

Report

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

Compliance status

Full

Partial

None

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.

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1 The company shall ensure fair and equitable treatment of all shareholders in exercising their corporate governance rights.				
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.	<div>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.</div> <div>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. The company performed the above actions in advance of each general meeting held in the reporting period.</div>	<div></div>	
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.	<div>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.</div> <div>2. The notice of an upcoming meeting indicates the location of the meeting and the documents required for admission.</div> <div>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.</div>	<div></div>	

Report

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

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
11.3	In preparing for, and holding of, the general meeting, shareholders were able to receive clear and timely information on the meeting and related materials, put questions to the company's executive bodies and the board of directors, and to communicate with each other.	<p>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.</p> <p>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 materials for the general meeting of shareholders.</p> <p>3. The company gave duly authorised 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.</p>	●	
11.4	There were no unjustified difficulties preventing shareholders from exercising their right to request that a general meeting be convened, to propose nominees to the company's governing bodies, and to make proposals for the agenda of the general meeting.	<p>1. In the reporting period, shareholders had an opportunity to make proposals for the agenda of the annual general meeting for at least 60 days after the end of the respective calendar year.</p> <p>2. In the reporting period, the company did not reject any proposals for the agenda or nominees to the company's governing bodies due to misprints or other insignificant flaws in the shareholder's proposal.</p>	●	<p>Criterion 1 is not complied with. 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 60 and 45 days in accordance with proposals from shareholders and the Board of Directors. The shareholders decided to increase this period to 45 days, considering it sufficient to make the Proposals.</p> <p>During the reporting period, there were no instances in which shareholders would not have had enough time to submit the Proposals within this period.</p> <p>At the same time, 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 this recommendation of the Code will be completed during 2021.</p>
11.5	Each shareholder was able to freely exercise their voting right in the simplest and most convenient way.	1. An internal document (internal policy) of the company contains provisions stipulating that every participant in the general meeting may, before the end of the respective meeting, request a copy of the ballot filled in by them and certified by the counting commission.	●	<p>The registrar JSC Novy Registrator performs the functions of the ballot committee for PJSC Magnit based on the agreement, the terms of which do not prevent any of the Company's shareholders from requesting a copy of the completed ballot from the Registrar's representatives before the termination of the meeting.</p> <p>The Company registrar and the Company in practice do not refuse such a request when holding general meetings of shareholders in the form of joint presence.</p> <p>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 this recommendation of the Code will be completed during 2021.</p>

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
11.6	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.	<p>1. During general meetings of shareholders held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on, and discussion of, the agenda items.</p> <p>2. 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.</p> <p>3. 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.</p>	●	<p>Criterion 2 is only partially not complied with. Criterion 3 is not complied with.</p> <p>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 shareholder meetings were held in the form of absentee.</p> <p>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.</p> <p>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.</p>
1.2 Shareholders are given equal and fair opportunities to share profits of the company in the form of dividends.				
12.1	The company has developed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure.	<p>1. The company has drafted and disclosed a dividend policy approved by the board of directors.</p> <p>2. If the company's dividend policy uses reporting figures to determine the dividend amount, then relevant provisions of the dividend policy take into account the consolidated financial statements.</p>	●	
12.2	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.	1. The company's dividend policy clearly identifies financial/ economic circumstances under which the company shall not pay out dividends.	●	
12.3	The company does not allow for dividend rights of its existing shareholders to be impaired.	1. In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	●	

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on complying with the principles and recommendations

of the Corporate Governance Code (continued)

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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.	1. To prevent its shareholders profiting from the company through any means other than dividends and liquidation value, the company's internal documents provide for controls to timely identify and approve deals with affiliates (associates) of the company's substantial shareholders (persons entitled to use votes attached to voting shares) where the law does not formally recognise such deals as interested party transactions.	●	<p>The Company's Articles of Association specifies 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.</p> <p>This measure reduces possible additional risks associated with the failure to comply with this recommendation of the Code.</p> <p>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.</p> <p>The shareholders twice did not support such amendments to the Company Articles of Association.</p> <p>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.</p>
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.			
1.3.1	The company has created conditions for fair treatment of each shareholder by the company's governing and control bodies, including conditions that rule out abuse by major shareholders against minority shareholders.	1. In the reporting period, procedures for managing potential conflicts of interest among substantial shareholders were efficient, while the board of directors paid due attention to conflicts, if any, between shareholders.	●	
1.3.2	The company does not take any actions that lead or may lead to artificial redistribution of corporate control.	1. No quasi-treasury shares were issued or used to vote in the reporting period.	●	<p>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.</p> <p>Moreover, the actual share of quasi-treasury shares is extremely small and is consistently decreasing. The participation of these shares in voting at general shareholders meetings does not result in the artificial redistribution of corporate control in 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.</p> <p>On both occasions, the shareholders did not support such amendments to the Company Articles of Association. The possibility and necessity of such a practice is planned to be considered before the annual general meeting of shareholders, which will be held at the end of 2021.</p>

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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.			
1.4	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 registrar maintains the share register in an efficient and reliable way that meets the needs of the company and its shareholders.	●	
2.1	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.			
2.1.1	The board of directors is responsible for appointing and dismissing executive bodies, including due to improper performance of their duties. The board of directors also ensures that the company's executive bodies act in accordance with the company's approved development strategy and core lines of business.	<p>1. The board of directors has the authority stipulated in the articles of association to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts.</p> <p>2. The board of directors reviewed the report(s) by the sole executive body or members of the collective executive body on the implementation of the company's strategy.</p>	●	
2.1.2	The board of directors sets key long-term targets for the company, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	1. 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.	●	
2.1.3	The board of directors defines the company's principles of, and approaches to, setting up a risk management and internal control system.	<p>1. The board of directors defined the company's principles of, and approaches to, setting up a risk management and internal control system.</p> <p>2. The board of directors assessed the company's risk management and internal control system in the reporting period.</p>	●	
2.1.4	The board of directors defines the company's policy on remuneration payable to, and/or reimbursement (compensation) of costs incurred by, members of the board of directors, executive bodies, and other key executives of the company.	<p>1. The company has developed and put in place a remuneration and reimbursement (compensation) policy (policies), approved by the board of directors, for its directors, members of executive bodies and other key executives.</p> <p>2. At its meetings in the reporting period, the board of directors discussed matters related to such policy (policies).</p>	●	
2.1.5	The board of directors plays a key role in preventing, identifying, and resolving internal conflicts between the company's bodies, shareholders, and employees.	<p>1. The board of directors plays a key role in preventing, identifying, and resolving internal conflicts.</p> <p>2. The company has set up mechanisms to identify transactions leading to a conflict of interest and to resolve such conflicts.</p>	●	

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#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
21.6	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.	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.	●	
21.7	The board of directors controls the company's corporate governance practices and plays a key role in material corporate events of the company.	1. In the reporting period, the board of directors reviewed the company's corporate governance practices.	●	
2.2	The board of directors is accountable to the company's shareholders.			
22.1	Performance of the board of directors is disclosed and made available to the shareholders.	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.	●	
22.2	The chairman of the board of directors is available to communicate with the company's shareholders.	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.	●	
2.3	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.			
23.1	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.	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.	●	
23.2	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.	1. Whenever 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 Recommendations 102 - 107 of the Code, as well as the nominees' written consent to be elected to the board of directors.	●	

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
23.3	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.	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.	●	
23.4	The company has a sufficient number of directors to organise 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.	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.	●	
2.4	The board of directors includes a sufficient number of independent directors.			
24.1	An independent director is a person who is sufficiently professional, experienced, and independent to develop their own position, and capable of making unbiased judgements in good faith, free of influence by the company's executive bodies, individual groups of shareholders, or other stakeholders. It should be noted that a nominee (elected director) who is related to the company, its substantial shareholder, substantial counterparty, or competitor of the company, or is related to the government, may not be considered as independent under normal circumstances.	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.	●	
24.2	The company assesses compliance of nominees to the board of directors and reviews compliance of independent directors with independence criteria on a regular basis. In such assessment, substance should prevail over form.	1. In the reporting period, the board of directors (or its nomination committee) made a judgement on the independence of each nominee to the board of directors and provided its opinion to shareholders. 2. In the reporting period, the board of directors (or its nomination committee) reviewed, at least once, the independence of each incumbent director listed by the company as independent directors in its annual report. 3. The company has in place procedures defining the actions to be taken by directors if they cease to be independent, including the obligation to timely notify the board of directors thereof.	●	

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#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.4.3	Independent directors make up at least one third of elected directors.	1. Independent directors make up at least one third of directors.	●	
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and in ensuring that the company performs material corporate actions.	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.	●	
2.5	The chairman of the board of directors ensures that the board of directors discharges its duties in the most efficient way.			
2.5.1	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.	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 duly set out in the company's internal documents.	●	
2.5.2	The chairman of the board of directors maintains a constructive environment at meetings, enables free discussion of agenda items, and supervises the execution of resolutions passed by the board of directors.	1. Performance of the chairman of the board of directors was assessed as part of assessment of the board of directors' performance in the reporting period.	●	
2.5.3	The chairman of the board of directors takes all steps necessary or the timely provision to directors of information required to pass resolutions on agenda items.	1. The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to directors of materials for the agenda of a board meeting.	●	

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.6	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.			
2.6.1	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.	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 committee, 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.	●	Criterion 1 is not complied with. The fact that the obligation of the members of the Board of Directors to provide notification about conflicts of interest before discussion of the relevant agenda item begins is not formally documented and does not result in such information being concealed. Members of the Board of Directors regularly fill out a questionnaire prepared by the Company and update the information provided if it changes as soon as possible. The information obtained makes it possible to monitor situations with a possible conflict of interest. In addition, the Chairman of the Board of Directors requests information about the existence of any conflicts of interest and reports them to the Board of Directors prior to the discussion of the relevant agenda item. 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 this recommendation of the Code will be completed during 2021.
2.6.2	The rights and duties of directors are clearly stated and incorporated in the company's internal documents.	1. The company has adopted and published an internal document that clearly defines the rights and duties of directors.	●	
2.6.3	Directors have sufficient time to perform their duties.	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 elected to governing bodies of other entities (apart from the entities controlled by, or affiliated to, the company), and of their election to such bodies.	●	
2.6.4	All directors have equal access to the company's documents and information. Newly elected directors are furnished with sufficient information about the company and performance of the board of directors as soon as possible.	1. Under the company's internal documents, directors are entitled to access documents and make requests on the company and its controlled entities, while executive bodies of the company should furnish all relevant information and documents. 2. The company has in place a formalised induction programme for newly elected members of the board of directors.	●	

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#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.7	Meetings of the board of directors, preparation for such meetings, and participation of directors ensure efficient performance by the board of directors.			
2.7.1	Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at a particular time.	1. The board of directors held at least six meetings in the reporting year.	●	
2.7.2	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.	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 meeting is to be given, as a rule, at least five days prior to such meeting.	●	
2.7.3	The format of the meeting of the board of directors 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's Articles of Association or internal document provides for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at meetings of the board of directors held in person.	●	<p>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 preliminarily 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.</p> <p>The Company believes that transferring a large number of meetings of the Board of Directors to in person format is not economically feasible.</p> <p>Taking into account the epidemiological situation that developed during the reporting year and the related limitations, in person meetings for the Company were not possible.</p> <p>In the future, the Company plans to maintain this approach to holding meetings and to develop the use of modern telecommunication technologies when planning meetings and making decisions.</p>
2.7.4	The format of the meeting of the board of directors 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's Articles of Association or internal document provides for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at meetings of the board of directors held in person. 1. The company's Articles of Association provides for resolutions on the most important matters set out in Recommendation 170 of the Code to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected directors.	●	

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8	Resolutions on most important matters relating to the company's operations are passed at a meeting of the board of directors by a qualified majority or by a majority of all elected directors.			
2.8.1	An audit committee comprised of independent directors is set up to preview matters related to controlling the company's financial and business activities.	1. The board of directors set up an audit committee comprised solely of independent directors. 2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code. 3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analysing, assessing, and auditing accounting (financial) statements. 4. In the reporting period, meetings of the audit committee were held at least once a quarter.	●	
2.8.2	To preview matters related to adopting 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.	1. The board of directors set up a remuneration committee comprised solely of independent directors. 2. The remuneration committee is headed by an independent director who is not the chairman of the board of directors. 3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code.	●	
2.8.3	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.	1. 1. The board of directors has set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee *(5)) predominantly comprised of independent directors. 2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code.	●	

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#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
28.4	Taking into account the company's scope of business and level of risks, the company's board of directors made sure that the composition of its committees is in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	1. In the reporting period, the company's board of directors considered whether the composition of its committees was in line with the board's tasks and the company's business goals. Additional committees were either set up or not deemed necessary.	●	
28.5	Committees are composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	1. Committees of the board of directors are headed by independent directors. 2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee, and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.	●	
28.6	Committee chairmen inform the board of directors and its chairman on the performance of their committees on a regular basis.	1. In the reporting period, committee chairmen reported to the board of directors on the performance of committees on a regular basis.	●	
2.9	The board of directors ensures performance assessment of the board of directors, its committees, and members of the board of directors.			
29.1	The board of directors' performance assessment is aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's growth requirements, as well as at bolstering the work of the board of directors and identifying areas for improvement.	1. Self-assessment or external assessment of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual directors, and the board of directors in general. 2. Results of self-assessment or external assessment of the board of directors' performance carried out in the reporting period were reviewed at the meeting of the board of directors held in person.	●	
29.2	Performance of the board of directors, its committees and members is assessed regularly at least once a year. An external advisor is engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	1. The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods.	●	<p>During the reporting period, the Board of Directors conducted a self-assessment of its operations, which showed that the operational effectiveness of the Board of Directors fully complies with the Company's objectives.</p> <p>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.</p> <p>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.</p> <p>The main results of the independent assessment are reflected in the Annual Report.</p>

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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, experience, and qualifications sufficient to perform his/her 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. 2. The biographical data of the corporate secretary are published on the corporate website and in the company's annual report with the same level of detail as for members of the board of directors and the company's	●	
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the powers and resources required to perform his/her tasks.	1. The board of directors approves the appointment, dismissal, and additional remuneration of the corporate secretary.	●	
4.1	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.			
4.1.1	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 engage and retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations 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.	●	
4.1.2	The company's remuneration policy is devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	1. In the reporting period, the remuneration committee considered the remuneration policy (policies) and its (their) introduction practices to provide relevant recommendations to the board of directors as required.	●	

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#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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.	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.	●	
4.1.4	The company defines a policy on reimbursement (compensation) of expenses detailing a list of reimbursable expenses and specifying service levels that directors, executive bodies, and other key executives of the company may claim. Such policy can make part of the company's remuneration policy.	1. The remuneration policy (policies) defines (define) the rules for reimbursement of expenses incurred by directors, executive bodies, and other key executives of the company.	●	
4.2	Remuneration system for directors ensures alignment of financial interests of directors with long-term financial interests of shareholders.			
4.2.1	<p>The company pays fixed annual remuneration to its directors.</p> <p>The company does not pay remuneration for attending particular meetings of the board of directors or its committees.</p> <p>The company does not apply any form of short-term motivation or additional financial incentive for its directors.</p>	1. Fixed annual remuneration was the only form of monetary remuneration payable to directors for their service on the board of directors during the reporting period.	●	
4.2.2	Long-term ownership of the company's shares helps align the financial interests of directors with long-term interests of shareholders to the utmost. At the same time, the company does not link the right to dispose of shares to performance targets, and directors do not participate in stock option plans.	1. If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company's shares to members of the board of directors, clear rules for share ownership by board members shall be defined and disclosed, aimed at stimulating long-term ownership of such shares.	●	
4.2.3	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.	1. The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.	●	

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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 ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.	<p>1. In the reporting period, annual performance results approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the company.</p> <p>2. During the latest assessment of the remuneration system for members of executive bodies and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration.</p> <p>3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies and other key executives of the company.</p>	●	<p>Criterion 3 is not complied with. The recommendations of the Corporate Governance Code concerning the existence of a procedure to ensure that bonus payments wrongfully received by members of executive bodies and other key officers are returned to the Company have not yet been reflected in the Company's internal documents.</p> <p>Moreover, the system of key performance indicators and practice of setting targets established in the Company are designed to eliminate the possibility of excessive amounts of variable remuneration being wrongfully charged.</p> <p>When members of executive bodies and other key officers of the Company wrongfully receive bonus payments, the situation will be settled on a case by case basis. As of the end of the reporting year, there were no cases of members of executive bodies or other key officers of the Company wrongfully receiving bonus payments.</p> <p>However, the matter of whether these Code provisions can and need to be included in the Company's internal documents is expected to be considered before the annual general shareholders meeting held in accordance with performance in 2021.</p>
4.3.2	The company has in place a long-term incentive programme for members of executive bodies and other key executives of the company with the use of the company's shares (options and other derivative instruments where the company's shares are the underlying asset).	<p>1. The company has in place a long-term incentive programme for members of executive bodies and other key executives of the company with the use of the company's shares (financial instruments based on the company's shares).</p> <p>2. The long-term incentive programme for members of executive bodies and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this programme takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets.</p>	●	<p>Criterion 2 is not complied with. The Board of Directors approved the Long-Term Incentive Plan. The plan is designed to motivate management to increase the market capitalisation of the Company supported by EBITDA growth. The plan includes remuneration in the form of shares and options in annual tranches. Remuneration will depend on the share price. The plan is designed for five years. There are no restrictions on the disposal of shares received under the plan.</p> <p>However, the matter of whether these Code provisions can and need to be reflected in the Long-Term Incentive Plan is expected to be considered before the annual general shareholders meeting for 2021.</p>
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 at the company's initiative, provided that there have been no actions in bad faith on their part, shall not exceed the double amount of the fixed part of their annual remuneration.	1. In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration.	●	

Report

on complying with the principles and recommendations

of the Corporate Governance Code (continued)

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
5.1	The company has in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company's goals.			
5.1.1	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.	1. Functions of different management bodies and business units of the company in the risk management and internal control system are clearly defined in the company's internal documents / relevant policy approved by the board of directors.	●	
5.1.2	The company's executive bodies ensure establishment and continuous operation of an efficient risk management and internal control system at the company.	1. The company's executive bodies ensured the distribution of functions and powers related to risk management and internal control between the heads (managers) of business units and departments accountable to them.	●	
5.1.3	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.	1. The company has in place an approved anti-corruption policy. 2. The company established an accessible method of notifying the board of directors or the board's audit committee of breaches or any violations of the law, the company's internal procedures and code of ethics.	●	
5.1.4	The company's board of directors takes necessary measures to make sure that the company's risk management and internal control system is consistent with the principles of, and approaches to, its setup and efficient functioning determined by the board of directors.	1. In the reporting period, the board of directors or the board's audit committee assessed the performance of the company's risk management and internal control system. Key results of this assessment are included in the company's annual report.	●	
5.2	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.			
5.2.1	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.	1. To perform internal audits, the company has set up a separate business unit – internal audit division, functionally reporting to the board of directors or to the audit committee, or engaged an independent external organisation with the same line of reporting.	●	
5.2.2	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.	1. In the reporting period, the performance of the internal control and risk management system was assessed as part of the internal audit procedure. 2. The company applies generally accepted approaches to internal control and risk management.	●	

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.1	The company and its operations are transparent for its shareholders, investors, and other stakeholders.			
6.1.1	The company has developed and implemented an information policy ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders.	1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations. 2. The board of directors (or one of its committees) considered the matters related to the company's compliance with its information policy at least once in the reporting period.	●	Criterion 1 is not complied with. 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. The Company ensures the timely disclosure of complete and reliable information, including its financial standings, economic indicators, and ownership structure, to help the Company's shareholders and investors make informed decisions. Information is disclosed in accordance with the requirements of Russian legislation as well as the applicable laws of the United Kingdom of Great Britain and Northern Ireland and the European Union. 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.
6.1.2	The company discloses information on its corporate governance system and practice, including detailed information on compliance with the principles and recommendations of the Code.	1. The company discloses information on its corporate governance system and general principles of corporate governance, including disclosure on its website. 2. The company discloses information on the membership of its executive bodies and board of directors, independence of directors and their membership in the board of directors' committees (as defined by the Code). 3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out this person's plans for the company's corporate governance.	●	

Report

on complying with the principles and recommendations

of the Corporate Governance Code (continued)

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.2	The company makes timely disclosures of complete, updated, and reliable information to allow shareholders and investors to make informed decisions.			
6.2.1	The company discloses information based on the principles of regularity, consistency, and promptness, as well as availability, reliability, completeness, and comparability of disclosed data.	<div>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.</div> <div>2. If the company's securities are traded on foreign organised markets, the company ensured concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting year.</div> <div>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.</div>	<div></div>	
6.2.2	The company avoids a formalistic approach to information disclosure and discloses material information on its operations, even if disclosure of such information is not required by law.	<div>1. In the reporting period, the company disclosed annual and 6M financial statements prepared under the IFRS. The company's annual report for the reporting period included annual financial statements prepared under the IFRS, along with the auditor's report.</div> <div>2. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the corporate website.</div>	<div></div>	<div>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 law, 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 on the Internet.</div> <div>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 Recommendation 290 of the Code, namely: statements of the Company's executive bodies indicating that the Company has no information about the existence of shareholdings 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 authorised capital, including pursuant to shareholder agreements. 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.</div>

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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.	<div>1. The company's annual report contains information on the key aspects of its operational and financial performance.</div> <div>2. The company's annual report contains information on the environmental and social aspects of the company's operations.</div>	<div></div>	
6.3	The company provides information and documents requested by its shareholders in accordance with the principles of fairness and ease of access.			
6.3.1	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.	<div></div>	<div>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.</div> <div>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.</div> <div>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.</div> <div>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.</div>
6.3.2	When providing information to shareholders, the company ensures reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitive edge.	<div>1. In the reporting period, the company did not refuse shareholders' requests for information, or such refusals were justified.</div> <div>2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.</div>	<div></div>	

Report

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of the Corporate Governance Code (continued)

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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.			
7.1.1	Material corporate actions include restructuring of the company, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of major transactions, increase or decrease of the company's charter capital, listing or delisting of the company's shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The company's Articles of Association provides for a list (criteria) of transactions or other actions classified as material corporate actions within the authority of the company's board of directors. 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.	1. The company's Articles of Association include a list of transactions or other actions classified as material corporate actions, and their identification criteria. Resolutions on material corporate actions are referred to the jurisdiction of the board of directors. When execution of such corporate actions is expressly referred by law to the jurisdiction of the general meeting of shareholders, the board of directors presents relevant recommendations to shareholders. 2. According to the company's Articles of Association, material corporate actions include at least: company reorganisation, acquisition of 30% or more of the company's voting shares (in case of takeover), entering in major transactions, increase or decrease of the company's charter capital, listing or delisting of the company's shares.	<div></div>	<p>Criterion 1 is only partially complied with. Criterion 2 is not complied with.</p> <p>The list of material corporate actions and criteria for their determination have not been formally incorporated in the Company's internal documents.</p> <p>However, transactions and actions that the Code recommends to be attributed to significant corporate actions are reflected in the Articles of Association and internal documents of the Company, but are not combined terminologically.</p> <p>The Company is consistently working to improve internal documents, taking into account the recommendations of the Code and development plans.</p> <p>It is planned that the alignment of internal documents in accordance with this recommendation of the Code will be completed during 2021.</p>
7.1.2	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.	1. The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.	<div></div>	
7.1.3	When taking material corporate actions affecting the rights and legitimate interests of shareholders, equal terms and conditions are guaranteed for all shareholders; if the statutory procedure designed to protect shareholders' rights proves insufficient, additional measures are taken to protect their rights and legitimate interests. In doing so, the company is guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements.	1. Due to the specifics of the company's operations, the company's Articles of Association contains less stringent criteria for material corporate actions than required by law. 2. All material corporate actions in the reporting period were duly approved before they were taken.	<div></div>	

#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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.	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.	<div></div>	
7.2.2	Rules and procedures related to material corporate actions taken by the company are set out in the company's internal documents.	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.	<div></div>	<p>Criteria 1 and 2 are only partially not complied with. The Company's internal documents provide for the procedure of engaging experts to obtain professional advice on matters considered at meetings of the Board of Directors without specifying the purpose of engaging such experts.</p> <p>Current law stipulates cases of the mandatory engagement of an independent appraiser. Moreover, applicable law does not rule out the option of engaging an appraiser in any of the specified cases (determining the value of property that is disposed of or acquired in a major transaction or a related party transaction, or assessment of the cost of acquisition and redemption of company shares).</p> <p>Criterion 3 is not complied with. The recommendations of the Corporate Governance Code concerning the expansion of the list of grounds on the basis of which members of the Company's Board of Directors and other persons in accordance with the law are recognised as related parties in Company transactions have not been reflected in the Company's internal documents.</p> <p>However, after the Code came into effect, significant changes were made to the legislation on joint-stock companies regarding related party transactions. For example, the scope of related parties was reduced, the procedure for concluding related party transactions was simplified, and the list of transactions to which the rules on the conclusion of related party transactions do not apply, despite the formal existence of vested interest, was expanded.</p> <p>The annual general shareholders meetings for 2018 and 2019 considered the matter of introducing additional controls over transactions with shareholders holding more than 10% of voting rights in the authorised capital of the Company, however, on both occasions this proposal was not supported by the shareholders.</p> <p>Nevertheless, if the relevant proposal is received from shareholders, the matter will be submitted for review again within the statutory time period.</p>