

Approved by the Board of Directors of PJSC  
RusHydro (Minutes dated June 22,  
2015 No. 218)

**CORPORATE GOVERNANCE CODE**  
of Public Joint-Stock Company Federal Hydrogeneration  
Company RusHydro  
*(with amendments approved by the decisions of the Board of  
Directors of PJSC RusHydro (Minutes dated June 23, 2016 No.  
239, dated December 28, 2017 No. 263,  
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## 1. Introduction

Joint-Stock Company Federal Hydrogeneration Company RusHydro (hereinafter PJSC RusHydro, the Company, RusHydro, RusHydro Group) was formed on December 26, 2004, within fulfilment of the state program on electric power industry reform, pursuant to Decree No. 1254-p of the Government of the Russian Federation dated September 1, 2003.

The Company is a public company, the shares of which are freely traded in Russia.

For RusHydro **corporate governance** is a system of balanced mutual rights and duties among the Company's shareholders, the Board of Directors and executive bodies, allowing the Company both to reach the current goals and objectives, including deriving and fair distribution of profits, and to promote long-term sustainable development, built on the principles of equal and fair treatment of any and all shareholders, accountability of executive bodies and the Board of Directors, transparency and good faith of the parties to the corporate relations.

**The Corporate Governance Code of PJSC RusHydro** (hereinafter the Code) – is a rulebook on which the parties to the corporate governance rely in their mutual relations.

The Code regulations are contained in other documents of the Company, including those approved by the General Meeting of Shareholders (hereinafter the General Meeting). Approval of the Code regulations by the General Meeting makes them binding upon the shareholders and the Company.

The Code regulations approved by the Board of Directors as part of other documents are binding upon the Company's executive bodies.

Particular regulations of the Code may not be reproduced in other documents, but it does not deprive them of legal force and such regulations are binding upon the executive bodies.

Thus, the Code should be deemed both a comprehensive book of regulations from separate internal documents and an independent regulatory document.

Along with amending internal documents, the Company causes the respective regulations of the Code to be amended, which ensures its relevance and compliance with the corporate governance practice accepted in the Company.

Approval of the Code as amended evidences the Company's intention to comply with the best corporate governance practices, including recommendation of the Corporate Governance Code of the Bank of Russia (approved by the Board of Directors of the Bank of Russia on March 21, 2014).

The Company assumes the obligation to bring the corporate governance practice and internal documents in line with the requirements hereof.

Information on compliance with the Code, explanations as regards the specific nature and peculiarities of the Company, including the reasons giving rise to differences in the provisions of the Company's Code from the recommendations and principles of the Corporate Governance Code of the Bank of Russia, are disclosed in the Company's annual report.

Regardless of the shareholding structure, the Company makes efforts for a controlling person (group of persons) or for several persons controlling the Company to prepare plans of such person(s) with regard to the Company. Such plans may be contained in a special memorandum or other document, which, if applicable, shall contain:

- Information on the plans of the person(s) controlling the Company with regard to the shareholding(s) in the Company controlled by such person(s);
- Information on their intentions to nominate and elect a certain number of independent directors to the Company's Board of Directors;
- Information on warranties to comply with the market principles in the commercial relations between the Company and the controlling person;
- Information on other obligations of the controlling person(s) related to protection of the minority shareholders' financial interests;

- Information on the plans of the controlling person(s) to develop the Company's business and their obligations related to the formation of legal entities competing with the Company.

The Company shall ensure disclosure of such memorandum or other documents on the Company's website.

## 2. Terms and Definitions

**Conflict of Interests** shall mean any contradiction between the interests of the Company and personal interests of a member of the Board of Directors or collective executive body of the Company or sole executive body of the Company, which are understood as any direct or indirect personal interests or third-party interests, including due to his/her business, friendly, family and other connections and relations, his/her or his/her related person's position in another legal entity, his/her holding of shares in another legal entity, contradictions between his/her duties before the Company and his/her duties before another entity.

**Controlled Company** shall mean a legal entity under direct or indirect control of the Company.

**Legal Entity Controlled by the Company, Being of Vital Importance (major controlled legal entity)** shall mean an entity controlled by the Company, which accounts for at least five percent of the consolidated asset value or for at least five percent of the consolidated income determined according to the data of the latest consolidated financial statements of the Company and other entities controlled by the Company, which, in the Company's opinion, have material effect on the financial standing, performance and changes in the financial standing of RusHydro Group, consisting of the Company and legal entities controlled by it. **Executive Director** shall mean members of the Company's executive bodies and the persons being the members of the Company's managing entity and (or) being employed in the Company or in the Company's managing entity.

**Material Corporate Action** shall mean an action, which significantly changes the prospects of the Company's further functioning and the structure of the authorized capital, which forms the obligations to purchase shares on the securities markets or which significantly affects the shareholder value. The list of material corporate actions is determined by the Company's Charter.

**Associated Persons** shall mean a spouse, parents, children, adoptive parents, adopted children, siblings and half-siblings, grandparents as well as any other person living together with the individual and keeping the house with him/her.

**Related-Party Reorganization** shall mean reorganization in the form of merger or acquisition (or including merger and (or) acquisition as one of the stages), when the person(s) controlling the Company is (are) simultaneously the person(s) controlling at least one of the other legal entities participating in the reorganization.

## 3. Corporate Governance Principles

The corporate governance practice of RusHydro is based on the following principles:

- Equal and fair treatment of all shareholders. The Company shall protect the shareholders' rights and ensure equal treatment of all shareholders providing most favorable conditions for participation in the Company's management;
- Competence, responsibility and accountability of the Board of Directors to the Company's shareholders. The members of the Company's Board of Directors, when carrying out their activities, shall act for the benefit of the Company in good faith and in reason, have good competency and an impeccable record;
- Ensuring transparency and openness of the information on the Company. The Company shall disclose all necessary information (both provided for and additionally that is not provided for in the laws and regulations) in a timely fashion to all persons concerned;

- Efficient risk management and internal control system. To implement this principle, there is a specially formed business unit in the Company which is guided by the latest standards in risk management and internal control;
- Bona fide execution by all shareholders, the Company, its management bodies, officers and other persons concerned of their rights; prevention from abuse of rights;
- Prohibition of the shareholders' actions performed with intent to harm other shareholders or the Company;
- Continuous improvement of the corporate governance practice.

When developing this Code, the Company was guided by the laws of the Russian Federation, simultaneously setting forth and voluntarily assuming additional obligations in its corporate governance practice compared to the effective laws.

To strengthen the trust of the Company's shareholders, employees, investors and the general public, the Company confirms the assumed obligations to adhere to the regulations and principles set forth in this Code.

## 4. General Structure of Corporate Governance and Internal Documents

4.1. The system of the Company's management bodies includes:

**General Meeting of Shareholders** – the supreme management body of the Company, through which the shareholders exercise their rights to participate in the Company's management.

**Board of Directors** – the management body determining the Company's strategy, basic principles of and approaches to arrangement of the risk management and internal control system in the Company, controlling the activities of the Company's executive bodies and performing other key functions. The Board of Directors forms committees of the Board of Directors.

**Committees of the Board of Directors** – consulting and advisory bodies of the Board of Directors formed to preliminarily consider the crucial issues referred to the competence of the Board of Directors.

**Management Board and Chairman of the Management Board – Chief Executive Officer** – executive bodies managing the Company's day-to-day operations and implementing the strategy determined by the Board of Directors and shareholders of the Company and being accountable to the Company's shareholders and the Board of Directors;

**Internal Audit Commission** – a body controlling the Company's financial and economic activities, directly accountable to the General Meeting of Shareholders.

4.2. The Company has developed and approved the internal documents regulating the proceedings of the management bodies and other issues of the Company's activities. All documents are publicly available at the Company's official website at: [www.rushydro.ru](http://www.rushydro.ru).

The Company shall disclose the following information on the corporate governance system:

- On arrangement and general principles of corporate governance applied in the Company;
- On executive bodies, their structure, on the personal data (including information on their age, education, qualification, and experience) appropriate to form an opinion on the personal qualities and competency of the members of the management bodies, information on the positions currently taken by them or taken by them for at least last five years in the management bodies of other legal entities;
- On the structure of the Board of Directors, indicating its Chairman, Deputy Chairman, Senior Independent Director, on the personal data (including information on their age, education, current job, qualification, and experience) appropriate to form an opinion on the personal qualities and competency of the members of the Board of Directors, reference to the date when each director was elected to the Board of Directors for the first time, membership in the Board of Directors of other companies, information whether they are independent or not, as well

as information on the positions currently taken by them or taken by them for at least last five years in the management bodies of other legal entities;

- On the structure of the committees of the Board of Directors, indicating the chairmen and independent directors of the committees.

## **5. Shareholders' Rights and Equal Conditions for Shareholders in Exercising Their Rights**

The system of shareholders' rights includes both basic rights, provided for by corporate governance, namely: To attend the Meeting with the voting right on all issues within its competence, to receive dividends, a right to receive a part of the assets in liquidation, and additional rights protection and the exercise of which the Company shall ensure.

To implement the shareholders' rights, the Company has developed and approved the relevant internal documents, in particular, the Regulation on the Procedure for Convening and Holding the General Meeting of Shareholders, the Regulation on Dividend Policy, the Regulation on Information Policy, and others.

### **5.1. Shareholders' right to receive information.**

Each shareholder may attend the Meeting, vote on the agenda items, preliminarily receive a notice of such Meeting and its agenda as well as reliable, impartial and up-to-date information sufficient to pass resolutions on the agenda items.

5.1.1. The right to attend the Meeting is granted to the persons included in the record drawn up by the Company's registrar. Information on the record date shall be disclosed at least seven (7) days prior to that date. Shareholders owning less than 1 percent of the votes may review the information contained in the said record (taking into account the restrictions set by the laws) from the date of its receipt by the Company.

5.1.2. To timely notify of the Meeting and to make the shareholders preliminarily aware of its materials the Company has determined that such notification shall be published in the printed source provided for by the Company's Charter and posted along with the materials of the Meeting in the respective section of the Company's website at least 30 days prior to the Meeting.

The information (the materials) for shareholders whose rights to the securities are registered in the depository shall be also sent electronically (in the form of electronic documents signed with an electronic signature) by the Company or on its instruction by the registrar to the nominee registered in the registry of shareholders.

The Company shall allow the shareholders to receive the notification on the Meeting and the materials additionally in electronic form (or in the form of a link to the respective webpage where the said materials are disclosed), provided that they have such an electronic subscription.

The Company's announcement on holding the Meeting shall specify:

- Full corporate name and location of the Company;
- Form of the Meeting (meeting or absentee voting);
- Date, exact place, time of the Meeting, end date for acceptance of the completed voting ballots and postal address to which the completed voting ballots shall be sent;
- The list of documents to be presented by the shareholder to obtain access to the place of the Meeting as well as to be registered without delay;
- Date of compiling the list of persons entitled to participate in the Meeting;
- Agenda of the Meeting;
- Procedure for familiarization with the information (materials) to be submitted during preparation for the Meeting, and address(es) where such information and materials are available;
- Other information as required by the applicable laws of the Russian Federation.

In case a shareholder cannot attend the Meeting in person, the Company shall also provide a standard form of proxy on its website.

To take into account the interests of foreign shareholders, the Company shall disclose and (or) send the above information in the English language.

5.1.3. To form the shareholders' most objective opinion on the agenda items of the Meeting and to improve the grounds of the resolutions taken by them, the Company shall also provide the information specified in **Appendix 1** hereto as part of the materials.

5.1.4. In the course of preparations for the Meeting and for the purposes of arranging a preliminary discussion of the agenda items of the Meeting and of candidates to the Board of Directors, the Company shall, using one or more indicated methods, namely: hot line, webinars, Internet forums, special e-mail, receive feedback of the shareholders on the agenda items of the Meeting. The said methods shall not deprive the shareholders of the opportunity to send their points of interest directly to the Corporate Secretary of the Company.

The Company may not prevent a shareholder from familiarizing himself/herself with the materials for the Meeting, if, notwithstanding misprints and other insignificant shortcomings, the shareholder's request enables in general to determine his/her will and confirm its right to familiarize himself/herself with the said materials, including receipt of copies thereof. If there are significant shortcomings, the Company shall immediately inform the shareholder to ensure prompt removal thereof.

## 5.2. Shareholders' Rights to Participate in the Meeting.

5.2.1. The persons included in the list of persons entitled to attend the Meeting may attend such Meeting or send completed ballots to the Company. The persons whose ballots have not been received two (2) days prior to the date of the Meeting and those intending to attend the Meeting shall complete registration.

The Company shall ensure all conditions for unimpeded registration for all shareholders intending to attend the Meeting.

For the avoidance of errors and abusive acts at registration of the Meeting members and at vote counting, the Company shall engage a registrar to perform the functions of a ballot committee, which, when performing such functions, shall be guided by the Charter and by the Regulations on the Procedure for Convening and Holding the General Meeting of Shareholders.

5.2.2. Voting at the Meeting shall be made by ballots. To prevent abuse of rights, the person completing the voting ballot may until the close of the Meeting request certification of a copy of its completed voting ballot by the ballot committee (representatives of the registrar performing functions of the ballot committee) or by another person authorized by the Company. Expenses to make a copy of the completed voting ballot shall be borne by the Company. A certified copy of the voting ballot shall be issued to the shareholder (its representative) if a completed voting ballot is submitted to a representative of the ballot committee or to another authorized person or is placed in a sealed ballot box in their presence.

5.2.3. To pass considered and reasoned resolutions and to intensify the shareholders' participation in controlling the financial and economic activities, the Company strives to ensure:

- Attendance of the executive bodies, members of the Board of Directors, members of the Internal Audit Commission and auditor, candidates to the said bodies, and other key employees of the Company at the Meeting;
- All conditions required for communications and mutual consultations of the shareholders present at the Meeting held in praesentia, including by providing dedicated premises, provided that the procedure for holding the Meeting set forth by the Regulation on Convening and Holding the General Meeting of Shareholders is not violated.

The executive bodies are provided with sufficient time for their reports to allow the shareholders to pass considered and reasoned resolutions. The shareholders may send/put forward questions to the executive bodies and to the candidates to the executive bodies if they are present at the Meeting.

If it is possible to use telecommunication means, the Company strives to ensure the Meeting is broadcast on the Company's official website.

5.2.4. To minimize the shareholders' expenses, the Company strives complete the General Meeting in one day, provided that all ballots are processed by the registrar in a timely fashion.

If there is sufficient time to count the votes, the Company strives to ensure vote counting and announcement by the end of the Meeting.

The minutes of the Meeting shall be drawn up within three (3) business days upon the close of the Meeting of Shareholders and shall be disclosed on the Company's website.

### 5.3. Right to Table Proposals for the Agenda of the Meeting.

The shareholders (a shareholder) owning at least two (2) percent of the voting shares of the Company may table proposals on the agenda of the Meeting and nominate candidates to the executive and control bodies of the Company.

5.3.1. Proposals for agenda items of the Meeting and nominated candidates to the executive and control bodies shall be received by the Company within 60 days after the end of the financial year.

A shareholder may send such proposals signed with a digital signature in electronic form. This method is also used for sending requests to convene an extraordinary Meeting by the shareholders. If the rights to shares are recorded according to a securities account opened with a depository, the proposal (request) shall be accompanied with a statement of the shareholder's securities account opened with the respective depository.

The Company, except for cases stipulated by law, may not refuse to include the proposed item on the agenda of the Meeting and the nominated candidate to the list of the candidates to be elected to the respective body of the Company, if in case of misprints and other insignificant shortcomings in such proposals it is still possible to determine the shareholder's will and confirm his/her right to submit a proposal. In the event of significant shortcomings, the Company shall inform the shareholder in advance to enable removal thereof prior to adoption by the Board of Directors of a resolution to approve the agenda of the Meeting and the list of candidates to be elected to the respective management bodies of the Company.

### 5.4. Dividend Rights.

5.4.1. To ensure the exercise by the shareholders of their right to a share in profits by receiving dividends, the Company has developed and approved the Regulation on Dividend Policy, based on the following key principals:

- Compliance of the practice of dividend accrual and payment accepted in the Company with the laws of the Russian Federation;
- Compliance with the best corporate governance standards, including:
  - Ensuring a transparent scheme for determining the dividend amount;
  - Ensuring the procedure for paying the dividends that is most appropriate for the shareholders;
  - Taking measures precluding incomplete or untimely payment of the declared dividends.
- Ensuring consistency, continuity and predictability of the Company's dividend policy for the shareholders and potential investors;
- Maintaining the required level of the Company's current financial standing and technical condition as well as ensuring the long-term growth of the Company;
- Increasing the shareholders' welfare, investment prospects and market capitalization of the Company;



- Ensuring management's and shareholders' commitment for increasing the Company's returns;

- Ensuring protection of the shareholders' dividend rights.

Protection of the shareholders' dividend rights is ensured, primarily by the following:

- The possibility for the shareholders to exercise their pre-emptive right to acquire securities in the event of an increase in the Company's authorized capital;

- A guarantee that dividends of the Company and liquidation value are the only form of income received from the Company by any shareholder;

- The inadmissibility for the shareholders, major shareholders in particular, to derive profit (income) using other methods (for instance, transfer pricing, replacing dividends with internal loans or unjustified rendering of services at an overvalued price).

The Company strives to direct not less than five (5) percent of the profits for the period determined in the consolidated financial statements of RusHydro Group under IFRS for dividend payments. In addition, the Regulation on Dividend Policy stipulates directing a part of the profits that remain after they are distributed for mandatory deductions of RusHydro Group such as to the reserve fund (in the amount of 5 %), advances from the profits as a financing source for investment projects of RusHydro Group in amounts approved in accordance with resolution No. 977 of the Government of the Russian Federation dated December 1, 2009, and for other mandatory purposes in accordance with the resolutions of the Company's management bodies, passed according to the prescribed procedure.

The priority form of dividend payment is money.

When determining the recommended dividend amount, the Company's Board of Directors shall be guided by:

- The Company's need to implement strategic development, including directing a part of the net profits to finance the Company's investment program, as approved by the federal executive authorities;

- Recommendations of the Government of the Russian Federation;

- Other factors evidencing the economic feasibility of the passed resolution.

5.4.2. For the purposes of continuous improvement and increased efficiency of the dividend payment process, including saving of expenses related to organizing the dividend payment process, the Company shall implement regular measures (including by determining the information blocks in the voting ballots, information notices on the Company's website, and interaction with the shareholders via the call center) aimed at explaining the necessary updates of the application forms in the register maintenance system.

5.4.3. To ensure protection of the shareholders' dividend rights, the Company shall pay dividends to the shareholders only using the method specified by a shareholder in the application form. If the payment method is not specified in the application form, the Company shall be guided by the legal requirements on the method of dividend payment to such shareholders.

5.5. Right to Demand Convocation of a Meeting of the Board of Directors.

5.5.1. The shareholders (shareholder) owning in aggregate not less than two (2) percent of the voting shares of the Company may demand convocation of a meeting of the Board of Directors to consider issues related to the Company's activities. The procedure for sending and considering such a demand is stipulated in the Regulation on Convening and Holding the Meeting of the Board of Directors.

5.6. Right to Guaranteed Protection of Ownership Rights.

5.6.1. To protect the shareholders' ownership rights and to guarantee free disposal of the shares that they own, the duties pertaining to maintenance of the register of the Company's shareholders and the functions of the ballot committee are performed by the registrar, who is a licensed, professional participant of the securities market.

5.6.2. For instances when it is impossible for the registrar to render services in accordance with the requirements pertaining to the procurement procedures, the Company has developed and implemented methods for selecting a new registrar. These selection methods set strict requirements on candidates, including, in terms of their professional experience, track record, infrastructure capacity and technical capability.

Shareholders' misuse of rights and a conflict of interest/interests may be a substantiated hindrance to the Company exercising and providing for the shareholders' rights.

5.7. Treasury and quasi-treasury shares.

5.7.1. Treasury shares are the shares of the Company that are placed at its disposal in the manner prescribed by the legislation of the Russian Federation. The corresponding shares have no voting rights, are not included in vote count and they do not pay any dividends.

5.7.2. Quasi-Treasury shares - shares of the Company, placed at the disposal of PJSC RusHydro's controlled companies.

The exercise of the rights certified by these shares may be carried out, including in the manner and in cases provided for by the shareholder agreement, under which the shareholders of the Company, including the Russian Federation represented by the Federal Agency for State Property Management, may act.

## **6. Board of Directors and Committees of the Board of Directors**

The Company's Board of Directors plays a key role in determining the priority lines of business, approving and controlling implementation of the strategy, forming efficient management bodies of the Company and controlling their activities, determining the principles and approaches to organization of the risk management and internal control system in the Company, controlling the Company's transactions and major, controlled legal entities.

The Company provides for the procedure for putting candidates forward to the Boards of Directors of the major, controlled legal entities.

The duties of the members of the Board of Directors are specified in **Appendix No. 2** hereto.

The members of the Board of Directors acknowledge their responsibility to the shareholders and regard as their main goal the conscientious and competent performance of their duties in managing the Company, maintaining and sustaining long-term growth in the value of its shares as well as protecting and facilitating the exercise by the shareholders of their rights.

The Board of Directors is accountable to the Company shareholders and strives to continuously communicate with the shareholders. The Company ensures an easy way for shareholders to communicate with the Board of Directors, represented by its chairman and senior independent director, through the Personal Account of the Board of Directors/the Personal Account of a shareholder and the Corporate Secretary or through another communication channel that is similar in specifications.

To mitigate the consequences of erroneous resolutions, the Company shall, at its own expense, insure the liability of both members of the Board of Directors and senior managers of the Company.

6.1. Composition, Structure and Formation of the Company's Board of Directors.

6.1.1. The Board of Directors is composed of 13 members.

The Company's Board of Directors involves the balance of its members according to qualification, experience, and number of independent directors. The said balance is reached through implementation of the formalized procedures for forming the Board of Directors described herein.

The effective and professional Board of Directors shall include within its number at least one third independent directors and persons who are qualified and have acknowledged experience in technical, research, and financial areas. One way to reach such balance is cooperation between the Company and its shareholders and explanations of the need for the nomination/election of a sufficient number of independent directors to comply with the requirements of stock exchanges and other regulators. This cooperation is primarily aimed at forming the composition of the Board of Directors which to the fullest extent serves the goals and objectives of the Company.

The number of executive directors may not exceed one quarter of the number of the members elected to the Company's Board of Directors.

During the period when the Company's securities are included in the quotation list of the Moscow Exchange, in accordance with the Listing Rules of the Moscow Exchange, the minimum number of independent directors in the Board of Directors is 3 directors.

6.1.2. The structure of the Board of Directors includes:

- Director;
- Independent director;
- Chairman of the Board of Directors;
- Deputy Chairman of the Board of Directors;
- Senior independent director;
- Committees of the Board of Directors.

**The Chairman of the Board of Directors** arranges the work of the Board of Directors.

The key functions of the Chairman of the Board of Directors include, without limitation:

- Arranging development of the activity plan of the Board of Directors;
- Controlling execution of the resolutions of the Board of Directors;
- Drawing up the agenda of meetings of the Board of Directors;
- Development of the most effective resolutions on agenda items;
- Ensuring free discussion and positive ambiance during the meetings;
- Ensuring thorough discussion of the agenda items and recommendations of the committees of the Board of Directors providing an appropriate amount of time, which shall fill a substantial part of the meeting of the Board of Directors;
- Maintaining continual contact with other bodies and officers of the Company to obtain, in a timely manner, the most complete and reliable information required for the Board of Directors to pass resolutions;
- Ensuring the effective work of the Committees of the Board of Directors;
- Taking all necessary actions to provide the members of the Board of Directors, in a timely manner, with the information required to pass resolutions on the agenda items;
- Communicating with the shareholders.

A person having an impeccable business and personal as well as considerable experience in a senior position may be elected as the Chairman of the Board of Directors.

**Deputy Chairman of the Board of Directors** shall perform the functions of the Chairman of the Company's Board of Directors in his/her absence. The Deputy Chairman of the Board of Directors shall be elected from the members of the Company's Board of Directors by a majority of votes of all elected members of the Company's Board of Directors.

**Senior Independent Director** shall coordinate cooperation of independent directors, acts as an advisor for the Chairman of the Board of Directors contributing to the effective work of the Board of Directors. The Senior Independent Director shall be elected from among the independent directors. The position of Senior Independent Director shall not be related to his/her age. The candidate of Senior Independent Director may be proposed to the Board of Directors for election as the Deputy Chairman of the Board of Directors. The key functions of the Senior Independent Director shall include:

- Holding meetings of independent directors, taking the chair thereof and executing minutes of such meetings;

- Explaining the role, functions and tasks of independent directors and the Senior Independent Director to the Board of Directors;
- Organizing the appraisal of the Chairman of the Board of Directors by independent directors within the procedure for appraising the Board of Directors and ensuring the procedure for succession of the Chairman of the Board of Directors;
- Resolving conflicts in the Board of Directors;
- Communicating with the shareholders.
- The rights and duties of the Senior Independent Director:
  - To convene meetings of independent directors;
  - To request information on the Company's activities according to the procedure and on the conditions provided for herein and in the internal documents of the Company;
  - To make proposals to the Board of Directors concerning consideration of any transactions as major ones.

When an independent director is the Chairman of the Board of Directors, he/she shall perform the functions of the Senior Independent Director.

6.1.3. The Board of Directors shall be elected by the General Meeting using cumulative voting.

A candidate shall provide a written consent to work on the Board of Directors.

To form the most objective opinion of a shareholder on the candidates to the Board of Directors, the Company, immediately upon approval of the candidates, strives to disclose the information to the fullest extent, in particular:

- Information on the person (group of persons) nominating this candidate;
- Information on the candidate's age and education;
- Information on the positions they have held over the last five years;
- Information on the position(s) held by the candidate at the moment of nomination;
- Information on the nature of his/her relations with the Company, on his/her membership in boards of directors of other legal entities and information on nomination of such candidate as a member of boards of directors or for election (appointment) to any position in other legal entities;
- Information on the candidate's relations with affiliated persons and major counterparties of the Company;
- Information on the candidate's meeting the requirements placed on the independent directors (including, in the minutes of the Meeting);
- Information on the consent to election to the Board of Directors;
- Other information which may affect fulfilment by the candidate of the respective duties.

Transparency of the procedure for electing the Board of Directors is ensured through:

Arranging preliminary discussion by the shareholders of the candidates nominated for election to the Board of Directors;

- Submitting the materials and information necessary to appraise the candidates' independence to a federal executive authority empowered to exercise the owner's rights on behalf of the Russian Federation (for the period when the Russian Federation is a shareholder of the Company);
- Considering the candidates by the relevant committee of the Board of Directors for their compliance with the criteria of independence and for existence of a conflict of interest. Such appraisal shall be also carried out by the committee immediately upon election and, on a regular basis, during the term of office of the Board of Directors;
- Bringing to shareholders' notice information on a possible conflict of interests of candidates to the Board of Directors.

The Company strives to ensure the first meeting of the Board of Directors, for election of the Chairman of the Board of Directors, formation of the committees of the Board of Directors

and for election of the chairmen of the committees, is held as soon as possible after the Meeting where the Board of Directors has been elected.

#### 6.2. Role of Independent Directors.

The independent directors shall serve to bring impartiality to the activities of the Board of Directors when passing the resolutions, to increase effectiveness of the work of the Board of Directors and to promote compliance with the corporate governance principles of the Company.

The Company shall deem a person meeting the criteria specified in **Appendix No. 3** hereof as an independent director.

In exceptional circumstances, the Board of Directors may recognize a candidate (member of the Board of Directors) as independent following the results of an appraisal carried out by the Nominations and Reimbursement Committee regardless of any criteria of his/her relations with the Company, any major shareholder of the Company, any major counterparty or competitor of the Company, the state (the Russian Federation, the subject of the Russian Federation) or the municipal entity, if such relations do not affect the ability of the respective person to make independent, objective and reliable judgements.

Thus, for instance, the Board of Directors may recognize a candidate (elected member of the Board of Directors) as independent in the following circumstances:

1) An affiliated person of the candidate (member of the Board of Directors) is an employee (other than an employee vested with a management authority) of an entity controlled by the Company or of a legal entity from the group of entities including any major shareholder of the Company (except for the Company) or of major counterparty or competitor of the Company or of any legal entity controlling a major counterparty or competitor of the Company or of the entities controlled by it;

2) Relations between the candidate (member of the Board of Directors) and the affiliated person do not affect the resolutions taken by the candidate;

3) The candidate (member of the Board of Directors) has acknowledged reputation, including among the investors, evidencing his/her ability to form an independent position individually.

The independent directors play a critical part in:

- Determining the development strategy of the Company and assessing compliance of the Company's activity with the development strategy;
- Assessing the quality of the work of the Company's executive bodies for its compliance with the interests of all shareholders;
- Ensuring protection of any and all groups of the shareholders;
- Making objective and independent judgements on the issues referred to the competence of the Board of Directors, in particular, on the issues of internal control, and assessment of internal control and risk management;
- Improving corporate governance standards and practice in the Company;
- Preventing and resolving corporate conflicts and assessing material corporate actions.

The key means by which the independent directors perform their activities is through their work in the committees.

If an independent director loses their independent director status, he/she shall immediately inform the Company's Board of Directors thereof.

The Board of Directors shall appraise the circumstances serving as grounds for depriving independent director status. In an instance when the Board of Directors acknowledges the deprivation of independent director status, the Board of Directors shall disclose the information on deprivation of independent status by the member of the Board of Directors and shall notify the Stock Exchange and other regulators thereof. Where necessary, the Board of Directors shall resolve on re-election of members to the committees.

### 6.3. Committees of the Board of Directors.

6.3.1. The committees of the Board of Directors are formed for profound elaboration of the issues to be considered by the Board of Directors and for more substantive study of the particular aspects of the Company's activities, being of vital importance.

6.3.2. The following committees are formed in the Company:

- 1) Audit Committee;
- 2) Nominations and Reimbursement Committee;
- 3) Strategy Committee;
- 4) Investments Committee;
- 5) Committee on Reliability, Energy Efficiency and Innovations.

The objectives of each committee are specified in **Appendix No. 4** hereof.

6.3.3. Each committee consists of at least 3 members of the Board of Directors. Each member of the Board of Directors may serve on a maximum of 3 committees. For this purpose, such committees as the Audit Committee and the Nominations and Reimbursement Committee shall include solely independent directors and, if this is impossible for objective reasons, the majority of members in the said committees shall be independent directors and the remaining members may be members of the Board of Directors not being the sole executive body and (or) the members of the Company's collective executive body. The Company strives to ensure that the majority of members in the Strategy Committee and the Investments Committee shall be independent directors.

The powers, procedure for forming and proceedings of each committee shall be governed by the respective Regulation. The Company shall disclose the information on the committees formed on its website.

When forming the committees, the Board of Directors strives to ensure that the committees of the Board of Directors shall be headed by the independent directors.

Where necessary, the committees may engage experts and consultants without voting rights for passing resolutions on the issues within the competence of the committee, including for preparation of materials and recommendations on agenda items, on a temporary or permanent basis.

Where necessary, the Audit Committee may invite any officers of the Company, director of the Internal Audit Department, and representatives of the Company's external auditors to its meetings.

The Audit Committee shall ensure regular (at least once a quarter) communications, including through its chairman, with the director of the Company's Internal Audit Department on issues referred to the competence of the Internal Audit Department.

The Company shall ensure public disclosure of the information on the appraisal of the auditor's opinions provided by the external auditors as prepared by the Audit Committee.

Taking into account the specific nature of the issues considered by the Audit Committee and the Nominations and Reimbursement Committee, the persons who are not members of the said committees may attend the meetings of such committees only upon invitation from their chairmen.

In the course of communications with the shareholders, the Company strives to ensure that at least one candidate nominated to the Board of Directors shall have experience and knowledge in preparation, analysis, appraisal, and audit of accounting (financial) statements. The information on such director being the member of the Board of Directors shall be disclosed by the Company at the Company's website and in the annual report.

When the Chairman of the Board of Directors is an independent director, he/she cannot be elected as Chairman of the Nominations and Reimbursement Committee.

A candidate shall provide written consent to work in the committee.

The committees are accountable to the Company's Board of Directors. The committees shall report on a regular basis at least twice a year.

6.4. Competence, Proceedings at the Meetings of the Board of Directors and its Informational Support.

6.4.1. The competence of the Board of Directors shall be determined by the Charter of the Company. The competence of the Board of Directors includes the issues determined by the laws of the Russian Federation, this Code and other issues.

6.4.1.1. **Within determining the strategy**, the Board of Directors shall hold a discussion of the strategy provided by the management, appraise, and approve it. The strategy developed by the management includes the areas of priority for the entire RusHydro Group. In addition, the competence of the Company's Board of Directors includes issues on consideration and approval of investment programs and business plans of the Company as well as on consideration of reports on their implementation.

When appraising the ability to implement the Company's strategy, the Board of Directors shall take into account the strengths and weaknesses of the Company, current and forecast economic and financial conditions of its activities.

Implementation of the strategy and (or) business plans shall be controlled on a regular basis through assessment by the Board of Directors of the given quantitative criteria which allow determining effectiveness of the practical step aimed at implementing the Company's strategy. The Board of Directors shall hear the management's reports on the progress of the strategy implementation and (or) on updating the strategy or other documents aimed at implementation of the strategy at least once a year.

6.4.1.2. **In Developing the Risk Management Policy**. The main functions of the Company's Board of Directors are provided in the respective section hereof.

6.4.1.3. The Board of Directors shall play a key part in **preventing, identifying, and resolving internal conflicts** among the management bodies, the shareholders and the Company's employees. The Company shall take all necessary and appropriate actions to prevent and resolve the conflict (and to mitigate its consequences) between a body of the Company and its shareholder (shareholders) and among the shareholders, if such conflict involves the Company's interests, using extrajudicial proceedings of dispute resolution, including mediation. For these purposes, the Board of Directors, among other things, has approved and updates the Corporate Governance Code, providing for the procedures for resolving conflicts, progressively as the corporate governance develops.

With the assistance of the Audit Committee, the Board of Directors shall ensure the Company's compliance with the ethical standards and trust relationship building in the Company. The Audit Committee shall assess compliance of the Company's activities with the ethical principles followed by the Company, develop proposals in amending the Corporate Governance Code, state its position on issues of a potential conflict of interests of the Company's employees, and analyze the causes of conflicts arising due to non-compliance with the ethical standards and regulations.

In the course of their activities, the members of the Board of Directors shall refrain from any actions which cause or may cause a conflict between their interests and the interests of the Company as well as situations where a member of the Board of Directors may be influenced externally (receiving gifts, using other direct or indirect benefits received from persons having an interest in passing any resolution). In case of any conflict of interest, a member of the Board of Directors shall notify the Company through its chairman or through the Corporate Secretary of the Company both of the fact of a conflict of interest and of its grounds. The member of the Board of Directors stating the fact of his/her conflict of interest may not participate in voting on such issue.

To exclude conflict of interest, the executive directors shall refrain from participating in voting on approval of the terms and conditions of agreements entered into with the members of

the Company's executive bodies, except for cases when such voting is carried out in accordance with the directive of a federal executive authority.

In cases where it is required due to the nature of the item under discussion or to the specific nature of a conflict of interests, the Board of Directors may propose to the member of the Board of Directors involved in the respective conflict of interest not to attend discussion of such item at the meeting of the Board of Directors.

If the conflict at any development stage involves or may involve the executive bodies of the Company, it shall be referred to the Company's Board of Directors (the Audit Committee) for resolution. The member of the Board of Directors, whose interests are or may be affected by the conflict, shall not participate in resolution of such conflict.

The Company provides for the procedures ensuring the operation of the corporate conflict prevention system:

1) Timely receipt by the Company of up-to-date information on affiliated persons and affiliates of the members of the Board of Directors, the sole executive body of the Company, members of the collective executive body, other key executive employees, and on the conflict of interest involving the said persons (including on an interest in transactions);

2) Adoption of resolutions on transactions with a conflict of interest or control over the terms and conditions of such transactions by the persons not involved in the conflict of interest and not influenced by the persons involved in the respective conflict of interest.

The Company's employees shall be subject to disciplinary actions for violation of the said procedures.

To prevent a conflict of interest, the Company shall develop the policy with regard to holding shares in the Company and shares (participatory interest) in the companies of the Group by the members of the Board of Directors.

6.4.1.4. **In Controlling the Corporate Governance Practice.** The Company's Board of Directors, with the assistance of the Audit Committee, plays a crucial part in assessing and monitoring the corporate governance practice. For these purposes, the Company shall engage an expert with a good record on the market and appropriate competence on a regular basis to assess the Company's corporate governance practice. The results of such assessment and recommendations of the expert on improvement of the corporate governance practice in the form of an action plan shall be put before the Company's Board of Directors. When assessing the corporate governance practice, prominent attention shall be paid to delineation powers and determination of responsibilities of each body of the Company and to appraisal of the performance of the functions and duties imposed on such body.

6.4.2. The meetings of the Board of Directors shall be held both in praesentia and in absentia.

The form of a meeting of the Board of Directors shall be determined taking into account the importance of the agenda items, but a meeting in praesentia shall be preferred. The Chairman of the Board of Directors strives to ensure that the issues related to determining the areas of priority of the Company, convening the Meeting, electing a Chairman of the Board of Directors, forming and paying remuneration to the executive bodies, passing resolutions on major transactions of the Company and of major controlled legal entities, registrar of the Company, considering the results of assessment of effectiveness of the work performed by the Board of Directors, approving dividend policy, and risk management policy, shall be considered at the meeting in praesentia.

To ensure consideration of the opinions of all members of the Board of Directors to the fullest extent the resolutions on the most important issues related to:

- Determining the areas of priority (including approval of the investment program and business plans);
- Approving dividend policy of the Company;



- Resolving on listing of the shares and (or) securities of the Company, which are convertible into its shares;
- Determining the amount of major transactions of the Company and approving such transactions;
- Approving major transactions of major controlled legal entities;
- Tabling issues on reorganization or liquidation of the Company before the General Meeting;
- Tabling issues on an increase or decrease in the Company's authorized capital before the General Meeting;
- Determining the price (monetary value) of the property contributed as payment for additional shares placed by the Company;
- Tabling issues related to amending the Company's Charter, approving major transactions of the Company, delisting of the Company's shares and (or) securities convertible to its shares before the General Meeting;
- Accepting recommendations with regard to a voluntary or mandatory offer received by the Company;
- Accepting recommendations on the amount of dividends on the Company's shares shall be passed at the meeting of the Board of Directors by a majority vote of all elected (not withdrawn) members of the Board of Directors.

The members of the Board of Directors shall be provided with a reasonable period to prepare for the meeting of the Board of Directors.

A notice to the members of the Board of Directors on convening a meeting of the Board of Directors, its form and agenda, attaching the materials, shall be sent not less than eleven (11) days prior to the date of the meeting of the Board of Directors. The notices on the meeting of the Board of Directors shall be mailed by means which is the most acceptable to the Board of Directors.

The Regulation on the Procedure for Convening and Holding the Meeting of the Company's Board of Directors determines the procedure and period for sending a voting ballot to each member of the Board of Directors and for receiving completed ballots in case of a meeting in absentia.

When holding a meeting of the Board of Directors in praesentia, the written opinion of a member of the Board of Directors absent at the meeting on the agenda items shall be taken into account to determine the quorum and voting results. In compliance with the procedure set forth in the Regulation on the Procedure for Convening and Holding a Meeting of the Company's Board of Directors, the written opinions of a member of the Board of Directors may be sent by telephone or by electronic means.

A member of the Board of Directors may be provided with an opportunity to participate in discussion of the agenda items and in voting remotely: via conference and video conference call.

The meetings of the Board of Directors shall be held if and when necessary, in general, at least once every two months, and in accordance with the activity plan approved by the Board of Directors.

The information on the number of meetings, their form and attendance record, passed resolutions and assessment of the work of the Board of Directors and of the executive bodies shall be disclosed in an annual report of the Company.

6.4.3. To attain reasonability and good faith in actions of the members of the Board of Directors, impartiality in passing resolutions, the Company shall ensure provision of all necessary information on the Company's activities, including on major controlled legal entities, on the necessity of the resolutions passed and on possible consequences for the Company and its shareholders if any resolution is passed. Accordingly, the members of the Board of Directors may demand and the Company shall provide them with any additional information, when such information is necessary to make an informed decision.

To improve the effectiveness of the work of the Board of Directors, the Company shall continuously work on the quality of the information to be provided to the members of the Board of Directors, in particular, through providing:

- An activity plan and meeting schedule of the Board of Directors;
- Members elected for the first time to the Board of Directors with information on the Company's strategy adopted in the Company, on the corporate governance system, on the risk management and internal control system, on delineation of duties among the executive bodies, and with other information on the Company's activities;
- Information on the most important events in the economic and financial activities of the Company and on the major controlled legal entities, as well as on other events affecting the shareholder's interests;
- Information on agenda items of the meeting of the Board of Directors, in particular, explanatory notes to the draft resolutions, opinions of the committees of the Board of Directors and (or) independent directors;
- Information requested by the members of the Board of Directors to perform their duties, including confidential information, the procedure for providing which is set forth in the internal documents of the Company.

The Company shall not refuse to provide the members of the Board of Directors with the information on the basis that, in the Company's opinion, the requested information is not related to the agenda of the meeting or to the competence of the Board of Directors. However, the right to receive the information by a member of the Board of Directors may be restricted if such member is involved in a potential conflict of interest. In such case a resolution on providing such information shall be made by the Chairman of the Board of Directors upon agreement with the Senior Independent Director, or, if it is related to receiving the information by the Chairman of the Board of Directors – by the Senior Independent Director upon consultations with other independent directors, or, if it is related to receiving the information by the Senior Independent Director – by the Chairman of the Board of Directors upon agreement with any independent director.

The obligation to provide information support to the Board of Directors within performance of its functions shall be imposed on the Corporate Secretary of the Company. The executive bodies and directors of principal structural units of the Company shall be held liable for untimely provision of complete and reliable information on the agenda items of the meetings of the Board of Directors and on the requests of any member of the Board of Directors.

It is allowed to engage professional advisors for issues related to the competence of the Board of Directors to pass resolutions by members of the Board of Directors, related to its competence, subject to the procurement procedures set forth in the Company.

6.4.4. Minutes of the meeting of the Company's Board of Directors shall be prepared within three (3) working days of the meeting. The minutes, in addition to the mandatory information, shall also specify:

- Information on the vote of each member of the Board of Directors on the agenda items;
- Rationale for not taking into account the recommendations of any committee.

The following aspects shall constitute an integral part of the minutes of a meeting of the Board of Directors:

- Special opinions of the members of the Board of Directors;
- Recommendations of the committees on items considered at the meeting of the Board of Directors.

To determine an actual responsibility mechanism of the members of the Board of Directors, the Company shall ensure maintenance and storage of shorthand notes of the audio (video) records of the meetings of the Board of Directors, which reflect the positions of each member of the Board of Directors on the agenda items, along with the minutes.

## 6.5. Performance Appraisal of the Board of Directors.

6.5.1. The Board of Directors shall form a transparent system for appraising its performance in accordance with the corporate governance principles.

To determine the degree of overall performance of the Board of Directors and committees of the Board of Directors, the level of involvement of the members of the Board of Directors in development and implementation of the Company's strategy, the Company shall take actions to appraise the work of the members of the Board of Directors using either of the means specified below:

- Individually by the Board of Directors (self-appraisal) on an annual basis; or
- By engaging an independent advisor at least once every three years.

The Nominations and Reimbursement Committee shall determine the procedure for and method of appraisal and criteria providing for appraisal of the competency and personal qualities of the members of the Board of Directors, their independence, teamwork and degree of personal involvement as well as other factors affecting the overall performance of the Board of Directors.

The Nominations and Reimbursement Committee shall develop the methods of self-appraisal and make proposals for selecting an independent advisor to appraise the work of the Board of Directors. These methods and the candidate for the independent advisor shall be approved by the Board of Directors.

The work of the Chairman of the Board of Directors shall be appraised by the independent directors (chaired by the Senior Independent Director) taking into account the opinions of all members of the Board of Directors. Where an independent director is the Chairman of the Board of Directors, the functions of the chairman, instead of him/her, shall be performed by another independent director appointed from the independent directors.

The results of such appraisal shall be considered at a meeting of the Board of Directors in praesentia to prepare recommendations for improvement of overall performance of both the entire Board of Directors and its particular members.

Following the results of individual appraisal, recommendations may be provided to upgrade qualifications of certain members of the Board of Directors. Where necessary, individual training programs (training) shall be formed and held. The Chairman of the Board of Directors and the Nominations and Reimbursement Committee shall control implementation of such programs. The appraisal results shall be the basis for forming and structure of future Boards of Directors.

## 7. Corporate Secretary

7.1. To ensure current communications with the shareholders, protection of the shareholders' rights and interests, and to support the effective work of the Board of Directors, the Company has a Corporate Secretary.

In his/her work, the Corporate Secretary shall be functionally subordinate to the Board of Directors of the Company, which means that the following issues are referred to the competence of the Company's Board of Directors:

- Approving a candidate to the position of the Corporate Secretary and terminating his/her powers;
- Approving the Regulation on the Corporate Secretary;
- Appraising the work of the Corporate Secretary and approving his/her reports;
- Paying additional remuneration to the Corporate Secretary.

The Regulation on the Corporate Secretary approved by the Company provides for:

- Requirements placed on a candidate to become the Corporate Secretary;
- Procedure for appointing the Corporate Secretary and terminating his/her powers;
- Functional subordination of the Corporate Secretary and procedure for his/her interaction with the management bodies and structural units of the Company;
- Functions, rights, and duties of the Corporate Secretary;

- Terms and conditions and the procedure for paying additional remuneration to the Corporate Secretary;
- Responsibility of the Corporate Secretary.

The Corporate Secretary shall have adequate competencies and professional knowledge and experience to perform the functions assigned to him/her.

A person being an affiliate of the Company, associated with an entity controlled by the Company or with the executive management of the Company may not act as the Corporate Secretary of the Company as it may give rise to a conflict of interest and improper performance by the Corporate Secretary of his/her functions. In the event of any conflict of interest, the Corporate Secretary shall immediately inform the Chairman of the Company's Board of Directors thereof.

The Corporate Secretary may not combine its work as the Corporate Secretary with performance of any other functions in the Company, except for any allied functions on corporate governance.

7.2. The duties/functions of the Corporate Secretary, taking into account his/her administrative subordination to the officers of the Company, shall include:

- Ensuring, within his/her competence, compliance by the Company, management bodies and officers with the requirements of the effective laws, Charter and internal documents of the Company;
- Cooperating with the state authorities, including financial regulators, with professional participants of the securities market and other persons on corporate governance;
- Participating in preparation and holding of the Meetings;
- Ensuring work of the Board of Directors and committees of the Board of Directors;
- Ensuring disclosure of the information and storage of the corporate documents;
- Communicating with the Company's shareholders, ensuring implementation of the procedures providing for exercising the shareholders' rights and legitimate interests as set forth in the laws and internal documents of the Company and controlling such exercising;
- Informing the Board of Directors of the detected violations on the laws on the issues referred to the competence of the Corporate Secretary and preventing corporate conflicts;
- Improving the corporate governance practice;
- Upgrading his/her qualifications on an ongoing basis.

7.3. To perform the functions imposed on him/her, the Corporate Secretary, taking into account his/her administrative subordination to the officers of the Company, shall be provided with the following powers:

- 1) To request and receive the documents of the Company;
- 2) To forward issues to the Company's management bodies for consideration within his/her competence;
- 3) To control compliance of the Company's officers and employees with the Charter and internal documents of the Company as regards the issues related to his/her functions;
- 4) To cooperate with the Chairman of the Board of Directors and chairmen of the committees of the Board of Directors.

It shall be allowed for a special structural unit headed by the Corporate Secretary to perform the functions of the Corporate Secretary.

7.4. The information on the Corporate Secretary shall be disclosed on the official website and in an annual report of the Company to the same extent as the information to be disclosed concerning the members of the Board of Directors and executive bodies of the Company.

## **8. System of Remuneration to Members of the Board of Directors, Executive Bodies and Other Key Employees**

8.1. Acting on behalf of the shareholders and in accordance with their long-term interests, the Board of Directors, with the assistance of the Nominations and Reimbursement Committee, shall develop, approve, and control implementation of the remuneration system in the Company, including short-term and long-term motivation, for the members of the Company's executive bodies and for other key executive employees.

The remuneration shall be paid to the members of the Board of Directors, executive bodies and other key executive employees of the Company in accordance with the Company's remuneration policy.

The principles of the remuneration policy:

- Remuneration shall be set at the rate sufficient to engage and retain the staff and to stimulate the managers with the required competency to manage the Company efficiently;
- Remuneration shall be set at a rate consistent with that set in companies of the industry where the Company operates;
- Reasonable and appropriate ratio of the fixed part and variable part of the remuneration, depending on the performance in the Company and personal (individual) contribution of the employee to the ultimate outcome;
- Transparency;
- Accountability.

When forming and reviewing the remuneration system for the members of the Company's executive bodies and other key executive employees, the Nominations and Reimbursement Committee shall analyze and provide recommendations to the Board of Directors on each component of the remuneration system and their proportional ratio to ensure a reasonable balance between short-term and long-term performance results. In this case, the short-term performance results shall mean performance results for not more than three years and the long-term performance results shall mean those for at least five years.

The Nominations and Reimbursement Committee and the Board of Directors shall analyze the relative amount of variable and fixed components of the remuneration system at the stage of system formation and adjustment. To ensure the balance of the short-term and long-term incentives, the remuneration policy may provide for deferred bonus payment at the year end.

8.2. The members of the Board of Directors shall receive fixed annual remuneration for their work. The fixed annual remuneration shall reflect time expenditures and required efforts of a director related to preparation for and participation in the meetings of the Board of Directors. The remuneration amount depends on the scope of the director's additional duties associated with performing the functions of the Chairman of the Board of Directors, member of a committee, chairman of a committee, or Senior Independent Director.

A member of the Board of Directors shall be paid a fee, provided that he/she participates in more than 75 % of the meetings held.

Remuneration of the members of the Board of Directors does not imply any form of short-term incentives, which provides for assessment of performance, a tie-in to the dynamics of capitalization of the Company and bonuses at the end of the period of less than three years, and does not provide for any additional payment or compensation (severance pay) to the members of the Board of Directors, including for non-executive and independent directors, in case of early termination of their powers.

The members of the Board of Directors shall be compensated (reimbursed) for expenses related to travel to the place of meetings and other trips when performing their duties as members of the Board of Directors. Other expenses, in addition to the expenses related to travel to the place of meetings, and other trips when carrying out the activities of the Board of Directors and committees of the Board of Directors, shall not be compensated.

The remuneration system adopted in the Company does not provide for pension contributions, insurance programs (in addition to the liability insurance of directors and insurance related to travel within the work of the Board of Directors), as well as other benefits and privileges to (non-executive and independent) directors.

The resolution to pay remuneration to the members of the Board of Directors shall be passed by the Meeting.

8.3. The Company has a program of short-term (annual KPIs of the Company) and long-term (long-term development program KPIs - LTDP KPI) incentives for members of the executive bodies of the Company and other key executive employees, which are based on a set of customized key performance indicators, developed and approved by the Board of Directors with the assistance of the Nominations and Reimbursement Committee. The latter, in turn, oversees implementation and execution of the program.

Key performance indicators shall be approved and the results under the short-term incentive program shall be assessed on an annual basis.

The amount of fixed remuneration shall take into account all benefits and privileges granted to the members of the executive bodies of the Company and other key executive employees, as well as the sources of income related to their membership in the management bodies of other companies, including subsidiaries and dependent companies.

LTDP KPIs aimed at long-term incentives shall be approved for a period not less than 5 years and assessed on an annual basis. In order to assess achievement of the target values of the LTDP indicators, implementation of such program shall be checked on an annual basis.

In case facts are detected of manipulation of the reporting figures, the executive bodies and other key executive employees shall be held liable in accordance with the laws of the Russian Federation.

The Company's performance within the long-term and short-term incentive plans shall be assessed in the context of the risks incurred by the Company.

The procedure for compensation (reimbursement) of the expenses related to performance by the executive bodies and other key executive employees of the Company of its obligations shall be provided for in the internal documents of the Company.

8.5. The Company, represented by the Board of Directors, strives to prevent a conflict of interest when determining remuneration of a certain person, in particular, when discussing and passing resolutions on the remuneration amount involving the person whose remuneration is being discussed.

## **9. Risk Management and Internal Control System**

9.1. The risk management and internal control system of the Company is a complex of organizational measures, methods, procedures, standards of corporate culture, and actions taken by the Company to achieve an optimal balance between the growth of the Company's value, profitability and risks, to ensure the financial stability of the Company, to efficiently carry out economic activities, to ensure the soundness of the assets, to comply with the laws, the Charter and the internal documents of the Company, and to prepare reliable statements in a timely manner.

The Company's Board of Directors is responsible for determining the principles and approaches to arrangement of the risk management and internal control system. The Charter of the Company refers approval of the general policy on risk management and internal control to the competence of the Board of Directors.

The arrangement of the risk management and internal control system is formalized in the following internal documents of the Company:

- 1) Internal Control and Risk Management Policy;
- 2) Anti-Corruption Policy;
- 3) Conflict of Interest Management Policy;
- 4) Rules of Crisis Hotline Operation at PJSC RusHydro;
- 5) Regulation on Strategic Management;
- 6) Regulation on Planning, Preapproval, Support and Execution of Strategic and Other Major Transactions;
- 7) Regulation on Process of Capital Investments Management;
- 8) Regulation on Process of Production Plan Formation;
- 9) Regulation on Management System of Retrofitting and Upgrading Projects;
- 10) Regulation on Policy of PJSC RusHydro in Sales Activities with regard to Operating Power Generation Facilities in Pricing Zones of the Wholesale Market for Electric Power and Capacity;
- 11) Other organizational/management and local regulatory acts.

The risk management and internal control system adopted in the Company is based on the generally accepted concepts and practices in risk management and internal control such as:

- COSO Concept Enterprise Risk Management - Integrated Framework, 2004;
- International Standard ISO 31000:2009 Risk Management. Principles and Guidelines (order of the Federal Agency on Technical Regulating and Metrology dated December 21, 2010, No. 883-st);
- International Standard ISO 31010:2009 Risk Management. Risk Assessment Techniques (order of the Federal Agency on Technical Regulating and Metrology dated December 1, 2011, No. 680-st);
- Risk Management Standards of the Federation of European Risk Management Associations (FERMA);
- COSO Document (Concept) Internal Control - Integrated Framework (2013). The main objectives of the risk management and internal control system are:

- 1) Ensuring reasonable assurance in achieving the goals of the Company;
- 2) Ensuring efficiency of financial and economic activities and resources using;
- 3) Identifying risks and managing such risks;
- 4) Ensuring safety of the Company's assets;
- 5) Ensuring integrity and reliability of the accounting (financial) statements, statistical, managerial and other reports;
- 6) Controlling compliance with the laws, internal policies, regulations and procedures of the Company.

The risk management and internal control system includes its building on operating (through introduction and implementation of the necessary control procedures in the operating processes) and organizational levels (through arrangement of the functions coordinating the Company's activities within the risk management and internal control system and ensuring its operation (such as risk management, internal control, control of compliance with the requirements, quality control, etc.).

9.2. Effective functioning of the risk management and internal control system is the responsibility of a separate structural unit formed in the Company, the objectives of which include:

- 1) General coordination of the internal control and risk management processes;
- 2) Development of methodical documents for ensuring internal control and risk management processes;
- 3) Arrangement of training for the Company's employees in internal control and risk management;
- 4) Analysis of the Company's risk portfolio and preparation of proposals for response and reallocation of resources in management of the respective risks;
- 5) Formation of consolidated reports on risk management;
- 6) Operational control over the internal control and risk management processes of the Company's units and Group companies according to the prescribed procedure;
- 7) Preparation and provision of information to the Company's Board of Directors and executive bodies on the efficiency of the internal control and risk management process as well as on other issues provided for in the risk management and internal control policy.

9.3. When approving and updating the risk management and internal control policy, the Board of Directors strives to achieve an optimal balance between the risk and returns for the Company. For this purpose, the Board of Directors shall assess both financial and non-financial risks incurred by the Company, including operating, social, ethical, environmental, and other non-financial risks, and shall set the acceptable risk degree for the Company.

9.4. Responsibility for formation and effective functioning of the effective risk management and internal control system in the Company, as well as for implementation of the resolutions of the Board of Directors in risk management and internal control shall be borne by the executive bodies of the Company. The executive bodies of the Company shall report to the Board of Directors (the Audit Committee) on a regular basis for the functioning of the risk management and internal control system.

The executive bodies of the Company shall distribute the powers, duties and responsibilities for particular risk management and internal control procedures among the managers of the Company's units, being in their charge or supervised by them. The managers of the Company's units shall, in accordance with their functional duties, be responsible for designing, documenting, introducing, monitoring, and developing the risk management and internal control system in their respective functional areas of the Company's activities.

9.5. The Company shall form a separate structural unit of the internal audit for systematic independent assessment of reliability and effectiveness of the risk management and internal control system and corporate governance practice.

Assessment of effectiveness of the internal control system includes:

- 1) Analysis of the correspondence of goals of business processes, projects, and the Company's units to the Company's goals, inspection of provision for the efficiency, reliability and integrity of business processes (activities) and information systems, including reliability of procedures combating illegal activities, abuse, and corruption;
- 2) Inspection of accuracy of reports (financial, accounting, management, tax, statistical, and others), determination of the extent to which performance results of business processes and the Company's units correspond to the goals set;
- 3) Determination of the adequacy of the criteria established by the executive bodies to analyze the degree of performance (achievement) of the goals set;
- 4) Detection of internal control system defects which have prevented (prevent) the Company from achieving the goals set;
- 5) Assessment of the results of introduction (implementation) of the actions to remove violations, defects, and to improve the internal system control at all management levels;
- 6) Inspection of efficiency and feasibility of resource exploitation;



- 7) Inspection of the Company's asset safety provision;
- 8) Inspection of compliance with the laws, the Charter and internal regulatory documents of the Company.

Assessment of effectiveness of the risk management system includes:

- 1) Inspection of the adequacy and maturity of the risk management system elements for effective risk management (goals and objectives, infrastructure, arrangement of the processes, regulatory and methodical support, interaction of structural units within the risk management system, and reporting);
- 2) Inspection of full detection and correct assessment of risks by the Company's management at all management levels;
- 3) Inspection of the efficiency of the control procedures and other risk management actions, including efficient use of the resources allocated for these purposes;
- 4) Analysis of information on the risks realized (including violations, failures to achieve the goals set, and court proceedings, revealed following the results of audits).

Assessment of the corporate governance includes inspection of:

- 1) Inspection of compliance with ethical principles and corporate values of the Company;
- 2) Inspection of the procedure for the Company's goal setting and monitoring of/control over their achievement;
- 3) Regulatory support level and information interaction level (including on risk management and internal control issues) at all management levels, including interaction with stakeholders;
- 4) Ensuring the shareholders' rights, including the Group companies, and effective relations with stakeholders;

The objective of the internal audit unit also includes:

- 1) Assistance to the Company's executive bodies and employees in developing and monitoring implementation of the procedures and actions on improvement of the risk management and internal control system and corporate governance of the Company;
- 2) Internal audit of the Group companies within the framework of the prescribed procedure;
- 3) Arrangement of methodological support and monitoring of activities of the Company's representatives in the Internal Audit Commissions of the Group companies;
- 4) Preparation and submission of reports on the performance of the internal audit unit to the Board of Directors (the Audit Committee) and to the executive body of the Company.

The Board of Directors (the Audit Committee) shall arrange analysis and assessment of the risk management and internal control system at least once a year. The results of such analysis and assessment shall be considered at a meeting of the Company's Board of Directors (the Audit Committee).

The key principles of arrangement and functioning of the internal audit in the Company are based on the international professional standards of internal audit of the Institute of Internal Auditors and documented in the following internal documents of the Company:

- 1) Internal Audit Policy of the Company.
- 2) Regulation on Planning of Supervisory Measures and Their Implementation by the Internal Auditors of the Company.
- 3) Methodical Recommendations for Inspection of the Internal Control and Business Processes by the Internal Auditors of the Company.
- 4) Regulation on Interaction with the Audit Committee of the Company.
- 5) And other organizational/management and local regulatory acts.

Independence of the internal audit unit shall be provided by delineation of functional and administrative accountability.

The internal audit unit is functionally subordinated to the Board of Directors, which

means:

- 1) Approval by the Board of Directors (the Audit Committee) of the internal audit policy determining the internal audit goals, objectives and functions;
- 2) Approval by the Board of Directors (the Audit Committee) of the internal audit plan;
- 3) Receipt by the Board of Directors (the Audit Committee) of information on implementation of the action plan and on the internal audit;
- 4) Approval by the Board of Directors (the Audit Committee) of resolutions on appointment and dismissal of the manager of the internal audit unit;
- 5) Consideration by the Board of Directors (the Audit Committee) of material restrictions to the powers of the internal audit unit or other restrictions which may adversely affect the internal audit.

The internal audit unit is administratively subordinated to the sole executive body of the Company, which means:

- 1) Allocation of the necessary funds within the approved budget of the internal audit unit;
- 2) Receipt of reports on the activities of the internal audit unit;
- 3) Support in cooperation with the units of the Company;
- 4) Management of the policies and procedures on the activities of the internal audit unit.

9.6. The Company has approved the Anti-Corruption Policy providing for a set of measures aimed at preventing corruption, reducing reputational risks and risks of applying sanctions to the Company for bribery.

To ensure the effective operation of the risk management and internal control system, the Company has arranged a hot line, which is a safe, confidential, and easy way to inform the Board of Directors (the Audit Committee) and the internal audit unit of violations of the laws, internal procedures, and Corporate Governance Code of the Company by any employee and (or) by any member of the management body or body controlling the financial and economic activities of the Company.

The Company shall guarantee protection of the person providing the respective information from any form of pressure (including dismissal, harassment or any form of discrimination).

9.7. The information on the results of effective functioning of the internal control and risk management as assessed by the Board of Directors as well as recommendations for its improvement shall be disclosed in an annual report of the Company.

## **10. Informational Policy of the Company**

10.1. For effective communications of the Company with the shareholders, investors, and other stakeholders, for ensuring the maximum degree of the Company's credibility and, as a result, for an increase in the Company's value, the Company has approved the Informational Policy determining the objectives, principles and procedures of the information disclosure (including data transfer channels through which the information shall be disclosed and the forms of disclosure), the term within which access to the disclosed information shall be provided, the procedure for communications of the Company's members of the management bodies, officers and employees with the shareholders and investors as well as with the members of the media and other stakeholders, and the measures to ensure control over compliance with the Company's Informational Policy.

To adhere to the best practices of corporate governance, including the requirements of the exchange or financial regulators, providing a high degree of transparency of the Company's activities, the Company shall go beyond disclosure of the information, the list of which has been approved by the laws of the Russian Federation.

The Company's Informational Policy shall be implemented by the executive bodies of the Company. Compliance with the Informational Policy shall be controlled by the Company's Board of Directors represented by the Audit Committee.

10.2. When disclosing the information, the Company shall be guided by the following principles:

- The principle of integrity, reliability and comparability of the disclosed information, in accordance with which the Company provides all stakeholders with true information without avoiding disclosure of the adverse information on itself to the extent that allows forming the most complete and fair view of the Company and of the Company's performance in comparison with the previous period;
- The principle of information accessibility, in accordance with which the Company, when disclosing information, uses the channels to disseminate information on its activities, providing free and easy access to the disclosed information for all stakeholders free of charge;
- The principle of information balance, which means that the Informational Policy of the Company is based on a reasonable balance of transparency of the Company's activities for all stakeholders, on the one hand, and privacy, on the other, in order to exercise the shareholders' rights to receive the information on the Company's activities to the fullest extent, provided that the information classified as confidential or insider information is protected;
- The principle of frequency, consistency and timeliness of the information disclosure, which specifies that the Company provides all stakeholders with information on its activities within the term prescribed by the laws and regulations of the Russian Federation and internal documents of the Company, requirements of the exchange or financial regulators on an ongoing basis, as well as with the position of the Company with regard to rumors or fraudulent information forming a distorted view of the Company's value and value of its securities, which jeopardize the interests of the shareholders and investors;
- The principle of equal access to the disclosed information, in accordance with which the Company provides equal access to the information disclosed by the Company for the stakeholders.

10.3. The Company strives for open dialogue with the shareholders, investors, and other stakeholders. For this purpose, the Company:

- Arranges regular meetings, online conferences and other public events involving the members of the Company's management bodies;
- Supports the hotline operation for its shareholders;
- There is a respective FAQ section on the website for information on frequently asked questions;
- The calendar of the Company's corporate events is updated on a regular basis;

10.4. The Company strives to disclose comprehensive information. The list of the information to be disclosed on the official website of the Company is contained in **Appendix No. 5** hereto.

The Company shall ensure disclosure of the information on the controlled legal entities being of vital importance, in particular, on the role played by each major controlled legal entity, on the key activity areas of each such entity, on the functional relations among the key companies of the Group and on the mechanisms, on the major transactions<sup>1</sup> of the legal entities controlled by the Company providing for accountability and controllability within the Group.

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<sup>1</sup> For the purposes of disclosure, the threshold values of the transactions being major transactions for the Group are set forth in the internal documents of the Company or in certain resolutions of the Board of Directors.

10.5. In addition to current disclosure of the information, the Company shall, in accordance with the legal requirements, ensure preparation and disclosure of an annual report, which provides the shareholders and investors with a complete view of the Company's activities and development for the reported year. For this purpose, the Company strives to include additional information, aside from the data stipulated by law, in the annual report. The list of such information is provided in **Appendix No. 6** hereto.

10.6. The Company strives to ensure provision of information to the shareholders in a way which is the most convenient and easy for the shareholders. The procedure for providing access to the Company's information and documents for the shareholders is fixed in the Company's Informational Policy. Shareholders having the same scope of rights shall be provided with equal opportunities to access the Company's documents.

The Company strives to form for the shareholders the most convenient:

- Procedure for sending requests for information and documents of the Company (in particular, use of modern communication means and exchange of the information in electronic form);

- Procedure for providing the information and documents, including using electronic storage media and modern communication means (taking into account the wishes of the shareholders who submitted the request for the documents and information as regards the form of provision, confirmation of the authenticity of document copies and method of delivery)<sup>2</sup>.

In order to achieve a balance between the interests of certain shareholders and economic security of the Company, the Company's internal documents provide for a list of the information constituting trade or business secret or which refers to other confidential information. Access to such information may be granted, provided that the shareholder is aware of the confidential nature of the information and assumes the obligation to keep it confidential (through entering into a confidentiality agreement), subject to compliance with the requirements of federal laws.

10.7. In case of any misprints and other insignificant shortcomings in the shareholder's request for access to the documents or document copies, the Company shall not refuse to satisfy such request. In case of significant shortcomings, the Company shall inform the shareholder thereof to provide an opportunity of prompt removal thereof.

Simultaneously, the Information Policy of the Company provides for the right of the executive bodies or of the Company's Board of Directors to raise objections against the shareholder's demands if the nature and scope of the requested information, in the Company's opinion, evidence signs of abuse of the shareholder's right to access the Company information. Such objections cannot be arbitrary and biased and shall comply with the principle of equal conditions for the shareholders, meaning that under equal conditions the shareholders shall be treated equally.

The document copies shall be provided for a fee not exceeding the cost of their production and mailing.

10.1. The Company's website shall be a source of information disclosure by the Company. The Company's website shall contain the information sufficient to form a fair view of all significant respects of the Company's activities.

In order to ensure the rights of the foreign shareholders, the Company shall ensure parallel disclosure of the information on the Company (including notice of the meeting of shareholders, annual report of the Company, accounting (financial) statements) in English or in other foreign language, which is generally accepted on the financial market, and provide free access to it.

## **11. Material Corporate Actions**

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<sup>2</sup> When providing the information to the shareholders, including, on an electronic storage medium, the Company shall use the formats (MS Office) commonly used in the Company.

11.1. The material corporate actions of the Company include:

- Reorganization of the Company;
- Purchase of 30 % and more of the Company's voting shares;
- Execution of major transactions by the Company;
- Increase (decrease) in the authorized capital of the Company;
- Listing and delisting of the Company's securities.

A resolution on implementation of any of the above mentioned corporate actions or the issue by the Board of Directors of recommendations to approve such corporate actions for the Meeting shall be accompanied by prior disclosure of the information on:

- Reasons for taking the corporate action;
- Conditions of taking material corporate actions;
- Possible consequences of such actions for the Company and its shareholders, except for the cases where the information on such corporate actions is confidential, including that constituting a trade secret

These major corporate actions shall be approved by the management bodies before they are taken.

The key role in passing resolutions and preparing recommendations on the material corporate actions is played by the Company's Board of Directors, relying upon the position (appraisal of such actions) of the Company's independent directors.

The competence of the Company's Board of Directors shall also include passing resolutions on approval of major transactions executed by major controlled legal entities.

11.2. Execution of Major Transactions by the Company.

The list of major transactions of the Company shall be determined in the Charter of the Company.

The major transactions shall be executed by the Company at fair prices and on transparent terms and conditions, ensuring the interests of all shareholders.

When the Company's Board of Directors determines the value of the property disposed or acquired under a major transaction or under a non-arm's-length transaction, the Company shall engage an independent assessor with an impeccable record recognized on the market and experience in the respective sphere. In case of non-engagement of an assessor, the Company's Board of Directors shall provide grounds for such non-engagement.

In cases, where by virtue of the law the shareholder receives a right to demand redemption of the Company's shares, such acquisition and buyout shall be carried out at the price determined by an independent assessor with an impeccable record recognized on the market and assessment experience in the relevant area, taking into account the weighted average share price for the reasonable period<sup>3</sup>, excluding the effect associated with execution by the Company of the respective transaction (including, without taking into account changes in the share prices due to distribution of the information on execution by the Company of the respective transaction), and without any discount for sale of the shares as part of the non-controlling interest.

Major transactions involving the controlling person of the Company as the interested party shall be preliminarily considered by the independent directors of the Company prior to consideration of such issue at the Meeting of the Board of Directors, including when passing this issue at the General Meeting. The materials for the respective meeting of the Board of Directors shall be accompanied with a document reflecting the position of the independent directors on the issue.

Upon proposals of the independent directors, the Charter of the Company may be amended as regards the criteria for determining the major nature of the transaction.

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<sup>3</sup> To be determined by the independent assessor.

In the process of control over transactions of the major controlled legal entities, the Board of Directors shall assesses the possible signs of interest in such transactions of the members of the Company's management bodies or persons controlling the Company. The Board of Directors may propose to the member of the Board of Directors having the respective signs of interest not to attend discussion of such issue at the meeting of the Board of Directors. The member of the Board of Directors stating the signs of his/her interest may not participate in voting on such issue.

A prerequisite for approval of non-arm's-length transactions executed by the Company shall be an advance notice to shareholders and (or) the Company's management bodies, which are not formally deemed as interested parties in the transaction, but due to certain circumstances of affiliation are the persons actually involved in the transaction as an interested party, of the need to abstain from voting on the said issue.

### 11.3. Reorganization of the Company.

11.3.1. When considering the issue on reorganization of the Company, the Board of Directors shall be fully involved in determination of its terms and conditions, including through:

- Determination of an objective need for reorganization and acceptable conditions of reorganization;
- Assessment of the terms and conditions of reorganization for compliance with the interests of the shareholders, including the shareholders owning small packages of shares;
- Determination of a fair swap ratio as a result of reorganization.

For the purposes of effective analysis of the said aspects of reorganization, determination of its terms and conditions, interaction with the executive bodies on reorganization, and nomination of an assessor based on the report of which the swap ratios shall be approved, the Board of Directors shall form a special temporary committee consisting of the members of the Board of Directors. In case of interested-party reorganization, the said committee shall be formed of independent directors, which will allow assessment of the fair nature of the terms and conditions of the planned reorganization.

The document containing the recommendations of such committee shall be included in the materials for the meeting of the Board of Directors where the issue on reorganization is considered. The position of the independent directors on the issues relating to the terms and conditions of reorganization shall be included in the materials for the Meeting, which agenda includes the issue on reorganization.

11.3.2. The Company strives to ensure participation of the member of the Board of Directors, including independent directors, in negotiations on reorganization. The Board of Directors, particularly the independent directors, shall be available to communicate with the Company's shareholders during the period of preparation for passing the resolution of the Board of Directors to put the issue on reorganization before the Meeting for consideration.

11.3.3. To determine the share conversion ratio at reorganization, an independent assessor with a good business reputation, recognized on the market and assessment experience in the respective sphere shall be engaged. The Company strives to ensure that each legal entity involved in one reorganization shall be assessed by the same assessor (including to ensure that upon assessment in the relative situations, the same approach and assumptions are applied).

The value of the share swap ratio at reorganization shall be based on the market value of the respective shares in order prevent impairment of the interests of the Company's shareholders. In this case, the value of shares for the purpose of buyout shall not be assessed lower than the value determined for the purposes of reorganization.

During the period when the shares of the Company have been listed and admitted to trading on the organized market, reorganization of the Company, which will result in its discontinuation (or if it results in allocation of substantially all assets of the Company), the Company strives to ensure that following the results of reorganization the Company's shareholders shall receive shares of other companies admitted or to be admitted to organized trading.

11.3.4. The Company strives to ensure simultaneous conduct of general meetings of shareholders of the companies involved in the reorganization.

#### 11.4. Acquisition of the Company.

11.4.1. The executive bodies of the Company and the Board of Directors shall, on a regular basis, control strict compliance with the legal requirements in the Company in case of acquisition by the Company of another company as well as in case of acquisition of the Company itself, including the requirements to voluntary offer, mandatory offer, notice of the right to demand buyout of the Company's securities as well as demand of a majority shareholder to mandatorily buy out the Company's securities.

The Company's Board of Directors shall be fully involved in the procedures related to acquisition of the Company, including:

- Monitoring and, as far as possible, preventing cases of acquisition of the Company without sending a voluntary or mandatory offer;
- Communicating with the controlling person of the Company for them to take actions ensuring proper performance of duties of the share purchaser as regards sending the mandatory offer, as pursuant to the law;
- Monitoring cases of indirect acquisitions or acquisition consistently carried out by several, formally unrelated persons without sending a voluntary offer;
- Checking the grounds for not sending the mandatory offer stated by the person implementing acquisition for their compliance with the law, taking into account the principles and recommendations set forth herein;
- Checking the terms and conditions of the voluntary or mandatory offer sent to the shareholders, grounds and conditions of mandatory buyout by the Company's shareholders, including fair nature of the purchase (buyout) price, and availability of the acceptance of the public offer for the shareholders;
- Facilitating a situation whereby the person sending the mandatory offer shall receive all the necessary permits for acquisition of the corresponding stock of the Company's shares in advance so that adoption by the shareholders of the mandatory offer shall not violate the legal requirements on preliminary agreement of purchase of the package of the Company's shares;
- Monitoring that the Company, upon acquisition of another company, shall comply with the legal requirements, taking into account the principles and recommendations set forth herein (in particular, sending an offer to the shareholders of the company absorbed in the event of indirect acquisition, acquisition carried out through coordination by several, formally unrelated persons).

11.4.2. If, the actions are taken on acquisition of the Company, the Company shall disclose the following on its website:

- A voluntary or mandatory offer to acquire the Company's securities;
- Information on the guarantor providing a bank guarantee;
- A bank guarantee;
- A report of an independent assessor on the market value of the securities to be acquired;
- The position of the Board of Directors (including the opinions of each independent director) with respect to the acquisition, including on compliance by the absorbing company with the legal requirements and corporate governance principles;
- Information on whether to apply any demands on advance agreement upon acquisition when acquiring a large package of its shares.

11.4.3. When the fact of acquisition of the Company without sending voluntary or mandatory offer is detected, the Board of Directors shall propose to the absorbing entity or

entities jointly carrying out acquisitions to perform the duty to send a mandatory offer or to submit a voluntary offer corresponding to the requirements of the mandatory offer.

11.4.4. The Company strives, in a timely manner, to detect and constrain any attempts to manipulate the share price of the Company in order to influence the price of acquisition of the Company. The Company, as well as any legal entity within the Group, shall not provide any financial assistance to the entity absorbing (directly or indirectly) the Company.

#### 11.5. Listing and Delisting of the Company's Shares.

When considering issues related to listing of the Company's securities, the Board of Directors shall in advance evaluate all the benefits and costs associated with the listing of the Company's securities.

When considering the issues related to the delisting of the Company's shares, the Board of Directors shall ensure full transparency to make the respective resolution, including bringing information to the notice of the owners of the relevant securities on the grounds for such resolution and on the risks of the securities' owner, related to delisting, and shall ensure protection of their rights in connection with the delisting procedure.

The Company strives not to take any actions which may cause forced delisting of its securities.

#### 11.6. Increase in the Authorized Capital of the Company, Division, Consolidation, and Conversion of Shares.

11.6.1. The Company shall, in accordance with the legal requirements, protect the shareholders' rights in case of an increase in the authorized capital of the Company by providing a pre-emptive right to purchase the shares, right to vote on the amendments to the Charter limiting the rights of such shareholders and on the capital increase, as well as in the form of the right to demand redemption of their shares in case of any amendments to the Charter limiting their rights.

When passing a resolution on placement of additional shares, the Company strives to set the most favorable conditions for purchase of the shares proposed by the shareholders.

The Company shall assume that, if necessary, it may place additional shares with payment in non-monetary assets (for instance, when paying for additional shares with the marketable securities or with unique property which is necessary for the core activities of the Company). To assess such property, an independent assessor having an impeccable business reputation, recognized on the market, and assessment experience in the respective sphere shall be engaged.

The issues related to an increase in the authorized capital shall be considered by the independent directors forming the position of fair conditions of the planned increase in the authorized capital.

Division, consolidation or conversion of the shares shall be allowed for the Company only on condition that no deterioration of the shareholders' rights (in particular, the inadmissibility of division, consolidation or conversion of the shares for the purposes of redistribution (or change of the extent) of the corporate control and of actions resulting in deterioration of the shareholders' dividend rights or reduction in their participatory interest in the authorized capital of the Company).

## 12. Final Provisions

This Code shall enter into force upon its approval by the Company's Board of Directors. The Code shall be published on the Company's website.

If due to a change in the laws and regulations of the Russian Federation and the Company's Charter, certain provisions of this Code come into contradiction with them, these provisions shall become invalid and, until the moment of introduction of amendments to the



Code, the Company shall be governed by the laws and regulations of the Russian Federation and the Company's Charter.

In case of consideration by the competent authorities of draft amendments to the Company's Charter, not caused by changes in the laws and contrary to the provisions of the Code, the Company shall bring the information on non-compliance of the amendments with the provisions of the Code and their consequences to the notice of the Board of Directors and shareholders.

**The List of Information Provided to  
the Shareholders as Part of the Materials for the Meeting**

- 1) Information on the persons proposing each agenda item of the Meeting and on the persons nominating candidates for election to the bodies of the Company;
- 2) Information on the candidates for the members of the Company's Board of Directors composed as provided in Section 6 hereof as well as information on their compliance with the criteria of independence;
- 3) Information on the candidates for auditors of the Company, sufficient to form a view about their competency, including the name of a self-regulating organization of auditors, of which the candidate for the auditor of the Company is a member, description of the procedures used for selecting external auditors which ensure their independence and impartiality, as well as information on the proposed remuneration of external auditors for audit and non-audit services (including information on reimbursement and other expenses related to engagement of the auditor) and other material terms and conditions of the agreement to be entered into with the auditors of the Company;
- 4) Position of the Board of Directors on the agenda of the Meeting as well as the special opinions of the members of the Board of Directors for each agenda item;
- 5) Information on the results of assessment of the market value of the property contributed as payment for additional shares placed by the Company as well as of the property and (or) shares of the Company if such assessment has been carried out by an independent assessor, or other information which allows a shareholder to form an opinion on the actual value of such property and its dynamics;
- 6) Rationale for passing the respective resolutions and, if passed, clarification of the consequences for the Company and its shareholders, when passing resolutions on an increase or decrease in the authorized capital, approving major transactions and non-arm's-length transactions;
- 7) A comparison table of the amendments and the current version, rationale for passing the respective resolutions and, if passed, clarification of the consequences for the Company and its shareholders, when amending the Charter of the Company and its internal documents;
- 8) List of persons recognized as interested parties in a transaction, stating the grounds on which such persons are recognized as interested parties, when approving non-arm's-length transactions;
- 9) Rationale for the proposed distribution of net profits and assessment of its compliance with the dividend policy adopted in the Company, including payment of dividends and own needs of the Company, with explanations and economic feasibility of directing a certain part of the net profits for its own needs;
- 10) Information on the corporate actions which have caused deterioration of the shareholders' dividend rights and (or) the dilution of their participatory interests, as well as on court judgements determining the other ways the shareholders derive income at the expense of the Company, other than the dividends and liquidation value.

**Duties of the Members of the Board of Directors**

When performing their functions, the members of the Board of Directors shall:

- 1) Act reasonably and in good faith, perform their duties with due care and diligence for the benefit of the Company and any and all shareholders, achieve sustainable and successful development of the Company;
- 2) An independent director shall refrain from actions as a result of which he/she may cease to be independent;
- 3) When making decisions, take into account the interests of other stakeholders, including employees, lenders, and counterparties of the Company. Taking into account the social responsibility of the Company, the Board of Directors shall make decisions subject to compliance with the accepted environmental and social standards;
- 4) Take every effort to participate actively in the work of the Board of Directors and committees of the Board of Directors, and if it is impossible for such member to attend, notify the Board of Directors (through the Chairman of the Board of Directors) or the Corporate Secretary stating the reasons;
- 5) In cases where the resolutions of the Board of Directors may result in different consequences for different groups of the shareholders, the Board of Directors shall treat all shareholders fairly;
- 6) Notify the Company's Board of Directors of the intention to take a position in the management bodies of other entities, and, immediately upon election (appointment) in the management bodies of other entities, notify of such election (appointment);
- 7) The member of the Board of Directors involved in a conflict of interest shall promptly inform the Board of Directors (Chairman of the Board of Directors and the Corporate Secretary of the Company) of the fact of such conflict of interest and its grounds;
- 8) The Senior Independent Director, together with the Chairman of the Board of Directors shall be available for communications with the Company's shareholders through a personal account and (or) through the Corporate Secretary of the Company and (or) through the office of the Chairman of the Board of Directors and (or) by any other convenient and easy means;
- 9) Keep the provided information confidential, including that which constitutes a trade secret;
- 10) Not disclose or use information that may cause damage to the Company and its shareholders.

### Criteria of Independence, Set for Members of the Board of Directors

The Company deems a person to be an independent director who is:

- 1) Not affiliated with the Company;
- 2) Not affiliated with a major shareholder of the Company;
- 3) Not affiliated with a major counterparty or competitor of the Company;
- 4) Not related to the state (the Russian Federation, constituent entity of the Russian Federation) or a municipal entity.

**The person shall be recognized as affiliated with the Company, if it and (or) its associated persons:**

- 1) Are or have been during the last three years the members of the executive bodies or employees of the Company, an entity controlled by the Company and (or) management company of the Company;
- 2) Are members of the board of directors of a legal person controlling the Company or of a controlled entity or of the management company of such legal entity;
- 3) Have received remuneration and (or) other financial benefits from the Company and (or) its controlled entities in an amount exceeding one half of the fixed annual remuneration of a member of the Board of Directors during any of the previous 3 years. For this purpose, it is not necessary to take into account payments and (or) compensation which were received by the said persons as remuneration and (or) reimbursement of expenses for performance of duties of a member of the Board of Directors and (or) its controlled entity, including expenses related to insurance of their liability as members of the Board of Directors, and income and other payments received by the said persons under securities of the Company and (or) its controlled entity;
- 4) Are the owners or beneficiaries of the Company's shares accounting for more than one percent of the authorized capital or the total voting shares of the Company or the market value of which exceeds the fixed annual remuneration of a member of the Company's Board of Directors by more than 20 times;
- 5) Are the employees and (or) members of the executive bodies of a legal entity, if their remuneration is determined (considered) by the remuneration committee of the board of directors (the board of directors) of such legal entity and any employee and (or) any member of the executive bodies of the Company is a member of such committee (board of directors);
- 6) Provide to the Company, to the entity controlling the Company or to the legal entities controlled by the Company consulting services or are members of the executive bodies of the entities providing such services to the said legal entities or are employees of such entities directly participating in provision of such services;
- 7) Have provided to the Company or its controlled legal entities services in assessment, tax consulting, auditing or accounting during the last three years, or have been members of the management bodies of entities that have provided such services to the specified legal persons or of the rating agency of the Company, or have been the employees of such entities or rating agency, directly involved in provision of the respective services to the Company during the last three years.

The person that has served as a member of the Company's Board of Directors on aggregate for more than seven years shall be also recognized as affiliated with the Company.

**A person shall be recognized as affiliated with a major shareholder of the Company, if it and (or) its associated persons:**

- 1) Are the employees and (or) members of the executive bodies of a major shareholder of the Company (legal entity of the group of companies, which includes a major shareholder of the Company);
- 2) Have received remuneration and (or) other financial benefits from a major shareholder of the Company (legal entity of the group of companies, which includes a major shareholder of the Company) in an amount exceeding half of the fixed annual remuneration paid

to the member of the Board Directors of the Company during any of the last three years. For this purpose, it is not necessary to take into account payments and (or) compensation which were received by the said persons as remuneration and (or) reimbursement of expenses for performance of duties of a member of the Board of Directors (committee of the Board of Directors) of the Company's major shareholder (legal entity of the Group, which includes the Company's major shareholder), including expenses related to insurance of their liability as members of the Board of Directors, and income and other payments received by the said persons under securities of the Company's major shareholder (legal entity of the Group, which includes the Company's major shareholder).

3) Are the members of the board of directors in more than two legal entities controlled by a major shareholder of the Company or by a person controlling a major shareholder of the Company;

**A person shall be recognized as affiliated with a major counterparty or competitor of the Company, if it and (or) its associated persons:**

1) Are the employees and (or) members of the management bodies of a major counterparty or competitor of the Company as well as of the legal entities controlling a major counterparty or competitor of the Company or its controlled companies;

2) Are owners of the shares (participatory interests) or beneficiaries in relation to the shares (participatory interests) of the Company's major counterparty or competitor, which exceeds 5 percent of the authorized capital or total amount of the voting shares (participatory interests).

**A person shall be recognized as affiliated with the state or a municipal entity, if it:**

1) Is or has been a state or municipal official, a person holding positions in the state authorities or an employee of the Bank of Russia during one year preceding his/her election to the Company's Board of Directors;

2) Is a representative of the Russian Federation, of a constituent entity of the Russian Federation or of a municipal entity in the board of directors of the company with regard to which the resolution on use of a special right to participate in management (golden share) has been passed;

3) Has a duty to vote on one or several issues of the Company's Board of Directors within its competence pursuant to a directive of the Russian Federation, constituent entity of the Russian Federation or a municipal entity;

4) Is or has been a member of the executive body or other employee vested with the managerial powers of an entity controlled by the Russian Federation, a constituent entity of the Russian Federation or a municipal entity, an employee of a state or municipal unitary enterprise or institution during one year preceding election to the Company's Board of Directors (except for the employees of a state or municipal educational or research institution, carrying out teaching or research activities and not being persons appointed (approved) to the position of the sole executive body or to another position in a state or municipal educational or research institution by resolution or upon consent of the state authorities (local government) if such person is nominated for election to the board of directors of the entity, where more than 20 percent of the authorized capital or of the voting shares are controlled by the Russian Federation, a constituent entity of the Russian Federation or a municipal entity.

## Committees of the Board of Directors

### Audit Committee.

The Audit Committee shall be formed to facilitate effective performance of the functions of the Board of Directors as regards control over financial and economic activities of the company.

The main objectives of the Audit Committee shall be:

- 1) In accounting (financial) statements:
  - a) Control over completeness, accuracy and reliability of the accounting (financial) statements of the Company;
  - b) Analysis of the material aspects of the Company's accounting policy;
  - c) Participation in consideration of material issues and judgements with respect to the accounting (financial) statements of the Company;
- 2) In risk management, internal control and corporate governance:
  - a) Control over reliability and effectiveness of the risk management and internal control system and corporate governance system, including assessment of effectiveness of the risk management and internal control procedures of the Company, corporate governance practice and preparation of proposals for their improvement;
  - b) Analysis and appraisal of implementation of the risk management and internal control policy;
  - c) Control over the procedures ensuring compliance by the Company with legal requirements and ethical standards, rules and procedures of the Company, and requirements of stock exchanges;
  - e) Analysis and appraisal of implementation of the conflict of interest management policy;
- 3) In internal and external audit:
  - a) Ensuring independent and impartial performance of the internal audit functions;
  - b) Consideration of the internal audit policy (regulation on internal audit);
  - c) Consideration of the action plan of the internal audit unit;
  - d) Consideration of issues on appointment (dismissal) of a manager of the internal audit unit and amount of his/her remuneration;
  - e) Consideration of existing restrictions to the powers or budget for performance of the internal audit functions which may adversely affect effective performance of the internal audit functions;
  - f) Appraisal of effectiveness of the internal audit functions;
  - g) Consideration of the need to form an internal audit system (in case there is none in the company) and provision of consideration results to the Board of Directors of the Company;
  - h) Appraisal of independence, impartiality and lack of a conflict of interests of the external auditors of the Company, including an appraisal of the candidates for auditors of the Company, development of proposals for appointment, re-election and dismissal of the external auditors of the company, for payment for their services and conditions of their engagement;
  - i) Supervision over external audit and assessment of the quality of audit and auditors' opinions;
  - j) Ensuring effective cooperation between the internal audit unit and external auditors of the Company;
  - k) Development and control over implementation of the Company's policy determining the principles of rendering and combining audit and non-audit services by the auditor to the Company;
- 4) In combating unethical practices of the company's employees and third parties<sup>4</sup>:

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<sup>4</sup> Including negligence, fraud, bribery and corruption, graft, abuse and various illegal acts which are detrimental to the Company.

- a) Control over the effectiveness of functioning of the system reporting on potential cases of unethical practices of the company's employees and third parties as well as on other violations in the company;
- b) Supervision over special investigations on potential unethical practices, misuse of insider or confidential information;
- c) Control over implementation of the measures taken by the executive management of the company on facts reported on potential cases of unethical practices of the employees and other violations.

### **Nominations and Reimbursement Committee**

The Nominations and Reimbursement Committee shall enhance the professional composition and performance of the Board of Directors providing recommendations when nominating candidates to the Board of Directors, contribute to formation of the effective and transparent remuneration received by members of the Board of Directors, members of the executive bodies of the Company and other key executive employees in the Company.

The main objectives of the Nominations and Reimbursement Committee shall be:

- 1) Appraisal of the composition of the Board of Directors in terms of professional expertise, experience, independence and involvement of its members in the work of the Board of Directors, and determination of the areas of priority to enhance the composition of the Board of Directors;
- 2) Communications with the shareholders, which shall go beyond communications with the major shareholders, for the purposes of selecting candidates to the Company's Board of Directors;
- 3) Analysis of professional qualifications and independence of all candidates nominated to the Company's Board of Directors, based on all information available to the committee;
- 4) Formation and bringing to the shareholders' notice of recommendations for voting on election of candidates to the Company's Board of Directors;
- 5) Description of individual duties of directors and Chairman of the Board of Directors, including determination of the time to be spent on the issues related to the Company's activities, within and beyond the scope of the meetings, in the course of both planned and contingent work. This description (separate for a member of the Board of Directors and for its Chairman) shall be approved by the Board of Directors and given to each new member of the Board of Directors and its Chairman upon their election for review;
- 5) An annual, detailed, formalized self-appraisal procedure or external appraisal of the Board of Directors and committees of the Board of Directors from the standpoint of effectiveness of their work in general as well as of individual contribution of directors to the work of the Board of Directors and its committees, preparation of the recommendations to the Board of Directors with respect to improving the operating procedures of the Board of Directors and its committees, preparation of the report on the result of self-appraisal or external appraisal to be included in the annual report of the Company;
- 6) Formation of the introductory program for newly elected members of the Board of Directors, aimed at providing new directors with information on the key assets of company, its strategy, business practices adopted in the Company, organizational structure of the Company and key executive employees of the Company as well as on the operating procedures of the Board of Directors; control over practical implementation of the introductory program;
- 7) Formation of the training and advanced training program for the members of the Board of Directors, taking into account the individual needs of its certain members as well as supervision over practical implementation of this program;
- 8) Analysis of current and anticipated needs of the Company in relation to the competency of the members of the Company's executive bodies and other key executive

employees determined by the interests of the Company's competitiveness and development, succession planning in respect of such persons;

9) Preparation of recommendations to the Board of Directors with respect to the candidates for the position of the Company's Corporate Secretary;

10) Preparation of recommendations to the Board of Directors with respect to the candidates for members of the Company's executive bodies and other key executive employees;

11) Preparation of a report on the performance of the committee to be included in the annual report and other documents of the Company;

12) Development and periodical review (if necessary) of the Company's policy on remuneration of the members of the Board of Directors, executive bodies of the Company and other key executive employees, including development of short-term and long-term incentive program parameters for members of the executive bodies;

13) Supervision over introduction and implementation of the Company's policy on remuneration and of various incentive programs;

14) Preliminary appraisal of performance of the Company's executive bodies and other key executive employees for the year within the framework of the criteria included in the remuneration policy as well as preliminary appraisal of achievement of the goals by the specified persons within the long-term incentive program;

15) Development of the terms and conditions of early termination of employment agreements entered into with the members of the Company's executive bodies and other key executive employees, including all financial obligations of the Company and terms of their provision;

16) Selection of an independent advisor on remuneration of the members of the Company's executive bodies and other key executive employees and, if the policy of the Company provides for mandatory tender procedures to select the said advisor, determination of the conditions of the tender and taking the role of the tender committee;

17) Preparation of recommendations to the Board of Directors for determination of the remuneration and principles of paying bonuses to the Corporate Secretary of the Company as well as preliminary appraisal of the performance of the Company's Corporate Secretary at the year end and proposals for paying a bonus to the Corporate Secretary of the Company;

18) Preparation of a report on practical implementation of the principles of the policy on remuneration of the members of the Board of Directors, members of the Company's executive bodies and other key executive employees to be included in the annual report and other documents of the Company;

19) Supervision over disclosure of the information on the remuneration policy and practices and on the ownership of shares of the company by the members of the board of directors as well as by the members of the collective executive bodies and other key executive employees in the annual report and at the Company's corporate website.

### **Strategy Committee**

The work of the Strategy Committee contributes to improved effectiveness of the Company's activities in the long run.

The main objectives of the Strategy Committee shall be:

1) Determination of the strategic goals of the Company's activities, control over implementation of the Company's strategy, preparation of recommendations to the Board of Directors on adjustments to the existing development strategy of the Company;

2) Development of areas of priority in the Company's activities;

3) Preparation of recommendations on the dividend policy of the Company;

4) Performance appraisal of the Company in the long run;



- 5) Preliminary consideration and preparation of recommendations on participation of the Company in other entities (including direct and indirect acquisition and alienation of participatory interests in companies, encumbrance of shares, and participatory interests);
- 6) Appraisal of voluntary and mandatory offers to acquire the Company's securities;
- 7) Consideration of the financial model and business cost valuation model of the Company and its business segments;
- 8) Consideration of reorganization and liquidation of the Company and major controlled legal entities;
- 9) Consideration of changes in the organizational structure of the Company and other major controlled legal entities;
- 10) Consideration of reorganization of the business processes of the Company and other major controlled entities;
- 11) Consideration of the issues related to determination of the price (monetary value) of the assets, placement and repurchase price of the equity securities;
- 12) Consideration of issues related to an increase in the authorized capital of the Company.

### **Investments Committee**

The main objectives of the Investments Committee shall be:

- 1) Consideration and expert review of the investment projects and investment programs put before the Company's Board of Directors for consideration;
- 2) Timely provision of information to the Company's Board of Directors on the risks in the investment activities, which are incurred by the Company and major controlled legal entities;
- 3) Preparation and provision of recommendations to the Board of Directors of the Company on issues under consideration in line with the Committee's competence;
- 4) Approval (adjustment) of the Company's business plan, including the investment program of the Company, and consideration of reports on their implementation;
- 5) Approval (adjustment) of the Company's key performance indicators, and consideration of the reports on their implementation;
- 6) Placement of the Company's bonds and other equity securities, unless otherwise provided for by the Federal Law On Joint-Stock Companies and by the Company's Charter;
- 7) Approval of the Regulation on the Investments Committee under the Board of Directors of the Company;
- 8) Recommendations to the General Meeting of Shareholders on the amount of dividends on the shares and the procedure for dividend payment;
- 9) Other issues referred to the competence of the Committee by certain resolutions of the Company's Board of Directors.

### **Committee on Reliability, Energy Efficiency, and Innovations**

The main objectives of the Committee on Reliability, Energy Efficiency, and Innovations shall be:

- 1) Formation of the engineering policy of the Company;
- 2) Formation of the quality control and technical regulation system in the Company;
- 3) Arrangement of safe and reliable operation of hydraulic structures;
- 4) Technical expert review of investment projects and development of the action plan based on the results of major process failures and accidents;
- 5) Arrangement of technological connection of the power generation facilities and assessment of the power supply reliability for the company's projects under construction;
- 6) Formation of the Company policy on energy saving and energy efficiency, preparation of proposals for the program and regulating documents on energy saving and energy efficiency;

- 7) Formation of sectoral innovation policy and expert review of the program documents in innovation development of the Company;
- 8) Formation of long-term planning for the hydraulic power industry (including pumped storage power plants) and power industry development on the basis of other renewable energy sources;
- 9) Formation of the environmental policy of the Company and regulating documents of the Company on ecology and environmental protection.

**The List of the Information on the Company  
to Be Mandatorily Disclosed on the Official Website**

- 1) Information on the Company mission, strategy, corporate values, and objectives, and on the policies adopted in the Company;
- 2) Information on the financial activities and financial standing of the Company;
- 3) Information on the capital structure of the Company and on the number of the Company's shareholders;
- 4) Information on the number of voting shares, broken down by category (type) of shares and on the number of shares held by the Company and by the Group companies;
- 5) Information on the persons who directly or indirectly own shares and (or) dispose of votes on the shares and (or) are the beneficiaries of the Company's shares accounting for five or more percent of the authorized capital or of the ordinary shares of the Company;
- 6) Statement of the Company's executive bodies on the absence of information in the Company on any participatory interest exceeding five percent, other than that disclosed by the Company;
- 7) Information on possible acquisition or acquisition by certain shareholders of control, disproportionate to their participation in the authorized capital of the Company, including on the basis of shareholders' agreements or due to ordinary and preferred shares of different nominal value;
- 8) Information on social and environmental responsibility of the Company;
- 9) Consolidated annual financial statements and abridged consolidated interim financial information for the reported period prepared in accordance with IFRS<sup>5</sup>;
- 10) Explanations of the Company's executive bodies to the annual and interim financial statements of the Company, including analysis of the financial condition and performance (MD&A), among other things analysis of the rate of return and financial stability indicators, appraisal of changes in the composition and structure of assets and liabilities, appraisal of the current and future asset liquidity, description of the factors affecting the financial standing of the company, and trends which may affect the Company's activities in future;
- 11) Information on all substantial risks which may affect the Company's activities;
- 12) Information on the related-party transactions in accordance with the criteria set forth in IFRS;
- 13) Information on major transactions of the Company and other major controlled legal entities;
- 14) Information on changes in the degree of control over major controlled legal entities;
- 15) Information on other material events affecting the financial and economic activities of the Company and other major controlled legal entities;
- 16) Policy of the Company with regard to holding shares in the Company and shares (participatory interests) in the companies of the Group by the members of the Board of Directors;
- 17) Policy of the Company in social and environmental areas;
- 18) Report of the Company on sustainable development, drawn up in accordance with internationally recognized standards;
- 19) Results of technical audit, audit of quality control systems, results of quality management system certification for compliance with the requirements of international standards.

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<sup>5</sup> The consolidated annual financial statements shall be disclosed along with the auditor's opinion, and the abridged consolidated interim financial information for six months shall be disclosed along with the report on the results of general audit. The abridged consolidated interim financial information for three and nine months shall be disclosed without any reports on the results of general audit or auditor's opinions. In this case, the Company strives to ensure an audit is performed as soon as possible.

**Additional Information to be Included  
in the Annual Report of the Company**

- 1) General information (including short history and the organizational structure of the Company);
- 2) Addresses of the Chairman of the Board of Directors and sole executive body of the Company to the shareholders, containing an appraisal of the Company's activities for the year;
- 3) Information on the Company's securities, including on placement by the Company of additional shares and changes in equity for the year (changes in the composition of persons entitled to directly or indirectly dispose of at least five percent of the votes attached to the voting shares of the Company);
- 4) Information on the number of shares held by the Company as well as on the number of shares in the Company owned by the Group companies;
- 5) Key performance indicators of the Company;
- 6) Key figures of the accounting (financial) statements of the Company;
- 7) Results achieved during the year by the Company compared with planned results;
- 8) Distribution of profits and its compliance with the dividend policy adopted in the Company;
- 9) Investment projects and strategic objectives of the Company;
- 10) Prospects for the Company's development (sales, productivity, controlled market share, revenue growth, rate of return, debt-to-equity ratio);
- 11) Overview of the most major transactions executed by the Company and other major controlled legal entities for the last year;
- 12) Description of the corporate governance system in the Company;
- 13) Description of the risk management and internal control system of the Company;
- 14) Description of personnel and social policy of the Company, social development, employees' health care, training, and occupational safety;
- 15) Information on the Company's policy in environmental protection and on the environmental policy of the Company;
- 16) Report on the work of the Board of Directors (including committees of the Board of Directors) for the year, information on the number of meetings in praesentia (absentia), on participation of each member of the Board of Directors in the meeting, description of the most material issues and of the most complex problems considered at the meetings of the Board of Directors and committees of the Board of Directors, and principal recommendations given to the Board of Directors by the committees;
- 17) Results of assessment by the Audit Committee of the effectiveness of the internal and external audit process;
- 18) Description of the procedures used in election of the external auditors and ensuring their independence and impartiality, as well as information on remuneration of the external auditors for audit and non-audit services;
- 19) Information on the key results of appraisal (self-appraisal) of performance of the Board of Directors and, in case of engagement of an external advisor to appraise performance of the Board of Directors, information on such advisor, whether there are any relations between the advisor and the Company, and on the results of the appraisal as well as on positive changes in the activities of the Board of Directors, introduced following the results of the previous appraisal;
- 20) Information on direct or indirect ownership of the shares in the Company by the members of the Board of Directors and executive bodies of the Company;
- 21) Information on the members of the Board of Directors and executive bodies involved in a conflict of interest (including that related to participation of these persons in the management bodies of the Company's competitors);

22) Information on loans (credits) issued by the Company (legal entity from the group of companies, which includes the Company) to the members of the Board of Directors and executive bodies of the Company, and information on compliance of the terms and conditions of the issued loans (credits) with market conditions;

23) Information on compliance by the Company with the principles and recommendations of the Code and, if any principles and recommendations of the Code are not complied with, a detailed explanation of the reasons;

24) Information on assessment prepared by the Audit Committee of auditors' reports submitted by external auditors as well as information on the presence in the composition of the Audit Committee of an independent director having experience and knowledge in preparation, analysis, assessment and audit of the accounting (financial) statements;

25) In case during the reporting year any resolutions on early termination of the powers of the Company's executive bodies have been passed, the annual report of the Company shall also disclose the reasons giving rise to such resolutions;

26) Other information to be disclosed in accordance with the instructions of the federal executive authorities.