

3.1. Corporate Governance Practices

Corporate governance at PJSC NCSP and NCSP Group is a complex, dynamically evolving system of collaboration between shareholders, the Board of Directors, the Company's executive bodies and other stakeholders. The corporate governance system is organized in compliance with the recommendations of the Central Bank of Russia (CBR) and Moscow Exchange, the requirements of Russian legislation and international best practices in corporate conduct, and the principles of openness and transparency. The Company complies with the requirements of the UK Financial Conduct Authority (FCA) for issuers of Global Depositary Receipts (GDR).

PJSC NCSP's corporate governance system is based on the following principles:

- › Enforcement and protection of the Shareholders' rights
- › Strategic management of the Company is exercised by an effective and professional Board of Directors. Also, the Board of Directors supervises the activities of the Company's executive bodies, and reports to shareholders
- › Recognition and protection of the legal rights of stakeholders, active cooperation with stakeholders for the purpose of improving the Company's financial health, compliance with standards of social responsibility in the Company's activities and generation of high-performing jobs
- › Ensuring timely and accurate disclosure of information on all material issues, including financial position, operating results, assets, management of the Company and material corporate actions
- › Building an efficient system of risk management and internal controls which provides reasonable assurance that set goals will be achieved

Corporate governance at PJSC NCSP is exercised by its management and control bodies: the General Shareholder Meeting, the Board of Directors, the Management Board and the Chief Executive Officer of the Company.

PJSC NCSP subsidiaries are managed by appointing representatives of PJSC NCSP to the boards of directors of these companies.

The role of corporate secretary at PJSC NCSP is carried out by an employee who heads a special department that is administratively subordinate to the CEO. Functionally, the corporate secretary, in his/her activities, reports to the Board of Directors.

The financial and business activities of PJSC NCSP and NCSP Group are audited by external auditors to both Russian and international accounting standards and the Audit Commission, as well as by the Internal Audit Service, the Internal Control and Risk Management Service.

The Russian Federation (RF) has had a special right to participate in the management of PJSC NCSP through a "golden share" since April 2011. This right is exercised by the Russian government by appointing a representative of the RF to the Board of Directors. The RF representative on the Board of Directors has the right to veto decisions by the General Shareholder Meeting concerning amendments to the Charter or approval of a new version of the Charter, the reorganization or liquidation of the Company, changes to share capital, and the execution of major transactions and interested-party transactions.

The RF also owns 20% of shares at PJSC NCSP. The government stake is managed by the Federal State Property Management Agency of Russia (Rosimushchestvo).

The main documents that enforce the rights of PJSC NCSP shareholders are as follows:

- › Charter
- › Regulation on the General Shareholder Meeting
- › Regulation on the Board of Directors
- › Regulation on the Management Board
- › Regulation on the Audit Commission
- › Information Policy
- › Dividend Policy
- › Corporate Governance Code
- › Regulation on the Corporate Secretary
- › Regulation on the Chief Executive Officer

Documents regulating management and control bodies are available on the NCSP Group website http://www.nmtp.info/holding/investors/info_disclosure/uch_documents/.

Amendments to the Charter fall under the authority of the General Shareholder Meeting, with the exception of amendments pertaining to the creation of branches, opening of offices and their liquidation, which fall under the authority of the Board of Directors.

3.1.1. Compliance with provisions of Corporate Governance Code in 2018

Section of Code	Number of criteria recommended by Code	Observed	Partially observed	Not observed
Shareholder rights	23	18	5	–
Board of Directors	55	38	13	4
Corporate Secretary	3	3	–	–
Remuneration system	13	11	–	2
Risk management system	8	8	–	–
Information disclosure	14	9	5	–
Material corporate actions	8	8	–	–
Total	124	95	23	6

3.1.2. Evaluation of compliance with corporate governance principles

Information about compliance with the principles and recommendations of the Corporate Governance Code is prepared in accordance with the Bank of Russia recommendations set out in the letter dated February 17, 2016 (No. IN-06-52/8) and presented in an appendix of this report.

Improvement of corporate governance model and practices:

- › Provide eligible shareholders with access to a list of persons who have the right to participate in a general meeting, not only when preparations are being made for the meeting, but also in the course of the general meeting
- › Approve internal documents aimed at improving the level of corporate governance at the Company
- › Work with the Registrar on providing services for the use of telecommunications equipment to give shareholders remote access for participation in general meetings
- › Consider the issue of “corporate governance practices at the Company” at a meeting of the Board of Directors at the end of every calendar year
- › Raise the issue of an “assessment of the performance of the Board of Directors” at the Board’s meeting at the end of every corporate year
- › Specify issues that should be considered at the Board of Directors in-presence meetings for the corporate year
- › Hear reports from committee chairmen at meetings of the Board of Directors
- › Indicate whether the candidate meets independence criteria

3.1.3. Corporate calendar for 2018

Company management bodies	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
AGM						1						
EGM			1	1					1			1
Board of Directors meetings	1	1	2	1	2	2	1		2	1	2	1
Audit Committee					1				1			
Nomination and Remuneration Committee						1		1	1			
Strategy Committee						2			1			