



Dear investors,

The Association of Institutional Investors highly appreciates your active participation and support during this year's annual general meetings in Russia.

In 2015, investors successfully elected independent directors and directors representing minority shareholders at 25 companies (see Appendix 1). Of particular note is the re-election of independent director Marlen Manasov to the Board of Directors of Aeroflot, the first election of Maria Gordon to the Supervisory Board of ALROSA and of Lord Clanwilliam to the Board of Directors of Sistema JSFC.

Electronic voting

For the first time ever, the shareholders and their depositories may vote in electronic form this year. However, we encountered a problem of incorrect preparation and execution of voting instructions by both various international / local custodians and the shareholders, with the result that the shareholders' votes were disregarded during the counting, including the cases where the number of disregarded votes would have made a substantial impact on the voting results. This issue typically arose when the shareholders elected members of Boards of Directors:

- 1) The shareholders and their custodians specified the wrong number of votes cast for a specific candidate (the correct way is to specify the number of cumulative votes calculated by multiplying the number of shares participating in the meeting by the total number of members of the Board of Directors under the company's charter or subject to the shareholders' resolution);
- 2) The correct way to fill in a voting ballot as regards the Board of Directors election is to first choose one of the voting options (FOR; Against all candidates; Abstained on all candidates), then to vote for a specific candidate.

For instance, more than 10% of the shareholders' votes were recognized as invalid at the meeting of Dixy Group shareholders, the passing score for a successful election to the Board of Directors being 9%.

Disclosure of AGM reference information

Despite improvements in the information support of shareholders' meetings, including the effects of increasingly wider application of the 2014 Corporate Governance Code (CGC) guidelines, the problem of timely and complete disclosure of reference materials for meetings is still on the agenda.

The main problems the API faces when preparing for shareholders' meetings are as follows:

1. Disclosure timeframe

Today, the most painful issue of prior years probably poses the least problem as many companies have adopted (by specifying related obligations in the charter or corporate by-laws, or otherwise) the CGC guideline to disclose information pertaining to the meeting on the corporate website no later than 30 days prior to the meeting date. However, not all major companies have followed this guideline; in some cases, issuers would disclose the relevant information on websites too late or refuse from such disclosure completely. This causes inevitable delays in preparing the API voting recommendations, despite the Association's efforts to obtain the reference materials from other sources including direct

requests for information from issuers.

2. Completeness of information

In some cases, reference documents do not include materials required for better understanding and for formulating the shareholder's position (explanatory notes, rationales for proposed transactions, including interested party transactions, and for selecting the auditor for another financial year). However, there are certain improvements in disclosing information on candidates to issuers' governance bodies.

3. Convenience of using the documents to be considered at shareholders' meetings

The information support of restated versions of charters and corporate by-laws put on the agenda for consideration at annual shareholders' meetings (hereinafter referred to as 'documents') claims special attention. In some cases, the number of such documents can reach and exceed five, most of them having a complicated structure. To make a decision on such documents, the shareholder needs to have exhaustive and easy-to-understand information about all changes proposed to them compared with the current versions, since changes may prejudice the shareholder's rights and legitimate interests.

In the API's view, the best way to update such documents is to edit them with the Track Changes option turned on, so as to enable the user to compare the wording of specific provisions and articles, or, a more legally sound alternative, to present information in comparison tables containing, among other things, the reason(s) for changing the provisions.

AGM 2015 – Election Campaign

		Issuer	Candidate	Status
1.	SVAV	SOLLERS	Alexander Ikonnikov	ID
2.	HYDR	RUSHYDRO	Viatcheslav Pivovarov	ID
3.	RSTI	ROSSETI	Oleg Fyodorov	NED
4.	FESH	FESCO GROUP	Andrey Uspensky	RMS
5.	AFKS	SISTEMA JSFC	Lord Clanwilliam	ID
6.	ARLS	ALROSA	Maria Gordon	ID
7.	MRKC	IDGC OF CENTRE	Alexander Shevchuk	ID
8.	MRKZ	IDGC OF NORTH-WEST	Sergey Pokrovsky Tatyana Dronova Alexay Zharikov	ID RMS RMS
9.	AFLT	AEROFLOT	Marlen Manasov	ID
10.	MRKY	IDGC OF SOUTH	Vladimir Dudchenko Alexander Shevchuk	RMS ID
11.	BSPB	BANK SAINT-PETERSBURG	Alexey Germanovich	ID
12.	MRKV	IDGC OF VOLGA	Denis Kulikov	ID
13.	MRKP	IDGC of Center and Volga Region	Alexander Shevchuk	ID
14.	MVID	M.VIDEO	Alexander Prisyazhnyuk	ID
15.	DIXY	DIXY	Alexander Prisyazhnyuk	ID
16.	OGKB	OGK-2	Alexander Shevchuk	ID
17.	SBER	SBERBANK OF RUSSIA	Nadia Wells	ID
18.	MAGE	MAGADANENERGO	Igor Repin Igor Polovnev	ID ID
19.	TUZA	Tuimazinsky Zavod Avtobetonovozov	Igor Repin	ID
20.	NFAZ	NEFAZ	Denis Kulikov	ID
21.	KBTK	Kuzbasskaya Toplivnaya Company	Alex Williams	ID
22.	MSTT	MOSTOTREST	Alex Williams Alexander Shevchuk	ID ID
23.	SNGF	SIBNEFTEGEOFIZIKA	Igor Repin	ID
24.	GZCE	GORNOZAVODSKCEMENT	Boris Sinegubko	RMS

RMS	Representative of minority shareholders
ID	Independent director
NED	Non-executive director