfillment of their duties. The Board of Directors also supervises the executive bodies of the Company to act in accordance with the approved development strategy and the key activities of the Company.	1. The Board of Directors possesses powers established in the Charter to appoint, dismiss and define contractual terms and conditions with respect to members of executive bodies. 2. The Board of Directors reviewed report(s) of the sole executive body and members of the collegial executive body concerning implementation of the Company's strategy.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
2.1.2	The Board of Directors establishes key long term focuses of the Company business, evaluates and approves key performance indicators and key business goals of the Company, evaluates and approves strategy and business plans for core activities of the Company.	1. During the reporting period, issues related to the progress of implementation and updating of the strategy, approval of financial and economic plan (budget) of the Company, and criteria and parameters (including interim ones) of the strategy and business plans of the Company were addressed at the meetings of the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
2.1.3	The Board of Directors defines basic principles and approaches to risk management and internal control systems.	1. The Board of Directors defined basic principles and approaches to risk management and internal control systems. 2. The Board of Directors evaluated risk management and internal control system of the Company in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not	

			observed	
2.1.4	The Board of Directors determines the Company's policy of remuneration of and/or compensation of expenses incurred by the members of the Board of Directors and executive bodies, and other high-level personnel of the Company.	<p>1. The Company has developed and implemented a policy (policies) of remuneration of and compensation of expenses incurred by the members of the Board of Directors and executive bodies, and other high-level personnel of the Company.</p> <p>2. Issues related to this policy (policies) were examined during the reporting period at the meetings of the Board of Directors.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
2.1.5	The Board of Directors plays key role in the prevention, detection, and resolution of internal conflicts between the bodies of the Company, shareholders of the Company, and employees of the Company.	<p>1. The Board of Directors plays key role in the prevention, detection, and resolution of internal conflicts.</p> <p>2. The Company has developed an identification system for transactions associated with conflict of interest, and a complex of measures to resolve such conflicts.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
2.1.6	The Board of Directors plays key role in ensuring the transparency of the Company, promptness and completeness of disclosure of information by the Company, shareholders' unhindered access to the documents of the Company.	<p>1. The Board of Directors approved the Regulations on Information Policy.</p> <p>2. The Company defined persons responsible for the implementation of the information</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part	

		policy.	<input type="checkbox"/> not observed	
2.1.7	The Board of Directors monitors the corporate governance practice in the Company and plays key role in significant corporate events in the Company.	1. During the reporting period, the Board of Directors examined the issue of corporate governance practice in the Company.	<input type="checkbox"/> observed <input checked="" type="checkbox"/> observed in part <input type="checkbox"/> not observed	This issue was not considered in the reporting period due to the lack of proposals for its submission for consideration. At the same time, the Board of Directors maintained proper level of corporate governance practice, including through the adoption of necessary internal documents taking into account the best corporate governance practices.
2.2	The Board of Directors reports to the shareholders of the Company.			
2.2.1	Information with respect to the activities carried out by the Board of Directors is disclosed and presented to the shareholders.	1. The annual report of the Company for the reporting period includes information on attendance of individual directors at meetings of the Board of Directors and committees. 2. The annual report contains information on	<input type="checkbox"/> observed <input checked="" type="checkbox"/> observed in part	Recommendation for the availability in the Annual Report of the information with respect to results of evaluation of the work done by the Board of Directors of the Company is not complied with as no such evaluation was carried out in the reporting period due to the lack of elaborated and agreed evaluation methodology. In the nearest future, the Company plans to develop and harmonize a methodology, with carrying out such evaluations on a regular basis subsequently.

		the main results of the evaluation of the work done by the Board of Directors during the reporting period.	<input type="checkbox"/> not observed	
2.2.2	The Chairman of the Board of Directors is available for the dialog with shareholders of the Company.	1. The transparent procedure exists in the Company for providing shareholders with the opportunity to submit to the Chairman of the Board of Directors issues and the attitude with respect thereto.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
2.3	The Board of Directors is an effective and professional management body of the Company capable of making objective, independent judgments and make decisions which meet the interests of the Company and its shareholders.			
2.3.1	Only persons who have excellent business and personal reputation and have knowledge, skills and experience required to make decisions within the competence of the Board of Directors and required for the effective performance of its functions shall be elected to positions of members of the Board of Directors.	1. Procedure for evaluating the efficiency of the Board of Directors existing in the Company includes, without limitations, evaluation of professional qualifications of members of the Board of Directors.	<input type="checkbox"/> observed <input type="checkbox"/> observed in part	The Company fails to comply with the recommendation on procedure for the evaluation of the efficiency of the Board of Directors, as well as on the availability of the procedure for the evaluation of candidates for the Board of Directors as no such evaluation was carried out in the reporting period due to the unavailability of elaborated and approved methodology for such evaluation, but in the nearest future the Company plans to develop and harmonize a methodology and carry out such evaluation on a regular basis.

		2. In the reporting period, the Board of Directors (or its Nominating Committee) assessed candidates for the Board of Directors to the extent whether they have necessary experience, knowledge and business reputation, and lack of conflict of interest, etc.	<input checked="" type="checkbox"/> not observed	
2.3.2	The members of the Board of Directors shall be elected through a transparent procedure that enables shareholders to receive information on the candidates sufficient to set up a picture of their personal and professional skills.	1. At every General Meeting of Shareholders in the reporting period agenda of which included the election of the Board of Directors, the Company presented to the shareholders the curricula vitae of all candidates for members of the Board of Directors, results of evaluation of such candidates conducted by the Board of Directors (or the Nominating Committee), and information on compliance by each candidate with independence criteria pursuant to recommendations 102 to 107 of the Code and candidates' written consents to be elected to the Board of Directors.	<input type="checkbox"/> observed <input checked="" type="checkbox"/> observed in part <input type="checkbox"/> not observed	Results of evaluation of candidates conducted by the Board of Directors (or its Personnel and Remuneration Committee), as well as information about candidate's conformity to criteria of independence were not included in materials for the General Meeting of Shareholders as internal documents of the Company contain no mandatory rules in relation to the aforesaid. Nonetheless, information required to determine the candidate's status was available within the scope of the materials. In the future, the Company plans to develop and implement such rules, as and when necessary.
2.3.3	The composition of the Board of Directors is balanced, including the qualifications of its members, their experience, knowledge and business qualities, and enjoys shareholders' confidence.	1. As a part of the procedures for the evaluation of work done by the Board of Directors performed during the reporting period, the Board of Directors reviewed its own demands in the field of professional qualification, experience and business skills.	<input type="checkbox"/> observed	Self-evaluation by the Board of Directors was not carried out in the reporting period due to unavailability of an elaborated and agreed methodology for such self-evaluation/evaluation of efficiency of the work, however in the nearest future the Company plans to develop and harmonize a methodology and carry out such evaluation on a regular basis.

			<input checked="" type="checkbox"/> observed in part <input type="checkbox"/> not observed	
2.3.4	<p>The quantitative composition of the Board of Directors gives the opportunity to organize the activities of the Board of Directors in the most efficient manner, including the possibility to establish board committees, and provides substantial minority shareholders of the Company with the opportunity to elect to the Board of Directors the candidate for whom they vote.</p>	<p>1. As a part of the procedure for the evaluation of the Board of Directors carried out in the reporting period, the Board of Directors considered the compliance of the quantitative composition of the Board of Directors with Company's demands and shareholders' interests.</p>	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>No evaluation was carried out in the reporting period due to unavailability of an elaborated and agreed methodology for such evaluation, however in the nearest future the Company plans to develop and harmonize a methodology and carry out such evaluation on a regular basis.</p> <p>The quantitative composition of the Board of Directors is defined by the Regulations on the Board of Directors of the Company and provides for an appropriate composition of committees of the Board of Directors.</p> <p>In case of a positive decision of the management bodies of the Company such issues will be included on the agenda of meetings of the Board of Directors in the future.</p>
2.4	The Board of Directors includes sufficient number of independent directors.			
2.4.1	<p>An independent director is a person who has sufficient level of professionalism, experience and</p>	<p>1. During the reporting period, all independent members of the Board of Directors met all independence criteria specified in</p>	<input type="checkbox"/> observed	<p>As the Board of Directors is elected by the General Meeting of Shareholders, it is not possible to affect its composition, as</p>

	<p>independence to form his/her own position, is able to deliver objective and honest judgments independent on executive bodies of the Company, individual groups of shareholders or any other stakeholders. It should be kept in mind that in normal conditions no candidate can be regarded as independent (elected member of the Board of Directors) if he/she is associated with the Company, its substantial shareholder, any substantial counterparty or competitor of the Company or is associated with authorities.</p>	<p>recommendations 102 to 107 of the Code, or were recognized as independent by the decision of the Board of Directors.</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/> partially observed</p> <p><input checked="" type="checkbox"/> not observed</p>	<p>well as the election or non-election of independent directors. The process of nomination of candidates for the Board of Directors is shareholders' prerogative. In the reporting period, shareholders did not propose to include independent directors. The Board of Directors included no independent directors in the reporting period. Change of the standing practice shall be discussed at the level of the Company's management bodies.</p>
2.4.2	<p>Evaluation of candidates for members of the Board of Directors for the compliance with independence criteria as well as regular analysis of the compliance of independent members of the Board of Directors with independence criteria are carried out. Evaluation content shall prevail over evaluation form.</p>	<p>1. In the reporting period, the Board of Directors (or the Nominating Committee of the Board of Directors) made an opinion on independence of each candidate for the Board of Directors and submitted to shareholders relevant report.</p> <p>2. During the reporting period, the Board of Directors (or the Nominating Committee of the Board of Directors) reviewed, at least once, the independence of current members of the Board of Directors whom the Company indicates as independent directors in the annual report.</p> <p>3. The Company has developed procedures defining the measures any member of the Board of Directors shall take in the event that it ceases to be independent, including the</p>	<p><input type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input checked="" type="checkbox"/> not observed</p>	<p>The Board of Directors in the reporting period included no independent directors as the Board of Directors is elected by the General Meeting of Shareholders (see clause 2.4.1)</p>

		obligation to promptly inform the Board of Directors thereof.		
2.4.3	Independent directors shall make up at least one third of elected members of the Board of Directors.	1. Independent directors make up at least one third of members of the Board of Directors.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	The Board of Directors in the reporting period included no independent directors as the Board of Directors is elected by the General Meeting of Shareholders (see clause 2.4.1)
2.4.4	Independent directors play key role in preventing internal conflicts in the Company and making substantial corporate actions by the Company.	1. Independent directors (free of any conflict of interest) shall pre-assess substantial corporate actions associated with potential conflict of interest, and results of such pre-assessment shall be submitted to the Board of Directors.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	The Board of Directors in the reporting period included no independent directors as the Board of Directors is elected by the General Meeting of Shareholders (see clause 2.4.1)
2.5	Chairman of the Board of Directors promotes the most effective implementation of the functions of the Board of Directors.			
2.5.1	An independent director has been elected as the Chairman of the Board of Directors or the senior	1. Chairman of the Board of Directors is an independent director, or the senior independent director is elected among independent directors.		The Board of Directors in the reporting period included no independent directors as the Board of Directors is elected by the General Meeting of Shareholders (see clause 2.4.1)

	independent director is elected among independent directors that coordinates the work of independent directors, and is responsible for interaction with the Chairman of the Board of Directors.	2. Role, rights and responsibilities of the Chairman of the Board of Directors (and, if applicable, the senior independent director) are properly defined in internal documents of the Company.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	
2.5.2	Chairman of the Board of Directors ensures constructive atmosphere during the meeting, free discussion of issues on the agenda of the meeting, control of the execution of decisions taken by the Board of Directors.	1. The efficiency of the Chairman of the Board of Directors was evaluated within the scope of evaluation of efficiency of the Board in the reporting period.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	No evaluation was carried out in the reporting period due to unavailability of an elaborated and agreed methodology for such evaluation, however in the nearest future the Company plans to develop and harmonize a methodology and carry out such evaluation on a regular basis.
2.5.3	The Chairman of the Board of Directors takes measures to promptly provide members of the Board of Directors with information necessary to take decisions on the agenda.	1. The obligation of the Chairman of the Board of Directors to take measures to promptly provide members of the Board of Directors with information necessary to take decisions on the agenda of the meeting of the Board of Directors is established by Company's internal documents.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed	

2.6.3	Members of the Board of Directors have sufficient time to fulfill their duties.	<p>1. Individual attendance of the Board and Committee meetings, and time for the preparation for the participation in the meetings were taken into account within the scope of the procedure for evaluation of the Board of Directors in the reporting period.</p> <p>2. In accordance with internal documents of the Company, members of the Board of Directors shall notify the Board of Directors of their intention to join management bodies of any other entities (other than controlled and associated entities of the Company), as well as of the fact of such appointment.</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>No evaluation was carried out in the reporting period due to unavailability of an elaborated and agreed methodology for such evaluation, however in the nearest future the Company plans to develop and harmonize a methodology and carry out such evaluation on a regular basis.</p> <p>The high rate of participation of members of the Board of Directors in the reporting year (92.7% in the meetings of the Board of Directors, almost 100% in the meetings of the Board Committees) confirms that members of the Board of Directors have enough time to fulfill their duties.</p> <p>Internal documents provide no obligation of members of the Board of Directors to notify the Board of Directors of their intention to join management bodies of any other entity (other than controlled and associated entities of the Company), as well as of the fact of such appointment as not all internal documents of the Company were reviewed and brought into line with Corporate Governance Code recommendations. However, in practice the Company:</p> <ul style="list-style-type: none"> - sends requests to members of the management bodies containing information on positions they take on a quarterly basis and is able to obtain up-to-date information; - carries out regular monitoring of open information sources of information on joining members of the Board of Directors in the management or control bodies of other entity.
2.6.4	All members of the Board of Directors have equal access to	1. In accordance with internal documents of the Company, members of the Board of Directors	<input checked="" type="checkbox"/> observed	

	documents and information of the Company. Newly elected members of the Board of Directors are provided with sufficient information about the Company and the work of the Board of Directors as soon as possible.	are entitled to get access to the documents and to make requests concerning the Company and its controlled entities, and executive bodies of the Company shall provide relevant information and documents. 2. The Company has a formalized program of informational events for newly elected members of the Board of Directors.	<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 in them ensure efficient operation of the Board of Directors.			
2.7.1	Meetings of the Board of Directors are held as and when necessary, given the range of activities of the Company and Company's goals in a certain period of time.	1. The Board of Directors held at least six meetings in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
2.7.2	Internal documents of the Company secure 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.	1. The Company has approved an internal document that defines the procedure for preparing and holding the meetings of the Board of Directors, that (inter alia) establishes that the notification of any meeting shall be normally sent at least 5 days in advance of the date of the meeting.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	

2.7.3	The form of the meeting of the Board of Directors depends on importance of issues on agenda. The most important issues are decided in the meeting of the Board of Directors in praesentia.	1. The Charter or internal documents of the Company establish that the most important issues (according to the list specified in recommendation 168 of the Code) shall be examined in praesentia.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	<p>The Charter or internal documents of the Company contain no such provision as not all internal documents of the Company were reviewed and brought in compliance with the Corporate Governance Code recommendations. Furthermore, in fact, the Chairman of the Board of Directors is entitled to take respective decision given the importance of issues on the agenda.</p>
2.7.4	Decisions on the most important issues related to the Company's business are taken at the meeting of the Board of Directors by a qualified majority or by majority votes of all elected members of the Board of Directors.	1. The Company's Charter provides that decisions on the most important issues specified in recommendation 170 of the Code shall be taken at a meeting of the Board of Directors by a qualified majority of at least three quarter votes, or by majority votes of all elected members of the Board of Directors.	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>All internal documents of the Company were reviewed and brought in compliance with the Corporate Governance Code recommendations. The Company plans to revise this practice, as and when necessary.</p> <p>This provision concerns approval of major transactions. Decisions on other aforesaid issues shall be taken by majority of two thirds or majority votes of participants of the meeting of the Board of Directors.</p>
2.8	The Board of Directors establishes committees for preliminary consideration of the most important issues associated with Company's activity.			

2.8.1	<p>For the purpose of preliminary review of issues related to the control of financial and economic activities of the Company, the Audit Committee consisting of independent directors was established.</p>	<p>1. The Board of Directors established the Audit Committee consisting entirely of independent directors.</p> <p>2. Internal documents of the Company define Audit Committee's objectives including the objectives specified in recommendation 172 of the Code.</p> <p>3. At least one member of the Audit Committee being an independent director has experience and expertise in preparing, reviewing, evaluating and auditing financial statements.</p> <p>4. Audit Committee's meetings were held at least once in a quarter during the whole 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>1. The Audit Committee was established but it includes no independent directors (see clause 2.4.1).</p> <p>2. Not observed with respect to the independent directors (see clause 2.4.1). The Company will review the standing practice upon election of new members of the Board of Directors (in case of election of independent members to the Board of Directors). at the same time, the Audit Committee includes persons who have experience and expertise in preparing, reviewing, evaluating and auditing financial statements.</p>
2.8.2	<p>For preliminary review of issues related to the elaboration of an efficient and transparent remuneration practices, the Remuneration Committee (consisting of independent directors and chaired by an independent director who is not the Chairman of the Board of Directors) was established.</p>	<p>1. The Board of Directors established the Remuneration Committee that consists entirely of independent directors.</p>	<p><input type="checkbox"/> observed</p>	<p>The Company established the Personnel and Remuneration Committee. It includes no independent directors (see clause 2.4.1), it is chaired by a person who is the Chairman of the Board of Directors. The objectives of this body generally meet the recommendations of the Code, except for the provisions with respect to the motivation of the Corporate Secretary and the practical implementation report as the Company had no time to bring the internal documents in compliance with the Corporate Governance Code recommendations.</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. Internal documents of the Company define the Remuneration Committee's objectives including the objectives specified in recommendation 180 of the Code.</p>	<p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	
2.8.3	<p>For the purpose of preliminary review of issues related to the implementation of personnel planning (succession planning), professional staff and efficiency of the Board of Directors, the nominating (appointing, personnel) committee was established most of members in which are independent directors.</p>	<p>1. The Board of Directors established the Nominating Committee (or its objectives specified in recommendation 186 of the Code are implemented by any other committee), most of members in which are independent directors.</p> <p>2. Internal documents of the Company define Nominating Committee's (or respective overlapping committee's) objectives including the objectives specified 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>The Company established the Personnel and Remuneration Committee. It includes no independent directors (clause 2.4.1).</p> <p>As concerns the objectives specified in the recommendations of the Code, this Committee is assigned only election and dismissal of members of the Management Board, as well as coordination of nominees for individual positions of executive staff. Committee's functions for nominations do not overlap with the aforesaid Committee's functions as the Company had no time to bring the internal documents in compliance with Corporate Governance Code recommendations.</p>
2.8.4	<p>Given the range of activities and risk level, the Board of Directors made sure that members of its committees fully meet the goals of Company. Additional</p>	<p>1. In the reporting period, the Company's Board of Directors reviewed the compliance of its committees' members with objectives of the Board of Directors and goals of the Company. Additional committees either were established</p>		<p>The Board of Directors elected its committees' members being guided by skills and qualifications of candidates, approved new edition of the Regulations on the Committees. Currently, members of committees of the Board of Directors fully meet its goals and objectives.</p>

	<p>committees either were established or were not deemed necessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, HSE Committee, etc.).</p>	<p>or were not deemed necessary.</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	<p>The following committees of the Board of Directors were established: Audit Committee; Personnel and Remuneration Committee; Committee for Technological Connection; Committee for Strategy, Development, Investment and Reforming; Reliability Committee.</p> <p>In the reporting period, the Board of Directors did not review the compliance of its committees' members with objectives of the Board of Directors and goals of the Company as the aforesaid issue was not included in the plan of the meetings of the Board of Directors and was not included on the agenda by the Chairman.</p> <p>The Company plans to revise the standing practice.</p>
<p>2.8.5</p>	<p>Composition of the committees is established so as to hold comprehensive discussion of pre-reviewed issues subject to various opinions.</p>	<p>1. Committees of the Board of Directors are chaired by independent directors.</p> <p>2. Internal documents of the Company contain provisions according to which persons being</p>	<p><input type="checkbox"/> observed</p> <p><input checked="" type="checkbox"/> partially observed</p>	<p>The Board of Directors included no independent directors in the reporting period (see clause 2.4.1). Internal documents of the Company contain provisions according to which persons being not members of the Audit Committee, the Personnel and Remuneration Committee may only attend the committees' meetings pursuant to the invitation of the chairman of relevant committee.</p>

	of the Board of Directors, and identification of fields where their work can be improved.	2. Results of self-evaluation or external evaluation of the Board of Directors carried out during the reporting period were reviewed by the Board of Directors in praesentia.	<input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	
2.9.2	Works of the Board of Directors, its committees and members is evaluated on a regular basis at least once a year. An external organization (consultant) is engaged at least once every three years for the purpose of an independent external evaluation of work of the Board of Directors.	1. An external organization (consultant) was engaged at least once for the last three reporting periods for the purpose of an independent external evaluation of work of the Board of Directors.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	No evaluation was carried out in the reporting period due to unavailability of an elaborated and agreed methodology for such evaluation, however in the nearest future the Company plans to develop and harmonize a methodology and carry out such evaluation on a regular basis.
3.1	Corporate Secretary of the Company carries out effective current interaction with shareholders, coordination of actions for the protection of the rights and interests of shareholders, support efficient work of the Board of Directors.			
3.1.1	Corporate Secretary has knowledge, experience and expertise sufficient for the fulfillment of his/her duties, impeccable reputation and enjoys shareholders' confidence.	1. The Company adopted and disclosed the internal document, i.e. the Regulations on Corporate Secretary. 2. Company's website and its annual report provide Corporate Secretary's biographic information as detailed as for the members of the Board of Directors and executive	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed	

		management of the Company.	<input type="checkbox"/> not observed	
3.1.2	The Corporate Secretary is sufficiently independent of the executive bodies of the Company and has necessary powers and resources to reach his/her goals.	1. The Board of Directors approves the appointment, dismissal and extra remuneration of the Corporate Secretary.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
4.1	Level of remuneration paid by the Company is sufficient to acquire, motivate and retain persons with the necessary competence and qualification. Remuneration to members of the Board of Directors and executive bodies, as well as to other key executives of the Company is paid in accordance with Company's Remuneration Policy.			
4.1.1	The level of remuneration paid by the Company to members of the Board of Directors, executive bodies as well as to other high-level personnel, constitutes a sufficient motivation for them to work efficiently, enabling the Company to engage and maintain competent and skilled specialists. Thus the Company avoids excessive level of remuneration, as well as unjustifiably large gap between the levels of remuneration paid to these officials and employees of the Company.	1. The Company adopted the internal document(s), i.e. policy (policies) of remuneration for members of the Board of Directors and executive bodies, and other high-level personnel that clearly defines approach to remuneration payable to the aforesaid persons.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
4.1.2	The remuneration policy of the Company is developed by the Remuneration Committee and approved by the Board of	1. During the reporting period, the Remuneration Committee reviewed the remuneration policy (policies) and its implementation practice, and made appropriate	<input checked="" type="checkbox"/> observed	

	Directors. The Board of Directors, upon Remuneration Committee's support, arranges monitoring of introduction and implementation by the Company of the remuneration policy and, if necessary, reviews and modifies it.	recommendations to the Board of Directors, as may be necessary.	<input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
4.1.3	The remuneration policy of the Company contains transparent mechanisms for determination of remuneration for members of the Board of Directors, executive bodies and other high-level personnel of the Company, as well as regulates all types of payments, benefits and privileges provided to such persons.	1. The remuneration policy (policies) of the Company contains transparent mechanisms for determination of remuneration for members of the Board of Directors, executive bodies and other high-level personnel of the Company, as well as regulates all types of payments, benefits and privileges provided to such persons.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
4.1.4	The Company defines cost-reimbursement (compensation) policy specifying the list of reimbursable expenses and the level of service the members of the Board of Directors, executive bodies and other high-level personnel of the Company may expect. This policy can be a part of the Company's remuneration policy.	1. Remuneration policy (policies) or any other internal documents of the Company established reimbursement rules for members of the Board of Directors, executive bodies and other high-level personnel of the Company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
4.2	System of remuneration for the members of the Board of Directors ensures rapprochement of financial interests of directors with the long term financial interests of the shareholders.			
4.2.1	The Company pays fixed annual	1. Fixed annual remuneration was the only		

	<p>remuneration to the members of the Board of Directors. The Company pays no fee for participation in individual meetings of the Board or Board Committees.</p> <p>The Company does not apply short term motivations or additional material incentives for members of the Board of Directors.</p>	<p>form of monetary remuneration for the Board members for their work in the Board of Directors during the reporting period.</p>	<p><input type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input checked="" type="checkbox"/> not observed</p>	<p>The Company did not have time to bring all internal documents in line with Corporate Governance Code recommendations.</p> <p>As and when required, the Company will develop and approve a new version of the document, which will be agreed with the management bodies.</p> <p>So far, the Regulation on Payment of Remuneration and Compensation to the Members of the Board of Directors provides for the payment of allowances, as well as extra remuneration.</p>
4.2.2	<p>Long-term ownership of shares in the Company to the most possible extent promotes the convergence of financial interests of members of the Board of Directors with shareholders' long-term interests. Furthermore, the Company does make the right to sell shares conditional upon achievement of certain performance indicators, and members of the Board of Directors do not participate in option-based programs.</p>	<p>1. If the internal document(s), i.e. Company remuneration policy (policies), provides for the transfer of shares in the Company to members of the Board of Directors, clear rules of ownership of the shares by members of the Board of Directors aimed at promoting long-term ownership of such shares shall be established.</p>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	
4.2.3	<p>The Company provides for no extra payment or compensation in the event of early dismissal of members of the Board of Directors due to the change of control over the Company or any</p>	<p>1. The Company provides for no extra payment or compensation in the event of early dismissal of members of the Board of Directors due to the change of control over the Company or any other circumstances.</p>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially</p>	

	other circumstances.		observed <input type="checkbox"/> not observed	
4.3	The system of remuneration for members of the executive bodies and other key executives envisages dependence between remuneration and Company's performance, as well as their personal contribution to this result.			
4.3.1	Remuneration for members of the executive bodies and other key executives of the Company is determined so as to provide a reasonable and justified ratio of fixed remuneration and variable remuneration depending on the results of the Company's performance and personal (individual) employee's contribution to the final result.	<p>1. During the reporting period, annual performance rates approved by the Board of Directors were used to determine the amount of variable remuneration of members of the executive bodies and other key executives of the Company.</p> <p>2. In the course of the last evaluation of remuneration system in relation to members of the executive bodies and other key executives of the Company, the Board of Directors (Remuneration Committee) ascertained that the Company applied the efficient ratio of fixed remuneration and variable remuneration.</p> <p>3. The Company has a procedure that provides for return to the Company of bonuses unlawfully obtained by members of the executive bodies and other key executives of 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 long-term incentive program for members of the executive bodies and other key executives of the Company using shares in the	1. The Company has established long-term incentive program for members of the executive bodies and other key executives of the Company using shares in the Company (financial instruments based on the shares in	<input type="checkbox"/> observed	No such program was introduced in the Company due to unavailability of a positive shareholders' decision.

	Company (options or any other derivatives linked to the shares in the Company as to underlying asset).	the Company). 2. The long-term incentive program for members of the executive bodies and other key executives of the Company provides that the right to sell shares and other financial instruments subject to such program arises earliest in three years from the date of submission thereof. In this case the right to sell is conditioned by the achievement of certain performance by the Company.	<input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	
4.3.3	The amount of compensation (golden parachute) paid by the Company in the event of early dismissal of members of the executive or key executives upon the Company's initiative and subject to no unscrupulous actions committed by them does not exceed two-fold fixed annual remuneration.	1. The amount of compensation (golden parachute) paid by the Company in the event of early dismissal of members of the executive or key executives upon the Company's initiative and subject to no unscrupulous actions committed by them did not exceed two-fold fixed annual remuneration in the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
5.1	The Company introduced effectively functioning risk management and internal control systems designed to provide reasonable confidence of achievement of the Company's objectives.			
5.1.1	The Board of Directors of the Company defined basic principles and approaches to risk management and internal control systems.	1. The functions of various management bodies and business units of the Company within the risk management and internal control system are clearly defined in internal documents/respective Company policy approved by the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed	

			<input type="checkbox"/> not observed	
5.1.2	The executive bodies of the Company ensure the establishment and maintenance of an efficient risk management and internal control system in the Company.	1. The executive bodies of the Company ensured allocation of risk management and internal control functions and powers among heads of business units and departments subordinated to them.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
5.1.3	Risk management and internal control system of the Company provides an objective, fair and clear picture of the current state and prospects of the Company, integrity and transparency of Company accounts, reasonableness and admissibility of risks taken by the Company.	1. The Company approved an anti-corruption policy. 2. The Company arranged an affordable way to inform the Board of Directors or the Audit Committee of the Board of Directors of violations of laws, internal procedures, the code of ethics of the Company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
5.1.4	The Board of Directors takes necessary measures to ascertain	1. During the reporting period, the Board of Directors or the Audit Committee of the Board	<input checked="" type="checkbox"/> observed	

	<p>that the existing Company's risk management and internal control system complies with principles established by the Board of Directors and approaches to the organization thereof, and functions efficiently.</p>	<p>of Directors evaluated the efficiency of the risk management and internal control system of the Company. Information on main results of this evaluation are included in the Company's annual report.</p>	<p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	
5.2	<p>For the purpose of systematic independent evaluation of risk management and internal control system's reliability and efficiency and corporate governance practices, the Company arranges internal audits.</p>			
5.2.1	<p>In order to conduct internal audit in the Company a separate business unit has been established or an independent external entity was contracted. Functional and administrative accountability of the internal audit unit are delineated. Functionally, the internal audit unit reports to the Board of Directors.</p>	<p>1. In order to conduct internal audit the Company established a separate internal audit unit functionally subordinated to the Board of Directors or the Audit Committee, or contracted an independent external entity subject to the same accountability principle.</p>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	
5.2.2	<p>The internal audit unit evaluates the efficiency of the internal control system, efficiency of the risk management system, and corporate governance system. The Company uses generally accepted standards in the field of internal audit.</p>	<p>1. During the reporting period, the efficiency of the internal control and risk management system was evaluated.</p> <p>2. The Company uses generally accepted approaches to internal control and risk management.</p>	<p><input checked="" type="checkbox"/> observed</p> <p><input type="checkbox"/> observed in part</p>	

		<p>2. The Company discloses information on the composition of the executive bodies and the Board of Directors, independence of the Board members and their membership in the committees of the Board of Directors (as defined in the Code).</p> <p>3. In case there is a person having control over the Company, the Company publishes a controlling person memorandum concerning plans of such person with respect to the corporate governance in the Company.</p>	<input type="checkbox"/> not observed	
6.2	The Company timely discloses full, actual and accurate information about the Company in order to allow shareholders and investors to make informed decisions.			
6.2.1	The Company discloses information in accordance with principles of regularity, consistency and promptness, as well as availability, accuracy, completeness and comparability of the data disclosed.	<p>1. The Company's information policy defines approaches and criteria for defining the information that could materially affect the evaluation of the Company and value of its securities and procedures ensuring prompt disclosure of such information.</p> <p>2. If securities of the Company are traded on foreign organized markets, material information is disclosed in the Russian Federation and such markets on a synchronous and equivalent basis during the reporting year.</p> <p>3. If foreign shareholders hold a substantial amount of shares in the Company, information was disclosed during the reporting year not only in Russian, but also in one of the most common foreign languages.</p>	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	
6.2.2	The Company avoids a formal approach to the disclosure of information and discloses material information on its	1. During the reporting period, the Company discloses annual and semi-annual IFRS financial statements. The annual report of the Company for the reporting period includes the	<input checked="" type="checkbox"/> observed	

	activities, even if such disclosure is not required by the law.	annual IFRS financial statements along with the auditor's report.	<input type="checkbox"/> partially observed	
		2. The Company discloses complete information on the Company capital structure in accordance with Recommendation 290 of the Code in the annual report and on the Company's website.	<input type="checkbox"/> not observed	
6.2.3	The annual report, which is one of the most important tools of information interaction with shareholders and other stakeholders, contains information enabling to assess the results of the Company's activities for the year.	1. Company's annual report contains information on key aspects of the operating activities of the Company and its financial results. 2. Company's annual report contains information on the environmental and social aspects of the Company business.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> observed in part <input type="checkbox"/> not observed	
6.3	The Company provides information and documents upon shareholders' requests in accordance with the principles of fairness and unburdensomeness.			
6.3.1	The Company shall provide information and documents upon shareholders' requests in accordance with the principles of fairness and unburdensomeness.	1. Information policy of the Company defines unburdensome procedure for providing shareholders with access to information, including, without limitations, information on legal entities controlled by the Company, upon shareholders' requests.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed	

	<p>Company, implementation of listing and delisting of the shares in the Company, and any other actions that may result in a significant change in the shareholders' rights or infringement of their interests are recognized as substantial corporate actions. The Company's Charter contains a list (criteria) of transactions and other actions considered as substantial corporate actions. Such actions falls within the competence of the Board of Directors.</p>	<p>implementation of such corporate actions is qualified as the competence of the General Meeting of Shareholders by the law, the Board of Directors provides shareholders with appropriate recommendations.</p>	<p style="text-align: center;"> <input data-bbox="1149 1305 1198 1430" type="checkbox"/> observed </p>	<p>approval by the general Meeting of Shareholders of the Company. Nonetheless, the following issues qualified by the Company's Charter as the competence of the General Meeting of Shareholders are only examined upon proposal of the Board of Directors:</p> <ul style="list-style-type: none"> • reorganization of the Company; • increase of the Company's authorized capital through increasing nominal value of shares or through placing additional shares; • decisions on approval of transactions in cases stipulated by Article 83 of the Federal Law "On Joint-Stock Companies"; <p>decisions on approval of major transactions in cases stipulated by Article 79 of the Federal Law "On Joint-Stock Companies".</p> <p>The competence of the Board of Directors, includes (inter alia) the following issues:</p> <ul style="list-style-type: none"> • filing an application for listing of shares in the Company and/or issue-grade securities of the Company convertible into shares of the Company; • pre-approval of decisions on entering into individual transactions by the Company: <ul style="list-style-type: none"> ✓ the subject matter whereof are non-current assets of the Company in the amount exceeding 10% of the book value of such assets; ✓ associated with disposal or potential disposal of property which constitutes fixed assets, intangible assets, construction in progress, the purpose of which is production, transfer, dispatching, distribution of electric and thermal energy, and any other types of property defined by individual decisions of the Board of Directors; ✓ for transfer (acquisition) of real estate and power grid facilities for temporary possession (utilization) for more than 5 years; ✓ 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; ✓ that may result in incurrence of liabilities nominated in foreign currency, transactions involving financial derivatives; <p>The Company develops respective amendments that will be made to the Charter in case of a positive decision taken by the shareholders.</p>
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		2. The Charter of the Company qualifies as substantial corporate actions at least as follows: reorganization of the Company, acquisition of 30% or more voting shares (takeover), entering into major transactions by the Company, increasing or decreasing share capital of the Company, listing and delisting of the Company's shares.	<input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	
7.1.2	The Board of Directors plays key role in taking decisions or elaborating recommendations with respect to substantial corporate actions. The Board of Directors relies on the attitude of independent directors of the Company.	1. The Company has a procedure in accordance with which independent directors declare their attitudes on substantial corporate actions prior to approval thereof.	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	The Board of Directors in the reporting period included no independent directors (the Board of Directors is elected by the General Meeting of Shareholders; see clause 2.4.1).
7.1.3	When committing substantial corporate actions affecting shareholders' rights and legitimate interests, equal conditions are created for all shareholders of the Company,	1. Given such specificity, the Charter of the Company establishes criteria for qualification of Company's transactions as substantial corporate actions at the level lower than the minimum statutory criteria.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially	

	and if statutory mechanisms aimed at protecting shareholders' rights fail further measures to protect Company shareholders' rights and legitimate interests are taken. Furthermore the Company is guided not only by the compliance with formal statutory requirements, but also the corporate governance principles set forth in the Code.	2. During the reporting period, all major corporate actions passed the approval process before implementation.	<input type="checkbox"/> observed <input type="checkbox"/> not <input type="checkbox"/> observed	
7.2	The Company provides such a procedure for substantial corporate actions implementation which allows shareholders to timely receive complete information about such actions and gives them an opportunity to influence such actions, as well as guaranties the compliance and adequate level of protection of their rights during the implementation of such actions.			
7.2.1	Information on committing substantial corporate actions is disclosed subject to clarification of reasons, conditions and consequences of such actions.	1. During the reporting period, the Company disclosed information on substantial corporate actions, including grounds and timing thereof, in a prompt and detailed manner.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially <input type="checkbox"/> not <input type="checkbox"/> observed	
7.2.2	Rules and procedures related to substantial corporate actions are specified in Company's internal documents.	1. Company's internal documents provide for the engagement of an independent appraiser to determine value of property disposed of or acquired under a major transaction or an interested party transaction.	<input type="checkbox"/> observed	<p>The Company did not have time to bring the Charter in compliance with all Corporate Governance Code recommendations. The issue need to be elaborated and coordinated in details with subsequent approval by the general Meeting of Shareholders of the Company.</p> <p>The Company provides for the engagement 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" and individual resolutions of the Board of Directors.</p> <p>The Company develops respective amendments that will be made to the Charter in case of a positive decision taken by the shareholders.</p>

		<p>2. Company's internal documents provide for the engagement of an independent appraiser to determine purchase and buy-out value of shares in the Company.</p> <p>3. Company's internal documents provide for an extended list of grounds on which members of the Board of Directors of the Company and other persons specified by the law are recognized as being interested in transactions of the Company.</p>	<p><input checked="" type="checkbox"/> partially observed</p> <p><input type="checkbox"/> not observed</p>	
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