



API Voting Recommendations for Annual General Meeting

Company: **OR PJSC (OBUV)**

Meeting date: **June 29, 2018**

Record date: **June 4, 2018**

Company Overview

Obuv Rossii (OR) founded in 2003 is developing retail sales of footwear, accessories and related products. At the end of 2017, the Group's retail chain consisted of approximately 535 stores with a total sales area of 40,100 m² operating under several brands: Westfalika (a single-brand classic footwear retail chain), Peshekhod (multi-brand shoe supermarkets), Emilia Estra, Rossita (stores for the whole family) and Lisette (fashion-footwear salons). In addition, Obuv Rossii is developing footwear and clothing brands for active lifestyle (Step, All.go, Snow Guard) and owns two footwear factories in Novosibirsk region.

At the end of October 2017, OR PJSC raised more than RUB 5.90 billion in investments during an IPO on the Moscow Exchange where it was listed under the OBUV ticker symbol. Prior to the IPO, the Company's authorized capital consisted of 70.66 million shares. The shares were placed at a price equal to the lower end of the price range, the book building closed at 140 rubles per share, the additional share issue accounted for 37.5% of the increased authorized capital.

The authorized capital of OR PJSC is RUB 11,305,600,000. It consists of 113,056,000 ordinary shares with a face value of 100 (one hundred) rubles each.

As at December 31, 2017, the Company's shareholding structure was as follows:

- Anton Titov: 44%;
- Koryo Holdings Corp: 16%;
- Other shareholders: 2%;
- Free float: 38%.

1

No.	AGM agenda item	API recommendation
1.	Approval of the annual report, annual accounting (financial) statements of the Company for 2017	FOR
2.	Payment of dividends based on the results of 2017	FOR
3.	Election of members of the Company's Board of Directors	API recommends voting FOR Alexander Kritsky Elizabeth Anne Kirkwood (API-supported independent directors)*
4.	Payment of remuneration to the members of the Company's Board	AGAINST**

	of Directors during their tenure	
5.	Election of members of the Company's Auditing Commission	API recommends voting ABSTAINED*** on all candidates
6.	Approval of the Company's Auditor	FOR
7.	Approval of the Company's Auditor for statements according to International Financial Reporting Standards	FOR
8.	Consent to a related-party transaction	FOR
9.	Approval of the Company's restated Articles of Association	FOR
10.	Approval of the Company's restated Regulations on the Board of Directors	FOR
11.	Approval of the restated Regulations on the Procedure for Preparing, Convening and Holding General Shareholders Meetings of the Company	FOR

* The API recommends that the shareholders vote FOR the independent directors **Alexander Kritsky and Elizabeth Kirkwood** supported by major investment funds that are API members.

** The meeting materials do not contain a rationale for the proposed draft resolution: "Pay no remuneration to the other members of the Board of Directors." Voting "AGAINST" on this issue is recommended. We also consider it necessary for the Company to justify the payment of high remuneration to the Chair and Deputy Chair of the Board of Directors exceeding the remuneration payable to members of Boards of Directors / Supervisory Boards of major Russian companies (Sberbank, VTB, ALROSA, Moscow Exchange, etc.).

*** Most of the proposed candidates are employed by the Company; given a potential conflict of interest we cannot give an affirmative voting recommendation on this issue.

2

In-depth review of the Annual General Meeting agenda:

1.	AGM agenda item	API recommendation
	Approval of the annual report, annual accounting (financial) statements of the Company for 2017	FOR*

* The API notes the non-disclosure of the correlation between the remuneration payable to Management Board members and the achievement of target KPIs in the Company's annual report. Besides, the Company has not disclosed the individual remuneration payments as it was expected to do according to best corporate governance practices.

We recommend that the Board of Directors pay attention to the need to disclose the remuneration payable to Management Board members in relation to the achievement of the target KPIs.

AGENDA ITEM 1 DETAILS:

The 2017 annual report of OR PJSC presents information on the Company's performance results for the 12-month period, development prospects, a description of the key risk factors, information on related party transactions, a report on compliance with the Corporate Governance Code recommended for application by the Bank of Russia and other information.

The accuracy of the annual accounting (financial) statements of OR PJSC prepared according to Russian Accounting Standards is confirmed by an audit report of Audit Firm STATUS LLC, the accuracy of the Company's consolidated financial statements according to International Financial Reporting Standards is confirmed by an audit report of Ernst & Young LLC.

Please find below the Group's key financial and operational performance indicators according to IFRS standards:

Item	2016	2017	Change, year-on-year
Revenue, billion rubles	9.97	10.8	8.3%
Cost of production, billion rubles	4.1	4.9	19.5%
Profit for the period, billion rubles	1.18	1.31	11.0%
Profit margin, %	11.8	12.1	0.3 p.p.
EBITDA, billion rubles	2.54	2.74	7.9%
EBITDA margin, %	25.5	25.3	-0.2 p.p.
Net debt, billion rubles	6.99	4.73	32.3%
Net debt / EBITDA	2.75	1.73	-1.02

In 2017, the Group increased revenue by 8.3% to RUB 10.8 billion. EBITDA increased by 7.9% to reach RUB 2.74 billion against RUB 2.54 billion in 2016. Net profit increased by 11.0% to RUB 1.31 billion. EBITDA margin was 25.3% at the end of 2017, a high result compared with the world's leading fashion retailers.

This strong result is mainly attributable to a recovery of the Russian footwear market which, for the first time since 2014, resumed growth in natural terms.

The Company's net debt for 2017 decreased by 32.3% to RUB 4.73 billion. The net debt / EBITDA ratio was 1.73 at the end of 2017 against 2.75 a year earlier. The financing raised through the initial public offering on the Moscow Exchange has significantly eased the Company's debt burden.

DRAFT RESOLUTION ON AGENDA ITEM 1:

Approve the annual report, annual accounting statements of OR Public Joint-Stock Company for 2017.

2.	AGM agenda item	API recommendation
	Payment of dividends based on the results of 2017	FOR*

* We note that the materials for the shareholders meeting do not contain an explanation / rationale for the proposed profit distribution (calculation principles, justification, factors influencing this decision), as well as information on the use of a benchmark when setting the absolute amount of dividends payable.

AGENDA ITEM 2 DETAILS:

The Board of Directors of OR PJSC has recommended that the General Shareholders Meeting of OR Public Joint-Stock Company resolve to set the amount of 2017 dividends on the outstanding shares equal to RUB 2.32 per share.

It is proposed to that July 16, 2018 be set equal as the dividend record date, i.e. the date on which the persons entitled to dividends will be determined.

DRAFT RESOLUTION ON AGENDA ITEM 2:

Pay dividends on the outstanding shares of OR Public Joint-Stock Company based on the results of 2017 in the amount of RUB 2.32 (two rubles thirty-two kopecks) per share. The dividends shall be paid in cash.

Set July 16, 2018 as the dividend record date, i.e. the date on which the persons entitled to dividends will be determined.

3.	AGM agenda item	API recommendation
	Election of members of the Company's Board of Directors	API recommends voting FOR Alexander Kritsky Elizabeth Anne Kirkwood (API-supported independent directors)

AGENDA ITEM 3 DETAILS:

According to the Company's Articles of Association, the Board of Directors consists of 7 members. The shareholders have nominated 10 candidates, 7 of them are current Board members (italicized below).

The candidates supported by the API are highly skilled professionals meeting the applicable director independence criteria.

According to our estimates, the passing score will be at least 8.5% assuming that the principal shareholders vote unanimously; at least 17% of the voting power needs to be consolidated.

No.	Name	Candidate office / position (at the primary place of employment)	Nominated by / equity stake	Years on the Board	Status
1.	<i>Anton Titov</i>	<i>CEO, member of the Board of Directors of OR Public Joint-Stock Company; CEO, Obuv Rossii Limited Liability Company</i>	<i>Anton Titov /44%</i>	5	<i>Executive director</i>
2.	<i>Vyacheslav Shabaikin</i>	<i>Adviser, Joint stock company Joint Stock Commercial Bank "International Financial Club"</i>	<i>Anton Titov /44%</i>	1	<i>Non-executive director</i>
3.	<i>Tatiana Zotikova</i>	<i>President, Uniona Limited Liability Company</i>	<i>Anton Titov /44%</i>	1	<i>Independent director</i>
4.	<i>Evgenia Gavrikova</i>	<i>Head of the Legal Department, Uniona Limited Liability Company</i>	<i>Anton Titov /44%</i>	1	<i>Non-executive director</i>
5.	<i>Aleksey Skvorkin</i>	<i>Chief Executive Officer, Uniona Limited Liability Company</i>	<i>Anton Titov /44%</i>	1	<i>Non-executive director</i>
6.	<i>Stanislav Zverev</i>	<i>Chief Executive Officer, Soyuzlegtextexport Union of Manufacturers and Experts of the Light and Textile Industry</i>	<i>Anton Titov /44%</i>	1	<i>Independent director</i>
7.	<i>Natalya Zherebtsova</i>	<i>Deputy CEO for Legal Matters, OR Public Joint-Stock Company; Deputy CEO for Legal Matters, Obuv Rossii Limited Liability Company</i>	<i>Anton Titov /44%</i>	3	<i>Executive director</i>
8.	Azer Enver oglu Mamedov	Managing Director, Directorate for Investment and Banking Services, BCS Company LLC	KARYO HOLDINGS CORP/16%	0	Non-executive director
9.	Alexander Kritsky*	CEO, Marbella Tourist Development SA (Marbella, Malaga, Spain),	Prosperity Capital Management SICAV	0	Independent director
10.	Elizabeth Anne Kirkwood*	-	East Capital - East Capital Russia	0	Independent director

Members of the Board of Directors are elected by cumulative voting.

*The API officially supports these candidates at the Annual General Meeting.

** specified as of the date of nomination

Details on the API's engagement with independent directors are provided on the official API website:

<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 3:

Elect the following candidates as members of the Board of Directors of OR Public Joint-Stock

Company:

- 1) _____
- 2) _____
- 3) _____
- 4) _____
- 5) _____
- 6) _____
- 7) _____

4.	AGM agenda item	API recommendation
	Payment of remuneration to the members of the Company's Board of Directors during their tenure	AGAINST

AGENDA ITEM 4 DETAILS:

According to the Articles of Association of OR PJSC, the power to decide on the payment of remuneration and/or the procedure for compensating members of the Board of Directors for expenses is vested in the General Shareholders Meeting.

At their meeting, the shareholders are asked to set the amount of remuneration payable to the Chair of the Board of Directors of OR PJSC equal to RUB 1,250,000 (one million two hundred and fifty thousand rubles) per month; set the amount of remuneration payable to the Deputy Chair of the Board of Directors of OR PJSC equal to RUB 1,000,000 (one million) per month; pay no remuneration to the other members of the Board of Directors."

In 2017, the General Shareholders Meetings of OR PJSC passed the following resolutions establishing the amount of remuneration payable to members of the Board of Directors.

- According to Minutes no. 01/2017 of the Extraordinary General Shareholders Meeting held on February 27, 2017, the amount of remuneration payable to the members of the Board of Directors of OR OJSC for their service in this capacity was fixed as follows:

RUB 1,250,000 per month payable to the Chair of the Board of Directors of OR OJSC.

RUB 1,000,000 per month payable to the Deputy Chair of the Board of Directors of OR OJSC.

No remuneration payable to the other members of the Board of Directors of OR OJSC.

- According to Minutes no. 04/2017 of the Annual General Shareholders Meeting of OR Open Joint-Stock Company held on June 1, 2017, the amount of remuneration payable to the members of the Company's Board of Directors for their service in this capacity was fixed as follows:

RUB 1,250,000 per month payable to the Chair of the Board of Directors of the Company.

RUB 1,000,000 per month payable to the Deputy Chair of the Board of Directors of the Company.

No remuneration payable to the other members of the Board of Directors of the Company.

- According to Minutes no. 06/2017 of the Extraordinary General Shareholders Meeting of OR Open Joint-Stock Company held on September 7, 2017, the amount of remuneration payable to the members of the Company's Board of Directors for their service in this capacity was fixed as follows:

RUB 1,250,000 per month payable to the Chair of the Board of Directors of the Company.
 RUB 1,000,000 per month payable to the Deputy Chair of the Board of Directors of the Company.
 No remuneration payable to the other members of the Board of Directors of the Company.
 The total amount of remuneration paid to the members of the Board of Directors for the 12-month period in 2017 is RUB 22,625,000 (VAT included). No compensation was paid to the members of the Board of Directors of OR PJSC in 2017.

In the API's view, the decision to pay no remuneration to the Board members not employed by the Company and the non-disclosure of the Regulations on the Payment of Remuneration to Members of the Board of Directors in public sources are contrary to best corporate governance practices.

Besides, the meeting materials do not contain a rationale for the proposed draft resolution: "Pay no remuneration to the other members of the Board of Directors." Voting "AGAINST" on this issue is therefore recommended.

DRAFT RESOLUTION ON AGENDA ITEM 4:

Set the amount of remuneration payable to the Chair of the Board of Directors of OR PJSC equal to RUB 1,250,000 (one million two hundred and fifty thousand rubles) per month.

Set the amount of remuneration payable to the Deputy Chair of the Board of Directors of OR PJSC equal to RUB 1,000,000 (one million) per month.

Pay no remuneration to the other members of the Board of Directors.

5.	AGM agenda item	API recommendation
	Election of members of the Company's Auditing Commission	ABSTAINED

AGENDA ITEM 5 DETAILS:

The Auditing Commission of the Company consists of 3 members. The existing Commission members nominated to the Commission are italicized below. All the candidates are proposed by Anton Titov, the majority shareholder of the Company holding a 44% equity stake.

Despite the nomination of a new candidate, most of the Revision Committee members, just as in previous years, are employed by the Company. This, in our view, indicates a formal approach to the Committee's activity and signals a potential conflict of interest as the auditor is employed by the audited entity. The potential conflict of interest prevents us from giving an affirmative voting recommendation on this issue.

No.	Name	Candidate office / position (at the primary place of employment)
1.	<i>Elena Isyangulova</i>	<i>Deputy Chief Financial Officer for Budgeting and Analytics, Obuv Rossii Limited Liability Company</i>
2.	Sergey Usik	Chief Accountant, Design-Studiya Limited Liability Company; Chief Accountant, Professional Collection Center Limited Liability Company
3.	<i>Ekaterina Tairova</i>	<i>Head of the Internal Control Department, Obuv Rossii Limited Liability Company</i>

Auditing Commission members are elected by a simple majority of votes.

DRAFT RESOLUTION ON AGENDA ITEM 5:

Elect the following candidates as members of the Auditing Commission of OR Public Joint-Stock Company:

- 1) Elena Isyangulova;
- 2) Ekaterina Tairova;
- 3) Sergey Usik.

6-7.	AGM agenda item	API recommendation
6.	Approval of the Company's Auditor	FOR
7.	Approval of the Company's Auditor for statements according to International Financial Reporting Standards	FOR

AGENDA ITEMS 6-7 DETAILS:

At their meeting, the shareholders are asked to resolve as follows:

- Approve Audit Firm STATUS LLC as the auditor of OR PJSC in relation to statements prepared according to the Russian Accounting Standards;
- Approve Ernst & Young LLC as the auditor of OR PJSC in relation to statements prepared according to the International Financial Reporting Standards.

The terms and conditions of the auditor selection tenders (information on the participating companies, their bids, etc.) were not disclosed in the general shareholders meeting materials. We recommend that the Company disclose this information.

DRAFT RESOLUTIONS ON AGENDA ITEMS 6-7:

ITEM 6:

Approve Audit Firm STATUS Limited Liability Company (primary state registration no. / OGRN 1045402469320, taxpayer ID 5406279088, registered at: Frunze street 124, office 408, 630005 Novosibirsk, Russia; primary registration number in the register of self-regulatory organization Nonprofit Partnership "Moscow Audit Chamber": 10503044728) as the auditor of OR Public Joint-Stock Company in relation to statements prepared according to the Russian Accounting Standards.

ITEM 7:

Approve Ernst & Young Limited Liability Company (primary state registration no. / OGRN 1027739707203, taxpayer ID 7709383532, registered at: Sadovnicheskaya embankment 77 bldg. 1, 115035 Moscow, Russia; a member of the self-regulated organization of auditors "Russian Union of auditors" (Association) / RUA; included in the reference copy of the register of auditors and auditing organizations under primary registration number / ORNZ 10201003683) as the auditor of OR Public Joint-Stock Company in relation to statements prepared in accordance with the International Financial Reporting Standards.

7

8.	AGM agenda item	API recommendation
	Consent to a related-party transaction	FOR

AGENDA ITEM 8 DETAILS:

Subject of transaction: provision of a surety to secure the performance of obligations of Obuv Rossii Limited Liability Company in relation to certificated interest-bearing non-convertible exchange-traded bearer bonds subject to compulsory centralized custody.

Related-party interest: Anton Titov, CEO and a member of the Board of Directors of OR Public Joint-Stock Company, is recognized as a party interested in the transaction on account of his position in the management bodies of a legal entity being a party to the transaction (CEO of Obuv Rossii LLC).

Given the amount of outstanding exchange-traded bonds of Obuvrus LLC for which a surety from Obuv Rossii is provided, the general economic and financial standing (asset value) of Obuv Rossii LLC, as well as the financial and operating performance results of Obuvrus LLC, a separate financial feasibility study indicating that the risk of a claim for performance of obligations arising from the surety does not exceed a satisfactory level for the Company is required.

The Company's net debt currently stands at RUB 4.73 billion, the net debt to EBITDA ratio being 1.73. Should this

transaction be entered into, the Company's potential net debt, taking into account the possible claim for performance of surety-related obligations, will amount to RUB 10.83 billion, the net debt to EBITDA ratio will grow to 3.96, which means that the Company's debt burden will exceed the normal level (2.8).

DRAFT RESOLUTION ON AGENDA ITEM 8:

Give consent to a related-party transaction entered into by OR Public Joint-Stock Company on the following terms:

Parties to the transaction: OR Public Joint-Stock Company (the Surety Provider), Obuv Rossii Limited Liability Company (the Issuer and Debtor in relation to the principal obligation); owners (holders) of exchange-traded bonds, both individuals and legal entities (the Creditor/Creditors).

Beneficiary: Obuv Rossii Limited Liability Company (the Issuer and Debtor in relation to the principal obligation).

Subject of transaction: provision of a surety to secure the performance of obligations of Obuv Rossii Limited Liability Company in relation to certificated interest-bearing non-convertible exchange-traded bearer bonds subject to compulsory centralized custody placed by public offering under the exchange bond program of series 001P (Exchange-traded Bonds).

The maximum face value of the Exchange-traded Bonds which can be placed under the exchange bond program is RUB 5,000,000,000 (five billion rubles).

The exchange bond program will be effective for 10 years from the identification number assignment date.

The transaction price is RUB 6,100,000,000 (six billion one hundred million rubles); this includes the maximum face value of Exchange-traded Bonds which can be placed under the exchange bond program (RUB 5,000,000,000 / five billion rubles) and the amount of accumulated coupon interest on the Exchange-traded Bonds subject to the terms of issue of Exchange-traded Bonds under the exchange bond program.

Related-party interest: Anton Titov, CEO and a member of the Board of Directors of OR Public Joint-Stock Company, is recognized as a party interested in the transaction on account of his position in the management bodies of a legal entity being a party to the transaction (CEO of Obuv Rossii LLC).

9.	AGM agenda item	API recommendation
	Approval of the Company's restated Articles of Association	FOR

AGENDA ITEM 9 DETAILS:

The proposed amendments to the document are aimed at bringing its provisions and wording in compliance with the laws on joint-stock companies and on the securities market.

It is proposed that distribution of profits and losses be excluded from the range of issues subject to mandatory consideration at the annual general shareholders meeting of the Company.

This conforms to the law on joint stock companies as regards mandatory issues subject to consideration at a general shareholders meeting. However, given that the Company's dividend policy does not provide for minimum dividends the Company intends to pay, this innovation cannot be considered as adequate to the public status of the Company and cannot be supported by the API. We recommend that the Board of Directors revise the Company's dividend policy.

The clause giving the power of decision making on acquiring, changing and disposing of participation interests (equity stakes) in other entities to the Board of Directors, except when such power is vested in the general shareholders meeting of the Company is excluded from item 33.2 of the Articles.

This is consistent with article 65 clause 17.1 of the Federal Law on Joint-Stock Companies which provides that the power of decision making on such matters can be vested by the Articles of Association (Charter) in *executive bodies of the Company*, not the shareholders meeting.

That said, where a decision to acquire, change or dispose of participation interests (equity stakes) in other entities may entail a divestment of the Company's assets (shares / equity stakes or property) qualifying as a major or related-party transaction, such transactions, regardless of decision making by the Board of Directors on acquiring,

changing and disposing of participation interests in other entities, shall be subject to the rules provided for by the Federal Law on Joint-Stock Companies for the relevant types of transactions, including their approval by the general shareholders meeting of the Company.

Even though distribution of profits and losses is excluded from the range of issues subject to mandatory consideration at the annual general shareholders meeting of the Company in the version proposed for approval, the API considers it possible to recommend affirmative voting (FOR) on this issue considering the significance of the other innovations proposed in the restated Articles for the Company's activity.

DRAFT RESOLUTION ON AGENDA ITEM 9:

Approve the restated Articles of Association of OR Public Joint-Stock Company according to Annex 1.

10-11.	AGM agenda item	API recommendation
10.	Approval of the Company's restated Regulations on the Board of Directors	FOR
11.	Approval of the restated Regulations on the Procedure for Preparing, Convening and Holding General Shareholders Meetings of the Company	FOR

AGENDA ITEMS 10-11 DETAILS:

The proposed amendments to the document are aimed at bringing its wording and provisions in compliance with the applicable laws and the Company's Articles of Association.

No innovations prejudicing the shareholders' rights are proposed in the new version of the document.

DRAFT RESOLUTIONS ON AGENDA ITEMS 10-11:

ITEM 10: Approve the restated Regulations on the Board of Directors of OR Public Joint-Stock Company according to Annex 2.

ITEM 11: Approve the restated Regulations on the Procedure for Preparing, Convening and Holding General Shareholders Meetings of OR Public Joint-Stock Company according to Annex 3.

The Voting Recommendations are based on the Annual General Meeting reference materials published on the website of OR PJSC. For questions and/or comment, please contact us at: +7 (495) 510-5306 or via email: polovnev@api-russia.org.