

APPROVED

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## **The procedure for admission of securities to trading**

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Annex 3

List of requirements  
on corporate governance, compliance with which is a condition for admission of  
shares to the quotation list and the consequences of non-compliance

1. To enable the issuer's shares to be admitted to the quotation list of the first (highest) level, such issuer must comply with the following requirements:
  - 1) the Issuer shall form a Board of Directors (Supervisory Board) (hereinafter – Board of Directors), which should include persons, each of which has sufficient autonomy to shape their own position and can make objective judgments, independent of the influence of the executive bodies of the issuer as well as selected groups of shareholders or other interested parties, and has a sufficient degree of professionalism and expertise (hereinafter – Independent Director). A Board Member cannot be an Independent Director if he is:
    - a) associated with the issuer;
    - b) associated with a majority shareholder of the issuer;
    - c) associated with a significant counterparty of the issuer;
    - d) associated with a competitor of the issuer;
    - e) associated with the state (the Russian Federation, the subject of the Russian Federation), or the municipal entity.

The criteria for determining the independence of the Board members, including the criteria of relatedness to the above mentioned persons and their materiality, are established by the Exchange in accordance with the best corporate governance standards.

The number of Independent Directors should be at least one-fifth of the Board of Directors and cannot be less than three;

- 2) The Board of Directors of the Issuer shall form an Audit Committee, chaired by an Independent Director, the main functions of which include:
  - a) control over ensuring the completeness, accuracy and reliability of the financial statements of the Issuer;
  - b) control over the reliability and effectiveness of the risk management system and internal control;
  - c) ensure the independence and objectivity of the internal and external audit;
  - d) control of efficiency of functioning of the system of alerts to potential cases of fraud conducted by employees of the Issuer (including the misuse of insider or confidential information) and third persons, as well as other violations in the activity of the Issuer, and also the control over the implementation of measures taken by the executive leadership of the Issuer under such a system;
  
- 3) The Board of Directors of the Issuer shall form a Remuneration Committee, the main functions of which include:
  - a) development and periodic review of the remuneration policy of the members of the Issuer's Board of Directors, members of the Executive Body and the sole Executive Body, oversee its introduction and implementation;
  - b) preliminary assessment of the performance of the Issuer's Executive Body and the sole Executive Body of the Issuer for the year in accordance with the remuneration policy of the Issuer;
  - c) development of the terms of early termination of employment contracts with members of the Executive Body and the sole Executive Body of the Issuer;
  - d) development of recommendations to the Board of Directors to determine the bonuses principles and the size of remuneration of the Corporate Secretary (employees of a structural division performing the functions of a Corporate Secretary) of the Issuer;
  
- 4) The Board of Directors of the Issuer shall form a committee on nominations (HR appointments)<sup>1</sup> the main functions of which include:
  - a) an annual performance evaluation of the Board of Directors and its members, determining the priority areas for strengthening the composition of the Board of

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<sup>1</sup> The functions of the Remuneration Committee and the HR Committee (nominations) can be carried out by one committee.

Directors;

- b) preparing the recommendations to the shareholders in respect of voting on the election of candidates to the Board of Directors of the Issuer;
  - c) planning of HR appointments, including with a view to ensuring the continuity of operations, members of the Executive Body and the sole Executive Body, preparing the recommendations to the Board of Directors in respect of candidates for the position of the Corporate Secretary (head of a structural division responsible for the functions of the Corporate Secretary), members of the Executive Body of the Issuer and the sole Executive Body of the Issuer;
- 5) the Issuer shall have an official or a structural subdivision exercising the functions of the corporate Secretary, which include:
- a) participation in the improvement of the corporate governance system and practices of the Issuer;
  - b) preparation and holding of general shareholder meetings of the Issuer;
  - c) provision of the support to the Board of Directors and board committees;
  - d) participation in the implementation of the policy of the Issuer on information disclosure, as well as providing storage of corporate documents of the Issuer;
  - e) ensuring the interaction of the Issuer with its shareholders and involvement in the prevention of corporate conflicts;
  - f) ensuring the implementation of the procedures established by the legislation and internal documents of the issuer to ensure the rights and legitimate interests of the shareholders and control over their fulfillment.

Corporate Secretary (head of a structural unit exercising the functions of the Corporate Secretary) who reports to the board of directors of the Issuer, shall be appointed and dismissed by the sole Executive Body of the Issuer based on the decision of the Board of Directors;

- 6) the issuer shall have in its by-laws the position of the Corporate Secretary, approved by the Board of Directors, which sets out the following:
- a) the requirements to the candidates for the position of the Corporate Secretary (head of structural unit exercising the functions of a Corporate Secretary);
  - b) the procedure of the appointment of the Corporate Secretary and the termination of his/her authority;
  - c) the subordination of the Corporate Secretary and the form of his/her interaction with

the management of the Issuer and the structural units of the Issuer to ensure his/her independence from the Executive Bodies of the Issuer;

- d) the functions and powers of the Corporate Secretary;
  - e) the conditions and procedure for remuneration of the Corporate Secretary;
  - f) the liability of the Corporate Secretary;
- 7) The Issuer shall have a document determining the dividend policy of the issuer approved by its Board of Directors;
- 8) The Issuer shall have a structural unit responsible for internal audit, the functions of which include:
- a) evaluation of the effectiveness of the internal control system;
  - b) evaluation of the effectiveness of the risk management system;
  - c) assessment of corporate governance (in the absence of the Corporate Governance Committee).

The head of the structural unit responsible for internal audit who reports to the board of directors of the Issuer, shall be appointed and dismissed by the sole Executive Body of the Issuer based on the decision of the Board of Directors;

- 9) the Issuer shall have an internal audit policy (regulations on internal audit), approved by the Board of Directors, which defines the objectives, tasks and powers of the structural unit responsible for the internal audit functions;
- 10) the Issuer shall have in its Charter the provisions that the notice of the annual general meeting of shareholders shall be given not less than 30 days prior to the meeting;
- 11) the Issuer shall have in its Charter or the bylaws the provisions adopted by the general meeting of shareholders, that information on the date of drawing up of the list of persons entitled to participate in the shareholder meeting (record date), shall be disclosed not less than 5 days prior to such date.
2. The Audit Committee, the HR Committee (nominations) and the remuneration committee should consist only of Independent Directors, and if this is not possible for objective reasons – the majority of the members of each committee shall be Independent Directors and other members of the Committee shall be members of the Board of Directors, which are not the sole Executive Body and (or) the members of the collegial Executive Body.
3. To enable the admission of an Issuer's shares to the quotation list of the second level, such

Issuer must comply with the following requirements:

1) The Board of Directors of the Issuer shall form an Audit Committee;

2) the Issuer shall have an internal audit policy (regulations on internal audit), approved by the Board of Directors, which defines the objectives, tasks and powers of the structural unit responsible for the internal audit functions;

3) the Issuer meets at least three requirements specified in subparagraphs 1, 3 – 7, 10, 11 of paragraph 1 of this Annex, which were established by the Exchange as a prerequisite for admission of shares to the quotation list of the second level.

The functions and powers of the committees of the Board of Directors of the Issuer, its structural units, the requirements for their formation and organization of their activities, as well as the minimum number of Independent Directors on the Board of Directors of the Issuer are determined by the Listing Rules.

The criteria for determining the independence of the Board members, if the presence of these directors on the Board of Directors of the Issuer established by the Exchange as a condition for admission of shares to the quotation list of the second level, are set by the Exchange in accordance with best corporate governance standards.

4. In case of admission of the shares of a foreign issuer to the quotation lists the requirements set out in this Annex shall apply to the extent to which they can relate to a foreign issuer with the specifications provided by the personal law of a foreign issuer. In determining the compliance of foreign issuers and securities of foreign issuers to the requirements of this Annex, the interpretation of legal concepts is carried out in accordance with the Russian law.
5. If the requirements on the number of Independent Directors, and members of the Board of Directors, established in subparagraph 1 of paragraph 1 of this Annex or by the Listing Rules – for the quotation list of the second level, and this infraction occurred because the person elected as an Independent Director, ceases to be an independent director or retired from the board of directors, with no removal of such a violation, not later than at the next general meeting of shareholders, the Exchange at the end of the first month from the date of said meeting excludes securities from the quotation list.

6. If the issuer of the shares admitted to the quotation list does not comply with other requirements established in accordance with this Annex for admission of securities to the quotation list, the Exchange no later than five trading days following the date on which it learned or should have learned about the violation, sets a deadline for such issuer rectifying the breach, which may not exceed six months.

In the case of non-elimination of the violation within the time specified by the Exchange, the Exchange shall decide on the exclusion of the securities from the quotation list.