

REPORT¹
on compliance of Interregional Distribution Grid Company of Centre, Public Joint-Stock Company
with principles and recommendations of the Corporate Governance Code² in 2019

This report on observance of principles and recommendations of the Corporate Governance Code has been reviewed by the Board of Directors of IDGC of Centre, PJSC as a part of the Annual Report at the session on «28» April 2020 (Minutes of __ April 2020 № __/20).

Hereby, the Board of Directors confirms that the data given in this report contain complete and trustworthy information about observance by the Company of principles and recommendations of the Corporate Governance Code as at 01.04.2020.

The evaluation of compliance by IDGC of Centre with the principles and recommendations of the Corporate Governance Code was carried out in accordance with the recommendations of the Bank of Russia (Letter No. IN-06-52/8 of 17 February 2016 “On disclosing in the Annual Report of a public joint-stock company a report on compliance with the principles and recommendations of the Corporate Governance Code”).

The main factor of non-compliance or partial compliance by the Company with the principles of the Corporate Governance Code is the need to prepare and approve (re-approve) the Company’s internal documents, decisions on which are made by the Company’s shareholders and depend on their position.

The Company does not use any mechanisms and instruments of corporate governance instead of recommended by the Corporate Governance Code.

IDGC of Centre is a public company whose shares are admitted to trading in the Second Tier of the list of securities admitted to trading on Moscow Exchange. The main shareholders are PJSC Rosseti (50.2 %) and NEW RUSSIAN GENERATION LIMITED (16.0 %), 0.5 % of the share capital is owned by the state. In order to maintain public status, compliance of corporate governance not only with legal requirements, but also with the best practices, the Company strives to implement the principles and standards of the Corporate Governance Code of the Bank of Russia in its activities.

In 2019, the Company continued to work on improving corporate governance, including taking into account the recommendations of the Corporate Governance Code of the Bank of Russia, NP Russian Institute of Directors, conducting an independent assessment as part of assigning a corporate governance rating, as well as an action plan to improve the corporate governance system of the Company following the results of an internal audit of the corporate governance system conducted in 2019.

In 2019, for the first time, the Board of Directors included four independent directors: A.V. Varvarin, A.V. Golovtsov, V.Y. Zarkhin and A.V. Shevchuk. The Board of Directors of IDGC of Centre recognized these directors as independent, taking into account the preliminary assessment by the Personnel and Remuneration Committee of compliance with the independence criteria established by the Code and the Moscow Exchange Listing Rules. An increase in the number of independent directors made it possible to improve the efficiency of the Board of Directors and to ensure objectivity when considering issues. The Audit Committee of the Board of Directors of the Company for 2/3 consists of independent directors and is headed by an independent director.

During the preparatory period for the AGM on the results of 2018, the EGM held on 30.12.2019, the Company used a special e-mail address: ir@mrsk-1.ru to communicate with shareholders and provided a forum for the meeting agenda issues on the Company’s website at: <https://www.mrsk-1.ru/about/management/controls/forum/>. For the second year in a row, shareholders were given the opportunity to vote by filling out an electronic form of a bulletin in their account on the website of the Company’s registrar.

In the reporting year, the Company developed new versions of the Articles of Association and internal documents, which included regulations that most fully take into account the provisions of the Corporate Governance Code.

¹ The report is prepared according to recommendations of the Bank of Russia, Letter of 17.02.2016 № IN-06-52/8.

² The Corporate Governance Code approved 21.03.2014 by the Board of Directors of the Bank of Russia and recommended to application by joint stock companies, which securities are admitted to on-exchange trading.

The Company carried out a self-assessment of the effectiveness of the Board of Directors and committees of the Company in the 2019-2020 corporate year.

The rating of NCGR 7+ “Developed practice of corporate governance” was confirmed, in accordance with the results of the monitoring.

Hereby, the Board of Directors of the Company declares the Company’s commitment to the continuous improvement of corporate governance practices and the Company’s intention to continue this work on the implementation of key principles and recommendations of the Code.

№	Corporate governance principles	Criteria of estimation of observance of a principle of corporate governance	Status of conformity to a corporate governance principle	Explanations of a deviation from criteria of estimation of observance of a corporate governance principle
1.1	The company should provide the equal and fair relation to all shareholders at realisation of their right to participate in management of the company			
1.1.1	The company creates for shareholders as much as possible favourable conditions for participation in general meeting, conditions for development of a reasonable position concerning the agenda of the general meeting, coordination of their actions, and also possibility to express their opinion on cases in point	1. There is a publicly available internal document of the company confirmed by shareholders’ general meeting and regulating procedures of carrying out of the general meeting. 2. The company gives an accessible method of communications with the company, such as "hot line", e-mail or a forum on the Internet, allowing shareholders to express their opinion and to send questions concerning the agenda in the course of preparation for general meeting carrying out. The specified actions were undertaken by the company before each general meeting which passed during the reporting period	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
1.1.2	The order of notification of carrying out of the general meeting and granting of materials to the general meeting gives the chance to shareholders to be prepared for participation in it properly	1. The notice to shareholders of the general meeting carrying out is placed (published) on a site on the Internet not less than 30 days prior to date of carrying out of the general meeting. 2. In the notice of the meeting carrying out the venue of the meeting and the documents necessary for the admission in premises are specified. 3. Shareholders were provided with access to the information on who offered questions of the agenda and who nominated for election to the board of directors and the audit commission of the company	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

1.1.3	During preparation and carrying out of the general meeting shareholders had possibility in an unimpeded way and in due time to receive the information on the meeting and materials to it, to ask questions to executive powers and members of the board of directors of the company, to communicate with each other	<p>1. In the reporting period, to shareholders possibility to ask questions has been given members of executive powers and members of the board of directors of the company the day before and during carrying out of the annual general meeting.</p> <p>2. The position of the board of directors (including dissenting opinions entered in the minutes), on each question of the agenda of the general meetings which were conducted in the reporting period, was included in the materials to the shareholders' general meeting.</p> <p>3. The company gave to the shareholders, having this right, access to the list of persons having the right to participation in general meeting, starting from its date of receipt by the company, in all cases of carrying out of the general meetings in the reporting period</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
1.1.4	Realisation of the right of the shareholder to demand general meeting convocation, to nominate candidates for management bodies and to make offers for inclusion in the general meeting agenda without unjustified complexities	<p>1. In the reporting period shareholders had possibility within not less than 60 days after the end of a corresponding calendar year to make offers for inclusion in the agenda of the annual general meeting.</p> <p>2. In the reporting period the company did not refuse accepting offers into the agenda or nominees in bodies of the company because of typing errors and other insignificant lacks of the offer of the shareholder</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
1.1.5	Each shareholder had possibility in an unimpeded way to implement voting power by the most convenient and simplest method for him or her	1. The internal document (internal policy) of the company contains provisions according to which each participant of the general meeting can demand before end of a corresponding meeting a copy of the bulletin filled by him certified by the tabulation commission	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

1.1.6	The order of conducting general meeting established by the company provides equal possibility to all persons who are present at the meeting to express their opinion and to ask their questions of concern	<p>1. At carrying out in the reporting period shareholders' general meetings in the form of the meeting (joint presence of shareholders) sufficient time for reports concerning the agenda and time for discussion of these questions was provided.</p> <p>2. Candidates for management and control bodies of the company were available for answers to questions of shareholders at the meeting at which their nominees were put to the vote.</p> <p>3. The board of directors at the decision-making, connected with preparation and carrying out of shareholders' general meetings, considered a question on use of telecommunication means for granting to shareholders of remote access for participation in general meetings in the reporting period</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
1.2	Equal and fair possibility to participate in profit of the company by means of receipt of dividends is given shareholders			
1.2.1	The company has developed and has implemented the transparent and clear mechanism of determination of the size of dividends and their payment	<p>1. The company has developed, confirmed by the board of directors the dividend policy and has disclosed it.</p> <p>2. If the company's dividend policy uses indicators of statements of the company for determination of the size of dividends, then corresponding provisions of the dividend policy consider consolidated indicators of financial statements</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
1.2.2	The company does not make the decision on dividend payout if such a decision, formally without breaking the restrictions established by the legislation, is economically unreasonable and can lead to forming of false representations about the company's activity	1. The company's dividend policy contains accurate indications on financial/economic circumstances at which the company should not pay dividends	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
1.2.3	The company does not allow deterioration of the dividend rights of existing shareholders	1. In the reporting period the company did not undertake actions leading to deterioration of the dividend rights of existing shareholders	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
1.2.4	The company aspires to exclude use by shareholders of different ways of profit earning (income) at the expense of the	1. To exclude shareholders' different ways of profit earning (income) at the expense of the company, besides dividends and salvage value, internal documents of the company	<ul style="list-style-type: none"> • In compliance • In compliance partially 	The evaluation criterion is partially respected by the Company: internal documents of the Company do not formalize mechanisms

	company, besides dividends and salvage value	<p>establish mechanisms of control which provide timely revealing and procedure of approval of transactions with persons, affiliated (related) with substantial shareholders (persons, having the right to dispose of votes on voting shares) when the law formally does not recognise such transactions as related party transactions</p>	<ul style="list-style-type: none"> • Not in compliance 	<p>that prevent shareholders from obtaining by other means profit (income) at the expense of the company, in addition to dividends and salvage value.</p> <p>At the same time the Company has essentially expanded the competence of the Board of Directors of the Company regarding decision-making on approval of major transactions. In particular, the Board of Directors of the Company has decision-making competence to perform by the Company:</p> <ul style="list-style-type: none"> - transactions subject of which are non-current assets of the Company at the rate above 10% of book value of these assets of the Company according to the financial statements at the last reporting date; - transactions (including some interconnected transactions) of disposal in any way (or transfer of rights in any order) of real estate and/or equipment used directly for the core activities of the company, with the book value of more than 5 percent of the book value of the Company's assets, or encumbrance of the said property by any method; - transactions (including some interconnected transactions), connected with acquisition, alienation or possibility of alienation of the property constituting fixed assets, intangible assets, incomplete construction projects; - transactions for the term of more than 5 years on transfer to temporary ownership and use or to temporary use of real estate, electric grid facilities or on acceptance in temporary ownership and use or in temporary use of real estate items; - one or more interconnected transactions of the Company relating to the acquisition or possible acquisition of options, notes, investment shares of mutual funds and/or bonds worth more than 1 000 000 000 rubles; - one or more interconnected transactions of the Company relating to the transfer or
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				<p>possibility of the transfer of property by the Company in trust management worth more than 1 000 000 000 rubles;</p> <ul style="list-style-type: none"> - preliminary approval of one or more interconnected transactions of the Company relating to the receipt or possibility of the receipt of bank guarantees by the Company acting as the principal in the amount of more than 1 000 000 000 rubles; <p>Internal documents of the Company also provide for mandatory notification of the Board of Directors by a member of the Board of Directors in the event of a conflict of interest or interest in the Company's transaction. In addition, the Company's internal documents contain recommendations to members of the Board of Directors to refrain from voting on matters in respect of which there is a conflict of interest.</p> <p>In accordance with the Contractual Work Standard of the Company, when entering into contracts, the Company receives information on the chain of owners, including beneficiaries (including final ones), on the composition of the executive bodies of the Company's counterparty in order to timely identify and resolve cases of conflict of interest in entering into and executing contracts.</p> <p>The Company has the "Procedure for qualifying major transactions and related party transactions in IDGC of Centre, PJSC", designed to minimize the risks in the commission of major transactions and related party transactions.</p> <p>Currently, the Company does not plan to introduce additional changes to internal documents regarding the introduction of additional control measures and approval procedures for transactions specified in this clause, since it considers the alternative measures undertaken by the Company sufficient</p>
1.3	The system and practice of corporate governance provide for equality of conditions for all shareholders - stock owners of one category (type), including minority (small)			

	shareholders and nonresident shareholders, and their equal treatment by the company			
1.3.1	The company has created conditions for the fair treatment of each shareholder by management bodies and supervising persons of the company, including the conditions providing inadmissibility of abusings from major shareholders in relation to minority shareholders	1. During the reporting period procedures of management of potential conflicts of interests at substantial shareholders are effective, and the board of directors has paid appropriate attention to conflicts between shareholders if any	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
1.3.2	The company does not undertake actions which result or can lead to artificial redistribution of the corporate control	1. Quasitreasury shares are absent or did not participate in voting during the reporting period	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
1.4	Shareholders are provided with reliable and effective methods of accounting of share rights, and also possibility of free and easy alienation of stocks belonging to them			
1.4	Shareholders are provided with reliable and effective methods of accounting of share rights, and also possibility of free and easy alienation of stocks belonging to them	1. Quality and reliability of the activity performed by the registrar of the company on maintaining the register of owners of securities correspond to requirements of the company and its shareholders	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.1	The board of directors exercises strategic administration of the company, determines main principles and approaches to the organisation in the company of a risk management and internal control system, supervises activity of executive powers of the company, and also implements other key functions			
2.1.1	The board of directors is responsible for the decision-making, connected with appointment and exemption from posts of executive powers, including in connection with inadequate execution of the obligations by them. The board of directors also controls that the company's executive powers act according to the confirmed strategy of development and the basic lines of activity of the company	1. The board of directors has the powers fixed in the bylaws to appoint, to exempt from a post and to determine conditions of contracts concerning members of executive powers. 2. The board of directors considers a report (reports) of chief executive officer and members of the joint executive body about accomplishment of the company's strategy	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

2.1.2	The board of directors establishes the basic reference points of activity of the company on long-term prospect, estimates and confirms key indicators of activity and the basic business purposes of the company, estimates and approves strategy and business plans on principal lines of activity of the company	1. During the reporting period at sessions of the board of directors the questions connected with course of execution and update of the strategy, approval of the financial and economic plan (budget) of the company, and also consideration of criteria and indicators (including intermediate) of realisation of the strategy and business plans of the company were considered	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.1.3	The board of directors determines principles and approaches to the organisation of a risk management and internal control system in the company	1. The board of directors has specified principles and approaches to the organisation of a risk management and internal control system in the company. 2. The board of directors has conducted an estimation of a risk management and internal control system of the company during the reporting period	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.1.4	The board of directors determines a policy of the company on compensation and (or) to expense refunding (reimbursement) to members of the board of directors, executive bodies and other key executives of the company	1. The company developed and implemented the approved policy (policies) by the board of directors on compensation and expense refunding (reimbursement) of members of the board of directors, executive powers of the company and other key executives of the company ³ . 2. During the reporting period at sessions of the board of directors the questions connected with the specified policy (policies) were considered	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.1.5	The board of directors plays a key role in the prevention, revealing and settlement of internal conflicts between the company's bodies, shareholders of the company and employees of the company	1. The board of directors plays a key role in the prevention, revealing and settlement of internal conflicts. 2. The company created a system of identification of transactions connected with the conflict of interests, and a system of measures aimed to solve such conflicts	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.1.6	The board of directors plays a key role in provision of transparency of the company, timeliness and completeness of disclosing by the company of information, easy access of shareholders to the company's documents	1. The board of directors approved the regulation about information policy. 2. The company specified persons responsible for realisation of the information policy	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

³ Senior and lead managers of the company are understood as other key executives of the company.

2.1.7	The board of directors performs the control over corporate governance practice in the company and plays a key role in essential corporate events of the company	1. During the reporting period the board of directors considered the question on corporate governance practice in the company	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.2	The board of directors is accountable to shareholders of the company			
2.2.1	The information on work of the board of directors is disclosed and provided to shareholders	1. The company's annual report for the reporting period includes the information on attendance of sessions of the board of directors and committees by individual directors. 2. The annual report contains the information on the basic results of assessment of work of the board of directors, which was performed in the reporting period	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.2.2	The chairman of the board of directors is accessible to dialogue with shareholders of the company	1. The company has a transparent procedure, providing possibility to shareholders to send to the chairman of the board of directors questions and their position on them	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.3	The board of directors is an effective and professional management body of the company, capable to deliver objective independent judgements and to make decisions which are equitable to interests of the company and its shareholders			
2.3.1	Only persons, having faultless both business and personal reputation possessing knowledge, skills and experience, necessary for decision-making, within the competence of the board of directors, and required for effective realisation of its functions, are elected members of the board of directors	1. The procedure of estimation of overall performance of the board of directors accepted in the company includes, inter alia, an estimation of professional qualification of members of the board of directors. 2. In the reporting period the board of directors (or its nomination committee) conducted an estimation of nominees for the board of directors from the point of view of their having necessary experience, knowledge, business reputation, absence of the conflict of interests, etc.	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

2.3.2	Members of the board of directors of the company are elected by means of a transparent procedure allowing shareholders to receive the information on nominees, sufficient for representation forming about their personal and professional qualities	1. In all cases of carrying out of shareholders' general meeting in the reporting period which agenda included questions on election of the board of directors, the company presented to shareholders the biographic data of all nominees to members of the board of directors, results of estimation of such candidates, conducted by the board of directors (or its nomination committee), and also the information on conformity of the nominee to criteria of independence, according to recommendations 102 - 107 of the Code and the written approval of candidates to election to members of the board of directors	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.3.3	The composition of the board of directors is balanced, including on qualification of its members, their experience, knowledge and business qualities, and enjoys confidence of shareholders	1. Within the procedure of assessment of work of the board of directors, which was performed in the reporting period, the board of directors analysed own requirements in the field of professional qualification, experience and business skills	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.3.4	The quantitative composition of the board of directors of the company gives the chance to organise activity of the board of directors by the most effective way, including possibility of forming of committees of the board of directors, and also provides to essential minority shareholders of the company possibility to elect a nominee for whom they vote to the board of directors	1. Within the procedure of estimation of the board of directors which was performed in the reporting period, the board of directors considered the question on conformity of the quantitative composition of the board of directors to requirements of the company and interests of shareholders	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.4	Enough independent directors are in the board of directors			

2.4.1	An independent director is recognized as a person, who possesses sufficient professionalism, experience and independence for forming of own position, is capable to deliver objective and diligent judgements not depending on influence of executive powers of the company, separate groups of shareholders or other stakeholders. Thus, it is necessary to consider that in usual conditions a nominee (an elected member of the board of directors) cannot be considered independent, who is connected with the company, its substantial shareholder, a major contract partner or a competitor of the company or is connected with the state	1. During the reporting period all independent members of the board of directors complied with all criteria of independence specified in recommendations 102 - 107 of the Code, or were recognised independent under the decision of the board of directors	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.4.2	The estimation of conformity of nominees to members of the board of directors to criteria of independence is conducted, and also the regular analysis of conformity of independent members of the board of directors to criteria of independence is performed. At carrying out of such estimation the content should prevail over the form	<p>1. In the reporting period the board of directors (or the nomination committee of the board of directors) made an opinion on independence of each nominee for the board of directors and presented to shareholders the corresponding conclusion.</p> <p>2. For the reporting period the board of directors (or the nomination committee of the board of directors) at least once considered independence of acting members of the board of directors who the company indicates in the annual report as independent directors.</p> <p>3. The company developed procedures determining necessary actions of a member of the board of directors in the event that he ceases to be independent, including obligations on timely informing on it of the board of directors</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.4.3	Independent directors constitute not less than one third of the elected composition of the board of directors	1. Independent directors constitute not less than one third of composition of the board of directors	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

2.4.4	Independent directors play a key role in prevention of internal conflicts in the company and fulfilment by the company of essential corporate actions	<p>1. Independent directors (who do not have conflict of interests) tentatively estimate essential corporate actions connected with possible conflict of interests, and results of such estimation are given to the board of directors</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>Independent directors (who have no conflict of interest) do not always carry out a preliminary assessment of significant corporate actions related to a possible conflict of interest.</p> <p>The Articles of Association and internal documents of the Company do not define the concept of significant corporate actions. At the same time, the Corporate Governance Code relates the following issues to such actions:</p> <ul style="list-style-type: none"> • reorganization of the Company; • acquisition of 30 percent or more of voting shares of the Company (takeover); • execution by the Company of material transactions; • increase or decrease in the authorized capital of the Company; • listing and delisting of shares of the Company. <p>In accordance with the legislation and the Articles of Association of the Company, these issues are within the competence of the General Meeting of Shareholders and the Board of Directors of the Company. Most of these issues (with the exception of delisting of the Company's shares) are subject to preliminary consideration by the Strategy Committee of the Board of Directors of the Company, which includes 3 independent directors.</p> <p>Thus, independent directors evaluate significant corporate actions related to a possible conflict of interest as part of the review of materials for meetings of the Strategy Committee and the Board of Directors of the Company.</p> <p>In accordance with internal documents and the practice established by the Company, each member of the Board of Directors, based on the consideration of agenda items and materials on them, is entitled to send a dissenting opinion to the Corporate Secretary and other members of the Board of Directors, which is an integral part of minutes of a meeting of the Board of Directors.</p> <p>In addition, each member of the Board of Directors has the right to propose an alternative draft decision on each agenda item, which is to be included in the questionnaire on the relevant agenda items.</p>
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				<p>Due to the fact that consideration of the issue of delisting of shares of the Company is extremely unlikely, the Company does not see the risks associated with incomplete implementation of this recommendation of the Code.</p> <p>Due to the lack of a unified approach to understanding “significant corporate actions”, amendments to the internal documents of the Company are not planned in the near future</p>
2.5	The chairman of the board of directors promotes the most effective realisation of the functions assigned to the board of directors			
2.5.1	<p>An independent director was elected as the chairman of the board of directors, or from among the elected independent directors the senior independent director is determined, who coordinates work of independent directors and performs interaction with the chairman of the board of directors</p>	<p>1. The chairman of the board of directors is an independent director, or among independent directors the senior independent director is determined.</p> <p>2. A role, rights and obligations of the chairman of the board of directors (and if it is applicable, of the senior independent director) are properly specified in internal documents of the company</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>In terms of evaluation criterion № 1:</p> <p>The considered recommendations were not followed by the Company regarding the election of an independent director as the chairman of the Board of Directors and the determination of the senior independent director.</p> <p>The chairman of the Board of Directors is elected by members of the Board of Directors from among them by a majority of votes of the total number of members of the Board of Directors. In the reporting year, members of the Board of Directors proposed the candidacy of A. I. Kazakov, who is a non-executive director, as the chairman.</p> <p>When the Personnel and Remuneration Committee assesses candidates for members of the Board of Directors of the Company, A. I. Kazakov’s candidacy met all independence criteria, with the exception of two (affiliation with the Company and a substantial shareholder, since at the time of nomination A.I. Kazakov was a member of the Board of Directors of the Company and IDGC of Center and Volga Region PJSC). Moreover, A.I. Kazakov has the most extensive experience, high qualifications, is a professional director. In the course of the assessment of the Board of Directors in 2019, the activities of the chairman were rated as “Effective” (the highest rating).</p> <p>At the same time, independent directors</p>

				<p>take an active part in the work of the Board of Directors and have the opportunity to communicate directly with the chairman of the Board of Directors and the management of the Company. In addition, the Company created committees of the Board of Directors, which include independent directors:</p> <ul style="list-style-type: none"> - Audit Committee: formed by 2/3 of independent directors and is headed by an independent director; - Personnel and Remuneration Committee: 2 independent directors out of 5 members of the committee; - Strategy Committee: 3 independent directors. <p>The internal documents of the Company provide for the right of members of the Board of Directors to elect the Senior Independent Director. However, due to the lack of initiative from the members of the Board of Directors, the Senior Independent Director was not elected. In addition, the absence of the Senior Independent Director does not entail any risks, since the activities of independent directors are organized efficiently and the election of the Senior Independent Director will not lead to an improvement in the quality of management.</p> <p>The issue of electing an independent director to the post of the chairman of the Board of Directors will be decided taking into account the actual election of the Board of Directors at the Annual General Meeting of Shareholders, as well as the nomination of the chairman by members of the Board of Directors.</p> <p>The issue of electing the Senior Independent Director will be considered if there is initiative from the independent directors of the Company</p>
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2.5.2	The chairman of the board of directors provides constructive atmosphere of carrying out of sessions, free discussion of questions included in the agenda of a session, control over execution of decisions accepted by the board of directors	1. Performance of the chairman of the board of directors was estimated within the procedure of estimation of efficiency of the board of directors in the reporting period	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.5.3	The chairman of the board of directors takes necessary measures for timely granting to members of the board of directors of the information necessary for decision-making concerning the agenda	1. An obligation of the chairman of the board of directors to take measures on provision of timely granting of materials to members of the board of directors concerning the agenda of a session of the board of directors is fixed in internal documents of the company	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.6	Members of the board of directors act honesty and reasonably in interests of the company and its shareholders on the basis of sufficient knowledge, with due degree of care and discretion			
2.6.1	Members of the board of directors make decisions taking into account the available information, with no conflict of interests, taking into account the equal attitude to shareholders of the company, within the limits of usual enterprise risk	<p>1. Internal documents of the company established that a member of the board of directors is obliged to notify the board of directors if he has a conflict of interests concerning any question of the agenda of a session of the board of directors or a committee of the board of directors, prior to the beginning of discussion of a corresponding question of the agenda.</p> <p>2. Internal documents of the company provide that a member of the board of directors should refrain from voting on any question in which he has a conflict of interests.</p> <p>3. The company established a procedure which allows the board of directors to receive professional consultations on questions concerning its competence, at the expense of the company</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.6.2	The rights and obligations of members of the board of directors are accurately formulated and fixed in internal documents of the company	1. The company approved and published an internal document accurately determining the rights and obligations of members of the board of directors	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

2.6.3	Members of the board of directors have enough time for accomplishment of their obligations	<p>1. Individual attendance of sessions of the board and committees, and also time given for preparation for participation in sessions, was considered within the limits of the procedure of estimation of the board of directors in the reporting period.</p> <p>2. According to internal documents of the company members of the board of directors are obliged to notify the board of directors on the intention to be a part of management bodies of other organisations (except for controlled and dependent organisations of the company), and also about the fact of such appointment</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.6.4	All members of the board of directors equally have access possibility to documents and information of the company. In the shortest possible time, the sufficient information on the company and work of the board of directors is given to newly elected members of the board of directors	<p>1. According to internal documents of the company members of the board of directors have the right to get access to documents and to do inquiries, concerning the company and organisations under its control, and the company's executive powers are obliged to give the corresponding information and documents.</p> <p>2. The company has a formalized program of fact-finding events for newly elected members of the board of directors</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.7	Sessions of the board of directors, preparation for them and participation in them of members of the board of directors provide for efficient activity of the board of directors			
2.7.1	Sessions of the board of directors are conducted as required, taking into account scope of activity and tasks the company faces during a certain time horizon	1. The board of directors conducted not less than six sessions for the reporting year	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.7.2	Internal documents of the company have the order of preparation and carrying out of sessions of the board of directors, providing to members of the board of directors possibility properly to be prepared for its carrying out	1. The company an approved internal document determining the procedure of preparation and carrying out of sessions of the board of directors which including establish that the notification of session carrying out should be made, as a rule, not less than 5 days prior to date of its carrying out	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.7.3	The form of carrying out of a session of the board of directors is determined taking into account importance of questions of the agenda. The most important questions are considered at sessions which are conducted in-person	1. The bylaws or an internal document of the company provide that the most important questions (according to the list specified in recommendation 168 of the Code) should be considered at in-person sessions of the board	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

2.7.4	Decisions on the most important questions of activity of the company are accepted at a session of the board of directors by the qualified majority or majority of votes of all elected members of the board of directors	1. The company's bylaws provide that decisions on the most important questions stated in recommendation 170 of the Code should be accepted at a session of the board of directors by the qualified majority, not less than three quarters of votes, or majority of votes of all elected members of the board of directors	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>The evaluation criterion is met by the Company partly due to the fact that the provisions of the Company's Articles of Association partially contain these recommendations, in particular, regarding the approval of material transactions (paragraph 18.8) and the consideration of material issues of activities of controlled companies (paragraph 18.10).</p> <p>The Company's Articles of Association do not provide decision-making on the questions stated in recommendation 170 of the Code, by a qualified majority of at least $\frac{3}{4}$ of the votes or a majority of the votes of all elected members of the Board of Directors. However, the Company's Articles of Association provide for the following:</p> <ul style="list-style-type: none"> – Decisions at a meeting of the Board of Directors of the Company shall be taken by a majority of votes of members of the Board of Directors of the Company participating in the meeting, with the exception of cases provided for by the legislation of the Russian Federation and these Articles of Associations. – The decision of the Board of Directors on the issue of consent to the commission or the subsequent approval of a major transaction is taken unanimously by all members of the Board of Directors. – Decisions of the Board of Directors of the Company are taken by a majority of three-quarters of the votes of the members of the Board of Directors of the Company of their total number on the following issues: <ul style="list-style-type: none"> on the suspension of the powers of the managing organization (manager) and on the appointment of Acting General Director of the Company; on the convocation of an extraordinary General Meeting of Shareholders of the Company in cases provided for by the Company's Articles of Associations; – Decisions of the Board of Directors of the Company are taken by a two-thirds majority of
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				<p>the members of the Board of Directors of the Company participating in the meeting on the following issues:</p> <p>the Company's participation in other organizations, the acquisition, alienation and encumbrance of shares and stakes, a change in the share of participation in the authorized capital of other organizations and the termination of the Company's participation in other organizations;</p> <p>approval of the procedure for interaction of the Company with organizations in which the Company participates;</p> <p>determination of the position of the Company (representatives of the Company), on issues on agendas of general meetings of shareholders (participants) of SAC and meetings of boards of directors of SAC.</p> <p>However, in practice, incomplete compliance with this recommendation of the Code is offset by a high level of involvement and activity of directors in the activities of the Board of Directors. In 2019, 94% of the meetings of the Board of Directors were held with a 100% quorum, the remaining 6% of the meetings were attended by at least 10 of the 11 elected directors. Thus, decisions were made by a majority of all elected members of the Board of Directors.</p> <p>Most of the issues provided for in this paragraph, in order to make balanced and justified decisions, are subject to preliminary consideration by the relevant committees under the Board of Directors. In the near future, amendments to the Articles of Association are not planned.</p>
2.8	The board of directors creates committees for preliminary consideration of the most important questions of activity of the company			

2.8.1	For preliminary consideration of the questions connected with the control over financial and economic activity of the company, the audit committee is created, consisting of independent directors	<p>1. The board of directors created the audit committee, consisting exclusively of independent directors.</p> <p>2. Internal documents of the company specify tasks of the audit committee, including, inter alia, the tasks contained in recommendation 172 of the Code.</p> <p>3. At least one member of the audit committee, being an independent director, possesses experience and knowledge in the field of preparation, analysis, estimation and audit of financial statements.</p> <p>4. Sessions of the audit committee were conducted at least once a quarter during the reporting period</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>In terms of evaluation criterion № 1: The considered recommendations are not observed by the Company regarding forming of the audit committee exclusively from independent directors.</p> <p>The composition of the Audit Committee of the Company consists of 2 independent and 1 non-executive directors. At the same time, the Audit Committee is headed by an independent director.</p> <p>All the directors have the necessary knowledge and extensive experience, and are also able to form independent positions on issues on the agenda, which allows them to effectively fulfill the functions stipulated by the regulations on the committee.</p> <p>Thus, the elected composition of the audit committee is balanced taking into account the achievement of the key goal – promoting the effective performance of the functions of the Board of Directors of the Company.</p> <p>In order to create conditions for greater involvement of independent directors in the work of the committee, the possibility of their participation in the discussion of key issues, by decision of the Chairman of the committee, two other independent members of the Board of Directors were invited to all meetings of the committee held in the form of joint presence (A.V. Golovtsov, V.Y. Zarkhin).</p> <p>The Company plans to introduce this practice taking into account the actual election of the Board of Directors at the Annual General Meeting of Shareholders, as well as the competencies and experience of the elected directors to form a balanced committee. In addition, if the Board of Directors deems it necessary, other directors may be elected to the committee.</p>
2.8.2	For preliminary consideration of the questions connected with forming of effective and transparent practice of remuneration, the remuneration committee is created, consisting	<p>1. The board of directors created the remuneration committee which consists only of independent directors.</p> <p>2. The chairman of the remuneration committee is an independent director who is not the chairman of the board of</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>In terms of evaluation criterion № 1: The criterion is not met by the Company: the Personnel and Remuneration Committee</p>

	<p>of independent directors and headed by an independent director who is not the chairman of the board of directors</p>	<p>directors.</p> <p>3. Internal documents of the company specify tasks of the remuneration committee, including, inter alia, the tasks contained in recommendation 180 of the Code</p>		<p>consists of 2 independent and 3 non-executive directors.</p> <p>Moreover, all members of the committee possess the necessary knowledge and experience for the formation of balanced and justified decisions of the committee.</p> <p>The Company plans to introduce this practice taking into account the actual election of the Board of Directors at the Annual General Meeting of Shareholders, as well as the competencies and experience of the elected directors to form a balanced committee. In addition, if the Board of Directors deems it necessary, other directors may be elected to the committee.</p> <p>In terms of evaluation criterion № 2:</p> <p>The criterion is not met by the Company: Larisa A. Romanovskaya, who is not an independent director, was elected the Chairman of the Personnel and Remuneration Committee – Acting Deputy Director General of PJSC Rosseti for HR Management, Interaction with Authorities and the Media. Thus, the election of L.A. Romanovskaya as the Chairman of the Personnel and Remuneration Committee seems reasonable.</p> <p>The candidacy of the committee's chairman is nominated by members of the Board of Directors of the Company. On the issue of electing the chairman of the Personnel and Remuneration Committee of the members of the Board of Directors, one candidate was nominated as a non-executive director. No independent directors were nominated.</p> <p>The Company plans to introduce this practice taking into account the actual election of the Board of Directors at the Annual General Meeting of Shareholders, as well as the nomination of candidates for the chairman of the committee by members of the Board of Directors.</p> <p>In addition, if the Board of Directors deems it necessary, another person may be approved as the chairman of the committee, since in</p>
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				<p>accordance with the provisions on the committees, the chairmen of the committees are approved by the decision of the Board of Directors of the Company.</p> <p>In terms of evaluation criterion № 3:</p> <p>The committee's functions, fixed by the Company's internal documents, partly correspond to recommendations of the Corporate Governance Code, in this connection, in order to implement the recommendations of the Code (clause 180), the Company plans to prepare relevant proposals when introducing amendments and additions to internal documents, and the decision can be made subject to the positive position of the Board of Directors of the Company</p>
2.8.3	<p>For preliminary consideration of the questions connected with realisation of personnel planning (succession planning), professional composition and overall performance of the board of directors, the nomination (staff, personnel) committee is created which majority of members being independent directors</p>	<p>1. The board of directors created the nomination committee (or its tasks specified in recommendation 186 of the Code, are implemented within the limits of another committee) which majority of members are independent directors.</p> <p>2. Internal documents of the company specify tasks of the nomination committee (or a corresponding committee with combined functionality), including, inter alia, the tasks contained in recommendation 186 of the Code</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>In terms of evaluation criterion № 1:</p> <p>Functions of the nomination committee are performed by the Personnel and Remuneration Committee.</p> <p>The Personnel and Remuneration Committee consists of 2 independent and 3 nonexecutive directors.</p> <p>Moreover, all members of the committee possess the necessary knowledge and experience for the formation of balanced and justified decisions of the committee.</p> <p>The Company plans to introduce this practice taking into account the actual election of the Board of Directors at the Annual General Meeting of Shareholders, as well as the competencies and experience of the elected directors to form a balanced committee.</p> <p>In addition, if the Board of Directors deems it necessary, other directors may be elected to the committee.</p> <p>In terms of evaluation criterion № 2:</p> <p>The committee's functions and tasks, fixed by the Company's internal documents, not in full correspond to recommendations of the Corporate Governance Code, in this connection, in order to implement the recommendations of the Code (clause 180), the</p>

				Company plans to prepare relevant proposals when introducing amendments and additions to internal documents, and the decision can be made subject to the positive position of the Board of Directors of the Company.
2.8.4	Taking into account scope of activity and a risk level the company's board of directors made sure that the composition of its committees completely answers the purposes of activity of the company. Additional committees either were created, or were recognised unnecessary (committee on strategy, committee on corporate governance, committee on ethics, committee on risk management, committee on budget, committee on health, safety and environment, etc.)	1. In the reporting period the company's board of directors considered the question on conformity of the composition of its committees to tasks of the board of directors and to the purposes of activity of the company. Additional committees either were created, or were not recognised necessary	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.8.5	The composition of committees is determined so that it allows to conduct tentatively all-round discussion of cases in point taking into account various opinions	<p>1. Committees of the board of directors are headed by independent directors.</p> <p>2. Internal documents (policies) of the company have provisions according to which persons, who are not a part of the audit committee, nomination committee and remuneration committee, can visit sessions of committees only under an invitation of the chairman of a corresponding committee</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>In terms of evaluation criterion № 1:</p> <p>The Company not in full observes the Code recommendation, namely, not all the Committees of the Board of Directors of the Company are headed by independent directors.</p> <p>As of 31.12.2019:</p> <ul style="list-style-type: none"> – Chairman of the Audit Committee was an independent director; – Chairman of the Personnel and Remuneration Committee was a non-executive director; – Chairmen of the Strategy Committee, the Reliability Committee and the Grid Connection Committee were persons, who are not members of the Board of Directors. <p>At the same time, the chairmen of all committees possess the necessary competencies, including in the field of organization of work, preparation and holding of meetings, which make it possible to make</p>

				<p>balanced and justified decisions of the committees. Thus, the election of these persons as the chairmen of the committees seems reasonable.</p> <p>In addition, the risk of non-compliance with this recommendation of the Code is offset by the balance of the composition of the committees regarding the necessary knowledge and experience. The diverse and yet balanced composition of the committees allows to consider different opinions when making decisions.</p> <p>The Company plans to introduce this practice taking into account the actual election of the Board of Directors at the Annual General Meeting of Shareholders, as well as the nomination of candidates for the chairman of the committee by members of the Board of Directors.</p> <p>In addition, if the Board of Directors deems it necessary, another person may be approved as the chairman of the committee, since in accordance with the provisions on the committees, the chairmen of the committees are approved by the decision of the Board of Directors.</p>
2.8.6	Chairmen of committees regularly inform the board of directors and its chairman on work of the committees	1. During the reporting period chairmen of committees regularly reported about work of the committees to the board of directors	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
2.9	The board of directors provides carrying out of estimation of quality of work of the board of directors, its committees and members of the board of directors			
2.9.1	Carrying out of estimation of quality of work of the board of directors is aimed at determination of degree of overall performance of the board of directors, committees and members of the board of directors, conformity of their work to requirements of development of the company, making work of the board of directors more active and revealing of areas in which their activity can be improved	<p>1. The self-estimation or the external assessment of work of the board of directors, which was performed in the reporting period, included an assessment of work of committees, separate members of the board of directors and the board of directors as a whole.</p> <p>2. Results of the self-estimation or the external estimation of the board of directors, which was performed during the reporting period, were considered at an in-person session of the board of directors</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>In terms of evaluation criterion № 2:</p> <p>The considered recommendations are not complied with in part of the consideration of the results of self-assessment of the Board of Directors at an in-person meeting of the Company's Board of Directors. The results of the self-assessment were reviewed by the Board of Directors at the meeting in absentia.</p> <p>The form of the meeting of the Board of Directors is determined by the Chairman. The</p>

				<p>Chairman of the Board of Directors determines the form of holding meetings of the Board of Directors, taking into account the importance of the agenda items, recommendations stipulated by clause 168 of the Corporate Governance Code recommended by the Bank of Russia for use by joint-stock companies, whose shares are admitted to on-exchange trading.</p> <p>See also notes to clause 2.7.3. regarding information support of absentee meetings of the Board of Directors.</p> <p>The Company plans to make relevant proposals when making changes to internal documents, and the decision can be made subject to the positive position of the Company's shareholders</p>
2.9.2	<p>The assessment of work of the board of directors, committees and members of the board of directors is performed on a regular basis at least once a year. For carrying out of an independent estimation of quality of work of the board of directors no less frequently than once every three years an external organisation (consultant) is involved</p>	<p>1. For carrying out of an independent estimation of quality of work of the board of directors during three last reporting periods at least once the company involved an external organisation (consultant)</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>For the first time, the Company conducted a self-assessment of the work of the Board of Directors in the 2019-2020 corporate year based on the assessment methodology approved by the Board of Directors (Minutes of 22.11.2018 № 37/18).</p> <p>The independent estimation of quality of work of the board of directors with attraction of the external organisation (consultant) was not conducted.</p> <p>In accordance with paragraph 5.5. of the Regulation on the Board of Directors of the Company it is entitled to annually assess the performance of the Board of Directors independently (self-assessment) or with the assistance of an independent external organisation (consultant) with the necessary qualifications to conduct such an assessment.</p> <p>In accordance with Art. 2.9.2. of the Code the evaluation of the work of the board of directors, committees and members of the board of directors should be carried out on a regular basis at least once a year. To conduct an independent assessment of the quality of work of the board of directors, it is recommended to periodically - at least once</p>

				<p>every three years - involve an external organisation (consultant).</p> <p>Based on the results of the self-assessment, it is planned to develop a plan of measures to improve the corporate governance of the Company, including activities (support activities) of the Board of Directors and committees. Thus, the Company considers it expedient to improve the practice of corporate governance in the coming years without the involvement of consultants, systematically taking into account the results of the annual self-assessment, and then carry out an assessment by independent experts.</p> <p>The Company plans to conduct the next three years assessment using the methodology approved by the Board of Directors; after this period, the issue of engagement of an external organisation for evaluation will be considered</p>
3.1	The corporate secretary of the company performs effective current interaction with shareholders, coordination of actions of the company on protection of the rights and interests of shareholders, support of effective work of the board of directors			
3.1.1	The corporate secretary possesses knowledge, experience and qualification, sufficient for execution of the obligations assigned to him or her, faultless reputation and enjoys confidence of shareholders	<p>1. The company approved and disclosed the internal document - the regulation on the corporate secretary.</p> <p>2. On the company's Internet site and in the annual report the biographic information on the corporate secretary is presented, with the same level of detailed elaboration, as for members of the board of directors and executives of the company</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
3.1.2	The corporate secretary possesses sufficient independence from executive powers of the company and has necessary powers and resources for accomplishment of the tasks set	1. The board of directors approves appointment, discharge from a post and an additional remuneration of the corporate secretary	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
4.1	The level of remuneration paid by the company is sufficient for attraction, motivation and preservation of persons possessing the competence and qualification necessary for the company. Payment of remuneration to members of the board of directors, to executive powers and other key executives of the company is performed according to the policy accepted in the company on remuneration			

4.1.1	The level of the remuneration given by the company to members of the board of directors, to executive powers and other key executives, creates sufficient motivation for their effective work, allowing the company to involve and keep competent and qualified specialists. At the same time the company avoids a bigger remuneration level than it is necessary, and also an unfairly big difference between levels of remuneration of the specified persons and employees of the company	1. The company approved the internal document (documents) - the policy (policies) on remuneration of members of the board of directors, executive powers and other key executives in which approaches to remuneration of the specified persons are accurately specified	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
4.1.2	The policy of the company on remuneration is developed by the remuneration committee and confirmed by the company's board of directors. The board of directors with support of the remuneration committee provides the control over implementation and realisation of the remuneration policy in the company, and if necessary - reviews and amends it	1. During the reporting period the remuneration committee considered policy (policies) on remuneration and its (their) implementation practice and, if necessary, presented corresponding recommendations to the board of directors	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
4.1.3	The policy of the company on remuneration contains transparent mechanisms of determination of rate of remuneration of members of the board of directors, executive powers and other key executives of the company, and also regulates all kinds of payments, privileges and benefits given to the specified persons	1. The policy (policies) of the company on remuneration contains (contain) transparent mechanisms of determination of rate of remuneration of members of the board of directors, executive powers and other key executives of the company, and also regulates all kinds of payments, privileges and benefits given to the specified persons	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

4.1.4	The company determines a policy of the expense refunding (compensation) concretizing the list of expenses, subject to compensation, and a degree of service for which members of the board of directors, executive powers and other key executives of the company can have. Such policy can be a component of a policy of the company on compensation	1. In the policy (policies) on compensation or in other internal documents of the company rules of expense refunding of members of the board of directors, executive powers and other key executives of the company are established	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
4.2	The system of remuneration of members of the board of directors provides convergence of financial interests of directors with long-term financial interests of shareholders			
4.2.1	The company pays fixed annual remuneration to members of the board of directors. The company does not pay remuneration for participation in separate sessions of the board or committees of the board of directors. The company does not apply forms of short-term motivation and additional material stimulation concerning members of the board of directors	1. The fixed annual remuneration was the only monetary form of remuneration of members of the board of directors for work in the board of directors during the reporting period	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
4.2.2	Long-term stockholding of the company to the greatest degree promotes convergence of financial interests of members of the board of directors with long-term interests of shareholders. Thus, the company does not specify the right of realisation of stocks with achievement of certain indicators of activity, and members of the board of directors do not participate in option plans	1. If the internal document (documents) - policy (policies) on remuneration of the company provide granting of stocks of the company to members of the board of directors, accurate rules of stockholding by members of the board of directors, aimed at stimulation of long-term ownership by such stocks should be provided and disclosed	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	The Company's remuneration policy does not provide for the provision of shares of the Company to members of the Board of Directors. In this regard, this criterion is not applicable
4.2.3	The company does not provide for any supplemental wage payments or compensations in case of preschedule termination of powers of members of the board of directors in connection with control transition over the company or other circumstances	1. The company does not provide for any supplemental wage payments or compensations in case of preschedule termination of powers of members of the board of directors in connection with control transition over the company or other circumstances	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

4.3	The system of remuneration of members of executive powers and other key executives of the company provides dependence of remuneration on result of work of the company and their personal contribution to achievement of this result			
4.3.1	Remuneration of members of executive powers and other key executives of the company is determined so that to provide a reasonable and justified ratio of the fixed part of remuneration and the variable part of remuneration depending on results of work of the company and the personal (individual) contribution of an employee in the end result	<p>1. During the reporting period the annual figures of efficiency approved by the board of directors were used at determination of the size of variable remuneration of members of executive powers and other key executives of the company.</p> <p>2. During last conducted estimation of the system of remuneration of members of executive powers and other key executives of the company, the board of directors (the remuneration committee) made sure that the company uses the effective ratio of the fixed part of remuneration and the variable part of remuneration.</p> <p>3. The company provides for a procedure ensuring returning to the company of bonus payments, wrongfully received by members of executive powers and other key executives of the company</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>In terms of evaluation criteria № 2:</p> <p>The considered recommendations are not observed by the Company regarding carrying out of estimation of the system of remuneration of members of executive powers and other key executives of the company, determination of the procedure providing returning to the company of bonus payments, wrongfully received by members of executive powers and other key executives of the company.</p> <p>The Company has not developed separate guidelines for estimation of the system of remuneration of members of executive powers and other key executives of the Company. However, when deciding on the payment of remuneration to members of the executive bodies and other key management personnel of the Company, the Board of Directors reviews and approves a report on the achievement of key performance indicators, the bonus remuneration directly depends on the achievement of performance results and reflects the efficiency of the work of key executives, personal responsibility for their implementation</p> <p>In terms of evaluation criteria № 3:</p> <p>The Labour Code of the Russian Federation does not provide for the possibility of returning to the Company payments made to employees.</p> <p>In addition, the motivation of management is based on the achievement of KPIs, a calculation methodology, target values and assessment of which are determined by the Board of Directors of the Company. In this regard, there is no risk of unlawful receipt of bonus payments by the management of the Company</p>

4.3.2	The company implemented the program of long-term motivation of members of executive powers and other key executives of the company with use of stocks of the company (options or other derivative financial instruments a basic asset on which are the company's stocks)	<p>1. The company implemented the program of long-term motivation for members of executive powers and other key executives of the company with use of stocks of the company (financial tools based on stocks of the company).</p> <p>2. The program of long-term motivation of members of executive powers and other key executives of the company provides that the right of realisation of stocks used in such a program and other financial tools comes not earlier than in three years from the moment of their granting. Thus, the right of their realisation specifies achievement of certain indicators of activity of the company</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>The Board of Directors approved the Regulation about the option plan, at the same time, realisation of the Stock Option Plan is not performed in the Company as the Board of Directors has not confirmed the plan parameters.</p> <p>At the same time, the Company uses other tools to motivate management, based on the achievement of KPIs, calculation methods, target values, the achievement of which is determined by the Board of Directors of the Company.</p> <p>The achievement of a number of KPIs affects the increase in capitalization and long-term growth in the shareholder value of the Company. The Company is considering the possibility of introducing a long-term incentive program for members of executive bodies using the company's shares (financial instruments based on the company's shares), based on market conditions and the policy of Rosseti's Group of Companies on this issue</p>
4.3.3	The compensation amount (golden parachute) paid by the company in case of the preschedule termination of powers to members of executive powers or key executives at the initiative of the company and at absence of their unfair actions, does not exceed the double size of the fixed part of annual remuneration	1. The compensation amount (golden parachute) paid by the company in case of the preschedule termination of powers to members of executive powers or key executives at the initiative of the company and at absence of their unfair actions, in the reporting period did not exceed the double size of the fixed part of annual remuneration	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
5.1	The company created an effectively functioning risk management and internal control system, aimed at provision of reasonable confidence of achievement of the targets set to the company			
5.1.1	The company's board of directors specifies principles and approaches to the organisation of a risk management and internal control system in the company	1. Functions of various management bodies and divisions of the company in the risk management and internal control system are accurately specified in internal documents/a corresponding policy of the company approved by the board of directors	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

5.1.2	The company's executive powers provide creation and maintenance of functioning of an effective risk management and internal control system in the company	1. The company's executive powers provided distribution of functions and powers concerning risk management and internal control between their accountable heads (chiefs) of divisions and departments	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
5.1.3	The risk management and internal control system in the company provides an objective, fair and clear idea of a current condition and prospects of the company, integrity and transparency of reporting of the company, rationality and acceptability of risks accepted by the company	1. The company approved the policy on corruption counteraction. 2. The company organised an accessible way of informing the board of directors or the audit committee of the board of directors about facts of infringement of the legislation, internal procedures, the code of ethics of the company	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
5.1.4	The company's board of directors undertakes necessary measures to make sure that the risk management and internal control system acting in the company corresponds to principles and approaches to its organisation determined by the board of directors and effectively functions	1. During the reporting period, the board of directors or the audit committee of the board of directors conducted an estimation of effectiveness of the risk management and internal control system of the company. Data on the basic results of such estimation are included in the contents of the annual report of the company	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
5.2	For a regular independent estimation of reliability and effectiveness of the risk management and internal control system, and practice of corporate governance the company organises internal audit carrying out			
5.2.1	For internal audit carrying out the company created a separate structural division or involved an independent external organisation. The functional and administrative accountability of the internal audit division is differentiated. The internal audit division functionally reports to the board of directors	1. For internal audit carrying out the company created a separate structural division of internal audit functionally accountable to the board of directors or the audit committee, or involved an independent external organisation with the same principle of accountability	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
5.2.2	The internal audit division conducts an estimation of effectiveness of the internal control system, an estimation effectiveness of the risk management system, and the corporate governance system as well. The company applies commonly used standards of activity in the field of internal audit	1. During the reporting period within the limits of internal audit carrying out the estimation of effectiveness the risk management and internal control system was given. 2. The company uses standard approaches to internal control and risk management	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
6.1	The company and its activity are transparent for shareholders, investors and other stakeholders.			

6.1.1	The company developed and implemented the information policy providing effective information interaction of the company, shareholders, investors and other stakeholders	<p>1. The company's board of directors approved the information policy of the company developed taking into account recommendations of the Code.</p> <p>2. The board of directors (or one of its committees) considered the questions connected with observance by the company of its information policy at least once for the reporting period</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
6.1.2	The company discloses information on the system and practice of corporate governance, including detailed information about observance of principles and recommendations of the Code	<p>1. The company discloses information on the corporate governance system in the company and the general principles of corporate governance applied in the company, including on the company's site on the Internet.</p> <p>2. The company discloses information on the composition of executive powers and the board of directors, independence of members of the board of directors and their membership in committees of the board of directors (according to the Code determination).</p> <p>3. In case of availability of a person controlling the company, the company publishes the memorandum of the controller concerning plans of such a person concerning corporate governance in the company</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
6.2	The company in due time discloses complete, actual and trustworthy information about the company for providing possibility of accepting of reasonable decisions by shareholders of the company and investors			
6.2.1	The company discloses information according to principles of regularity, sequence and efficiency, and also availability, reliability, completeness and comparability of the disclosed data	<p>1. The company's information policy specifies approaches and criteria of determination of information, capable to make essential impact on estimation of the company and cost of its securities and procedures providing timely disclosing of such information.</p> <p>2. In a case if the company's securities are traded at foreign organised markets, disclosing of the essential information in the Russian Federation and in such markets is performed synchronously and is equivalent within a reporting year.</p> <p>3. If nonresident shareholders own essential quantity of stocks of the company, then within a reporting year information disclosure was performed not only in Russian, but also and in one of the most widespread foreign languages</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

6.2.2	The company avoids a formalistic approach at disclosing of the information and discloses the essential information on the activity even if disclosing of such information is not provided by the legislation	<p>1. During the reporting period the company disclosed the annual and semi-annual financial statements under IFRS standards. The annual financial statements constituted under IFRS standards were included in the company's annual report for the reporting period, together with the audit opinion.</p> <p>2. The company discloses the complete information about the company's capital structure in conformity with Recommendation 290 of the Code in the annual report and on the company's site on the Internet</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
6.2.3	The annual report, being one of the most important tools of information interaction with shareholders and other stakeholders, contains the information, allowing to estimate results of activity of the company for a year	<p>1. The company's annual report contains the information on key aspects of operational activity of the company and its financial results.</p> <p>2. The company's annual report contains the information on ecological and social aspects of the company's activity</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
6.3	The company gives information and documents by inquiries of shareholders according to principles of equal and unhindered access			
6.3.1	Granting by the company of information and documents by inquiries of shareholders is performed according to principles of equal and unhindered access	1. The information policy of the company determines an easy order of granting to shareholders of access to information, including information on legal entities under the company's control, on demand of shareholders	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
6.3.2	While granting by the company of information to shareholders some reasonable balance between interests of concrete shareholders and interests of the company interested in preserving of confidentiality of important commercial information which can make essential impact on its competitiveness is provided	<p>1. During the reporting period, the company did not refuse satisfaction of inquiries of shareholders about information granting, or such refusals were justified.</p> <p>2. In the cases specified by the company's information policy, shareholders are warned about confidential character of information and assume responsibility to preserve its confidentiality</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	
7.1	Actions, which substantially influence or can affect the company's equity holding structure and financial condition and, accordingly, on position of shareholders (essential corporate actions), are performed on fair conditions providing observance of the rights and interests of shareholders, and also other stakeholders			
7.1.1	Essential corporate actions are recognized as the company's reorganisation, acquisition of 30 and more percent of voting shares of the company (take-over), fulfilment by the company of major transactions, increase or	1. The company's bylaws specify the list of transactions or other actions which are essential corporate actions and criterion for their determination. Decision-making concerning essential corporate actions pertains to the competence of the board of directors. When realisation of the	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>In terms of evaluation criterion № 1:</p> <p>The considered recommendations are partly observed by the Company: the Company's Articles of Association do not contain the definition of "significant corporate actions".</p>

	<p>reduction of authorised capital of the company, realisation of listing and delisting of the company's stocks, and also other actions which can lead to essential change of shareholders' rights or infringement of their interests. The company's bylaws specify the list (criteria) of transactions or other actions which are essential corporate actions, and such actions pertain to the competence of the board of directors of the company</p>	<p>given corporate actions is directly by the legislation within the shareholders' general meeting competence, the board of directors gives corresponding recommendations to shareholders.</p> <p>2. The company's bylaws specify, at least, such essential corporate actions as: the company's reorganisation, acquisition of 30 and more percent of voting shares of the company (take-over), fulfilment by the company of major transactions, increase or reduction of authorised capital of the company, realisation of listing and delisting of the company's stocks</p>		<p>At the same time, decision-making on issues related to material actions specified in the Code (reorganization of the Company, increase/decrease of the authorized capital of the Company, adoption of decisions on participation of the Company in other organizations, decision-making on the application for delisting of shares of the Company and (or) equity securities of the Company convertible into its shares, making decisions on consent to conclude or on subsequent approval of major transactions, preliminary approval of decisions on conclusion of transactions, the subject of which is non-current assets of the Company in the amount of 10 to 25 percent of the carrying value of these assets according to the financial statements as of the last reporting date; preliminary approval of decisions on conclusion of transactions by the Company (including several interrelated transactions) related to the alienation or the possibility of alienation of core property, in cases (amounts) determined by individual decisions of the Board of Directors of the Company, approval of other transactions of the Company and entities controlled by it) in accordance with applicable law and the Articles of Association is referred to the competence of the General Meeting of Shareholders or the Board of Directors.</p> <p>When submitting any questions to the shareholders' meeting, including on significant corporate actions, the Board of Directors provides shareholders with relevant recommendations.</p> <p>Due to the lack of a unified approach to understanding of "significant corporate actions", amendments to the internal documents of the Company are not planned in the near future</p>
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7.1.2	<p>The board of directors plays a key role in decision-making or development of recommendations concerning essential corporate actions, the board of directors relies upon a position of independent directors of the company</p>	<p>1. The company provides for a procedure according to which independent directors declare their position on essential corporate actions before their approval</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>The reviewed recommendation is partially observed by the Company as the Company's Articles of Association do not contain the definition of "significant corporate actions".</p> <p>At the same time, the Corporate Governance Code relates the following issues to such actions:</p> <ul style="list-style-type: none"> • reorganization of the Company; • acquisition of 30 percent or more of voting shares of the Company (takeover); • execution by the Company of material transactions; • increase or decrease in the authorized capital of the Company; • listing and delisting of shares of the Company. <p>In accordance with the legislation and the Articles of Association of the Company, these issues are within the competence of the General Meeting of Shareholders and the Board of Directors of the Company. Most of these issues (with the exception of delisting of the Company's shares) are subject to preliminary consideration by the Strategy Committee of the Board of Directors of the Company, which includes 3 independent directors.</p> <p>Thus, independent directors have the opportunity to declare their position on significant corporate actions as part of the consideration of materials for meetings of the Strategy Committee and the Board of Directors of the Company.</p> <p>In accordance with internal documents and the practice established by the Company, each member of the Board of Directors, based on the consideration of agenda items and materials on them, is entitled to send a dissenting opinion to the Corporate Secretary and other members of the Board of Directors, which is an integral part of minutes of a meeting of the Board of Directors.</p> <p>In addition, each member of the Board of Directors has the right to propose an</p>
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				<p>alternative draft decision on each agenda item, which is to be included in the questionnaire on the relevant agenda items.</p> <p>Due to the fact that consideration of the issue of delisting of shares of the Company is extremely unlikely, the Company does not see the risks associated with incomplete implementation of this recommendation of the Code.</p> <p>Due to the lack of a unified approach to understanding of “significant corporate actions”, amendments to the internal documents of the Company are not planned in the near future</p>
7.1.3	<p>At fulfilment of the essential corporate actions mentioning the rights and legitimate interests of shareholders, equal conditions for all shareholders of the company are provided, and at insufficiency of mechanisms provided by the legislation aimed at protection of shareholders' rights, - additional measures protecting the rights and legitimate interests of shareholders of the company. Thus the company is guided not only by observance of formal requirements of the legislation, but also the principles of corporate governance stated in the Code</p>	<p>1. The bylaws of the company taking into account features of its activity establishes lower than the minimum criteria of reference of transactions of the company provided by the legislation to essential corporate actions.</p> <p>2. During the reporting period, all essential corporate actions underwent an approval procedure before their realisation</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>In terms of evaluation criterion № 1:</p> <p>The considered recommendations are not observed by the Company as the Articles of Association do not define the concept of “significant corporate actions”. For relevant explanations, see clause 7.1.1., 7.1.2.</p> <p>In addition, the competence of the Board of Directors in relation to transactions has been significantly expanded. The list of such transactions is given in the explanatory notes to clause 1.2.4.</p> <p>Due to the lack of a unified approach to understanding of “significant corporate actions”, amendments to the internal documents of the Company are not planned in the near future</p>
7.2	<p>The company provides such an order of fulfilment of essential corporate actions which allows shareholders to receive in due time complete information about such actions, provides them with possibility to influence fulfilment of such actions and warrants observance and adequate level of protection of their rights at fulfilment of such actions</p>			
7.2.1	<p>Information on fulfilment of essential corporate actions is disclosed with explanation of reasons, conditions and consequences of fulfilment of such actions</p>	<p>1. During the reporting period the company in due time and in details disclosed the information on essential corporate actions of the company, including reasons and terms of fulfilment of such actions</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	

7.2.2	Rules and procedures, connected with realisation by the company of essential corporate actions, are fixed in internal documents of the company	<p>1. Internal documents of the company provide a procedure of attraction of an independent appraiser for cost determination of property alienated or acquired under a major transaction or a related party transaction.</p> <p>2. Internal documents of the company provide a procedure of attraction of an independent appraiser for estimation of cost of acquisition and repurchase of the company's shares.</p> <p>3. Internal documents of the company provide for an expanded list of reasons on which members of the board of directors of the company and other persons provided by the legislation are recognised as related parties in the company's transactions</p>	<ul style="list-style-type: none"> • In compliance • In compliance partially • Not in compliance 	<p>In terms of evaluation criterion № 3:</p> <p>The considered recommendations are not observed by the Company in terms of fixing in the internal documents of the Company an extended list of grounds on which members of the Board of Directors of the Company and other persons provided by law are recognized as parties related to the company's transactions.</p> <p>Moreover, in accordance with the Regulation on the Board of Directors, in the event of a potential conflict of interest for a member of the Board of Directors, including if there is relation in the company's making a transaction, such a member of the Board of Directors must immediately inform the Board of Directors of the Company and in any case put the interests of the Company above own interests. Such a message should be made in any case before the discussion of the issue on which such a member of the Board of Directors has a conflict of interest at a meeting of the Board of Directors.</p> <p>When implementing this recommendation, there is a risk of restricting the voting rights of members of the Board of Directors who are not actually related to transactions.</p> <p>In connection with the above, expanding the list of grounds on which transactions can be classified as related-party transactions seems inappropriate</p>
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