



## API Voting Recommendations for Extraordinary General Meeting

Company: IDGC of Urals, JSC (MRKU)

Meeting date: September 14, 2017

Record date: July 21, 2017

### Company Overview

The Company was founded in 2005 in the course of reforming the Russian power sector and separating power companies according to the type of activity, followed by their interregional integration.

The core activities of IDGC of Urals, JSC are concentrated in Perm Krai, Sverdlovsk and Chelyabinsk regions. The Company is a natural monopoly whose tariffs for electricity transmission services and connection of consumers to electricity supplies are regulated by the state. The Company's strategic objective is to consolidate the power grids of municipal entities with the grids of IDGC of Urals, JSC with the aim of creating a single electric grid space across the Company's operating area.

The Company's authorized capital is 8,743,048,571.1 rubles. It consists of 87,430,485,711 common shares with a face value of 0.1 ruble.

The Company's controlling shareholder is PJSC ROSSETI which owns a 51.52% equity stake in IDGC of Urals, JSC.

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No.	EGM agenda item	API recommendation
1.	Early termination of powers of the Board of Directors members	<b>AGAINST</b>

#### AGENDA ITEM 1 DETAILS:

The convening of an Extraordinary General Meeting of shareholders is requested by the Company's controlling shareholder PJSC ROSSETI.

At the Annual General Meeting on June 5, three independent directors (Roman Dmitrik, Denis Kulikov, Alexander Shevchuk) were elected to the Board of Directors of IDGC of Urals, JSC (consisting of 11 members) instead of the traditional election of two directors. Despite the election at the same meeting of 6 directors representing PJSC ROSSETI, which ensured control over the Board's activities by the controlling shareholder, PJSC ROSSETI initiated an extraordinary meeting with the aim of reducing the number of independent directors by electing another ROSSETI representative to the Board.

The API supports increasing the number of INEDs on the Board of Directors of IDGC of Urals, JSC, other interregional distribution grid companies and Russian public joint-stock companies as it has a positive effect on the quality of corporate governance being fully in line with the best Russian and international practices and the Corporate Governance Code.

The increase in the number of INEDs on the Board of Directors of IDGC of Urals, JSC resulted from the

combination of efforts of the controlling shareholder's management team (PJSC ROSSETI proposed that minority shareholders "ensure the nomination and election of the required number of independent directors" aiming at the level 1 listing of the Company's securities among other things), Russia's Federal Agency for State Property Management / Rosimushchestvo (which owns a 3.71% block of shares in the Company) and the minority shareholders of the Company.

However, after the Annual General Meeting, despite the election of 6 Board members representing PJSC ROSSETI (which ensured its control over the Board's activities), PJSC ROSSETI initiated the convening of an extraordinary meeting with the aim of re-electing the whole Board of Directors. The Board re-election only makes sense if the number of independent directors is reduced to 2 from the current level of 3 by increasing the number of Board members representing the Government or the controlling shareholder, which is not consistent with the MICEX level 1 listing requirement (at least 3 independent Directors).

In connection with the above, the API recommends that the shareholders vote AGAINST on this agenda item.

#### DRAFT RESOLUTION ON AGENDA ITEM 1:

Terminate the powers of the Company's Board of Directors members.

No.	EGM agenda item	API recommendation
2.	Election of members of the Company's Board of Directors	The API recommends voting <b>FOR Alexander Shevchuk</b> (an independent director supported by the API)*

#### AGENDA ITEM 2 DETAILS:

According to the Company's Charter, the Board of Directors consists of 11 members. The shareholders have nominated 22 candidates.

The following twenty two candidates are proposed to the shareholders for voting:

No.	Name	Candidate's employer / position (as of nomination date)	Nominated by / shareholding, %	Status
1.	Alexey Voronin	Deputy Head, territorial department of Russia's Federal Agency for State Property Management (Rosimushchestvo) in Sverdlovsk region	The Russian Federation represented by Rosimushchestvo (3.71%)	non-executive director
2.	Denis Kulikov	Adviser to Executive Director, Association of Institutional Directors	ENERGYO SOLUTIONS RUSSIA (CYPRUS) LIMITED (6.6948%)	independent director
3.	Alexander Shevchuk	Executive Director, Association of Institutional Investors	ENERGYO SOLUTIONS RUSSIA (CYPRUS) LIMITED (6.6948%)	independent director
4.	Dmitry Akopyan	Director, Investment Department, PJSC ROSSETI	Public Joint stock company ROSSETI (51.5169%)	non-executive director
5.	Yuri Goncharov	Deputy CEO for Corporate Governance, PJSC ROSSETI	Public Joint stock company ROSSETI (51.5169%)	non-executive director

6.	Sergey Dregval	CEO, IDGC of Urals, JSC	Public Joint stock company ROSSETI (51.5169%)	executive director
7.	Yuri Zafesov	Director, Procurement Department, PJSC ROSSETI	Public Joint stock company ROSSETI (51.5169%)	executive director
8.	Ruslan Magadeev	Deputy Engineer-in-Chief, PJSC ROSSETI	Public Joint stock company ROSSETI (51.5169%)	non-executive director
9.	Maxim Saukh	Head of the Corporate Governance Office, Corporate Governance and Shareholder and Investor Relations Department, PJSC ROSSETI	Public Joint stock company ROSSETI (51.5169%)	non-executive director
10.	Sergey Semerikov	Chief Adviser, PJSC ROSSETI	Public Joint stock company ROSSETI (51.5169%)	non-executive director
11.	Alexey Serov	Director, Finance Department, PJSC ROSSETI	Public Joint stock company ROSSETI (51.5169%)	non-executive director
12.	Vladimir Sofyin	Director, Technology Development and Innovations Department, PJSC ROSSETI	Public Joint stock company ROSSETI (51.5169%)	non-executive director
13.	Alexander Fadeev	Chief Adviser, PJSC ROSSETI	Public Joint stock company ROSSETI (51.5169%)	non-executive director
14.	Yulia Yashcheritsyna	Director, Economic Planning and Budgeting Department, PJSC ROSSETI	Public Joint stock company ROSSETI (51.5169%)	non-executive director
15.	Evgeny Villevald	Deputy Director for M&A and Projects, Renova Aktiv LLC	Public Joint-Stock Company METKOMBANK (17.47628%)	non-executive director
16.	Natalia Ozhe	Deputy General Director, GAZEKS AO	Public Joint-Stock Company METKOMBANK (17.47628%)	non-executive director
17.	Yakov Tesis	Director for M&A and Projects, Renova Aktiv LLC	Public Joint-Stock Company METKOMBANK (17.47628%)	non-executive director
18.	Oleg Khuazhev	Deputy Director for M&A and Projects, Renova Aktiv LLC	Public Joint-Stock Company METKOMBANK (17.47628%)	non-executive director
19.	Roman Dmitrik	CEO, Ltd. Regional Distribution Grid Company	Public Joint-Stock Company METKOMBANK (17.47628%)	independent director
20.	Roman Filkin	Director, power engineering, machine building, representative Office of Prosperity Capital Management (RF) Ltd.	Public Joint-Stock Company METKOMBANK (17.47628%)	independent director

21.	Denis Spirin	Director for Corporate Governance, representative office of Prosperity Capital Management (RF) Ltd.	Public Joint-Stock Company METKOMBANK (17.47628%)	independent director
22.	Eduard Konovalov	Director, Economic Security Department, Renova Aktiv LLC	Public Joint-Stock Company METKOMBANK (17.47628%)	non-executive director

The Board of Directors shall be elected by cumulative voting.

The API recommends that the shareholders vote FOR the independent director [Alexander Shevchuk](#) supported by the API members on the following grounds:

- the candidate meets the applicable director independence criteria;
- the candidate is a highly skilled professional with extensive experience of serving on the Boards of Directors of Russian companies.

Details on the API liaison with independent directors are provided on the API website at: <http://api-russia.org>.

All independent directors supported by the API are open to direct contact with shareholders; please contact us for further information.

#### DRAFT RESOLUTION ON AGENDA ITEM 2:

Elect candidates from the following list to the Company's Board of Directors:

1. Alexey Voronin
2. Denis Kulikov
3. Alexander Shevchuk
4. Dmitry Akopyan
5. Yuri Goncharov
6. Sergey Dregval
7. Yuri Zafesov
8. Ruslan Magadeev
9. Maxim Saukh
10. Sergey Semerikov
11. Alexey Serov
12. Vladimir Sofyin
13. Alexander Fadeev
14. Yulia Yashcheritsyna
15. Evgeny Villevald
16. Natalia Ozhe
17. Yakov Tesis
18. Oleg Khuazhev
19. Roman Dmitrik
20. Roman Filkin
21. Denis Spirin
22. Eduard Konovalov

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The EGM Voting Recommendations are based, among other things, on the Extraordinary General Meeting reference materials published on the Company's website. For questions and/or comment, please contact us at: +7 (495) 510-5306 or via email: [polovnev@api-russia.org](mailto:polovnev@api-russia.org).

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