

Achieving excellence in corporate governance

CORPORATE GOVERNANCE ASSESSMENT

The Company has introduced annual performance assessments of the Board of Directors in 2014 in order to improve the corporate governance framework. All directors must fill out an online questionnaire following a schedule approved by the Board of Directors. The questionnaire contains 76 questions, divided into three parts and 15 sections. All questions are graded on a scale from 1 (unsatisfactory) to 10 (excellent). For each question there is a text field where directors may enter additional comments. Answering all questions is mandatory.

Such evaluation of the Board of Directors helps us identify gaps, their root causes and opportunities for improvement.

In 2016, the Independent Directors Association, along with the Bank of Russia and Moscow Exchange, performed an independent evaluation of corporate governance matters in 65 top-tier companies listed on the Moscow Exchange. This evaluation relied on the Good Governance Index developed by the Institute of Directors (UK) and Cass Business School using three measurement elements. According to the resulting corporate governance index, the Company was ranked in the top 10 and scored 814 points (out of 1,000) based on questionnaires and 745 based on corporate governance metrics.

ACHIEVING EXCELLENCE IN CORPORATE GOVERNANCE

The Company continuously improves its corporate governance framework to enhance efficiency and ensure compliance with global best practices. Since 2002, the Company has been following the recommendations of the Code of Corporate Conduct of the Federal Commission for the Securities Market, and after the Code of Corporate Governance had been approved on 21 March 2014 by the Board of Directors of the Bank of Russia, the main recommendations of the latter.

Our Corporate Governance Framework Improvement Programme was approved and adopted by the Corporate Governance, Nomination and Remuneration Committee of the Board of Directors in December 2013. In 2016, the Programme was enhanced with a set of initiatives aimed at improving performance of the Board and its committees.

Some of the key initiatives under our Corporate Governance Framework Improvement Programme for 2016 included:

- approving revised regulations for committees of the Board of Directors;
- inviting all stakeholders to participate in town-hall style meetings of corporate bodies;
- developing and implementing procedures for the disclosure of affiliations by Company's managers and directors;
- approving the Company's Internal Control Policy.

In 2017, the Company is planning to gradually implement the principles and procedures set out in the approved regulations in order to improve the performance of the Company's Board of Directors and its committees.

814/1,000

points

received by the Company according to the survey in research Good Governance Index