

Annex 1

THE IFC CORPORATE GOVERNANCE PROGRESSION MATRIX FOR RUSSIAN COMPANIES

	Level 1: Compliance with legal and regulatory requirements	Level 2: Initial steps to improve corporate governance are made	Level 3: Advanced corporate governance system	Level 4: Corporate Governance leadership
I. Commitment to CG	<p>✓ The company has developed and follows a valid charter according to Russian legislation with provisions on the protection of shareholder rights and the equitable treatment of shareholders, distribution of authority between the General Meeting of Shareholders (GMS), the Supervisory Board and executive bodies, and information disclosure, and transparency of the company's activities.</p> <p>✓ n/a</p>	<p>✓ The company has developed and follows by-laws regulating the activities and working procedures of the corporate bodies approved by the GMS (the GMS, Supervisory Board, Executive Board, and Revision Commission).</p> <p>✓ The company has a person/officer responsible for the implementation of corporate governance policies in the company.</p> <p>✓ The company follows the main recommendations of the FCSM Code and discloses information to the FCSM on a "comply or explain" basis.</p>	<p>✓ The company has developed and follows a comprehensive set of internal documents that are recommended by the Federal Commission of the Securities Market Code of Corporate Conduct (FCSM Code) and are approved by the Supervisory Board.</p> <p>✓ The company has a designated officer(s) responsible only for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices in the company (for example, the Corporate Secretary).</p> <p>✓ The company has an explicit and clearly stated plan in place to improve its governance practices and has taken initial steps to implement this plan.</p>	<p>✓ The company has adopted a company level corporate governance code and code of ethics, and follows internationally recognized best practices of corporate governance.</p> <p>✓ The company has formally established a committee of the Supervisory Board responsible for supervising the governance policies and practices of the company (e.g. Corporate Governance Committee).</p> <p>✓ The Company is publicly recognized as a national leader and among the global leaders in corporate governance.</p>
	Meetings	<p>✓ The company has established the Supervisory Board in accordance with legal requirements.</p> <p>✓ The Supervisory Board meets at least once a year.</p>	<p>✓ Detailed procedures for calling and conducting Supervisory Board meetings are clearly defined in by-laws.</p> <p>✓ The Supervisory Board meets at least four times a year.</p> <p>✓ The Supervisory Board keeps minutes of its meetings that include voting results on an individual basis.</p>	<p>✓ The Supervisory Board meets regularly (at least once every six weeks as recommended by the FCSM Code).</p>

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Executive Board	✓ Executive Board members do not exceed 25% of the total number of Supervisory Board members.	<p>✓ The charter or the by-laws require the proposing shareholder and other shareholders to provide additional information to the company on the proposed candidates to the Supervisory Board.</p> <p>✓ The number of Supervisory Board members is set in the charter and not by decision of the GMS.</p> <p>✓ The majority of Supervisory Board members are non-executive (outside) directors.</p>	<p>✓ The composition of the Supervisory Board (competencies/skill mix) is adequate for oversight duties and development of company direction and strategy.</p> <p>✓ The Supervisory Board has an independent director, who meets the definition of the FCSM Code.</p>	<p>✓ The company's Supervisory Board includes an experienced financial expert who is a non-executive director.</p> <p>✓ At least 25% or not less than three members of the Supervisory Board are independent directors.</p>
Comittees	✓ n/a	✓ The Supervisory Board has an Audit Committee.	<p>✓ The Supervisory Board has an Audit Committee that is chaired by an independent director and is entirely composed of non-executive directors.</p> <p>✓ The Supervisory Board has at least one other committee (e.g. on Nominations and Remuneration).</p>	<p>✓ The company's Supervisory Board has other specialized committees as recommended by the FCSM Code or international best practice (e.g. on Strategic Planning, Conflict Resolution).</p> <p>✓ The Audit and Remuneration Committees are composed entirely of independent directors.</p>
Remuneration	✓ n/a	<p>✓ Supervisory Board members receive an annual retainer in accordance with a contract signed with the company.</p>	<p>✓ The annual retainer of non-executives is linked to meeting attendance and additional responsibilities, such as chairmanship and/or work on committees.</p> <p>✓ The company publicly discloses the remuneration of each director on an aggregate basis.</p>	<p>✓ The company publicly discloses the remuneration of each director on an individual basis.</p>
Expertise	✓ n/a	<p>✓ The company offers access to training programs to its Supervisory Board and executive bodies.</p>	<p>✓ The company conducts regular training for members of the Supervisory Board and executive bodies on corporate governance.</p>	<p>✓ The Supervisory Board conducts regular self-evaluations on a collective and individual basis.</p>
Executive Board	<p>✓ The company has properly appointed the General Director and established the Executive Board in accordance with Russian legislation.</p>	<p>✓ The General Director and/or the Executive Board report to the Supervisory Board at least once a year.</p> <p>✓ The working procedures of the Executive Board are clearly specified in the by-laws approved by the GMS.</p> <p>✓ The Executive Board meets on regular basis.</p>	<p>✓ The company has developed a procedure for periodic reports (information briefs) of the General Director and/or Executive Board to the Supervisory Board.</p> <p>✓ The company has a succession plan in place that outlines how it will deal with the loss of senior executives should this occur.</p>	<p>✓ The Company has adopted an executive remuneration policy, consisting of a fixed and variable component, inline with internationally recognized principles and practices.</p>

II. Supervisory Board and General Director/Executive Board

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III. Disclosure and Transparency	General	<ul style="list-style-type: none"> ✓ The company meets the main requirements of legislation on issuer reporting by preparing and publishing regular quarterly reports, material information (facts), reports, etc. ✓ Shareholders are provided with information (actual documents) upon their request and as specified by legislation. 	<ul style="list-style-type: none"> ✓ The company discloses information on: <ul style="list-style-type: none"> — affiliated parties and the affiliation of Supervisory Board members; — extraordinary and related party transactions; — Supervisory Board meetings; and — the GMS. 	<ul style="list-style-type: none"> ✓ The company discloses information on the remuneration of the General Director and members of the Executive Board. ✓ The company publishes a comprehensive annual report that includes a corporate governance section. 	<ul style="list-style-type: none"> ✓ The company discloses its corporate governance practices and other material information on the Internet in a timely manner.
	Internal Control	<ul style="list-style-type: none"> ✓ The company has a Revision Commission that meets at least once a year. 	<ul style="list-style-type: none"> ✓ The Revision Commission's scope of work goes beyond legal requirements and is set forth in the by-laws. ✓ The Revision Commission meets regularly (at least four times a year). 	<ul style="list-style-type: none"> ✓ The Revision Commission consists of independent members and at least one member is an experienced financial expert. ✓ The company has a risk management and an internal control system that reports to the General Director and/or Executive Board. 	<ul style="list-style-type: none"> ✓ The results of the work of the Revision Commission are disclosed to shareholders. ✓ The company has a risk management and an internal control system that reports to the Supervisory Board. ✓ The company has an Internal Auditor that reports to the Supervisory Board.
	Financials	<ul style="list-style-type: none"> ✓ The company keeps records and prepares its financial statements in accordance with Russian Accounting Standards. 	<ul style="list-style-type: none"> ✓ The company discloses its financial statements to the public. 	<ul style="list-style-type: none"> ✓ The company keeps records and prepares its financial statements in accordance with IFRS or U.S. GAAP. 	<ul style="list-style-type: none"> ✓ The company's financial statements prepared in accordance with IFRS or U.S. GAAP are properly disclosed.
	External Audit	<ul style="list-style-type: none"> ✓ The company's financial statements are audited annually by an External Auditor. 	<ul style="list-style-type: none"> ✓ The company's External Auditor is independent of the management and major shareholders of the company 	<ul style="list-style-type: none"> ✓ The company's External Auditor is a publicly recognized independent auditing firm. 	<ul style="list-style-type: none"> ✓ The company periodically rotates its audit partner. ✓ The remuneration of the External Auditor is disclosed to shareholders.
	Ownership	<ul style="list-style-type: none"> ✓ n/a 	<ul style="list-style-type: none"> ✓ The beneficial controlling shareholder (50%+1 share) can be identified by the information disclosed by the company. 	<ul style="list-style-type: none"> ✓ The beneficial controlling and blocking shareholders can be identified by the information disclosed by the company. 	<ul style="list-style-type: none"> ✓ The beneficial owners of 5% of voting shares can be identified from the information disclosed by the company.

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IV. Shareholders Rights	
Minority SH Rights	<p>✓ The company's charter provides for equal rights to all shareholders possessing shares of the same type and class with respect to voting, subscription, and transfer rights.</p> <p>✓ Minority shareholders have representatives on the Supervisory Board.</p> <p>✓ The company has a clearly articulated and enforceable policy in place that protects the rights of minority shareholders in special circumstances, such as change of control.</p> <p>✓ The company has a positive track record on minority shareholder protection. ✓ The company has a system of registering shareholder complaints and effectively regulating corporate disputes.</p>
The General Meeting of Shareholders	<p>✓ The agenda of the GMS is not changed after it is approved by the Supervisory Board.</p> <p>✓ The shareholders receive advance notice of the GMS in a timely manner along with material information; the location is accessible for the majority of shareholders.</p> <p>✓ The shareholders are informed of the decisions made by the GMS and the voting results in accordance with legal requirements.</p> <p>✓ The External Registrar of the company is independent from management and the company's major shareholders.</p> <p>✓ The shareholders have access to additional materials (information) other than what is required by law during the preparation for the GMS.</p> <p>✓ The shareholders have the opportunity to ask questions at the GMS.</p> <p>✓ The procedures for counting votes at the GMS are transparent and exclude the possibility of manipulating voting results.</p> <p>✓ The company charter has a special provision specifying the list of materials made available to the shareholders on specific items of the agenda of the GMS.</p> <p>✓ The company has effective shareholder voting mechanisms in place (e.g. supermajority voting) to protect minority shareholder against unfair actions.</p> <p>✓ Shareholders have the possibility to use electronic means of communication (including the internet) for voting.</p> <p>✓ The company posts materials for the GMS, as well as decisions of the most recent GMS, on its internet site.</p>
Dividends	<p>✓ The procedure for determining the amount of dividends on preferred shares does not violate shareholder rights.</p> <p>✓ The company has formally developed and follows a by-law on dividend policy.</p> <p>✓ The company pays declared dividends not later than 60 days after a decision to declare dividends is made.</p> <p>✓ The company's by-law on dividend policy is publicly disclosed.</p>