

5. Report on Compliance with the Principles and Recommendations of the Code of Corporate Governance

This Report on Compliance with the Principles and Recommendations of the Code of Corporate Governance was reviewed by the Board of Directors of Unipro PJSC at its meeting on 8 May 2019 (Minutes No.274 dated 13 May 2019) as part of the preliminary approval of the Company's Annual Report for 2018.

The Board of Directors hereby certifies that this Report contains complete and reliable information on the Company's compliance with the principles and recommendations of the Code of Corporate Governance for 2018.

The Board of Directors of Unipro PJSC states that as of the end of the reporting year, the Company has failed to respect the corporate governance principles set out in the Code of Corporate Governance in full. For more details, refer to the table below.

Unipro PJSC intends to continue its efforts to improve the corporate governance system in 2019 to meet the recommendations of the Code as much as possible.

5.1. Summary of the Most Material Aspects of the Corporate Governance Model and Practice

Shareholder structure

The total number of persons registered in the shareholder register of Unipro PJSC as of 31 December 2018 was 301,035, of which:

- Individuals: 299,761;
- Total number of the Issuer's nominee shareholders: 12;
- Federal authorities: 3;
- Authorities of constituent entities of the Russian Federation: 4.

Information on the issuer's shareholders holding participatory interests of at least 5% of its authorised capital or at least 5% of its ordinary shares:

- Full company name — Uniper SE;
- Location — E.ON-Platz 1, 40479 Dusseldorf, Germany;

- Shareholder's participatory interest in the Issuer's authorised capital: 83.73%;
- Issuer's ordinary shares held by the shareholder: 83.73%.

Structure of the Management Bodies

According to the issuer's Articles of Association (Clause 9.1, Article 9), its management bodies are as follows:

- General Shareholders' Meeting¹;
- Board of Directors²;
- Management Board³;
- Chief Executive Officer⁴.

The General Shareholders' Meeting is the supreme management body of the Company.

The Board of Directors is responsible for the general management of the Company, except for

¹ The scope of competence of the General Shareholders' Meeting is outlined in Clause 10.2, Article 10 of the Company's Articles of Association.

² The scope of competence of the Board of Directors is outlined in Clause 12.1, Article 12 of the Company's Articles of Association.

³ The scope of competence of the Management Board is outlined in Clause 18.2, Article 18 of the Company's Articles of Association.

⁴ The scope of competence of the Chief Executive Officer is outlined in Clauses 19.2–19.3, Article 19 of the Company's Articles of Association.

affairs referred to the competence of the General Shareholders' Meeting according to the Federal Law "On Joint Stock Companies" and the Articles of Association.

If a matter falls within the competence of the Board of Directors, the Management Board and the Chief Executive Officer shall not be authorised to take any action without preliminary approval of the Board of Directors. In certain cases, the Board of Directors is entitled to resolve on the subsequent approval of a transaction or any other matter that falls within the competence of the Board of Directors.

The matters falling within the competence of the Board of Directors cannot be referred to either the Chief Executive Officer or the Management Board. The Company's Board of Directors includes three independent directors¹.

Pursuant to the resolution of the Board of Directors, the Company has created the Committees of the Board of Directors. The Committees of the Board of Directors² are set up to elaborate the matters that fall within the competence of the Board of Directors or are investigated by the Board of Directors in order to monitor the performance of the Company's executive bodies and/or develop recommendations for the Board of Directors and executive bodies of the Company.

The Company's day-to-day activities are managed by the Chief Executive Officer as the Company's sole executive body and by the Management Board as a collective executive body.

The Chief Executive Officer and the Management Board report to the General Shareholders' Meeting and the Board of Directors.

If a matter falls within the competence of the Management Board, the Chief Executive Officer shall not be authorised to take any action without preliminary approval of the Management Board. In certain cases, the Management Board is entitled to resolve on the subsequent approval of a transaction or any other matter that falls within the competence of the Management Board.

The Chief Executive Officer is responsible for the management of the Company's day-to-day activities in accordance with the resolutions of the General Shareholders' Meeting, the Board of Directors and the Management Board made within the scope of their respective competence.

Approval of 'Special' Transactions

1. Major Transactions

The procedure for obtaining approval to make a major transaction or subsequent approval of a major transaction is provided for by Article 79, Chapter X of the Federal Law "On Joint Stock Companies".

2. Related-Party Transactions

The procedure for making a related-party transaction is provided for by Article 83, Chapter XI of the Federal Law "On Joint Stock Companies".

3. Stock Issue Transactions

Resolutions of the General Shareholders' Meeting shall be passed by a three-quarter majority vote of the holders of the Company's voting shares that take part in the General Shareholders' Meeting on the following matters:

- Private placement of shares (the Company's convertible issue-grade securities) pursuant to a resolution of the General Shareholders' Meeting on increasing the Company's authorised capital by offering additional shares (on placing the Company's convertible issue-grade securities);
- Public offering of ordinary shares accounting for more than (Twenty-five) 25 percent of the previously placed ordinary shares;
- Public offering of issue-grade securities convertible into ordinary shares accounting for more than (Twenty-five) 25 percent of the previously placed ordinary shares.

Resolutions of the Board of Directors on the following matters shall be passed unanimously by all elected members of the Board of Directors without counting the votes of withdrawn members of the Board of Directors:

- Resolutions on the increase of the Company's authorised capital by offering additional shares (Sub-Clause 6, Clause 12.1, Article 12 of the Articles of Association);
- Resolutions on the placement of convertible bonds or other convertible issue-grade securities by the Company (Sub-Clause 7, Clause 12.1, Article 12 of the Articles of Association).

¹ See Section 2.2 of the Annual Report for more details about independent directors of the Board of Directors.

² See Section 2.2 of the Annual Report for more details about the scope of competence and composition of the Committees of the Board of Directors.

Resolutions on the following matters shall be passed by a majority vote of the members of the Board of Directors taking part in a physical meeting or in an absentee vote:

- ④ Placement of the Company's bonds and other issue-grade securities, except as otherwise established by the Federal Law "On Joint Stock Companies" and the Articles of Association;
- ④ Approval of the documents pertaining to the issuance of shares and other securities, share buyback and redemption, when approval of such documents by the Board of Directors is required under the Federal Law "On Joint Stock Companies" or other regulations of the Russian Federation;
- ④ Determination of the price (valuation) of property, offer price and the repurchase price of the issue-grade securities in the cases stipulated by the Federal Law "On Joint Stock Companies";
- ④ Approval of an independent appraiser (appraisers) to assess the value of the Company's shares, property and other assets in the cases provided for by the Federal Law "On Joint Stock Companies" and the Articles of Association.

Distribution of Matters Falling within Alternative Competences

In accordance with the Company's Articles of Association, the following matters fall within the competence of the General Shareholders' Meeting:

- ④ Resolution on filing a request to delist the Company's shares and/or the Company's convertible issue-grade securities;
- ④ Private placement of shares (the Company's convertible issue-grade securities) pursuant to a resolution of the General Shareholders' Meeting on increasing the Company's authorised capital by offering additional shares (on placing the Company's convertible issue-grade securities);
- ④ Public offering of ordinary shares accounting for more than (Twenty-five) 25 percent of the previously placed ordinary shares;
- ④ Public offering of issue-grade securities convertible into ordinary shares accounting for more than (Twenty-five) 25 percent of the previously placed ordinary shares;

- ④ Resolution on the delegation of powers of the Company's sole executive body to a management company (manager) and on the early termination of the management company's (manager's) powers;
- ④ Approval of internal documents governing the activities of the Company's management and supervisory bodies.

In accordance with the Company's Articles of Association, the following matters fall within the competence of the Board of Directors:

- ④ Resolution on filing a request to list the Company's shares and/or the Company's convertible issue-grade securities;
- ④ Increase in the Company's authorised capital by offering additional shares, except when a resolution on the offering of additional shares falls within the exclusive competence of the General Shareholders' Meeting in accordance with the requirements of the Federal Law "On Joint Stock Companies";
- ④ Election of the Chief Executive Officer and early termination of his/her powers, including definition of the terms and conditions of an employment contract with the Chief Executive Officer and early termination thereof;
- ④ Resolution on the number of the members of the Management Board, election of the Management Board members, early termination of their powers, including definition of the terms and conditions of employment contracts with such members and resolution on early termination of such employment contracts;
- ④ Suspension of the powers of the managing company (manager), when the powers of the Chief Executive Officer have been delegated to the managing company (manager), and appointment of a temporary sole executive body;
- ④ Establishment of the Committees of the Board of Directors, approval of regulations on the Committees of the Board of Directors;
- ④ Approval of the Company's internal documents (except for those subject to approval by the General Shareholders' Meeting, as well as other internal documents subject to approval by the Company's executive bodies), including the financial policy, the Delegation of Authority Policy, the Regulation on Procurement and the Internal Audit Department regulations.

In accordance with the Company's Articles of Association, the following matters fall within the competence of the Management Board:

- 🔗 Approval of the Company's internal documents that outline the core principles of the Company's business operations, including internal documents that govern the introduction of social benefits and guarantees for the Company's employees in excess of the ones set forth in the collective contracts and agreements;
- 🔗 Establishment of the Company's branches and opening of the Company's representative offices, their liquidation, approval of the Regulations on the Company's Branches and Representative Offices;
- 🔗 Resolutions on the Company's participation in other companies (entities), including the establishment of subsidiaries, purchase of shares (equity interests), changes to the participatory interest, encumbrance on shares (equity interests) and termination of participation in such entities.

Structure of the Supervisory Bodies

According to the Articles of Association and other internal documents, the following bodies are responsible for supervising the Company's financial and business operations:

🔗 Revision Commission

Pursuant to Clause 20.1, Article 20 of the Company's Articles of Association, the General Shareholders' Meeting shall elect members of the Revision Commission to supervise financial and business operations of the Company.

The scope of competence of the Revision Commission covers the matters listed in Clause 20.3, Article 20 of the Articles of Association.

The Revision Commission serves the interests of shareholders and reports to the General Shareholders' Meeting of the Company.

In its activities, the Revision Commission shall be independent of officers of the Company's management bodies.

In its activities, the Revision Commission shall be governed by the Federal Law "On Joint Stock Companies" and other applicable laws of the Russian Federation, the Articles of Association and the Regulation on the Revision Commission.

🔗 Auditor

Pursuant to Clause 20.7, Article 20 of the Company's Articles of Association, the General Shareholders' Meeting shall appoint the Auditor on an annual basis to audit and certify the Company's annual financial statements.

The Auditor shall audit the Company's financial and business performance in compliance with the requirements of the law of the Russian Federation and by virtue of the contract made therewith.

🔗 Internal Audit

Pursuant to Clause 20.11, Article 20 of the Articles of Association, the Company shall set up an internal audit function for internal control over the Company's financial and business operations.

The Internal Audit Department is a dedicated function of the Company in charge of control over financial and business operations that operates by virtue of the Regulation on the Internal Audit Department approved by the Company's Board of Directors.

The Internal Audit Department is established, reorganised and liquidated by resolution of the Company's Board of Directors.

In order to ensure independence and impartiality of internal audit, the Internal Audit Department shall report to the Company's Board of Directors.

🔗 Audit Committee of the Board of Directors

The Audit Committee of the Board of Directors was established on 30 November 2006 by resolution of the Company's Board of Directors pursuant to the Articles of Association and operates by virtue of the Regulation on the Audit Committee of the Board of Directors.

The Audit Committee is an advisory body of the Board of Directors that ensures actual participation of the Board of Directors in control over the Company's financial and business operations, as well as the provision of the Board of Directors with unbiased information on the quality of internal audit and review of the Company's financial statements.

5.2. Description of the Methodology Used by the Joint Stock Company to Assess Compliance with the Corporate Governance Principles Enshrined in the Code of Corporate Governance

The methodology used by Unipro PJSC to assess compliance with the corporate governance principles enshrined in the Code of Corporate Governance (as approved by the Board of Directors of the Bank of Russia on 21 March 2014) is based on the Guidelines for Reporting Compliance with the Principles and Recommendations of the Code of Corporate Governance (Letter of the Central Bank of Russia No.IN-06-52/8 dated 17 February 2016).

The assessment findings are provided in the table below.

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
1.1	The Company must ensure equal and fair treatment of all shareholders as they exercise their right to take part in the corporate governance.			
1.1.1	The Company creates the most favourable environment for shareholders to take part in the General Shareholders' Meetings, develop a reasoned position on the meeting agenda, coordinate their steps and express their opinion on the issues under consideration.	<p>1. The internal document of the Company that has been approved by the General Shareholders' Meeting and governs the meeting procedure is publicly available.</p> <p>2. The Company offers available means of communication, including a hotline, email and an online forum that can be used by shareholders to express their opinion and ask questions regarding the agenda when preparing for the General Shareholders' Meeting. These actions were taken before every General Shareholders' Meeting held in the reporting period.</p>	observed	
1.1.2	The procedure involving notification of an upcoming General Shareholders' Meeting and distribution of the relevant materials enables the shareholders to duly prepare for the meeting.	<p>1. The notice of an upcoming General Shareholders' Meeting is posted (published) on the corporate website at least 30 days prior to the date of the meeting.</p> <p>2. The notice of the meeting specifies the venue of the meeting and the documents required to access the venue.</p> <p>3. The shareholders were provided with access to the information on who proposed the agenda items and nominated candidates to the Company's Board of Directors and the Revision Commission.</p>	partly observed	<p>1. Observed.</p> <p>2. Observed.</p> <p>3. Partly observed.</p> <p>In the reporting year, the shareholders were provided with access to the information on who nominated candidates to the Company's Board of Directors and the Revision Commission.</p> <p>As the Company prepares for the General Shareholders' Meetings in 2019, all shareholders of the Company will be fully informed on those proposing the agenda items and nominating candidates to the Company's Board of Directors and the Revision Commission.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
1.1.3	At the stages of both preparation for and holding of the meeting, the shareholders were able to get the relevant meeting information and materials in a free and timely manner, address their questions to the members of the executive bodies and the Board of Directors, and communicate.	<p>1. In the reporting period, the shareholders were given an opportunity to address their questions to the members of the executive bodies and the Board of Directors beforehand and during the Annual General Shareholders' Meeting.</p> <p>2. The position of the Board of Directors (including dissenting opinions recorded in the minutes) on each of the agenda items covered during the reporting period has been reflected in the materials of the General Shareholders' Meeting.</p> <p>3. The Company provided authorised shareholders with access to the list of persons eligible to attend the General Shareholders' Meeting. Such access was given from the date when the list became available to the Company in all cases when the General Shareholders' Meeting was held in the reporting period.</p>	observed	
1.1.4	The exercise of the shareholder's right to call for an Extraordinary General Shareholders' Meeting, nominate candidates to the management bodies and propose agenda items was not made unreasonably complex.	<p>1. In the reporting period, the shareholders were free to propose any agenda items for the Annual General Shareholders' Meeting within a minimum period of 60 days after the end of the relevant calendar year.</p> <p>2. In the reporting period, the Company did not refuse to accept proposals on agenda items or nominees to the Company's management bodies due to typing errors and any other minor deficiencies in the shareholders' proposals.</p>	observed	
1.1.5	Every shareholder was able to freely exercise his/her voting rights in a simple and convenient way.	1. The internal document (internal policy) of the Company includes the provisions stating that each person taking part in the General Shareholders' Meeting may request a copy of the ballot completed thereby and certified by the Counting Commission before the end of the relevant meeting.	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
1.1.6	The procedure for holding the General Shareholders' Meeting established by the Company ensures equal rights of all participants to express their opinions and ask questions.	<p>1. The physical meetings of shareholders held in the reporting period provided enough time for reporting on the agenda items and a certain amount of time for deliberations.</p> <p>2. The nominees to the Company's management and supervisory bodies were available to answer the shareholders' questions during the meeting where their candidacies were put to vote.</p> <p>3. When resolving on the matters regarding the preparation and holding of the General Shareholders' Meetings, the Board of Directors considered the idea of using telecommunication facilities to enable remote participation of shareholders in the General Shareholders' Meetings in the reporting period.</p>	partly observed	<p>1. Observed.</p> <p>2. Partly observed.</p> <p>Not all nominees to the Company's management and supervisory bodies were available to answer the shareholders' questions at the meetings in 2018 where their candidacies were put to vote.</p> <p>The Company sends invitations to attend the General Shareholders' Meeting to all candidates when considering items concerning election of the members of the Company's Board of Directors and the Revision Commission. If possible, all candidates (with rare exceptions) are present at the General Shareholders' Meeting where their candidacies are put to a vote and are available to answer the shareholders' questions. At the same time, the Company cannot guarantee the presence of all candidates at the General Shareholders' Meeting and allows for justified reasons for the absence of individual candidates due to urgent business, as well as due to the fact that many of them live far from the venue of the General Shareholders' Meeting of the Company.</p> <p>In addition, the Chief Financial Officer, the Chief Accountant, the Director for Public Affairs and Government Relations and the Corporate Policy Director are also present at the General Shareholders' Meetings held in the form of a physical meeting and are available to answer the shareholders' questions.</p> <p>In 2019, the Company will take effort to ensure that the maximum possible number of nominees to the Company management and supervisory bodies attend the General Shareholders' Meetings and are available to answer the shareholders' questions during the meeting where their candidacies are put to vote.</p> <p>3. Not observed.</p> <p>When resolving on the matters regarding the preparation and holding of the General Shareholders' Meetings in 2018, the Board of Directors of the Company did not consider the idea of using telecommunication facilities to enable remote participation of Company shareholders in the General Shareholders' Meeting, as the Company had no grounds to believe that this service would be particularly popular with the shareholders.</p> <p>As of the date of the resolution by the Board of Directors on the matters regarding the preparation and holding of the General Shareholders' Meeting in 2018, the number of registered shareholders exceeds 300,000. A high proportion of them are pensioners who do not have access to electronic means of communication. According to the Company's Registrar, the share of shareholders who specified their email addresses in the registered person's form is negligible. Therefore, the Company's Board of Directors did not consider the idea of using telecommunication facilities to enable remote participation of shareholders in the General Shareholders' Meeting.</p> <p>In 2019, the Company's draft Articles of Association are supposed to be laid before the Annual General Shareholders' Meeting for approval. This draft will provide shareholders with an opportunity to use e-ballots to vote at the Annual General Shareholders' Meetings in order to ensure an equitable and fair treatment of all shareholders as they exercise their right to take part in the Annual General Shareholders' Meeting of the Company.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
1.2 The shareholders are provided with equal and fair profit-sharing opportunities through dividends.				
1.2.1	The Company developed and introduced a transparent and clear mechanism for the calculation of the amount and payment of dividends.	<p>1. The Company has a Dividend Policy approved by the Board of Directors and disclosed to the public.</p> <p>2. If the Company's Dividend Policy draws upon financial statements in the calculation of dividends, the corresponding provisions of the Dividend Policy consider consolidated financial data.</p>	partly observed	<p>1. Observed.</p> <p>2. Partly observed.</p> <p>Pursuant to the Law "On Joint Stock Companies", the Company's Dividend Policy is based on the data of the accounting (financial) statements prepared in accordance with the requirements of the Russian Federation law. The Company prepares consolidated financial statements strictly subject to the International Financial Reporting Standards.</p> <p>If economic expediency and the interests of Company shareholders require that the consolidated data of financial statements be used, this will be enshrined in the Company's Dividend Policy.</p>
1.2.2	The Company abstains from paying dividends if such payment, while formally compliant with the statutory restrictions, is uneconomic and may create a misperception of the Company's activities.	1. The Company's Dividend Policy clearly defines financial/economic circumstances when the Company should not pay dividends.	partly observed	The Company's Dividend Policy does not expressly refer to financial/economic circumstances when the Company should not pay dividends. However, the Dividend Policy defines the risks that may lead to a refusal to pay dividends.
1.2.3	The Company does its best to prevent deterioration of existing shareholders' dividend rights.	1. In the reporting period, the Company did not take any steps that would lead to a deterioration of existing shareholders' dividend rights.	observed	
1.2.4	The Company strives to prevent its shareholders from using any means of profit (income) generation through the Company other than dividends and disposal value.	1. To prevent shareholders from using any means of profit (income) generation through the Company other than dividends and disposal value, the Company's internal documents establish controls that ensure timely identification and approval of transactions involving parties affiliated with (related to) the substantial shareholders (persons enjoying the right to use the votes according to their voting shares) in the cases when the law does not officially recognise such transactions as related-party transactions.	not observed	<p>1. Not observed.</p> <p>The Company's internal documents provide the procedure for approving related-party transactions solely for those grounds of relation that are stipulated by the Law "On Joint Stock Companies".</p> <p>However, the Company has additional transaction control mechanisms.</p> <p>According to the established procedure, all contracts and agreements that the Company intends to make are subject to preliminary approval, including verification of the counterparties involved in the transactions. In the cases when the Company is aware of the persons affiliated with (related to) a substantial shareholder of the Company, such transactions are subject to approval as related-party transactions under the Law "On Joint Stock Companies".</p> <p>In 2019–2020, the Company is going to consider the need to and, if found necessary, develop and implement controls to prevent the shareholders from using any means of profit (income) generation through the Company other than dividends and disposal value.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
1.3	The corporate governance system and practice ensure equal conditions for all shareholders within the same category (type) of shares, including minority shareholders and foreign shareholders, and equitable treatment thereof by the Company.			
1.3.1	The Company created conditions for an equitable treatment of each shareholder by the management and supervisory bodies, including conditions that disallow any abuse on the part of major shareholders with respect to minority shareholders.	1. During the reporting period, the procedures for managing potential conflicts of interest between substantial shareholders were effective, and, if there were any conflicts between the shareholders at all, the Board of Directors paid due attention to them.	observed	
1.3.2	The Company does not take any steps that cause or may cause artificial redistribution of corporate control.	1. In the reporting period, quasi-treasury shares did not exist or participate in voting.	observed	
1.4	The share rights of shareholders are accurately and effectively accounted for, and the shareholders are free to dispose of their shares without any encumbrance.			
1.4	The share rights of shareholders are accurately and effectively accounted for, and the shareholders are free to dispose of their shares without any encumbrance.	1. The quality and reliability of maintaining the register of security holders by the Company's Registrar meet the requirements of the Company and its shareholders.	observed	
2.1	The Board of Directors is responsible for strategic corporate management, defines core principles and approaches towards the organisation of a risk management and internal control system, controls the activities of the Company's executive bodies and performs other key functions.			
2.1.1	The Board of Directors resolves on the appointment and discharge of the executive bodies, including dismissals resulting from failure to perform their duties properly. Besides, the Board of Directors ensures that the Company's executive bodies act in compliance with the approved development strategy and are focused on the key areas of the Company's business.	1. The Board of Directors has the authority provided for by the Articles of Association to appoint and discharge the members of the Company's executive bodies, as well as determine the terms and conditions of the agreements in respect of such members. 2. The Board of Directors reviewed the strategy implementation report (reports) of the Company's sole executive body and the members of the collective executive body.	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
2.1.2	The Board of Directors determines the main strategic guidelines of the Company's activities with a long-term outlook, assesses and approves the Company's key performance indicators and business objectives, reviews and approves the strategy and business plans on the Company's key activities.	1. In the reporting period, the Board of Directors addressed issues related to the implementation and updating of the strategy, approval of the business plan (budget) of the Company, as well as review of the criteria and indicators (including interim ones) applicable to the implementation of the Company's strategy and business plans.	observed	
2.1.3	The Board of Directors establishes the principles of and approaches to the organisation of the Company's risk management and internal control system.	1. The Board of Directors established the principles of and approaches to the organisation of the Company's risk management and internal control system. 2. The Board of Directors assessed the performance of the company's risk management and internal control system in the reporting period.	observed	
2.1.4	The Board of Directors defines the Company's policy on remunerating and/or reimbursing the members of the Board of Directors, executive bodies and other key executive officers of the Company.	1. The Company developed and implemented a policy on remunerating and/or reimbursing the members of the Board of Directors, executive bodies and other key executive officers of the Company, which was approved by the Board of Directors. 2. At the meetings held in the reporting period, the Board of Directors addressed issues related to the above-mentioned policy (policies).	partly observed	<p>1. Partly observed.</p> <p>The principles of remunerating the members of the Board of Directors are set out in detail in the Regulation on the Board of Directors of the Company approved by the General Shareholders' Meeting of the Company. The development and periodic review of the Remuneration Policy for the Board of Directors, as well as control over its implementation, falls within the competence of the Appointment and Remuneration Committee of the Company's Board of Directors.</p> <p>The members of the Company's Management Board do not receive special rewards for their work as members of the Management Board. Employees of the Company who are members of the Company's Management Board have concluded employment contracts in accordance with their positions in the Company. These contracts determine the amount of their remuneration for their duties as full-time employees of the Company. The terms and conditions of such contracts are considered by the Appointment and Remuneration Committee of the Company's Board of Directors.</p> <p>Individual employment contracts were concluded between the Company and the key executives and specify the employee remuneration and reimbursement (compensation) procedure.</p> <p>The remuneration level of the members of the Company's Board of Directors, Management Board, Chief Executive Officer and key executives is sufficient to recruit and retain staff, as well as to motivate managers who have the necessary professional qualities to manage the Company effectively.</p> <p>In 2018–2019, the Company is going to consider the need to develop and implement a separate Remuneration Policy for members of the Company's Board of Directors and key executives to define approaches to remuneration and reimbursement (compensation) of these persons clearly.</p> <p>2. Observed.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
2.1.5	The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts between the Company bodies, shareholders and employees.	<p>1. The Board of Directors plays the key role in preventing, identifying and resolving internal conflicts.</p> <p>2. The Company created a system to identify transactions involving conflicts of interest and a system of measures to resolve such conflicts.</p>	observed	
2.1.6	The Board of Directors plays the key role in ensuring the transparency of the Company, timeliness and completeness of information disclosed by the Company, and unhindered access to the Company's documents for the shareholders.	<p>1. The Board of Directors approved a regulation on the information policy.</p> <p>2. The Company has dedicated personnel responsible for the implementation of the information policy.</p>	observed	
2.1.7	The Board of Directors exercises control over the corporate governance practices in the Company and plays the key role in the Company's major corporate events.	1. In the reporting period, the Board of Directors addressed the issue of the corporate governance practices in the Company.	not observed	<p>1. Not observed.</p> <p>In 2018, the Company's Board of Directors did not give separate consideration to the issue of the Company's corporate governance practice.</p> <p>In the reporting year, the Company's Board of Directors considered the issue of the corporate governance practice as part of preliminary review of the Company's Annual Report for 2017.</p> <p>The Company constantly strives to improve its corporate governance practices. It is going to conduct a self-assessment of the Company's corporate governance and lay the findings before the Board of Directors of the Company in 2019–2020.</p>
2.2 The Board of Directors reports to the Company shareholders.				
2.2.1	Information on performance of the Board of Directors is disclosed and provided to the shareholders.	<p>1. The Company's Annual Report for the reporting period contains data on the attendance of meetings of the Board of Directors and committees by individual directors.</p> <p>2. The Annual Report contains information on key findings of the performance assessment of the Board of Directors carried out in the reporting period.</p>	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
2.2.2	The Chairman of the Board of Directors is available for communication with the Company shareholders.	1. The Company applies a transparent procedure that allows shareholders to address questions and their opinions on such questions to the Chairman of the Board of Directors.	partly observed	<p>1. Partly observed.</p> <p>The Company has a dedicated function responsible for shareholder relations — the Corporate Policy Department — that accepts shareholders' questions by email: address IR@unipro.energy. The email address (IR@unipro.energy) is specified on the Company's website (http://www.unipro.energy, hereinafter referred to as the Company's website) in the "Shareholders and Investors" section.</p> <p>Since the Chairman of the Board of Directors of the Company is a foreign citizen, who does not speak Russian and lives outside Russia, in accordance with Clause 90 of the Code of Corporate Governance, the shareholders may ask questions on the competence of the Board of Directors and communicate their opinion (position) on these issues to the Chairman of the Board of Directors through the Corporate Secretary of the Company or the Corporate Policy Department of the Company by sending letters or e-mails, or by phone.</p> <p>The Company is considering options for arranging direct communication with the Chairman of the Board of Directors via the Company's website in 2019–2020.</p>
2.3 The Board of Directors is an effective and professional management body of the Company, which is capable of making unbiased independent judgments and passing resolutions that meet interests of the Company and its shareholders.				
2.3.1	Only those with flawless business and personal reputation, as well as the knowledge, skills and experience required to resolve on the matters within the competence of the Board of Directors and perform the Board functions effectively are elected to the Board of Directors.	<p>1. The Company's internal procedure used to assess performance of the Board of Directors includes competence assessment of the members of the Board of Directors.</p> <p>2. In the reporting period, the Board of Directors (or the Nomination Committee of the Board of Directors) assessed the candidates to the Board of Directors with respect to their experience, knowledge, business reputation, conflict of interest, etc.</p>	observed	
2.3.2	The members of the Board of Directors are elected according to a transparent procedure that allows shareholders to obtain enough information about the nominees to get an idea of their personal and professional qualities.	1. In all cases of holding the General Shareholders' Meetings in the reporting period where the agenda included items on the election of the members of the Board of Directors, the Company provided shareholders with the biographies of all candidates to the Board of Directors, the findings of the assessment of such candidates carried out by the Board of Directors (or the Nomination Committee of the Board of Directors), as well as the data on the candidate compliance with the independence criteria as per Recommendations 102 to 107 of the Code, and the candidates' letters of consent to be elected to the Board of Directors.	observed	
2.3.3	The composition of the Board of Directors is well-balanced in terms of qualifications, experience, knowledge and business qualities of the members and other factors, and the members enjoy the confidence of shareholders.	1. As part of the assessment of the Board of Directors performance carried out in the reporting period, the Board of Directors reviewed its own requirement for qualifications, experience and business skills.	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
2.3.4	The size of the Board of Directors makes it possible to organise the work of the Board of Directors in a most efficient way, which includes the possibility to set up committees of the Board of Directors, and ensures that significant minority shareholders of the Company have the opportunity to elect their nominee to the Board of Directors.	1. As part of the assessment of the Board of Directors performance carried out in the reporting period, the Board of Directors addressed the issue regarding compliance of the number of the Board members to the requirements of the Company and the interests of shareholders.	observed	
2.4 The Board of Directors includes a sufficient number of independent directors.				
2.4.1	A person is recognised to be an independent director, when such person possesses enough professionalism, experience and independence to form his or her own opinion, is able to make unbiased and scrupulous judgments that do not depend on the influence of the Company's executive bodies, certain groups of shareholders or other stakeholders. It should also be taken into account that under normal conditions a candidate (an elected member of the Board of Directors) cannot be recognised as independent if he or she is affiliated with the Company, its significant shareholder, major counterparty or competitor, or is bound with the state.	1. In the reporting period, all independent members of the Board of Directors met all the independence criteria specified in Recommendations 102 to 107 of the Code, or were recognised as independent by the decision of the Board of Directors.	observed	
2.4.2	The Company assesses the compliance of nominees to the Board of Directors with the independence criteria and performs regular review of compliance of the independent directors with the independence criteria. In this assessment, the substance shall prevail over the form.	<p>1. In the reporting period, the Board of Directors (or the Nomination Committee of the Board of Directors) formed an opinion about the independence of each candidate to the Board of Directors and produced a corresponding report to the attention of shareholders.</p> <p>2. In the reporting period, the Board of Directors (or the Nomination Committee of the Board of Directors) reviewed the independence of existing members of the Board of Directors qualified in the Annual Report as independent at least once.</p> <p>3. The Company developed procedures that determine steps to be taken by a member of the Board of Directors if he or she ceases to be independent, including the obligation to notify the Board of Directors thereof in a timely manner.</p>	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
2.4.3	Independent directors make at least one third of the elected members of the Board of Directors.	1. Independent directors make at least one third of the members of the Board of Directors.	observed	
2.4.4	Independent directors play the key role in the prevention of internal conflicts in the Company and undertaking by the Company of major corporate actions.	1. Independent directors (that are free of conflict of interest) preliminarily assess major corporate actions potentially inherent in a conflict of interest, and the findings of such assessment are submitted to the Board of Directors.	observed	
2.5 The Chairman of the Board of Directors contributes to the most efficient performance of functions assigned to the Board of Directors.				
2.5.1	An independent director is elected to the position of the Chairman of the Board of Directors, or a senior director is elected of all independent directors to coordinate the work of independent directors and maintain interaction with the Chairman of the Board of Directors.	<p>1. The Chairman of the Board of Directors is an independent director, or a senior director is elected of all independent directors.</p> <p>2. The role, rights and responsibilities of the Chairman of the Board of Directors (and, where applicable, of the senior independent director) are duly defined in the Company's internal documents.</p>	partly observed	<p>1. Not observed.</p> <p>The Chairman of the Board of Directors is not an independent director.</p> <p>The Chairman of the Board of Directors was elected unanimously by all members of the Board of Directors as the most authoritative member of the Board of Directors who had made a significant contribution to the Company's development and who possesses the necessary professional competence, executive experience in the industry, and an impeccable business and personal reputation.</p> <p>Independent directors are heavily involved in the work of the Board of Directors of the Company and may communicate directly with the Chairman of the Board of Directors. In addition, the Committees of the Board of Directors, consisting exclusively of independent directors, are headed by independent directors.</p> <p>The Company proceeds from the premise that all members of the Board of Directors have equal rights and also takes it into account that independent directors have not elected a senior independent director.</p> <p>Given a balanced composition of the Board of Directors, preliminary elaboration quality of the matters laid before the Board of Directors (including the matters at the level of committees composed of independent directors), and heavy involvement of independent directors, introduction of an additional office of senior independent director will not entail any improvements in the Company's corporate governance system.</p> <p>The competence and strong performance of the Board of Directors are attested to by the Company's financials.</p> <p>The Company expects that in future, as the number of independent directors in the Board of Directors increases, an independent director may be elected as Chairman of the Board of Directors of the Company.</p> <p>2. Observed.</p>
2.5.2	The Chairman of the Board of Directors creates a workable environment at the meetings, ensures free discussion of the agenda items and follows up on the resolutions passed by the Board of Directors.	1. Performance of the Chairman of the Board of Directors was assessed as part of the Board performance assessment procedure in the reporting period.	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
2.5.3	The Chairman of the Board of Directors takes all necessary actions to provide members of the Board of Directors with information required to take informed decisions on the agenda items in a timely manner.	1. The obligation of the Chairman of the Board of Directors to take steps in order to ensure that the members of the Board of Directors are provided with materials on the Board meeting agenda items in a timely manner is enshrined in the Company's internal documents.	observed	
2.6 The members of the Board of Directors act in good faith and reasonably to the benefit of the Company and its shareholders, based on sufficient awareness and with due care and caution.				
2.6.1	The members of the Board of Directors make decisions considering all information available, in the absence of conflict of interest and within the normal entrepreneurial risk, while treating the Company shareholders equitably.	<p>1. The internal documents of the Company stipulate that a member of the Board of Directors is obliged to notify the Board of Directors if he/she faces a conflict of interest with regard to any agenda items addressed at a meeting of the Board of Directors or a Committee of the Board of Directors, prior to discussion of the corresponding agenda item.</p> <p>2. The Company's internal documents stipulate that a member of the Board of Directors should abstain from voting on any agenda item where he or she faces a conflict of interest.</p> <p>3. The Company has a procedure enabling the Board of Directors to get professional advice on the matters that fall within its competence at the expense of the Company.</p>	partly observed	<p>1. Observed.</p> <p>2. Observed.</p> <p>3. Not observed.</p> <p>The Company has no dedicated procedure enabling the Board of Directors to get professional advice on the matters that fall within its competence at the expense of the Company. According to the practice established in the Company, the members of the Board of Directors receive all necessary professional advice from the Committees of the Board of Directors, as well as by requesting additional information on the matters of interest from the Corporate Secretary.</p> <p>Over a long period of time, such practice has proved its worth, and therefore, the Company is not planning to change it in the near future.</p>
2.6.2	The rights and obligations of the members of the Board of Directors are defined and formalised in the Company's internal documents.	1. The Company adopted and published an internal document that clearly defines the rights and obligations of the members of the Board of Directors.	observed	
2.6.3	The members of the Board of Directors have enough time to fulfil their responsibilities.	<p>1. Individual attendance at the Board and the Board Committee meetings, as well as the time allocated by the members to prepare for the meetings, were taken into account when assessing performance of the Board of Directors in the reporting period.</p> <p>2. Pursuant to the Company's internal documents, the members of the Board of Directors must notify the Board of Directors on their intention to become a member of the management bodies in other entities (other than those controlled by the Company or its affiliates), as well as on their official appointment.</p>	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
2.6.4	All the members of the Board of Directors have equal access to the Company's documents and information. The newly elected members of the Board of Directors are provided with sufficient information about the Company and the work of the Board of Directors in the shortest time possible.	<p>1. According to the Company's internal documents, the members of the Board of Directors have the right to access documents and make requests relating to the Company and the entities controlled by the Company, while the executive bodies of the Company are obliged to provide the requested information and documents.</p> <p>2. The Company has a formal induction programme for the newly elected members of the Board of Directors.</p>	observed	
2.7 Meetings of the Board of Directors, preparation to and participation in such meetings by the members of the Board of Directors ensure strong performance of the Board of Directors.				
2.7.1	The meetings of the Board of Directors are held as required with due regard for the scale of the Company's operations and the objectives set for the Company in a certain period.	1. The Board of Directors held at least six meetings in the reporting period.	observed	
2.7.2	The Company's internal documents establish the procedure for preparation and holding of meetings of the Board of Directors, which makes it possible for the Board members to prepare for the meeting appropriately.	1. The Company approved an internal document that defines the procedure for preparation and holding of meetings of the Board of Directors. This document, inter alia, establishes that a notice of the meeting shall usually be given at least 5 days prior to the meeting date.	observed	
2.7.3	The format of the meeting of the Board of Directors depends on the importance of the agenda items. The most important items are resolved at physical meetings.	1. The Company's Articles of Association or internal document stipulate that the most important items (as listed in Recommendation 168 of the Code) shall be addressed at physical meetings of the Board.	not observed	<p>The form of meetings of the Board of Directors is determined when preparing the action plan of the Company's Board of Directors to be approved by the Board of Directors (under Clause 6.2 of the Regulation on the Board of Directors of Unipro PJSC). The format of each meeting of the Company's Board of Directors (physical or absentee meeting) depends on the items to be included in the agenda of the relevant meeting of the Board of Directors. The need for a physical meeting of the Board of Directors is determined by the Chairman of the Board of Directors (Clause 2.7 (2) of the Regulation on the Board of Directors of Unipro PJSC). The notice of and the materials for the meeting of the Board of Directors, whether a physical or absentee meeting, are sent out to the members of the Board of Directors at least 7 calendar days prior to the date of the meeting (Clauses 7.6 and 9.2 of the Regulation on the Board of Directors of the Company); therefore, the members of the Board of Directors are given enough time to examine the agenda items and the option to request additional information on the agenda items through the Corporate Secretary (Clause 3.1 (4) of the Regulation on the Board of Directors of the Company) and suggest the format of the meeting of the Board of Directors (physical or absentee meeting) (Clause 6.2 of the Regulation on the Board of Directors of the Company).</p> <p>Over a long period of time, such practice has proved its worth, and therefore, the Company is not planning to change it in the near future.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
2.7.4	Resolutions on the most important matters concerning the Company's activities are passed at the Board meetings by a qualified majority or a majority of votes of all the elected members of the Board of Directors.	1. The Company's Articles of Association suggest that resolutions on the most important matters, as set out in recommendation 170 of the Code, must be passed at Board meetings by a qualified majority of at least three fourths of the votes, or a majority of votes of all the elected members of the Board of Directors.	not observed	<p>Clauses 15.4 and 15.5 of the Company's Articles of Association provide a list of matters which require resolutions of the Board of Directors to be passed by a three-quarter majority vote of all elected members of the Board of Directors or unanimously by all elected members of the Board of Directors. This list does not include all matters recommended in Clause 170 of the Code of Corporate Governance.</p> <p>Currently, the Company does not deem it necessary to enshrine an extended list of matters requiring resolutions of the Board of Directors to be passed either by at least a three-quarter majority vote or by a simple majority vote of all elected members of the Board of Directors in the Articles of Association.</p> <p>All matters submitted to the Board of Directors for consideration are subject to careful preliminary elaboration, including by dedicated Committees of the Board of Directors. Therefore, resolutions of the Board of Directors are normally passed by a majority vote exceeding the threshold set in the recommendation.</p>
2.8 The Board of Directors sets up Committees for preliminary consideration of the most important issues concerning the Company's activities.				
2.8.1	To ensure a preliminary review of the matters concerning control of the Company's financial and business operations, the Company established an audit committee composed of independent directors.	<p>1. The Board of Directors set up the Audit Committee composed of independent directors only.</p> <p>2. The Company's internal documents define responsibilities of the Audit Committee, including those specified in Recommendation 172 of the Code.</p> <p>3. At least one member of the Audit Committee, who is an independent director, has the experience and expertise required to prepare, analyse, review and audit the accounting (financial) reporting.</p> <p>4. Meetings of the Audit Committee were held at least once a quarter during the reporting period.</p>	observed	
2.8.2	For the purpose of preliminary review of the matters concerning the implementation of an effective and transparent remuneration policy, the Company set up a Remuneration Committee represented by independent directors and headed by an independent director other than the Chairman of the Board of Directors.	<p>1. The Board of Directors established a Remuneration Committee consisting of independent directors only.</p> <p>2. The Chairman of the Remuneration Committee is an independent director other than the Chairman of the Board of Directors.</p> <p>3. The Company's internal documents define responsibilities of the Remuneration Committee, including those specified in Recommendation 180 of the Code.</p>	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
2.8.3	For the purpose of preliminary review of the matters concerning human resource planning (succession planning), professional composition and efficiency of the Board of Directors, the Company set up a Nomination (Appointment/Human Resources) Committee mostly represented by independent directors.	<p>1. The Board of Directors set up a Nomination Committee (or the relevant responsibilities outlined in Recommendation 186 of the Code are exercised by another Committee), which was mostly represented by independent directors.</p> <p>2. The Company's internal documents define responsibilities of the Nomination Committee (or another Committee which combines the relevant functions), including those specified in Recommendation 186 of the Code.</p>	observed	
2.8.4	Considering the scale of the Company's activities and exposure levels, the Board of Directors has made sure that the membership of its Committees meets the objectives of the Company in full. Additional Committees were either formed or deemed unnecessary (e. g. the Strategy Committee, the Corporate Governance Committee, the Ethics Committee, the Risk Management Committee, the Budget Committee, the HSE Committee, etc.).	1. In the reporting period, the Company's Board of Directors considered the issue of whether the membership of the Board Committees is adequate to the objectives of the Board of Directors and the goals of the Company. Additional Committees were either formed or deemed unnecessary.	observed	
2.8.5	The membership of the Committees was determined so as to ensure that the items subject to preliminary review are discussed comprehensively, considering a variety of opinions.	<p>1. The committees of the Board of Directors are headed by independent directors.</p> <p>2. The Company's internal documents (policies) contain provisions under which persons other than the members of the Audit Committee, the Nomination Committee and the Remuneration Committee may not attend the meetings of the Committees without an invitation by the Chairman of the relevant Committee.</p>	observed	
2.8.6	The Chairmen of the Committees report on the performance of their respective Committees to the Board of Directors and the Chairman of the Board on a regular basis.	1. In the reporting period, the Chairmen of the Committees reported on the performance of their respective Committees to the Board of Directors on a regular basis.	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
2.9 The Board of Directors ensures a performance quality assessment of the Board of Directors, its Committees and members.				
2.9.1	The performance quality assessment of the Board of Directors is aimed at assessing the performance of the Board of Directors, its Committees and members, evaluating their adequacy for the requirements of corporate development, intensifying the efforts of the Board of Directors and identifying the areas for improvement.	<p>1. The self-assessment or external assessment of the Board performance carried out in the reporting period included the performance assessment of the Committees, individual members of the Board of Directors and the Board of Directors in general.</p> <p>2. The findings of self-assessment or external assessment of the Board performance carried out in the reporting period were reviewed at a physical meeting of the Board of Directors.</p>	observed	
2.9.2	The performance quality assessment of the Board of Directors, its Committees and members is conducted on a regular basis at least once a year. The independent performance quality assessment of the Board of Directors is conducted at least once every three years by engaging an external contractor (advisor).	1. Within the past three reference periods, the Company engaged an external contractor (advisor) to carry out an independent assessment of the Board performance at least once.	not observed	<p>1. Not observed</p> <p>The Company did not engage an external contractor (advisor) to carry out an independent assessment of the Board performance.</p> <p>The Regulation on the Performance Assessment of the Board of Directors of Unipro PJSC requires involvement of a third party — an advisor, professional association or organisation assigning corporate governance ratings — to carry out an independent performance assessment of the Board of Directors and its Committees.</p> <p>The performance assessment of the Company's Board of Directors in the 2018–2019 corporate year was conducted as self-assessment by each member of the Company's Board of Directors by filling in a Self-Assessment Form for the Board of Directors.</p> <p>The performance assessment of the Company's Board of Directors provides evidence of strong performance by each individual member of the Company's Board of Directors and by the Company's Board of Directors as a whole.</p> <p>In 2020, the Board of Directors is planning to consider the issue on the need of an independent performance assessment of the Board of Directors.</p>
3.1 The Corporate Secretary is responsible for effective day-to-day interaction with the shareholders, coordination of the Company's actions undertaken to protect the rights and interests of the shareholders, and support of good performance of the Board of Directors.				
3.1.1	The Corporate Secretary has enough knowledge, experience and qualifications to perform his or her duties, flawless reputation, and enjoys the confidence of the shareholders.	<p>1. The Company approved and disclosed an internal document — Regulation on the Corporate Secretary.</p> <p>2. The corporate website and the Annual Report provide a background information of the Corporate Secretary with the same level of detail as used for the members of the Board of Directors and executive management of the Company.</p>	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
3.1.2	The Corporate Secretary is independent enough from the Company's executive bodies and has the required authority and resources to fulfil the duties assigned.	1. The Board of Directors approves the appointment, dismissal and additional remuneration of the Corporate Secretary.	observed	
4.1 The level of remuneration payable by the Company is sufficient to recruit, motivate and retain the employees who possess the competence and qualifications necessary for the Company. The remuneration is paid to the members of the Board of Directors, executive bodies and other key executive officers of the Company in accordance with the remuneration policy adopted in the Company.				
4.1.1	The amount of remuneration payable by the Company to the members of the Board of Directors, executive bodies and other key executive officers creates sufficient motivation to ensure their strong performance and enables the Company to recruit and retain competent and qualified professionals. Nevertheless, the Company avoids overrating the level of remuneration and an unreasonably significant gap between the levels of remuneration payable to the above-mentioned persons and employees of the Company.	1. The Company adopted an internal document (documents) — the remuneration policy (policies) applicable to the members of the Board of Directors, executive bodies and other key executive officers — which clearly defines (define) approaches to such remuneration.	partly observed	<p>The remuneration principles applicable to the members of the Board of Directors are set out in the Regulation on the Board of Directors of the Company approved by the General Shareholders' Meeting of the Company. The development and periodic review of the Remuneration Policy for the Board of Directors, as well as control over its implementation, falls within the competence of the Appointment and Remuneration Committee of the Company's Board of Directors.</p> <p>The members of the Company's Management Board do not receive special rewards for their work as members of the Management Board. Employees of the Company who are members of the Company's Management Board have concluded employment contracts in accordance with their positions in the Company. These contracts determine the amount of their remuneration for their duties as full-time employees of the Company. The terms and conditions of such contracts are considered by the Appointment and Remuneration Committee of the Company's Board of Directors.</p> <p>Individual employment contracts were concluded between the Company and the key executives and specify the employee remuneration and reimbursement (compensation) procedure. The remuneration level of members of the Company's Board of Directors and key executives is sufficient to recruit and retain staff, as well as to motivate managers who have the necessary professional qualities to manage the Company effectively. In 2019–2020, the Company is planning to consider the need to develop and implement a separate Remuneration Policy for the members of the Company's Board of Directors and key executives to outline the approaches to remuneration of these employees clearly.</p>
4.1.2	The Company's remuneration policy was developed by the Remuneration Committee and approved by the Board of Directors of the Company. The Board of Directors, with the assistance from the Remuneration Committee, supervises the implementation and observance of the remuneration policy in the Company and, where required, revises and amends it.	1. In the reporting period, the Remuneration Committee reviewed the remuneration policy (policies) and the implementation practice thereof and gave relevant recommendations to the Board of Directors as necessary.	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
4.1.3	The Company's remuneration policy contains transparent mechanisms for determining the amount of remuneration payable to the members of the Board of Directors, executive bodies and other key executive officers of the Company, and regulates all kinds of payments, benefits and privileges granted to the said persons.	1. The Company's remuneration policy (policies) contains (contain) transparent mechanisms for determining the amount of remuneration payable to the members of the Board of Directors, executive bodies and other key executive officers of the Company, and regulates (regulate) all kinds of payments, benefits and privileges granted to the said persons.	partly observed	<p>The Company applies a structured remuneration system to the members of the Board of Directors. Remunerations are paid according to the Regulation on the Board of Directors of the Company and generally correspond to the best practices of corporate governance. The current remuneration system complies with the transparency and accountability principles and factors in the role of each individual member of the Board of Directors in the Company's activities. The Regulation contains an exhaustive list of all amounts payable to the members of the Board of Directors and conditions for receiving these amounts.</p> <p>The members of the Company's Management Board do not receive special rewards for their work as members of the Management Board. Employees of the Company who are members of the Company's Management Board have concluded employment contracts in accordance with their positions in the Company. These contracts determine the amount of their remuneration for their duties as full-time employees of the Company. The terms and conditions of such contracts are considered by the Appointment and Remuneration Committee of the Company's Board of Directors.</p> <p>The information on remuneration and compensation paid to the members of the Board of Directors and the Management Board of the Company is disclosed in the Issuer's Quarterly Report and the Company's Annual Report.</p>
4.1.4	The Company establishes a reimbursement (compensation) policy with an itemisation of expenses subject to reimbursement and the level of service that the members of the Board of Directors, executive bodies and other key executive officers of the Company are entitled to. This policy may be integrated into the Company's remuneration policy.	1. The remuneration policy (policies) or other internal documents of the Company establish the rules for reimbursement of expenses incurred by the members of the Board of Directors, executive bodies and other key executive officers of the Company.	observed	
4.2	The remuneration system applicable to the members of the Board of Directors ensures approximation of the directors' financial interests and long-term financial interests of the shareholders.			
4.2.1	<p>The Company pays a fixed annual remuneration to the members of the Board of Directors. The Company does not pay a remuneration for participation in individual meetings of the Board of Directors or Committees of the Board of Directors.</p> <p>The Company does not apply short-term incentives or additional financial incentives in respect of the members of the Board of Directors.</p>	1. The fixed annual remuneration was the only form of remuneration in cash payable to the members of the Board of Directors for their work in the Board of Directors during the reporting period.	partly observed	<p>In addition to the quarterly remuneration that depends on the extent of the Board member's participation in the meetings and absentee voting held in the relevant quarter, the remuneration system applicable to the members of the Company's Board of Directors provides for an annual remuneration payable to the members of the Company's Board of Directors that depends on the Company's earnings before interest, tax, depreciation and amortisation (EBITDA) based on the Company's financial statements for the reporting financial year, for which the annual remuneration is payable, prepared in accordance with the International Financial Reporting Standards and confirmed by the Company's auditor.</p> <p>The quarterly remuneration reflects the estimated time and labour input of the Board member associated with preparation for and participation in the meetings of the Company's Board of Directors.</p> <p>In the Company's opinion, these remunerations fully comply with the principle of convergence of financial interests of the members of the Board of Directors and the long-term interests of Company shareholders.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
4.2.2	The long-term holding of the Company's shares facilitates approximation of financial interests of the members of the Board of Directors and the long-term interests of the shareholders to the greatest extent. However, the Company does not make the right to sell shares contingent on the achievement of certain performance indicators, and the members of the Board of Directors do not take part in employee stock option plans.	1. If the internal document (documents), i. e. the remuneration policy (policies) of the Company, suggests (suggest) a share-based compensation for the members of the Board of Directors, the rules for holding of shares by the Board members aimed at long-term holding of such shares shall be clearly defined and disclosed.	observed	
4.2.3	The Company does not provide for any additional payments or compensations in the event of early termination of powers of the members of the Board of Directors in connection with the transfer of control over the Company or other circumstances.	1. The Company does not provide for any additional payments or compensations in the event of early termination of powers of the members of the Board of Directors in connection with the transfer of control over the Company or other circumstances.	observed	
4.3	The remuneration system applicable to the members of the executive bodies and other key executive officers of the Company provides for the dependence of remuneration on the Company's performance and on their personal contribution to the achievement of such performance.			
4.3.1	The remuneration for members of the executive bodies and other key executive officers of the Company is determined so as to ensure reasonable and feasible proportion between the fixed component and the variable component which depends on the performance of the Company and personal (individual) contribution of the employee to the final outcome.	<p>1. In the reporting period, the yearly performance indicators approved by the Board of Directors were used to determine the amount of the variable remuneration component for members of the executive bodies and other key executive officers of the Company.</p> <p>2. During the latest review of the remuneration system applicable to members of the executive bodies and other key executive officers of the Company, the Board of Directors (the Remuneration Committee) made sure that the Company uses a feasible proportion between the fixed component and the variable component of the remuneration.</p> <p>3. The Company has a procedure that ensures a refund of unearned bonuses received by members of the Company's executive bodies and other key executive officers to the Company.</p>	partly observed	<p>1. Observed.</p> <p>2. Observed.</p> <p>3. Not observed.</p> <p>The Company has no procedure ensuring a refund of unearned bonuses received by members of the Company's Management Board, Chief Executive Officer or any other key executive officers to the Company, as it has a clear mechanism for paying bonuses to the members of executive bodies and other executives.</p> <p>The remuneration system applicable to members of the Company's executive bodies is based on achievement of the Company's approved key performance indicators (KPIs).</p> <p>The performance-based remuneration is paid after the Appointment and Remuneration Committee considers the achievement of target indicators, and the Board of Directors of the Company approves the KPI report.</p> <p>Therefore, any possibility that the Company's executive bodies or any other key executives will receive any unearned remuneration is ruled out.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
4.3.2	The Company implemented a programme for long-term motivation of the members of the executive bodies and other key executive officers of the Company by using the Company's shares (options or other derivative financial instruments for which the Company's shares constitute the basic assets).	<p>1. The Company implemented a programme for long-term motivation of the members of the executive bodies and other key executive officers of the Company by using the Company's shares (financial instruments based on the Company's shares).</p> <p>2. The programme for long-term motivation of the members of the executive bodies and other key executive officers of the Company suggests that the right to sell shares and other financial instruments used under this programme cannot be exercised earlier than three years after they were given to the employee. However, the Company made the right to sell them contingent on the achievement of certain performance indicators by the Company.</p>	partly observed	<p>1. Observed.</p> <p>2. Partly observed.</p> <p>The programme for long-term motivation of the members of executive bodies and other key executives of the Company does not provide for the right to own directly the shares of the Company, but it is aimed at increasing their capitalisation.</p> <p>The rule of the shares sale is not relevant for the Company.</p>
4.3.3	The amount of a severance pay (a golden parachute) payable by the Company to the members of the executive bodies or other key executive officers in the case of early termination of their powers at the initiative of the Company and without any unethical practices found with the employees does not exceed two times the fixed annual remuneration.	1. In the reporting period, the amount of a severance pay (a golden parachute) payable by the Company to the members of the executive bodies or other key executive officers in the case of early termination of their powers at the initiative of the Company and without any unethical practices found with the employees did not exceed two times the fixed annual remuneration.	observed	
5.1	The Company created a well-performing risk management and internal control system, ensuring reasonable confidence in the achievement of the Company's goals.			
5.1.1	The Company's Board of Directors defined the principles for and approaches towards the organisation of the Company's risk management and internal control system.	1. The functions assigned to various management bodies and units of the Company in the risk management system and internal control are clearly defined in the relevant internal documents/policy of the Company approved by the Board of Directors.	observed	
5.1.2	The executive bodies of the Company ensure the implementation and maintenance of an effective risk management and internal control system in the Company.	1. The executive bodies of the Company ensured distribution of the functions and authority in respect of risk management and internal control between their subordinate managers (heads) of divisions and departments.	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
5.1.3	The risk management and internal control system used in the Company ensures an unbiased, fair and clear understanding of the current status and prospects of the Company, integrity and transparency of the Company's reports, and reasonability and acceptability of the risks assumed by the Company.	<p>1. The Company has an anti-bribery and corruption policy.</p> <p>2. The Company has a simple way to report any instances of failure to observe the law, the Company's internal procedures or the Code of Ethics to the Board of Directors or the Audit Committee of the Board of Directors.</p>	partly observed	<p>1. Observed.</p> <p>2. Partly observed.</p> <p>The Company has a hotline that may be used by employees to notify the Person Responsible for the Code of Corporate Conduct on any potential instances of failure to observe the law, the Company's policies or procedures, in particular in such areas as antitrust law, stock market laws and insider information regulations, as well as on the instances of failure to comply with the Code of Conduct on the part of the Company employees, instances of corruption, fraud (falsifications, dishonesty, misappropriation and embezzlement of property). If necessary, important issues are laid before the Company's Management Board and dedicated Committees of the Company's Board of Directors.</p>
5.1.4	The Company's Board of Directors takes the necessary measures to make sure that the risk management and internal control system existing in the Company complies with the principles for and approaches towards its organisation, as determined by the Board of Directors, and is functioning effectively.	1. In the reporting period, the Board of Directors or the Audit Committee of the Board of Directors assessed the performance of the Company's risk management and internal control system. The details of the key assessment findings have been incorporated in the Company's Annual Report.	partly observed	<p>1. Partly observed.</p> <p>In 2018, the performance of the Company's risk management and internal control system was assessed by the Company's Internal Audit Department of the Company. The findings were considered at a physical meeting of the Board of Directors.</p>
5.2 The Company arranges internal auditing for the purpose of regular independent assessment of reliability and efficiency of the risk management and internal control system and the corporate governance practice.				
5.2.1	The Company has formed a dedicated structural unit or engaged an independent outside organisation to perform internal audit functions. The administrative and functional reporting lines for the Internal Audit Department are different. The Internal Audit Department is subordinate functionally to the Board of Directors of the Company.	1. The Company formed a dedicated structural unit to be in charge of internal audit, which is subordinate functionally to the Board of Directors or the Audit Committee, or engaged an independent outside organisation following the same reporting principle.	observed	
5.2.2	The Internal Audit Department carries out the assessment of the internal control system efficiency, the assessment of the risk management system efficiency, and the assessment of the corporate governance system. The Company applies the generally accepted standards of internal auditing.	<p>1. In the reporting period, efficiency assessment of the internal control and risk management system was carried out as part of the internal audit programme.</p> <p>2. The Company applies the generally accepted approaches to internal control and risk management.</p>	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
6.1 The Company and its activities are transparent for shareholders, investors and stakeholders.				
6.1.1	The Company developed and implemented an information policy that ensures effective communication between the Company, shareholders, investors and other stakeholders.	<p>1. The Board of Directors of the Company approved the information policy of the Company, which is in line with the recommendations of the Code.</p> <p>2. The Board of Directors (or one of its Committees) considered the issues concerning compliance with its information policy by the Company at least once during the reporting period.</p>	observed	
6.1.2	The Company discloses information on the corporate governance system and practice, including detailed information on compliance with the principles and recommendations of the Code.	<p>1. The Company discloses information on the Company's corporate governance system and general principles of corporate governance used in the Company, including on the corporate website in the Internet.</p> <p>2. The Company discloses information on the membership of the executive bodies and the Board of Directors, independence of the members of the Board of Directors and their membership in the Board Committees (according to the definition given in the Code).</p> <p>3. If there is a controlling person, the Company publishes the controlling person's memorandum outlining this person's plans as they regard corporate governance in the Company.</p>	partly observed	<p>1. Observed.</p> <p>2. Observed.</p> <p>3. Not observed.</p> <p>The Company does not publish the controlling person's memorandum outlining this person's plans as they regard corporate governance in the Company.</p> <p>The controlling person's plans for the Company constitute this person's business secret and are not subject to disclosure, except as otherwise provided for by the law. In the event that the Company becomes aware of any statements made by the controlling person concerning such plans as they regard corporate governance in the Company, the Company undertakes to publish these statements on the corporate website.</p>
6.2 The Company discloses complete, up-to-date and accurate information about the Company in due time so that the Company shareholders and investors could make well-informed decisions.				
6.2.1	The Company discloses information in accordance with the principles of regularity, consistency and efficiency, as well as availability, reliability, completeness and comparability of the disclosed data.	<p>1. The Company's information policy defines the approaches and criteria used to identify information that is capable of having a significant impact on the value of the Company and its securities and procedures that ensure well-timed disclosure of such information.</p> <p>2. If the Company's securities circulate in foreign regulated markets, the disclosure of material information in the Russian Federation and in these markets occurs simultaneously and equivalently during the reporting year.</p> <p>3. If foreign shareholders hold a major package of the Company's shares, then the disclosure was made both in Russian and one of widely spoken foreign languages during the reporting year.</p>	partly observed	<p>1. Observed.</p> <p>2. Observed.</p> <p>3. Partly observed.</p> <p>In the reporting period, the disclosure was made both in Russian and English (partly).</p> <p>The information disclosed on the Company's corporate website in English is as follows:</p> <ul style="list-style-type: none"> – Annual reports; – IFRS statements (annual and interim statements); – Financial calendar; – Dividend Policy – Equity price charts; – Information on the members of the Board of Directors and Committees of the Board of Directors; – Information on the members of the Company's Management Board and executives; and – The scope of competence of the General Shareholders' Meeting and the Board of Directors as enshrined in the Company's Articles of Association. <p>In addition, the Company is planning to disclose the following information in English in 2019:</p> <ul style="list-style-type: none"> – Issuer's quarterly reports; – Reports on material facts; and – Lists of affiliates.

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
6.2.2	The Company avoids a formal approach to disclosure and discloses material facts about its activities even if the disclosure of such information is not required by laws.	<p>1. In the reporting period, the Company disclosed annual financial statements and financial statements for six months prepared according to the IFRS. The Company's Annual Report for the reporting period includes annual financial statements prepared according to the IFRS and the auditor's report.</p> <p>2. The Company discloses complete information on the structure of the Company's capital in its Annual Report and on the corporate website in accordance with Recommendation 290 of the Code.</p>	partly observed	<p>1. Partly observed.</p> <p>In the reporting period, the Company disclosed annual financial statements and financial statements for six months prepared according to the IFRS.</p> <p>The Company's Annual Report for the reporting period does not include annual financial statements prepared according to the IFRS and the relevant auditor's report.</p> <p>Since all the financial indicators and calculations included in the Annual Report are based on the accounting (financial) statements of the Company prepared according to the RAS, for the sake of shareholders' convenience, the Annual Report is accompanied by the Company's annual accounting (financial) statements for 2018 according to the RAS.</p> <p>2. Partly observed.</p> <p>The Company does not disclose complete information on the structure of the Company's capital in its Annual Report and on the corporate website in accordance with Recommendation 290 of the Code.</p> <p>The structure of the share capital disclosed in Section 2.3 of the Annual Report and drawn up on the basis of the data obtained from the Company's Registrar shows that there is no need for the Company's executive bodies to state that the Company has no information on the existing holdings of participatory interests over 5%, other than the data already disclosed by the Company. Furthermore, the Company prevents certain shareholders from acquiring control that would be disproportionate to their participatory interest in the Company's authorised capital, e. g. based on the shareholder agreements or due to holding ordinary/preference shares with a different par value.</p>
6.2.3	As one of the most important tools of communication with shareholders and other stakeholders, the Annual Report contains information that helps to assess the performance of the Company in the reporting period.	<p>1. The Company's Annual Report contains information on the key aspects of the Company's operations and financial performance.</p> <p>2. The Company's Annual Report contains information on the environmental and social performance of the Company</p>	observed	
6.3	Information and documents are provided by the Company at the shareholders' requests in accordance with the principles of fairness and easiness.			
6.3.1	Information and documents are provided at the shareholders' requests in accordance with the principles of fairness and easiness.	1. The Company's information policy establishes an easy procedure for providing the shareholders with access to corporate information, including information about the legal entities controlled by the Company, at their request.	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
6.3.2	In the provision of information to shareholders, a reasonable balance is ensured between the interests of individual shareholders and the interests of the Company that wishes to keep important business information confidential as it may significantly influence the Company's competitiveness.	<p>1. In the reporting period, the Company did not decline any incoming information requests from shareholders, or such refusals were reasonable.</p> <p>2. In the cases defined by the Company's information policy, the shareholders are notified of the confidential nature of information provided and undertake to keep it confidential.</p>	observed	
7.1	The actions that significantly affect or may affect the structure of the authorised capital and financial standing of the Company and, therefore, the shareholders' standing (major corporate actions), are performed on fair conditions that respect the rights and interests of shareholders and other stakeholders.			
7.1.1	The definition of major corporate actions embraces reorganisation of the Company, purchase of 30 or more percent of the Company's voting shares (take-over), closing of major transactions by the Company, increase or reduction in the Company's authorised capital, listing and delisting of the Company's shares, as well as other actions that may result in major changes in the rights of shareholders or infringe on their interests. The Company's Articles of Association define a list (criteria) of transactions or other actions qualified as major corporate actions, and these actions are referred to the competence of the Company's Board of Directors.	<p>1. The Company's Articles of Association define a list and criteria of transactions or other actions qualified as major corporate actions. Resolutions on major actions are referred to the scope of competence of the Board of Directors. Where the legislation directly refers these corporate actions to the competence of the General Shareholders' Meeting, the Board of Directors shall give the shareholders necessary recommendations.</p> <p>2. The Company's Articles of Association qualify at least the following actions as major corporate actions: reorganisation of the Company, purchase of 30 or more percent of the Company's voting shares (take-over), closure of major transactions by the Company, increase or reduction in the Company's authorised capital, listing and delisting of the Company's shares.</p>	partly observed	<p>1. Observed in part</p> <p>The Company's Articles of Association do not define a list of transactions or other actions qualified as major corporate actions.</p> <p>At the same time, the decision-making procedure recommended by the Code of Corporate Governance (referring such decisions to the competence of the Board of Directors or the General Shareholders' Meeting under the Company's Articles of Association or under the laws) is observed with respect to most corporate actions that are considered as major corporate actions.</p> <p>2. Not observed</p> <p>The Company's Articles of Association do not define a list of transactions or other actions qualified as major corporate actions and the criteria for qualifying them as such.</p> <p>At the same time, the Company's Articles of Association clearly delineate the powers of the General Shareholders' Meeting and of the Board of Directors of the Company as they regard the matters that can be classified as major corporate actions as per the recommendations of the Code of Corporate Governance (Articles 10 and 12 of the Articles of Association of Unipro PJSC).</p> <p>In 2019–2020, the Company is planning to amend the Company's Articles of Association to define a list of transactions or other actions qualified as major corporate actions and the criteria for qualifying them as such.</p>
7.1.2	The Board of Directors plays the key role in making decisions or elaborating recommendations for major corporate actions based on the opinion of the Company's independent directors.	1. The Company has a procedure under which independent directors express their opinions on major corporate actions prior to approval thereof.	observed	

No.	Corporate governance principles	Compliance criteria	Compliance status	Comments on deviations from compliance criteria
1	2	3	4	5
7.1.3	When the Company takes major corporate actions that affect the rights and legitimate interests of its shareholders, all shareholders of the Company are treated equitably. Where the statutory mechanisms designed to protect the rights of shareholders are insufficient, the Company takes additional steps to protect the rights and legitimate interests of its shareholders. The Company is guided both by formal statutory requirements and by corporate governance pri.	<p>1. Considering the specific nature of the Company's activities, the Company's Articles of Association establish lower minimum criteria to qualify the Company's transactions as major corporate actions than those stipulated by the laws.</p> <p>2. In the reporting period, all major corporate actions were subjected to an approval procedure before they were taken.</p>	partly observed	<p>1. Partly observed.</p> <p>The Company's Articles of Association do not define a list of transactions or other actions qualified as major corporate actions.</p> <p>In the meantime, pursuant to the Company's Articles of Association, the competence of the Board of Directors includes approval of a number of transactions viewed as major transactions by the Company and the threshold for qualifying a transaction as a major transaction is significantly lower than the threshold established by the laws.</p> <p>2. Partly observed.</p> <p>The Company's Articles of Association do not define a list of transactions or other actions qualified as major corporate actions.</p>
7.2	The Company performs major corporate actions according to the procedure that would allow its shareholders to receive in due time full information on such actions, enable them to influence such actions, and guarantee compliance with and an adequate level of protection of their rights in the course of such actions.			
7.2.1	Information on taking any major corporate actions is disclosed with the explanation of reasons, conditions and consequences of such actions.	1. In the reporting period, the Company disclosed information on major corporate actions in a timely and detailed manner, including specification of the reasons and time limits of such actions.	observed	
7.2.2	The rules and procedures pertaining to major corporate actions performed by the Company are documented in the Company's internal documents.	<p>1. The company's internal documents establish a procedure for engaging an independent appraiser for the purpose of valuating the property alienated or purchased under a major transaction or a related-party transaction.</p> <p>2. The internal documents of the Company establish a procedure for engagement of an independent appraiser to determine the purchase and redemption value of the Company's shares.</p> <p>3. The internal documents of the company contain an extended list of the grounds for recognising the members of the company's board of directors and other persons stipulated by the laws as related parties interested in the company's transactions.</p>	partly observed	<p>1. Observed.</p> <p>2. Observed.</p> <p>3. Not observed</p> <p>The internal documents of the Company do not contain an extended list of the grounds for recognising the members of the Company's Board of Directors and other persons stipulated by the laws as related parties interested in the Company's transactions.</p> <p>The Company's Articles of Association stipulate that related-party transactions are subject to approval in accordance with Chapter XI of the Federal Law "On Joint Stock Companies".</p> <p>When determining related parties, the Company is guided by the requirements of the Russian Federation law.</p>

5.3. Planned (Expected) Actions and Activities of the Joint Stock Company to Improve the Corporate Governance Model and Practice

Considering the assessment of compliance with the corporate governance principles set out in the Code of Corporate Governance, the Company plans to do as follows in the longer term:

- ④ Increasing the number of independent directors;
- ④ Developing the internal control and risk management system;
- ④ Creating additional Committees under the Board of Directors dealing with various aspects of the Company's activities;
- ④ Disclosing more information in English on the Company's website;
- ④ Dividing the jurisdictions and responsibilities between corporate management bodies on a reasonable basis;
- ④ Ensuring a good combination of centralised decision-making and delegation of authority to various managerial levels;
- ④ Enhancing the promptness and efficiency of decision-making;
- ④ Enforcing and protecting the rights and interests of Company shareholders;
- ④ Implementing high standards of corporate governance ethics.