

CORPORATE GOVERNANCE FRAMEWORK

Our corporate governance framework is designed to take into account and balance the interests of shareholders, the Board of Directors, managers and employees, as well as other stakeholders.

Principles

We are guided by the applicable laws of the Russian Federation and principles set forth in the Corporate Governance Code that has become a key source for development of the Company's internal regulations and a guidance to nurture best corporate governance practices.

Our core corporate governance values are:

- equitable and fair treatment of every shareholder;
- professionalism and leadership of the Board of Directors;
- accountability of the Board of Directors and executive bodies;
- corporate social responsibility;
- transparent and timely disclosure;
- anti-corruption measures.

Structure

GENERAL MEETING OF SHAREHOLDERS

This is the supreme corporate body of the Company.

Its exclusive authority includes:

- amending and supplementing the Company's Charter and approving the revised Charter;
- restructuring and liquidating the Company;
- increasing and/or decreasing the authorised capital;
- splitting and/or consolidating the Company's shares;
- electing members of the Board of Directors, the Audit Commission and the President, and approving the Company's auditors;
- approving annual reports, accounting/financial statements, and internal regulations on the Company's corporate bodies;
- distributing annual profit, including dividends;
- making arrangements for dividend payouts after the first quarter, six months, and nine months of the reporting year.

The General Meeting of Shareholders is convened on the annual basis. It takes place no sooner than three and no later than six months following the end of the preceding financial year. The scope of the Annual General Meeting's authority includes election of members of the Board of Directors and the Audit Commission, as well as approval of annual reports and accounting/financial statements of the Company.

Extraordinary General Meetings of Shareholders may be convened by the Board of Directors, or at request of the Audit Commission, the Company's auditor, or shareholder(s) owning at least 10% of the Company's voting shares.

Except for the cumulative voting for the Board of Directors, each voting share is counted as one vote at the General Meeting.

/ Corporate governance framework /

BOARD OF DIRECTORS

This is a collegial governance body in charge of strategic management of the Company and oversight of its executive bodies' activities.

Pursuant to the Charter, the Board consists of 13 directors. Members of the Board are elected at the Annual General Meeting of Shareholders for a period extending until the next Annual General Meeting of Shareholders.



For more details on directors, please see the Corporate Bodies section of this report

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman is responsible for day-to-day operation of the Board of Directors, and convenes and chairs its meetings, makes arrangements for minute-taking and chairs the General Meetings of Shareholders.

For the last four years, the Board has been chaired by Gareth Peter Penny, an independent director.



For more details on the Chairman's biography, please see the Corporate Bodies section of this report

INDEPENDENT DIRECTORS

These are individuals having sufficient professional skills, experience and independence to act on their own and make impartial sound decisions that are not influenced by the Company's executive bodies, or particular groups of shareholders or other stakeholders.

We adhere to international standards and recommendations set in the Corporate Governance Code endorsed by the Bank of Russia relating to the number of independent directors. As at 31 December 2016, five of our Board members (i.e. 38%) met the director's independence criteria as defined by the Moscow Exchange.

COMMITTEES OF THE BOARD OF DIRECTORS

These are ancillary bodies set up by the Board of Directors. Their function is to provide preliminary review of critical matters and advise the Board on relevant decisions.

The Board of Directors has set up four committees:

- Audit Committee;
- Strategy Committee;
- Budget Committee;
- Corporate Governance, Nomination and Remuneration Committee.



For more details on the Committees, please see the Corporate Bodies section of this report

PRESIDENT

The President is the sole executive body in charge of day-to-day operations of the Company. The President acts as the Chair of the Management Board. The President is elected at the General Meeting of Shareholders for an indefinite period.

The President reports to the Board of Directors and the General Meeting of Shareholders. Since 2015, this position has been held by Vladimir Potanin (who in 2012–2015 was the CEO of the Company).



For more details on the President's biography, please see the Corporate Bodies section of this report

MANAGEMENT BOARD

This is a collegial executive body in charge of day-to-day management of the Company within its authority as set in the Charter and implementation of resolutions approved by the General Meeting of Shareholders and/or the Board of Directors.

Members of the Management Board are elected by the Board of Directors for an indefinite period. As at 31 December 2016, the Management Board consisted of 13 members.



For more details on the members of the Management Board, please see the Corporate Bodies section of this report

CORPORATE SECRETARY

This is a corporate officer whose duties include managing shareholder relations, making the necessary arrangements to protect their rights and interests, and providing efficient operating support to the Board of Directors. The Corporate Secretary reports to the Board of Directors.

Pursuant to the Charter, the Secretary is appointed by the Board of Directors for a three-year term.

Since 2011, this position has been held by Pavel Platov.



For more details on the Secretary's biography, please see the Corporate Bodies section of this report

AUDIT COMMISSION

The Audit Commission controls the Company's financial and business transactions.

It performs annual internal audits of the Company's operations (including validation of the data used in annual reports and accounting/financial statements), as well as other internal audits as it may see fit or as requested by the General Meeting of Shareholders, the Board of Directors or any shareholders owning at least 10% of the Company's stock.

Members of the Audit Commission are elected at the Annual General Meeting of Shareholders for a term extending to the next Annual General Meeting of Shareholders. Members of the Audit Commission shall not simultaneously serve on the Company's Board of Directors or hold other positions in the Company's corporate bodies.



For more details on the Audit Commission, please see the Risk Management Framework and Control Bodies section of this report

INDEPENDENT AUDITOR

This is a firm or an individual commissioned to audit accounting/financial statements of the Company and provide an independent opinion regarding their accuracy.

The auditor shall be approved by the annual General Meeting of Shareholders.

In 2016, the annual General Meeting of Shareholders has approved JSC KPMG as the Company's auditor for both IFRS and Russian accounting standards.



For more details on the independent audit, please see the Risk Management Framework and Control Bodies section of this report

INTERNAL CONTROL AND RISK MANAGEMENT UNIT

This unit is in charge of improving the risk management and internal control framework, detecting and preventing any waste, misuse or misappropriation of funds or assets of the Company and its subsidiaries, wrongdoings and theft, as well as ensuring accuracy of metrics and measurement standards and combating illegal activities, such as money laundering and terrorism financing.



For more details on the Internal Control and Risk Management Unit, please see the Risk Management Framework and Control Bodies section of this report

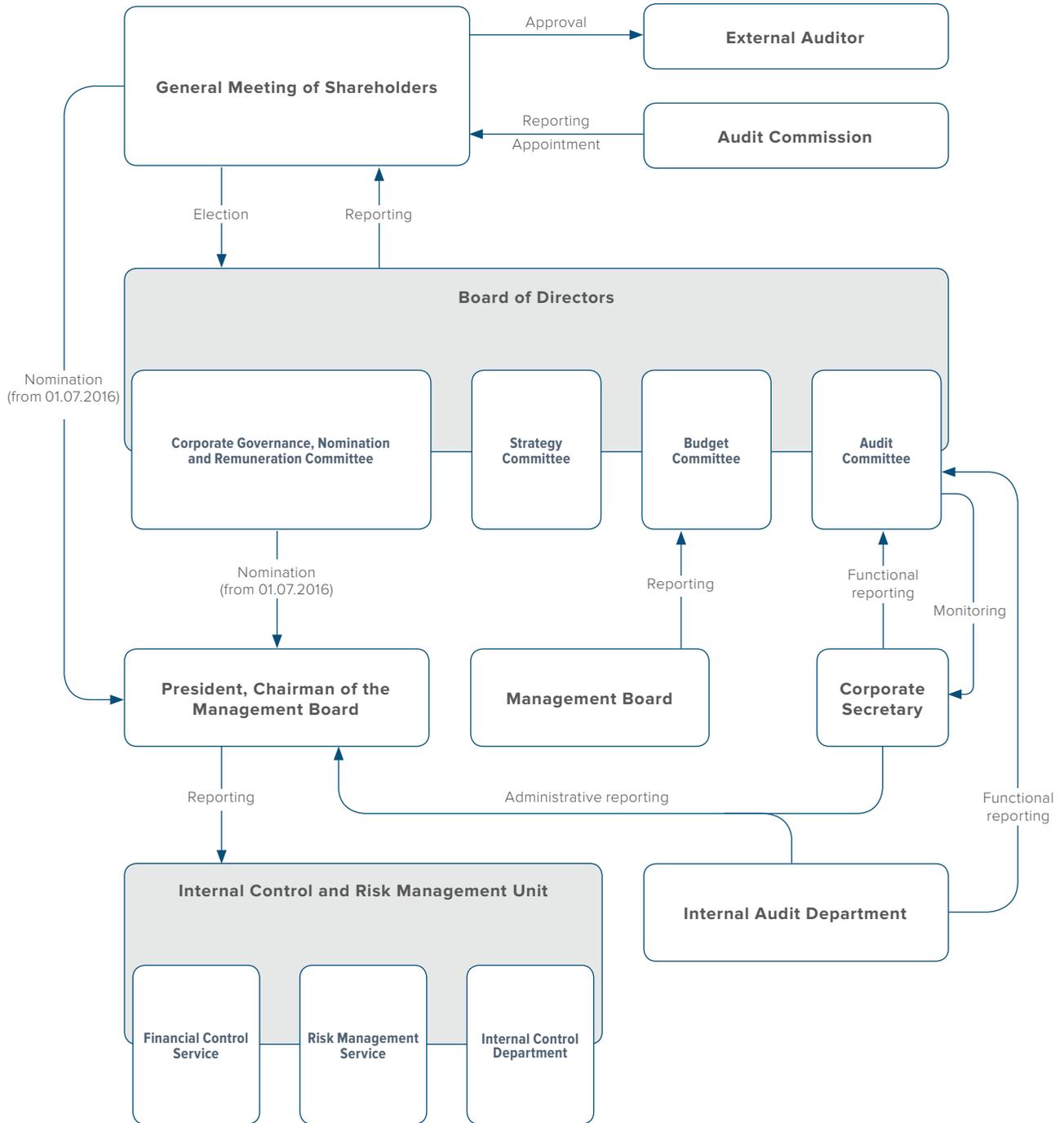
INTERNAL AUDIT DEPARTMENT

This department is in charge of independent audits, including assessment of the risk management and internal control framework of the Company and its subsidiaries.



For more details on the Internal Audit Department, please see the Risk Management Framework and Control Bodies section of this report

STRUCTURE



38%
met the director's
independence criteria

13
directors
make up the Board,
pursuant to the Charter

13
members
make up the Management
Board