

## **REGULATION**

on the Interaction of the Association of Institutional Investors (API) with candidates to the Boards of Directors (Supervisory Boards) of Russian Issuers and with independent directors supported by the API

### **General Provisions**

1. This Regulation governs the interaction of candidates for seats on the Boards of Directors (Supervisory Boards) of Russian Issuers (hereinafter also referred to as BOD, pl. BODs) and independent directors elected to BODs, with the members and executive body of the Association of Institutional Investors (hereinafter also referred to as the API, the Association).
2. The API shall provide support in the BOD election process only to candidates meeting all the independence criteria specified in Annex 2 to this Regulation.
3. In accordance with the API Charter, the list of candidates to the Board of Directors supported by the Association shall be approved by the API Board of Directors.
4. The API shall provide support to candidates to BODs in the following principal areas:
  - 1) Consolidation of votes of investors holding at least 2 percent of the shares in Russian Issuers; nomination of candidates to the Boards of Directors of such Issuers as provided for by the Russian law;
  - 2) Letters from the API and its members in support of the candidate, liaison with the Issuer's shareholders where the candidate is nominated to the Board of Directors (hereinafter referred to as the Issuer, pl. the Issuers), and with proxy advisory firms representing them, concerning the candidate support;
  - 3) Conference calls and meetings of the candidate with shareholders and, if necessary, with the Issuer's Board of Directors and executive bodies;
  - 4) Consolidation of votes of shareholders that are API members; solicitation of third-party shareholders' votes in the voting for the candidate at the Issuer's shareholders' meeting.

The API shall maintain the register of independent directors the API liaises with.

### **Interaction between the API and a candidate to a Board of Directors**

5. The API shall provide support to the candidates who signed and submitted an Independent Director's Declaration (hereinafter referred to as the Declaration, Annex 1 to this Regulation) to the API executive body. Under the Declaration, the candidate publicly declares the voluntary assumption of the obligations provided for by the Declaration. The BOD member / candidate may forfeit the independent director status in the period from the moment the shareholder(s) make(s) a proposal for the candidate nomination until the moment the candidate's authority as a member of the Board of Directors is terminated. The Declaration signed by the candidate and submitted to the API shall not be disclosed to

third parties, except for the actual fact of signing and the essence of obligations assumed by the candidate.

6. The candidate, as well as the BOD member elected with the API support (hereinafter also collectively referred to as the Director) shall be liable for the compliance with the obligations voluntarily assumed by signing the Declaration and shall bear the reputational risks in case of their violation.

7. The API Board of Directors shall only decide to support the candidate after the Declaration is signed and submitted to the API.

8. The API liaises with the Issuer following the nomination until the candidate is elected and where necessary, contributes to the candidate's compliance with the Issuer's local regulations governing the candidate's inclusion in the list approved by the Issuer's Board of Directors.

9. Following the nomination, the candidate shall be obliged to liaise with the Issuer's Board of Directors and its working bodies, if provided for by the local regulations of the Issuer, and to take measures so as to ensure the possibility of communication with shareholders of the Issuer, whether initiated by the candidate or by the shareholders.

10. If the candidate is successfully elected a member of the Board of Directors, the API assists the candidate in promoting his/her activities, including meetings, road shows, conference calls with shareholders.

#### **Procedure of liaison with a member of the Board of Directors following a successful election**

11. The BOD member supported by the API in the election is obliged to regularly (at least once a year) liaise with the shareholders of the Issuer both on own initiative and when requested by the shareholders.

12. The API shall coordinate the liaison between the shareholders and the Board Director as necessary (as requested by any of the parties).

13. BOD member elected with the API support may at any time apply to the API executive body for advice on any question related to his/her service in this capacity.

#### **Exchange of information**

14. The API shall inform the Director of the requirements applying to Directors the API is aware of, and of the correct way to meet such requirements so as to ensure the successful election and the subsequent efficiency of the API-backed Director's service.

15. To ensure the timely preparation of voting recommendations for general shareholders' meetings, the BOD member elected with the API support undertakes, in the event the Issuer discloses the information and materials for a general shareholders' meeting later than 30 days before the meeting date, to send such materials to the API in electronic form on or before the second day following their receipt.

16. In the event that the BOD member forfeits the independent director status (the full conformity to the independence criteria specified in Annex 2 to this Regulation) or becomes aware of the circumstances potentially endangering this status, the BOD member is obliged to notify the API executive body thereof (inclusive of the circumstances leading to the actual or possible forfeiture of the status) within 5 working days following the awareness of such an event.

## **Director's liability**

17. In the event of a material violation of the obligations the Director undertakes by signing the Declaration, the API reserves the right to investigate into the reasons of such violation and to make a decision on the confidence or non-confidence in the candidate on the part of the API and/or its members. To that end, the API Executive Director establishes a dedicated working group (WG) which may comprise the API employees and/or representatives of the API members not involved in an obvious conflict of interest with the candidate/director. Subject to a resolution of the API Board of Directors, the WG may include independent experts, representatives of the Issuer and/or representatives of the Bank of Russia as necessary. If a violation is committed by the API Executive Director, the working group shall be established by the Chairman of the API Board of Directors.

19. The WG consists of an odd number of members. The WG decision quorum is formed by a majority of the WG members according to the list of WG members.

20. The WG is authorized to request information relevant for decision-making from the API members, executive bodies and third parties.

21. Replacement and/or addition of WG members after the commencement of proceedings is possible at any time by virtue of the API Executive Director's order.

22. Should the WG, by duly investigating into the violation circumstances, establish that the violation occurred for reasons beyond control of the director who could not foresee or prevent them, or should the violation be recognized as non-material, such a violation shall not affect the relations between the API and the Director.

23. Subject to a WG decision, the director may be recognized as unreliable (i.e. forfeiting the confidence of the API/API members) without proceedings on merits if an obviously material violation is committed, if the Director expressly refuses to collaborate with the WG (including the provision of comments and information, except for the information the Director is not allowed to transfer to third parties as provided for by the law), deliberately misrepresents facts or refuses to sign the restated Declaration incorporating amendments to the Director's obligations).

24. Should the candidate/BOD member be recognized as unreliable, the API shall have the right to apply, separately or collectively, the following measures in respect of the candidate/BOD member, given the inability to hold him/her disciplinary liable in terms of the Russian law:

- 1) Public disclosure and/or transfer, at a later time, of information on the Director's failure to meet the obligations voluntarily assumed by signing the Declaration to interested parties, including or excluding the essence of the violation and its actual impact on the legitimate rights and interests of investors and the API image;
- 2) Refusal to provide further support to the director in the election to Boards of Directors and in other cases at the API's discretion.

25. The non-confidence resolution made by the WG may be canceled by the API Board of Directors.

26. Subject to a resolution of the API Board of Directors, special criteria may be applied while investigating into violations committed by members of the API Board of Directors.

27. The data provided by the WG but not publicly disclosed shall qualify as confidential information of the API. The WG members shall undertake to refrain from disclosing this information to third parties, except if such information is requested by government authorities subject to the law.

**Concluding provisions**

28. Any amendments to this Regulation shall be made subject to decisions by the API Board of Directors.

29. The Regulation incorporating the amendments, if any, shall be sent to all API members and Directors to the addresses specified in the Declarations within five working days following the meeting of the Board of Directors where such amendments were approved.

25. Should the Declaration be amended as regards the Director's obligations, the API shall within five working days propose that the Directors sign the restated Declaration.