Report on complying with the principles and recommendations of the Corporate Governance Code

The Board of Directors confirms that the data provided in this report contains complete and reliable information on PJSC Magnit’s (hereinafter referred to as the “Company”) compliance with the principles and recommendations of the Corporate Governance Code, recommended by the Bank of Russia (Letter No. 06-52 / 2463 dated 10 April 2014) for use by joint-stock companies whose securities are admitted to organized trading (hereinafter referred to as the “Code”), for 2020.

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</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>The company shall ensure fair and equitable treatment of all shareholders in exercising their corporate governance rights.</td>
<td>1. The company's internal document approved by the general meeting of shareholders governing the procedures to hold general meetings of shareholders is publicly available.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 1.1.1 | The company ensures the most favourable conditions for its shareholders to participate in the general meeting, develop an informed position on agenda items of the general meeting, coordinate their actions, and voice their opinions on items considered. | 2. The company provides accessible means of communication with the company, such as a hotline, e-mail, or online forum, to enable shareholders to express their opinion and send questions on the agenda in preparation for the general meeting.
2. The company performed the above actions in advance of each general meeting held in the reporting period. | Full | |
| 1.1.2 | The procedure for giving notice of, and providing relevant materials for, the general meeting enables shareholders to properly prepare for attending the general meeting. | 1. The notice of an upcoming general meeting of shareholders is posted (published) online at least 30 days prior to the date of the general meeting. |
| 1.1.2 | | 2. The notice of an upcoming meeting indicates the location of the meeting and the documents required for admission. |
| 1.1.2 | | 3. Shareholders were given access to the information on who proposed the agenda items and who proposed nominees to the company’s board of directors and the revision committee. | Full |
1. In the reporting period, shareholders were given an opportunity to put questions to members of executive bodies and members of the board of directors in advance of, and during the annual general meeting.

2. The position of the board of directors (including dissenting opinions entered in the minutes) on each item on the agenda of general meetings held in the reporting period was included in the minutes for the general meeting of shareholders.

3. The company gave duly authorized shareholders access to the list of persons entitled to participate in the general meeting, as from the date when such list was received by the company for all general meetings held in the reporting period.

4. There were no unjustified difficulties preventing shareholders from exercising their right to request that a general meeting be convened to propose normative amendments to the company’s governing bodies, and to make proposals for the agenda of the general meeting.

5. Each shareholder was able to freely use the voting right in the simplest and most convenient way.

6. The procedure for holding a general meeting set by the company provides equal opportunities for all persons attending the meeting to voice their opinions and ask questions.

7. During general meetings, shareholders’ hold in the reporting period in the form of writing (joint presence of shareholders), sufficient time was allocated for reports on, and discussion of, the agenda items.

8. Candidates to the company’s governing and control bodies were available to answer questions of shareholders at the meeting at which their nominations were put to vote.

9. When passing resolutions on preparing and holding general meetings of shareholders, the board of directors considered using telecommunication means for remote access of shareholders to general meetings in the reporting period.

10. Each shareholder was able to receive clear and timely information about the agenda of the general meeting, as from the date when such list was received by the company for all general meetings held in the reporting period.

11. Shareholders were able to freely exercise their voting rights.

12. The company did not reject any proposals for the agenda of the annual general shareholders meeting for 2018 considered the issue of increasing the deadline to submit proposals to the agenda of the annual general meeting (hereinafter referred to as the “Proposals”) to up to 45 days, considering it sufficient to make the Proposals.

13. The annual general shareholders meeting for 2018 considered increasing the period to 45 days, considering it sufficient to submit the Proposals within this period.

14. The possibility and necessity of such a practice is planned to be considered before the annual general meeting of shareholders, which will be held for 2021.

15. The Registrar JSC Novy Registrator performs the functions of the registrar of the Company to participate at the meeting in person.

16. The company’s internal documents set out the possibility for candidates to the management and supervision bodies of the Company to participate at the meeting in person. However, in the reporting year, due to the epidemiological situation and in accordance with Federal Law No. 50-FZ dated 18 March 2020, the general shareholders meeting was held in the form of absentee.

17. The Board of Directors did not consider the issue of providing shareholders with remote access to take part in general meetings during the reporting period because the majority of Company shareholders (over 97%) are clients of nominal holders and participate in the meeting by sending electronic documents to the registrar containing their expression of will on the agenda items of the general meeting.

18. The company has developed and put in place a transparent and clear mechanism for remote access of shareholders to general meetings during the reporting period because the majority of Company shareholders (over 97%) are clients of nominal holders and participate in the meeting by sending electronic documents to the registrar containing their expression of will on the agenda items of the general meeting.

19. The company has drafted and disclosed a dividend policy approved by the board of directors.

20. The company’s dividend policy uses reporting figures to determine the dividend amount and payout procedures.

21. The company does not resolve to pay out dividends if such payout, while formally compliant with law, is economically unjustified and may lead to a false representation of the company’s performance.

22. The company’s dividend policy clearly identifies financial economic circumstances under which the company shall not pay out dividends.

23. The company does not allow for dividend rights of its existing shareholders to be impaired.

24. The company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.

25. The company has not refused such a request when holding general meetings of shareholders on the form of joint presence.

26. The company is working to improve internal documents, taking into account the recommendations of the Code and development plans. It is planned that the alignment of internal documents in accordance with the recommendation of the Code will be completed during 2021.
Report on complying with the principles and recommendations of the Corporate Governance Code (continued)

1.2.4 The company makes every effort to prevent its shareholders profiting from the company through any means other than dividends and liquidation value.

The company’s Articles of Association specify a number of transactions that require consent (approval) from the Board of Directors (or the Company’s Management Board) in cases where the law does not provide for such requirement. A similar approach is used in the Company’s subsidiaries.

This measure reduces potential additional risks associated with the failure to comply with this recommendation of the Code.

At the annual general shareholders meetings held for 2018 and 2019, at the proposal of the shareholders, the matter of amending the Articles of Association was considered in terms of establishing additional requirements for the approval of transactions of the Company or controlled entities with the affiliates of significant shareholders.

The shareholders twice did not support such amendments to the Company Articles of Association.

In the event that the relevant proposal is received from shareholders, the matter of establishing such control mechanisms in the internal documents of the Company will be reviewed again.

1.3 The corporate governance system and practices ensure equal conditions for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company.

The current legislation provides for the right of shareholders, which will be held at the end of 2021.

The participation of these shares in voting at general shareholders meetings does not result in the artificial redistribution of corporate control.

The company does not take any actions that lead or may lead to artificial redistribution of corporate control.

No quasi-treasury shares were issued or used to vote in the reporting period.

The current legislation provides for the right of shareholders to participate in the management of a joint-stock company by participating in general shareholder meetings with the right to vote on all matters within its competence. The company shareholders, including those controlled by the Company, are not restricted in the exercise of their rights established by securities.

Moreover, the actual share of quasi-treasury shares is extremely small and is consistently decreasing. The participation of these shares in voting at general shareholder meetings does not entail the artificial redistribution of corporate control of the Company. At the annual general meetings held for 2018 and 2019, at the suggestion of shareholders, the proposal of changing the Company’s Articles of Association in terms of the obligation of the Company to take measures aimed at limiting voting rights of shares owned by legal entities controlled by the Company was considered.

On both occasions, the shareholders did not support such amendments to the Company Articles of Association.

The possibility and necessity of such situation is planned to be considered before the annual general meeting of shareholders, which will be held at the end of 2021.

1.4 Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.

The company’s register maintains the share register in an efficient and reliable way that meets the needs of the company and its shareholders.

The board of directors provides strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control system, oversees the activities of the company’s executive bodies, and performs other key functions.

1.4 Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.

1. The company’s register maintains the share register in an efficient and reliable way that meets the needs of the company and its shareholders.

2. The board of directors provides strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control system, oversees the activities of the company’s executive bodies, and performs other key functions.

2.1 The board of directors plays a key role in preventing, identifying, and resolving internal conflicts between the company’s bodies, shareholders, and employees.

2. The company has developed and put in place a remuneration and remuneration policy (policies), approved by the board of directors, for its directors, members of executive bodies and other key executives.

2.1.1 The board of directors provides strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control system, oversees the activities of the company’s executive bodies, and performs other key functions.

1. The board of directors has the authority stipulated in the articles of association to appoint and remove members of executive bodies and/or set out the terms and conditions of their contracts.

2. At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval of the company’s financial and business plan (budget), as well as criteria and performance (including interim) of the company’s strategy and business plans.

2.1.2 The board of directors defines the company’s principles, and approves key business goals, as well as the strategy and business plans for the company’s core lines of business.

1. The board of directors reviewed strategy implementation and updates, approval of the company’s financial and business plan (budget), as well as criteria and performance (including interim) of the company’s strategy and business plans.

2. At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval of the company’s financial and business plan (budget), as well as criteria and performance (including interim) of the company’s strategy and business plans.

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2.1.4 The board of directors plays a key role in preventing, identifying, and resolving internal conflicts between the company’s bodies, shareholders, and employees.

2. The company has set up mechanisms to identify transactions leading to a conflict of interest and to resolve such conflicts.

2.1.5 The board of directors provides strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control system, oversees the activities of the company’s executive bodies, and performs other key functions.

1. The board of directors has the authority stipulated in the articles of association to appoint and remove members of executive bodies and/or set out the terms and conditions of their contracts.

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2. At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval of the company’s financial and business plan (budget), as well as criteria and performance (including interim) of the company’s strategy and business plans.

2.1.7 The board of directors defines the company’s principles, and approves key business goals, as well as the strategy and business plans for the company’s core lines of business.

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2. At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval of the company’s financial and business plan (budget), as well as criteria and performance (including interim) of the company’s strategy and business plans.
Report on complying with the principles and recommendations of the Corporate Governance Code (continued)

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<td>2.16</td>
<td>The board of directors plays a key role in ensuring that the company is transparent, timely and fully discloses its information, and provides its shareholders with unhindered access to the company’s documents.</td>
<td>1. The board of directors approved the company’s regulations on the information policy. 2. The company identified persons responsible for implementing the information policy.</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>2.17</td>
<td>The board of directors controls the company’s corporate governance practices and plays a key role in material corporate events of the company.</td>
<td>1. In the reporting period, the board of directors reviewed the company’s corporate governance practices.</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>The board of directors is accountable to the company’s shareholders.</td>
<td>1. The company’s annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings. 2. The annual report discloses key performance assessment results of the board of directors in the reporting period.</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>2.21</td>
<td>Performance of the board of directors is disclosed and made available to the shareholders.</td>
<td>1. The company has in place a transparent procedure enabling its shareholders to forward questions and express their position on such questions to the chairman of the board of directors.</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>2.22</td>
<td>The chairman of the board of directors is available to communicate with the company’s shareholders.</td>
<td>1. The board of directors reviewed the company’s regulations on the information policy.</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>The board of directors manages the company in an efficient and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders.</td>
<td>1. The procedure for assessing the board of directors’ performance established in the company includes, inter alia, assessment of directors’ professional qualifications. 2. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors for required experience, expertise, business reputation, absence of conflicts of interest, etc.</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>2.31</td>
<td>Only persons of impeccable business and personal reputation who have the knowledge, expertise, and experience required to make decisions within the authority of the board of directors and essential to perform its functions in an efficient way are elected to the board of directors.</td>
<td>1. Wherever the agenda of the general meeting of shareholders included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendation 102-107 of the Code, as well as the nominee’s written consent to be elected to the board of directors.</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>2.32</td>
<td>The company’s directors are elected via a transparent procedure that enables shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.</td>
<td>1. As part of assessment of the board of directors’ performance run in the reporting period, the board of directors reviewed its requirements to professional qualifications, experience, and business skills.</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>2.33</td>
<td>The board of directors has a balanced membership, including in terms of directors’ qualifications, experience, expertise, and business skills, and it has the trust of shareholders.</td>
<td>1. As part of assessment of the board of directors’ performance run in the reporting period, the board of directors considered whether the number of directors met the company’s needs and shareholders’ interests.</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>2.34</td>
<td>The company has a sufficient number of directors to organize the board of directors’ activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company’s substantial minority shareholders to elect a nominee to the board of directors for whom they vote.</td>
<td>1. In the reporting period, all independent directors met all independence criteria set out in recommendations 102-107 of the Code, or were deemed independent by resolution of the board of directors.</td>
<td>✔</td>
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</tbody>
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2020 Annual Report

Strategic Report

Corporate Governance

Appendices

magnit.com
### Report on complying with the principles and recommendations of the Corporate Governance Code (continued)

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<td><strong>2.4.3</strong> Independent directors make up at least one third of elected directors.</td>
<td>1. Independent directors make up at least one third of directors.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td><strong>2.4.4</strong> Independent directors play a key role in preventing/identifying conflicts in the company and in ensuring that the company performs material corporate actions.</td>
<td>1. Independent directors, with no conflicts of interest, run a preliminary assessment of material corporate actions implying a potential conflict of interest and submit the results to the board of directors.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td><strong>2.5</strong> The chairman of the board of directors ensures that the board of directors discharges its duties in the most efficient way.</td>
<td>1. The board of directors is chaired by an independent director, or a senior independent director supervising the activities of other independent directors and interacting with the chairman of the board of directors is chosen from among the elected independent directors. 2. The role, rights, and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company’s internal documents.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td><strong>2.5.3</strong> The chairman of the board of directors ensures that the board of directors discharges its duties in the most efficient way.</td>
<td>1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors. 2. The role, rights, and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are clearly stated and published in the company’s internal documents.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td><strong>2.6</strong> Directors act reasonably and in good faith in the best interests of the company and its shareholders, on a fully informed basis and with due care and diligence.</td>
<td>1. The company’s internal documents stipulate that a director should notify the board of directors of any existing conflict of interest as to any agenda item of a meeting of the board of directors or its committees, prior to discussing the relevant agenda item. 2. The company’s internal documents stipulate that a director should abstain from voting on any item in connection with which they have a conflict of interest. 3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td><strong>2.6.1</strong> Directors pass resolutions on a fully informed basis, with no conflict of interest, subject to equal treatment of the company’s shareholders, and assuming normal business risks.</td>
<td>1. The company’s internal documents stipulate that a director should notify the board of directors of any existing conflict of interest as to any agenda item of a meeting of the board of directors or its committees, prior to discussing the relevant agenda item.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td><strong>2.6.2</strong> The rights and duties of directors are clearly stated and incorporated in the company’s internal documents.</td>
<td>1. The company has adopted and published an internal document that clearly defines the rights and duties of directors.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td><strong>2.6.3</strong> Directors have sufficient time to perform their duties.</td>
<td>1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period. 2. Under the company’s internal documents, directors notify the board of directors of their intentions to be eligible to governing bodies of other entities (apart from the entities controlled by, or affiliated to the company), and of their election to such bodies.</td>
<td>✔️</td>
<td></td>
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</table>
### 2.7 Meetings of the board of directors

#### 2.7.1 Meetings of the board

Meeting of the board of directors, preparation for such meetings, and participation of directors ensure efficient performance by the board of directors.

#### 2.7.2 The format of the meeting

The company’s internal regulations formalize a procedure for arranging and holding meetings of the board of directors, enabling members of the board of directors to properly prepare for such meetings.

#### 2.7.3 The format of the meeting of the Corporate Governance Code (continued)

The most important matters are dealt with at meetings of the board of directors held in person.

#### 2.7.4 The format of the meeting

The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and stipulates, in particular, that the notice of the meetings is to be given, at a rate, at least five days prior to such meeting.

#### 2.7.5 The format of the meeting

In the opinion of the Company, the development of modern telecommunications technologies practically eliminates the differences in the effectiveness of in-person and absentee formats of meetings of the Board of Directors. The most important issues included in the agenda of meetings of the Board of Directors are preliminary considered by the relevant committees of the Board of Directors and are comprehensively discussed by members of the Board of Directors before voting, including absentee form of voting.

Taking into account the epidemiological situation that developed during the reporting year and the related limitations, in-person meetings for the Company were not economically feasible.

The Company believes that transferring a large number of resolutions on the tasks of the Board of Directors before voting, including absentee format of meetings of the Board of Directors, eliminates the differences in the effectiveness of in-person and absentee formats of meetings of the Board of Directors.

In the opinion of the Company, the development of modern telecommunications technologies practically eliminates the differences in the effectiveness of in-person and absentee formats of meetings of the Board of Directors.

#### 2.7.6 The format of the meeting

The company’s Articles of Association or internal document provides for the most important matters (as per the list set out in Recommendation 66 of the Code) to be passed at meetings of the board of directors held in person.

1. The board of directors held at least six meetings in the reporting year.

#### 2.7.7 The format of the meeting

In Recommendation 168 of the Code, it is determined taking into account the importance of its agenda items. The most important matters are dealt with at meetings of the board of directors held in person.

1. The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and stipulates, in particular, that the notice of the meetings is to be given, at a rate, at least five days prior to such meeting.

#### 2.7.8 The format of the meeting

The company’s Articles of Association or internal document provides for the most important matters (as per the list set out in Recommendation 66 of the Code) to be passed at meetings of the board of directors held in person.

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### 2.8 Resolutions on most important matters

#### 2.8.1 An audit committee comprised of independent directors

1. The board of directors set up an audit committee comprised solely of independent directors.

#### 2.8.2 To preview matters related to approving an efficient and transparent remuneration scheme

1. The board of directors set up a remuneration committee comprised solely of independent directors.

#### 2.8.3 To preview matters related to approving a nomination committee

1. The board of directors set up a nomination committee comprised solely of independent directors.

#### 2.8.4 To preview matters related to talent management

1. The board of directors has set up a talent management committee (or its tasks listed in Recommendation 1B of the Code are fulfilled by another committee)*$\text{\textdagger}$ predominantly comprised of independent directors.

* 1. The company’s internal documents set out the tasks of the audit committee, including those listed in Recommendation 1Z of the Code.

* 2. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analyzing, assessing, and auditing accounting (financial) statements.

* 3. In the reporting period, meetings of the audit committee were held at least once a quarter.

* 4. In the future, the Company plans to maintain this approach to holding meetings and to develop the use of modern telecommunications technologies when planning meetings and making decisions.

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### Compliance criteria

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<td>2.7</td>
<td>Meetings of the board of directors, preparation for such meetings, and participation of directors ensure efficient performance by the board of directors.</td>
<td>1. The board of directors held at least six meetings in the reporting year.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2.7</td>
<td>The company’s internal regulations formalize a procedure for arranging and holding meetings of the board of directors, enabling members of the board of directors to properly prepare for such meetings.</td>
<td>1. The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and stipulates, in particular, that the notice of the meetings is to be given, at a rate, at least five days prior to such meeting.</td>
<td>✓</td>
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<tr>
<td>2.7</td>
<td>The company’s Articles of Association or internal document provides for the most important matters (as per the list set out in Recommendation 66 of the Code) to be passed at meetings of the board of directors held in person.</td>
<td>1. The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and stipulates, in particular, that the notice of the meetings is to be given, at a rate, at least five days prior to such meeting.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>An audit committee comprised of independent directors is set up to preview matters related to controlling the company’s financial and business activities.</td>
<td>1. The board of directors set up an audit committee comprised solely of independent directors.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>To preview matters related to approving an efficient and transparent remuneration scheme, a remuneration committee was set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.</td>
<td>1. The board of directors set up a remuneration committee comprised solely of independent directors.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>To preview matters related to talent management (succession planning), professional composition, and efficiency of the board of directors, a nomination (appointments and HR) committee was set up, predominantly comprised of independent directors.</td>
<td>1. The board of directors has set up a talent management committee (or its tasks listed in Recommendation 1B of the Code are fulfilled by another committee)*$\text{\textdagger}$ predominantly comprised of independent directors.</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

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* 1. The company’s internal documents set out the tasks of the audit committee, including those listed in Recommendation 1Z of the Code.}

* 2. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analyzing, assessing, and auditing accounting (financial) statements.

* 3. In the reporting period, meetings of the audit committee were held at least once a quarter.

* 4. In the future, the Company plans to maintain this approach to holding meetings and to develop the use of modern telecommunications technologies when planning meetings and making decisions.

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### Requirements

1. The company’s Articles of Association or internal document provides for the most important matters (as per the list set out in Recommendation 66 of the Code) to be passed at meetings of the board of directors held in person.

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Report on complying with the principles and recommendations of the Corporate Governance Code (continued)

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Corporate Governance 2020 Annual Report
Taking into account the company’s scope of business and level of risk, the company’s board of directors, in line with the company’s business goals, ensured that the composition of its committees was in line with the company’s business goals. Additional committees were either set up or deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).

Committees are composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.

Committee chairmen inform the board of directors and the chairman on the performance of their committees on a regular basis.

The board of directors ensures performance assessment of the board of directors, its committees, and members of the board of directors.

The company’s corporate secretary ensures efficient ongoing interaction with shareholders, coordinate the company’s efforts to protect shareholder rights and interests and support efficient performance of the board of directors.

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2.9

The board of directors ensures performance assessment of the board of directors, its committees, and members of the board of directors.

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3.1

The company’s corporate secretary ensures efficient ongoing interaction with shareholders, coordinate the company’s efforts to protect shareholder rights and interests and support efficient performance of the board of directors.

3.1.1

The corporate secretary has the expertise, experiences, and qualifications sufficient to perform higher duties, as well as an impeccable reputation and the trust of shareholders.

1. The company has adopted and published an internal document – regulations on the corporate secretary.

Also in 2020, the Company made a decision to engage an independent consultant to conduct an independent assessment of the work of the Board of Directors.

The report on the results of such an independent assessment was presented after the end of the reporting year and considered at a meeting of the Board of Directors.

The main results of the independent assessment are reflected in the Annual Report.

Remuneration payable by the company is sufficient to attract, motivate, and retain people with competencies and qualifications required by the company. Remuneration payable to directors, executive bodies, and other key executives of the company is in compliance with the approved remuneration policy of the company.

4.1

The amount of remuneration paid by the company to directors, executive bodies, and other key executives creates sufficient incentives for them to work efficiently while enabling the company to retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unjustifiable large gaps between remuneration of the above persons and the company’s employees.

1. The company has in place an internal document (internal documents) – the policy (policies) on remuneration of members of the board of directors, executive bodies, and other key executives, which clearly defines the approaches to remuneration of the above persons.

Strategic Report

Corporate Governance

Appendices

2020 Annual Report

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<tr>
<td>4.1.3 The company’s remuneration policy includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates all types of expenses, benefits, and privileges provided to such persons.</td>
<td>1. The company’s remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates (regulate) all types of expenses, benefits, and privileges provided to such persons.</td>
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<tr>
<td>4.2 The remuneration system for directors ensures alignment of financial interests of directors with long-term financial interests of shareholders.</td>
<td>1. The remuneration policy (policies) defines (defines) the rules for reimbursement of expenses incurred by directors, executive bodies, and other key executives of the company.</td>
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</table>

4.3 The company considers its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of a fee payable to members of executive bodies and other key executives of the company.

4.3.1 Remuneration due to members of executive bodies and other key executives of the company is determined in a manner providing for reasonable and justified ratios of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.

4.3.2 The company has in place mechanisms for determining the amount of fixed and variable parts of remuneration.

4.3.3 The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives of the company is linked to the company’s performance targets.

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<td>4.5 The company’s internal documents ensure that the company applies the recommendations of the Corporate Governance Code concerning the existence of a procedure to ensure that bonus payments not yet been reflected in the Company’s internal documents.</td>
<td>1. The company’s internal documents ensure that the company applies the recommendations of the Corporate Governance Code concerning the existence of a procedure to ensure that bonus payments not yet been reflected in the Company’s internal documents.</td>
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4.6 Executive bodies and other key officers of the Company do not receive bonus payments, the situation will be settled on a case by case basis.

4.7 The principle of non-compliance with this principle may be due to actions in bad faith on the part of directors, executive bodies, or other key executives of the company.

4.8 The company does not pay any form of short-term motivation or additional financial incentive to its directors.

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### Corporate governance principles

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<tr>
<td>5.1</td>
<td>The company has in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company’s goals.</td>
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<tr>
<td>5.1.1</td>
<td>The company’s board of directors determined the principles of, and approaches to, setting up a risk management and internal control system at the company.</td>
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<tr>
<td>5.1.2</td>
<td>The company’s executive bodies ensure establishment and continuous operation of an efficient risk management and internal control system at the company.</td>
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<tr>
<td>5.1.3</td>
<td>The company’s risk management and internal control system ensures an objective, fair, and clear view of the current state and future prospects of the company, the integrity and transparency of the company’s reporting, as well as reasonable and acceptable risk exposure.</td>
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<tr>
<td>5.2</td>
<td>The company performs internal audits for regular independent assessment of the reliability and efficiency of its risk management and internal control system, as well as corporate governance practice.</td>
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<tr>
<td>5.2.1</td>
<td>The company has set up a separate business unit or engaged an independent external organisation to carry out internal audits. Functional and administrative reporting lines of the internal audit unit are delineated. The internal audit unit functionally reports to the board of directors.</td>
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<tr>
<td>5.2.2</td>
<td>The internal audit division assesses the performance of the internal control, risk management system, and corporate governance systems. The company applies generally accepted standards of internal audit.</td>
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<tr>
<td>6.1</td>
<td>The company and its operations are transparent for its shareholders, investors, and other stakeholders.</td>
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<tr>
<td>6.1.1</td>
<td>The company’s board of directors approved an information policy ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders.</td>
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<tr>
<td>6.1.2</td>
<td>The company established an accessible information policy and implemented principles and recommendations of the Code.</td>
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<tr>
<td>6.1.3</td>
<td>The company discloses information on its corporate governance system and practice, including detailed information on compliance with the principles and recommendations of the Code.</td>
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Report on complying with the principles and recommendations of the Corporate Governance Code (continued)
6.2.1 The company discloses information based on the principles of regularity, consistency, and comparability, as well as availability, reliability, completeness, and comparability of disclosed data.

1. The company’s information policy sets out approaches to, and criteria for, identifying information that can have a material impact on the company’s evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information.

2. If the company’s securities are traded on foreign organised markets, the company ensures consistent and transparent disclosure of material information in the Russian Federation and in the said markets in the reporting year.

3. If foreign shareholders hold a material portion of the company’s shares, the relevant information was disclosed in the reporting period both in the Russian language and one of the most widely used foreign languages.

6.2.3 The company’s annual report, as one of the most important tools of its information exchange with shareholders and other stakeholders, contains information enabling assessment of the company’s annual performance results.

6.3 The company provides information and documents requested by its shareholders in accordance with the principles of fairness and ease of access.

1. The company’s information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders.

2. The company’s information policy was approved prior to the implementation of the Code, but many of the Code’s recommendations were reflected in the information policy. However, the recommendations of the Code regarding the determination of the procedure for providing shareholders with information on legal entities controlled by the company are absent in the information policy of the Company.

The matter of whether these provisions can and need to be included in the Company’s internal documents is expected to be considered before the annual general shareholders meeting for 2020.

However, the company discloses at its own initiative a large amount of information about JSC Tander, a significant legal entity it controls, in addition to information required to be disclosed by applicable laws.

In practice, such information is easily available. The Company is developing a document defining the information policy of the Company, taking into account the recommendations of the Code and development plans. It is planned that the alignment of internal documents in accordance with this recommendation of the Code will be completed during 2021.

Criterion 2 is not complied with.

The obligation to disclose information, including in the form of the issuer’s quarterly reports, applies to the Company since 2006, while the Company, within the framework of compliance with the legislation on disclosure of information, discloses the information received on the number of shareholders of the Company, information on the number of voting shares (broken down by categories/types) of shares, as well as the number of shares at the disposal of the company and legal entities controlled by it, information on persons who directly or indirectly own shares and (or) dispose of votes on shares constituting five or more percent of the authorized capital or ordinary shares of the company and other information required by applicable laws in the form of statements of material facts and as part of annual, quarterly reports and lists of affiliates, which are disclosed on the website in the Internet.

At the same time, the Company has not determined the procedure for disclosing specific additional information about the Company’s capital structure, as specified by the Code, in particular, it does not disclose the current capital structure of the Company’s executive bodies indicating that the company has no information about the existence of shareholders exceeding five percent, other than those already disclosed by the Company, or information about the acquisition or potential acquisition by certain shareholders of a degree of control that is disproportionate to their participation in the Company’s authorized capital.

The matter of whether these provisions can and need to be included in the Company’s internal documents and corporate governance practice is expected to be considered before the annual general shareholders meeting for 2022.

Even though information about the absence of such knowledge on the part of the Company is not disclosed as a statement of the executive bodies, this does not result in any information being concealed with regard to the Company’s capital structure in accordance with Clause 290 of the Code.

The Company avoids a formalistic approach in the disclosure of material information about its activities.
7.1 Actions that materially affect or may affect the company’s share capital structure and its financial position, and accordingly the position of its shareholders (‘material corporate actions’) are taken on fair terms ensuring that the rights and interests of shareholders and other stakeholders are observed.

7.1.3 When taking material corporate actions, the board of directors presents relevant recommendations to shareholders. The board of directors plays a key role in passing resolutions or making recommendations on material corporate actions, relying on the opinions of the company’s independent directors.

7.2 The company takes material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when taking such actions.

7.2.1 Information about material corporate actions is disclosed with explanations of the grounds, circumstances, and consequences.

7.2.2 Rules and procedures related to material corporate actions taken by the company are set out in the company’s internal documents.

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### Compliance criteria

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<tr>
<td>7.2.1</td>
<td>Information about material corporate actions is disclosed with explanations of the grounds, circumstances, and consequences.</td>
<td>1. In the reporting period, the company disclosed information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions.</td>
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<tr>
<td>7.2.2</td>
<td>Rules and procedures related to material corporate actions taken by the company are set out in the company's internal documents.</td>
<td>1. The company’s internal documents set out a procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or an interested party transaction. 2. The company’s internal documents set out a procedure for engaging an independent appraiser to estimate the value of shares acquired and bought back by the company. 3. The company’s internal documents provide for an expanded list of grounds on which the company’s directors and other persons as per the applicable law are deemed to be interested parties to the company’s transactions.</td>
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