

# **TERMS OF REFERENCE OF THE MANAGEMENT BOARD**

**of Sistema Public Joint Stock Financial Corporation**



**Moscow  
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## **1. General provisions**

1.1. The Management Board of Sistema Public Joint Stock Financial Corporation (hereinafter - "the Management Board" and "the Company", respectively) is a collective executive governing body of the Company.

These Terms of Reference set out procedures for forming the Management Board, the rights and responsibilities of its members, procedures for planning, arranging, calling and holding Management Board meetings, procedures for taking and recording decisions and overseeing their implementation, procedures for storing and providing the minutes (or extracts from the minutes) of meetings of the Management Board.

These Terms of Reference were developed in compliance with the Civil Code of the Russian Federation, the Federal Law "On Joint-Stock Companies" and the Company's Charter.

1.2. The activities of the Management Board shall be guided by the applicable laws, the Company's Charter and these Terms of Reference.

1.3. The Management Board reports and is accountable to the Board of Directors and the General Meeting of Shareholders of the Company.

The Management Board shall bear full responsibility to the Company's shareholders, within its remit, for effective implementation of the manufacturing, financial, economic, R&D, HR and social policies of the Company.

## **2. Management Board composition and procedure for appointing its members**

2.1. The membership of the Management Board is subject to approval by the Company's Board of Directors based on the President's recommendation. The Management Board is chaired by the Company's President. Management Board members are appointed by the Board of Directors for a 3-year term. Members of the Management Board may be re-elected for an unlimited number of times.

2.2. The Company shall ensure that its shareholders and all other interested parties have access to information on the membership of the Management Board, the positions held by the Management Board members with the Company and other organisations, the percentage of shares of the Company and its subsidiaries owned by the Management Board members by making this information available on the Company's website.

2.3. The Board of Directors has the right to decide to terminate the appointment of any or all Management Board members, change the number of Management Board members and elect new members at any time.

The Board of Directors shall be obliged to take decision on terminating the appointment of a Management Board member after receiving a written request to this effect from such a member.

The Management Board members shall be vested with their powers and relieved of them immediately after the relevant decision is taken by the Board of Directors.

Termination of appointment of a Management Board member who is employed by the Company and performs other functions under his/her employment agreement cannot serve as a reason for terminating such employment.

2.4. The Board of Directors shall set qualification and other requirements to the Management Board members. In the meantime, each Management Board member should have an academic degree, possess strong qualifications in the relevant field, have an impeccable reputation, and have no previous convictions for economic crimes or offences against the state and morality.

Management Board members shall be appointed from among the full-time employees of the Company or otherwise.

2.5. Each Management Board member may enter into a contract with the Company setting out working conditions, procedures for setting the amount of remuneration, terms for reimbursing expenses related to fulfilment of Management Board member responsibilities and procedures for termination. A contract with a member of the Management Board on behalf of the Company shall be signed by the Board Chairman or a person authorised by the Board of Directors.

The Board of Directors shall be entitled to terminate the contract with a Management Board member at any time. The terms of such contract shall be approved by the Board of Directors of the Company.

### **3. Scope of competence of the Management Board. Rights, obligations and responsibility of Management Board members**

3.1. The scope of professional competence of the Management Board is determined by the Company's Charter.

3.2. As part of performing their responsibilities the Management Board members shall be entitled to:

- attend Management Board meetings, freely voice their opinions, vote on all items of the agenda, obtain access to attachments to the minutes of Management Board meetings where their dissenting opinion is recorded;
- ask for and obtain from the Company's subdivisions the documents and information about the Company's activities regarding matters within the remit of the Management Board;
- suggest items for the agenda of Management Board meetings, demand that extraordinary meetings be held;

3.3. The Management Board members shall:

- fulfil the decisions taken by the General Meeting of Shareholders, the Board of Directors and the Management Board of the Company;
- act in the interests of the Company, exercise their rights and discharge their duties towards the Company reasonably and in good faith;
- keep confidential the information that has become available to them during discharge of their duties;
- not use inside information to their personal benefit, not disclose it to third parties, and not close any deals using inside information;
- inform the Company's Board of Directors about the number of shares of the Company and its subsidiaries and affiliates in their possession and about their intention to enter into transactions with such shares, and about the fact that such shares were acquired (sold);
- read the Company's internal regulations in due time and observe the requirements set out in such regulations;
- provide to the Company information about themselves and their related parties, as well as any other information, data, and documents required for the Company to observe the Russian and UK laws in compliance with the internal regulation of the Company approved by the President of the Company. In the event of any changes in such information Management Board members shall inform the Company about such changes within 2 (two) days;
- provide the Corporate Secretary with information about ownership of the Company's securities, notify the Corporate Secretary of their intention to enter into a transaction with the Company's securities 2 (two) business days before the intended transaction and also within 2 (two) business days after the transaction;
- inform the Company about any circumstances that may serve as a reason for recognising them as related parties in any contemplated transactions, including information about the following:
  - (a) legal entities where they, their spouses, parents, children, siblings and half siblings, adoptive parents and adopted children and/or their controlled entities are controlling persons or have the right to issue binding instructions;

- (b) legal entities where they, their spouses, parents, children, siblings and half siblings, adoptive parents and adopted children and/or their controlled entities hold positions in the governance bodies;
- (c) any transactions that they make or contemplate and in which, as far as they are aware, they may be recognised as related parties, including the transactions in which their spouses, parents, children, siblings and half siblings, adoptive parents and adopted children are a party, a beneficiary, an intermediary or a representative.

3.4. Management Board members shall not accept any gifts or any other direct or indirect benefits granted with the aim of influencing the decisions taken by the Management Board.

3.5. Management Board members shall be liable to the Company for any losses inflicted on the Company as a result of their wrongdoings (omissions) unless other legal grounds and amount of liability are stipulated in federal laws.

At the same time, the Management Board members who voted against the decision that resulted in infliction of losses on the Company or did not vote shall not be held responsible for such losses.

3.6. Members of the Management Board shall act within their remit established by the Company's Charter, internal regulations of the Company, resolutions of the General Meetings of shareholders, the Board of Directors and/or on the basis of the President's powers of attorney.

3.7. The Company is entitled to take decision on providing liability insurance for the Management Board members.

3.8. The Company shall compensate each Management Board member for his/her litigation costs and other expenses and losses related to lawsuits; claims; civil law, administrative, or criminal proceedings; or regulatory or any other official investigations (hereinafter referred to as "Claims") that may be brought against Management Board members with respect to their actions or omissions during discharge of their functions and obligations as members of the Company's Management Board and/or members of the governance bodies of any of the Company's subsidiaries and affiliates (hereinafter referred to as "S/As") and/or in any capacity in the Company and/or S/As (including that of a CEO) performed simultaneously with that of the Company's Management Board member and/or member of governance bodies of S/As, including possible fines, taxes, and other expenses associated with the settlement of claims or enforcement of judgements that any of the Management Board members may have to cover as a result of the Claim(s) filed against him/her. The total amount of compensation that may be paid to Management Board members under individual agreements signed as per the last paragraph of cl. 3.8 hereof shall not exceed two percent of the book value of the Company's assets as of the last reporting date preceding the date of signature of such agreements.

- The compensation shall be paid subject to availability of documented proof of litigation costs and other expenses or losses of the Management Board member that he/she has suffered or is sure to suffer, including those in case of obligations of Management Board members to pay fees to legal counsels, experts, witnesses, translators and other participants of the proceedings in relation to defence against a Claim and/or in the event a Management Board member is recognised liable for the requirements related to the Claim by virtue of a writ of execution (or another instrument having the force identical to that of a writ of execution in any jurisdiction) for the enforcement of a court decision regarding the Claim.
- No compensation shall be paid if an action or omission of the Management Board member serving as grounds for the Claim is determined by the competent court to be an instance of gross negligence or wilful breach of official duties and/or recognised as actions intended for wrongful attainment of personal benefit or premeditated infliction of damage on Company or another S/A.
- Compensations provided for by cl.3.8 hereof shall be paid by the Company's accounting office within 5 (five) business days of the date of receipt of a written request from a Management Board member enclosing a report and documented proof of legal or other

costs that the Management Board member has incurred or is sure to incur. Compensations for satisfaction of demands of persons or organisations having filed a Claim against a Management Board member shall be paid within 5 (five) business days of the date of provision by the relevant Management Board member of a writ of execution (or another instrument having the force identical to that of a writ of execution in any jurisdiction) issued by a court or a competent authority for the enforcement of a court decision regarding such Claim.

The provisions set out in cl. 3.8 hereof shall be documented in individual agreements to be signed between the Company and Management Board members and shall remain in force for 6 (six) consecutive years after vacation by the Management Board member of this position or any other position in the governance bodies of the Company or any S/A (whichever is vacated latest).

#### **4. Chairman and Secretary of the Management Board**

4.1. The Management Board is chaired by the Company's President. The Management Board Chairman shall organise the work of the Management Board and shall report to the Board of Directors on its performance.

4.2. The Deputy Chairman of the Management Board shall be appointed by the Management Board from among the Management Board members following recommendation of the Chairman.

The Deputy Chairman shall replace the Chairman of the Management Board during his absence.

4.3. The Management Board shall appoint the Secretary of the Management Board following recommendation of the Chairman. The Management Board has the right to terminate the appointment of the Secretary and appoint a new Secretary of the Management Board at any time.

The Secretary of the Management Board shall:

- circulate notices of forthcoming meetings and documents related to agenda items to Management Board members;
- provide organisational and technological support for preparation of Management Board meetings;
- keep minutes of meetings, prepare extracts from the minutes;
- ensure the handover of original minutes and documents to the Unified Document and Information Pool of the Company;
- organise the storage of electronic copies of minutes and document packs of the meetings;
- collect information on fulfilment of decisions taken by the Management Board, report to the Management Board on fulfilment of decisions taken earlier upon request of the Chairman;

4.4. The Secretary of the Management Board is entitled to request any information and documents from the Company's subdivisions related to the items included in the agenda of the Management Board.

#### **5. Planning the Management Board's work**

5.1. Management Board meetings shall be held in accordance with the approved work plan. When necessary, ad hoc meetings of the Management Board may be organised.

5.2. The work plan of the Management Board shall be drafted in view of the need to conduct preliminary review of the items that are to be later submitted for consideration of the Company's Board of Directors in accordance with the approved work plan of the Board of Directors. The work

plan of the Management Board shall be developed on the basis of the provisions hereof, the requirements of applicable laws, the instructions of the Chairman and proposals of the Management Board members and heads of the Company's subdivisions.

5.3. The work plan of the Management Board shall be developed for the next calendar year. The work plan may be revised (adjusted) as required. New items and adjustments may be added to the agenda at the Chairman's discretion or following suggestions from the Management Board members.

5.4. The work plan of the Management Board shall be approved by the Management Board at least 14 days before the start of the first meeting in the relevant period and shall contain the following information: dates of meetings, agenda items and persons in charge of reports on the items.

5.5. The Secretary of the Management Board shall be responsible for developing the draft work plan.

5.6. The agenda of meetings should conform to the scope of competence of the Management Board (see cl. 3.1). All agenda items should be worded in such a way as to reflect the substance of the matter. Such wordings as "miscellaneous", "current matters" etc. are not allowed.

5.7. The draft work plan shall be submitted to the Management Board members not later than 20 calendar days before the start of the planning period.

5.8. Proposals for including matters in the work plan of the Management Board shall be accepted from the Management Board members, Vice Presidents and heads of the Company's subdivisions not later than 45 days before the start of the planning period.

5.9. The agenda of one Management Board meeting shall usually include not more than three items.

5.10. The agenda of the next meeting of the Management Board shall be determined on the basis of its work plan and proposals of the Chairman and members of the Management Board. Decisions on the agenda of the next Management Board meeting, the venue and time of the meeting shall be taken by the Chairman of the Management Board. The Management Board is allowed to organise off-site meetings. The Management Board is not allowed to organise meetings in absentia.

5.11. Document packs for the Management Board meetings and minutes of meetings shall be in the Russian language. The language of debates shall be Russian.

## **6. Procedure for preparation and submission of materials for the Management Board meetings**

6.1. Following the Chairman's approval of the agenda of the next meeting of the Management Board the Secretary of the Management Board shall notify the persons responsible for reports on agenda items about the inclusion of the relevant item in the agenda of the next meeting in order to ensure timely preparation of the reports.

6.2. The agenda should be drafted in accordance with the scope of competence of the Management Board set out in the Company's Charter and in these Terms of Reference.

6.3. The person responsible for preparing a report on the agenda item shall submit the materials (paper and electronic versions) to the Management Board. Such materials should include:

- a presentation of up to 22 pages prepared in accordance with standard requirements to the format of presentations;
- draft resolution with an explanatory note of not more than 2 pages. The explanatory note should contain a rationale for the proposed resolution and a draft resolution proposed to the Management Board of the Company;

- if necessary the speaker may submit additional materials in the form of an annex to the presentation.

6.4. The speakers shall submit materials for the Management Board meeting to the Secretary not later than three business days before the date of the relevant meeting.

6.5. The Chairman of the Management Board shall have the right to decide to send materials for the meeting to the Management Board members and other interested parties. The Secretary of the Management Board shall be responsible for circulating materials for the meeting on instructions from the Chairman of the Management Board.

6.6. The materials for the Management Board meetings are confidential and shall not be disclosed to third parties.

6.7. The materials and matters referred to the Management Board should be pre-approved by relevant functional subdivisions of the Company in accordance with their scope of competence.

## **7. Procedure for convening the meetings of the Company's Management Board**

7.1. The meetings of the Management Board shall usually be held every two weeks. The Secretary of the Management Board shall circulate notices of the forthcoming meeting to the Management Board members and other persons invited to the meeting by email not later than two business days before the date of the meeting.

7.2. Such notice should contain the following:

- Agenda of the meeting specifying the speaker for each item;
- Venue and time of the meeting;
- Materials on the agenda items (following decision of the Management Board Chairman).

7.3. Such notice may also contain an explanation of the reasons for including certain items in the agenda and indicate the name of the person that initiated the meeting (the name of the individual or the body or legal entity that requested that a meeting be convened).

## **8. Procedures of the Management Board meetings**

8.1. The meetings of the Management Board shall be conducted only in person, with all members of the Management Board attending the meetings. If any Management Board member is unable to attend a meeting he/she shall notify the Chairman in advance. In this case the Management Board member has the right to submit a written opinion on the agenda items to the Secretary of the Management Board. Written opinions of the absent members of the Management Board on the agenda items shall be provided to the present members and shall be taken into consideration when determining quorum and counting votes.

8.2. Should the Management Board member who submitted a written opinion be present at the meeting of the Management Board, his/her written opinion received before the meeting will not be announced at the meeting and will not be taken into account for the quorum or vote counting purposes.

8.3. Non-members shall be admitted to the Management Board meetings only if their names are on the list of invitees approved by the Chairman of the Management Board. The list of invited persons shall be included in the minutes.

8.4. Management Board members and invited persons will take part in the Management Board meetings.

8.5. The meeting of the Management Board shall have a quorum required for taking decisions if it is attended by at least a half of its members. If there is no quorum, the Chairman of the Management Board shall set a new date for the meeting.

8.6. The Secretary of the Management Board shall register Management Board members and invited persons before each meeting.

8.7. The invited persons are entitled to take part in debates on the matters under consideration.

8.8. Other persons that may be invited to the meetings of the Management Board are: speakers on the agenda items, the Corporate Secretary, the Secretary of the Management Board and technical support staff.

8.9. Speakers on the agenda items may invite additionally up to 3 persons for each agenda item.

8.10. Speakers on agenda items and the persons invited to take part in debating a specific agenda item shall only be present at the meeting when the relevant item is reviewed.

8.11. Review of agenda items at the meetings of the Management Board.

8.11.1. The Management Board shall consider items included in the agenda according to a regular procedure or following decision of the Chairman.

8.11.2. Agenda items shall be reviewed at the Management Board meeting in accordance with the following procedure:

- hearing a report from the speaker responsible for preparation of the item.
- hearing a report from the co-speaker (if applicable);
- Management Board members put questions to the speakers and other officers of the Company present at the meeting;
- Management Board members and invited persons debate the report;
- written proposals for draft resolutions received from the Management Board members are announced;
- the speaker makes brief comments on the suggestions voiced during the debate;
- the Chairman of the Management Board summaries the results of the debate and formulates a proposal for the draft resolution and deadlines;
- voting, vote count. The Management Board may vote on the entire draft resolution or on individual items of the draft resolution, if requested by any member of the Management Board;
- Chairman of the Board of Directors announces the results of the vote;
- members of the Management Board may voice their dissenting opinions (and require that they are recorded in the minutes of the Management Board meeting). Such a dissenting opinion may be submitted by a Management Board member in writing within two days after the date of the Management Board meeting.

8.11.3. The time allocated for reports, co-reports and the closing statement will be determined by the Chairman of the Management Board after consultation with the speakers and co-speakers, but it should not exceed 20 minutes for main reports and 10 minutes for co-reports. Participants of debates will be given up to 5 minutes of speaking time.

8.11.4. The total duration of the Management Board meeting shall not exceed 1.5 hours.

8.11.5. Participants of debates shall:

- briefly outline their position on the substance of matter under consideration,
- formulate their attitude to the draft resolution proposed by the speaker and other participants of the Management Board meeting after reading the materials on the agenda item,
- formulate their proposals for the draft resolution on the matter under consideration.

8.11.6. Chairman of the Management Board, and in his absence – Deputy Chairman, shall chair the meetings of the Management Board. If they are both absent, the members of the

Management Board may elect another person from among the present members of the Management Board to act as chair.

8.11.7. The chair of the Management Board meeting shall:

- organise the work of the Management Board;
- chair the meeting of the Management Board;
- give the floor to participants for questions, reports and statements;
- organize debates;
- state his/her own position with regard to the matter under consideration;
- make conclusions, sum up and formulate the suggestions made;
- monitor compliance with the rules and procedures of the meeting;
- put to the vote draft resolutions of the Management Board and suggestions made by the members of the Management Board regarding the items reviewed at the meeting, organise voting and vote count, and announce the voting results.
- take decision on setting deadlines for fulfilling the resolutions of the Management Board;
- organise the keeping of minutes and, if necessary, transcript of the meeting, sign the minutes.

8.11.8. When decisions on the agenda items are made in a meeting of the Management Board, each member of the Management Board shall have one vote. It is not allowed to assign a Management Board's vote to another person, including another member of the Management Board.

8.11.9. A meeting of the Management Board or an item included in the agenda of the Management Board may be postponed (moved to another meeting of the Management Board) at the discretion of Chairman, if necessary.

8.11.10. Resolution is considered as passed if more than a half of all the Management Board members present at the meeting voted for it. In the event of a tied vote, the Chairman of the Management Board shall have the casting vote.

8.11.11. The votes shall be counted by the Secretary of the Management Board.

8.11.12. If a member of the Management Board disagrees with an adopted decision, he/she may ask that his/her dissenting opinion be included in the minutes of the Management Board's meeting; he/she shall submit such written opinion to the Secretary of the Management Board within 2 days after the date of the meeting.

8.12. The agenda of the next meeting shall be announced at each meeting of the Management Board.

## **9. Minutes of the Management Board meetings and other documents**

9.1. The Secretary of the Management Board shall keep the minutes of the Management Board meeting and submit them for signing to the Chairman within three business days after the meeting.

9.2. The minutes of the meetings shall include the following:

- No of the minutes (on a cumulative basis from the start of the year)
- full name of the Company;
- venue and time of the meeting;
- persons attending the meeting (Management Board members and invitees);
- presence of quorum;
- persons who provided a written opinion on agenda items;
- agenda of the meeting;

- items considered, voting results;
- resolutions passed, deadlines, responsible persons.

9.3. When drafting the minutes of the Management Board meeting the Secretary shall have draft resolutions approved by the speakers and persons responsible for fulfilling the relevant assignments issued by the Management Board.

9.4. The text of the minutes of the Management Board meetings shall be approved by a representative of the Legal Function before signing.

9.5. The minutes of the Management Board meeting shall be signed by the Chairman or Deputy Chairman.

9.6. Dissenting opinions of the Management Board members with regard to the passed resolutions shall be attached to the minutes.

9.7. If a member of the Management Board was absent from the meeting and submitted a written opinion on the agenda items, and this opinion was taken into account when determining the quorum and voting results of the meeting, such opinion shall be attached to the minutes of the meeting.

9.8. The original minutes of the Management Board meetings shall be stored in the Unified Document and Information Pool of the Company (in accordance with the Regulation on the Unified Document and Information Pool). The materials on agenda items provided to the Management Board members and reports/presentations shall be attached to the minutes.

9.9. Electronic copies of the minutes and attached materials shall be kept with the Secretary of the Management Board. The Secretary of the Management Board shall keep an electronic archive of the minutes and materials of the Management Board meetings and hand over their copies to the Unified Document and Information Pool of the Company.

9.10. The Secretary of the Management Board shall prepare and send extracts from the minutes of the Management Board meetings to the persons responsible for fulfilling the decisions taken by the Management Board.

9.11. The shareholders that own more than 25% of the Company's shares and members of the Board of Directors, Management Board, Internal Control and Audit Department, Audit Review Commission and the Company Auditor may get access to the minutes of the Management Board meetings by contacting the Secretary of the Management Board.

9.12. On request of the above persons the Secretary shall make and provide copies of the minutes of the Management Board meetings and extracts from such minutes certified by the Chairman of the Management Board.

9.13. The Secretary of the Management Board shall record all such requests and the provided copies and extracts from the minutes in a special ledger.

9.14. Audio recording of the meeting

9.14.1. The Secretary of the Management Board shall organise audio recording of the Management Board meeting.

9.14.2. The minutes of the Management Board meeting shall be made on the basis of the audio recording transcript.

9.14.3. The transcript of the audio recording shall not be attached to the minutes of the Management Board meeting, shall be kept by the Secretary and shall be accessible only for the Management Board members.

## **10. Implementation of the Management Board's decisions**

- 10.1. Implementation of the decisions passed by the Management Board is mandatory for the Management Board members and employees of the Company.
- 10.2. The Chairman of the Company's Management Board shall be responsible for monitoring the fulfilment of decisions taken by the Management Board. The Secretary of the Management Board shall collect information on implementation of the decisions taken by the Management Board. At the same time, the Secretary of the Management Board shall have the right to request any information regarding the fulfilment of decisions taken by the Management Board with due account taken of confidentiality limitations.
- 10.3. The Secretary of the Management Board shall prepare and send extracts from the minutes of meetings to the persons indicated in the minutes as responsible for implementing specific decisions.
- 10.4. The Chairman of the Management Board is entitled to extend the deadline for specific decisions by not more than three months. Extension of deadlines by longer periods is subject to approval of the Management Board.
- 10.5. The Secretary of the Management Board shall inform the Chairman about all instances of failure to meet deadlines on implementation of decisions.

## **11. Procedures for amending the Terms of Reference of the Management Board**

- 11.1. Amendments to these Terms of Reference may be proposed by the Company's President, Board of Directors, Management Board and Audit Review Commission and shall be approved by the General Meeting of Shareholders.
- 11.2. If the provisions of these Terms of Reference contradict the requirements of the existing laws of the Russian Federation, the laws of the Russian Federation shall prevail. Those parts of these Terms of Reference that do not contradict the laws of the Russian Federation shall remain valid.