



PIK Group Corporate Governance Statement for 2013

This Corporate Governance Statement is prepared in accordance with DTR (Disclosure and Transparency Rules) 7.2. The information herein is as of April 22, 2014.

PIK Group, Open Joint Stock Company is an universal successor to “First Mortgage Company”, Open Joint Stock Company, registered on 20 September 1994 under the laws of Russian Federation. Our corporate affairs are governed by the Civil Code of the Russian Federation, the Federal Law “On Joint Stock Companies”, Charter of PIK Group, Corporate Governance Code of PIK Group, other statutory and legal acts of current legislation of the Russian Federation.

Acknowledging the importance of a high level of corporate governance for a successful performance of the business and for achievement of a mutual understanding among all the persons interested in the Company’s activities, PIK Group has developed its Code of Corporate Governance. The Code aims to ensure the effective protection of the rights and interests of the shareholders, the transparency of decision-making, the professional and ethical responsibility of the members of the Board of Directors, other bodies of management of the Company and the shareholders, a more information openness of the Company, as well as the effective control of the financial and economic operations of the Company. The Board of Directors of the Company, and the Company’s Management Board, President and employees observe the compliance with the Code.

After being admitted to listing on the London Stock Exchange in 2007, PIK Group has and continues to improve its corporate governance practices, including the organization of the work of the Board of Directors, Management Board and their committees aiming voluntarily to comply with best practices as far as practicable.

Existing Corporate Governance and Internal Control Processes

The General Meeting of Shareholders

The General Meeting of Shareholders is the supreme governing body of PIK Group. The Annual General Meeting of Shareholders is held not earlier than two months after and not later than six months after the end of the reporting fiscal year. Sessions of the General Meeting of Shareholders held additionally to the Annual General Meeting of Shareholders are considered Extraordinary General Meetings of Shareholders.



The following matters shall come under the competence of the General Meeting of Shareholders:

- to make amendment and addenda to the Company's Charter;
- determination of the size of the Company's Board of Directors, election of its members and early termination of their powers;
- the determination of quantity, face value, a category (a type) of declared shares and rights granted by these shares;
- increase or reduction of the charter capital of the Company;
- the election of members of the Audit Commission of the Company and prescheduled termination of their authorities;
- approval of the Company's Auditor;
- approval of the Company's annual reports, annual financial statements, including profit-and- loss reports (profit-and-loss accounts), as well as distributions of profits, including, the payment (declaration) of dividends and the approval of large transactions resolving other matters pursuant to the Federal Law «On Joint Stock Companies»
- reorganization and liquidation of the Company;

The Board of Directors

The Board of Directors of the Company has overall charge of its activities, with the exception being issues classified by the Federal Law On Joint-Stock Companies as falling under the jurisdiction of the General Meeting of Shareholders. Its competence is determined by the Charter of the Company.

All major decisions are taken at the meetings of the Board of Directors in the form of a mutual presence. The key priorities of the Board include:

- determination of the priority orientations of activity of the Company's activities, including approval of annual budget, budgets for middle-term and long-term development, strategies and programs of the Company's development, introducing modifications into the stated documents, examination of results of their performance;
- formation of the collegial executive body – the Board of the Company, determination of term of its authorities, and prescheduled termination of the authorities of members of the Board;
- appointment of a sole executive body (the President) of the Company, determination of the term of his authorities, and prescheduled termination of his authorities and dissolution of the labour contract with him;
- approval of the internal documents of the Company regulating the issues within the competence of the Board of Directors of the Company, except for the internal documents, approval of which is relegated by the Charter of the Company to the competence of the General Meeting of Shareholders and executive bodies of the Company;



- establishment of branches, opening and liquidation of representative offices, approval of bylaws on them;
- other issues provided for by the Federal Law “On Joint Stock Companies” and the present Charter of the Company.

As of December 31, 2013 PIK Group’s Board of directors consisted of the following members:

- Vladislav Mamulkin, Chairman of the Board of Directors
- Sergey Bessonov, Director
- Ilya Stepanishchev, Director
- Anna Kolonchina, Director
- Pavel Poselenov, Director, President (CEO)
- Zumrud Rustamova, Independent Director
- Jean-Pierre Saltiel, Independent director
- Lee Timmins, Independent Director
- Robert Tsenin, Independent Director

PIK Group’s Board of Directors has the following standing committees:

- Audit and Risk Committee
- Personnel and Remuneration Committee

Audit and Risk Committee

As of December 31, 2013 the Audit and Risk Committee comprised three members of the Board of Directors: Robert Tsenin, Jean-Pierre Saltiel and Vladislav Mamulkin. Mr. Tsenin served as the chairman of the Committee. The Audit Committee must be chaired by a nonexecutive independent director, who may not be the chairman of the Board of Directors. The Audit Committee holds meetings as often as necessary, but at least once every quarter. The Audit Committee is authorized to carry out the following functions relating to the control of our financial and business operations:

- coordination with the Company’s independent auditors and preparation of recommendations for the Board of Directors in connection with the election and removal of the independent auditors and on the fees and scope of services to be provided by auditors;
- coordination with the Review Commission and examination of the Review Commission’s findings on the verification of the Company’s financial activities and annual accounts;
- coordination with the internal control division and issuance of recommendations for appointment of the division’s managers, review of its plan regarding annual checks and the division’s reports;



- review of the Company's standards and internal controls procedures and provision of appropriate reports and recommendations;
- assessment of the Company's financial reports; and
- annual evaluation of effectiveness of the Company's risk management system

Personnel and Remuneration Committee

As of December 31, 2013 the Personnel and Remuneration Committee currently comprised three members of the Board of Directors: Lee Timmins, Zuzumrud Rustamova and Vladislav Mamulkin. Mr. Timmins served as the chairman of the Committee. The Remuneration and Personnel Committee must be chaired by a non-executive director, who may not be the chairman of the Board of Directors. The Committee carries out the following functions:

- determination of criteria for appointment of candidates to the Board of Directors, members of the Management Board and the Company's President and considering potential candidates;
- issuance of recommendations as to the term of service and removal of the Company's members of the Management Board;
- considering candidacy of the Company's President, term of his service and removal;
- issuance of recommendations with respect to service contracts for the Company's President and members of the Management Board;
- assessment of the activities of the Company's President and members of the Management Board; and
- preparation of proposals on the level of remuneration of the members of the Management Board as well as the Company's Review Commission, the Company's President, members of the Company's Board of Directors and members of its committees.

Collective and individual executive bodies

Management and the President (CEO) — are responsible for the day-to-day operations of the Company. The executive bodies report to the Board of Directors and the General Meeting of Shareholders. The President of the Company is simultaneously the Chairman of the Management Board of the Company.

The CEO and the Company's Management Board ensure the fulfillment of the decisions of the General Shareholders Meeting and the Board of Directors.



The CEO is responsible for the matters that do not fall in the competence of the General Meeting of Shareholders, the Board of Directors and the Management Board in accordance with PIK Group's Charter.

The Management Board of the Company will oversee:

- approval of internal documents regulating issues within the competence of the Management Board, except for documents to be approved by the General Meeting of Shareholders and the Board of Directors;
- proposals on principle orientations of activity of the Company, including drafts of annual budget, budgets for middle-term and short-term development, development strategies and programs, and proposals for modifying the stated documents;
- decisions on the fulfillment of resolutions of the General Meeting of Shareholders and the Board of Directors;
- analysis of results of work of structural departments of the Company, including subsidiaries, and instructions for improvement of their work;
- determination of the Company's policy on human resources;
- determination of accounting policy, control over improving the effectiveness of methodologies used for financial and managerial reporting, and over the preparation of financial reporting of the Company in accordance with the international standards;
- determination of of planning and budgeting methodology;
- determination of the Company's security policy.

As of December 31, 2013 PIK Management Board consisted of the following members:

- Pavel Poselenov, President (Chief Executive Officer)
- Artem Eyramdzhants, First Vice-President
- Andrey Rodionov, Vice-President for economics and Finance (Chief Financial Officer)
- Fedor Saprionov, Vice-President for legal Matters
- Konstantin Kuznetsov, Vice-President for Industry and Construction

PIK Group's Management Board has the following standing committees:

- Disclosure Committee
- Investment Committee



Disclosure Committee

. The Disclosure Committee is responsible for, *inter alia*:

- the establishment, maintenance and updating of reporting systems and procedures within the Company, its subsidiaries and their operational divisions;
- the formulation, introduction and updating as required of various guidelines and thresholds (including in relation to monetary value, operational impact and types of event) to aid each disclosure officer in identifying inside information that may arise;
- the implementation and production (in cooperation with its external advisors) of materials for the Company's employees, officers and third parties relating to compliance; and
- making final decisions in relation to price sensitive information and the need, or otherwise, for its disclosure.

As of December 31, 2013 the Disclosure Committee consisted of five members. The following table sets out the name and position of each member of the Disclosure Committee:

Artem Eyramdzhants – First Vice-President, Chief Operating Officer, Chairman of the Disclosure Committee;

Andrey Rodionov – Vice-President for Economy and Finances – Financial Director, Chief Financial Officer;

Fedor Sapronov – Vice-President for Legal Issues;

Andrey Machanskis – Director for Investors Relations and Capital Markets;

Vladimir Lapenkov – Corporate Secretary, Secretary and Chief Disclosure Officer of the Disclosure Committee.

Investment Committee

The main task of the Investment Committee is to make decisions on key Group investment projects, including:

- investment in development projects;
- the purchase/sale of industrial and construction assets;
- renovation and upgrading of industrial and construction assets;
- construction by means of a commercial contract, federal and city order.



The Investment Committee will meet once a week to consider investment projects.

The Investment Committee is authorized by the Management Board to make decisions on the following issues:

- making a principal decision on entering into or exiting a project;
- approval of criteria of investment project effectiveness;
- revision of parameters of current and key indicators of investment project effectiveness;
- determination of the methodology of planning and analysis of performance of investment projects.