

# **PIK GROUP**

## **Procedures of PIK in respect of compliance with Related Party Transaction and Interested Party Transaction rules ("Procedures")**

Approved by the Board of Directors of PIK Group on September 28, 2011 (Minutes No. 9  
dated September 28, 2011).

## 1. INTRODUCTION

These Procedures have been adopted by the Board of Directors of PIK Group (“**PIK**” or the “**Company**”) and are effective from September 29, 2011.

The Company’s Board of Directors (the “**Board of Directors**”) will periodically assess – whenever it is deemed appropriate and, in any event, at least annually – the need to amend and supplement these Procedures, taking into account any legislative or regulatory changes and future implementation practice, in addition to any changes in the organisational structure of the Company and the Group (as defined below).

Any changes to these Procedures will be approved subject to a favourable opinion from the independent members of the Board of Directors.

If the Board of Directors concludes that no amendments to the Procedures are required, it shall state so.

## 2. DEFINITIONS

The following terms have the meanings set out below when used in these Procedures:

“**Affiliate**” has the meaning set out in Appendix 1.

“**Close Member of the Family**” means in relation to a person:

- (a) their spouse, parents, step-parents, adoptive parents, children, step-children, adoptive children, siblings, step-siblings and adoptive siblings; and
- (b) any other family member who may be reasonably expected to materially influence, or be materially influenced by such person.

“**Control**” means the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. It is assumed that Control exists when a party owns, directly or indirectly through Subsidiaries, more than half of the voting rights of an entity unless, in exceptional cases, it can be clearly demonstrated that such ownership does not constitute Control. Control also exists when a party owns half or less of the voting rights exercisable at general meetings if they have:

- (a) control of more than half of the voting rights by virtue of agreement with other investors;
- (b) the power to govern the financial and operating policies of the entity by statute or agreement;
- (c) the power to appoint or remove the majority of the members of the Board of Directors or equivalent governing body, where control of the entity is exercised by that board or body; and
- (d) the power to cast the majority of the voting rights at meetings of the board of directors or equivalent governing body, where control of the entity is exercised by that board or body.

“**FSA**” means the UK Financial Services Authority, including the UK Listing Authority, and any successor entity.

“**Group**” means the Company and its Subsidiaries.

“**Key Management Personnel**” means each person that is:

- (a) a member of the Board of Directors, Management Board or any other executive body of the Company; or
- (b) any other person who has the power and responsibility, directly or indirectly, for planning, directing and controlling the Company’s activities.

“**Limited Value Transaction**” means a transaction in which the amount of the consideration paid or the expected value of the services to be provided by the Company exceeds, for such transaction (when aggregated with all other such transactions with the relevant counterparty or its Related Parties in the previous 12 month period) RUR 15,000,000, but does not exceed 1.25% under the Ratio.

“**Management Board**” means the management board committee of the Board of Directors.

“**Major Value Transactions**” means a transaction in which the amount of the consideration paid or the expected value of the services to be provided by the Company exceeds, for such transaction (when aggregated with all other such transactions with the relevant counterparty or its Related Parties in the previous 12 month period) 5% under the Ratio.

“**Minor Value Transactions**” means a transaction in which the amount of the consideration paid or the expected value of the services to be provided by the Company exceeds, for such transaction (when aggregated with all other such transactions with the relevant counterparty or its Related Parties in the previous 12 month period) 1.25% under the Ratio but does not exceed 5% under the Ratio.

“**Ratio**” means the ratio of the value of the transaction to total assets reported in the Company’s most recently published consolidated statement of financial position (annual or half-year report or other interim report). If the economic conditions of the transaction are determined, the value of the transaction shall be:

- (a) for cash components, the amount paid to/by the contractual counterparty;
- (b) for financial instrument components, the fair value assessed, at the date of the transaction, in accordance with the international accounting standards adopted by EC Regulation 1606/2002; or
- (c) for transactions involving the granting of loans or guarantees, the maximum drawable amount.

If the economic conditions of the transaction depend, in whole or in part, on amounts that are not as yet known, the value of the transaction is the maximum amount receivable or payable under the related agreement.

**“Related Director”** means any member of the Board of Directors that is (a) a counterparty in relation to the relevant transaction being considered; or (b) a Related Party of a counterparty in relation to the relevant transaction being considered.

**“Related Party”** means, in relation to any entity, a party that:

- (a) directly, or indirectly through one or more intermediaries:
  - (i) Controls, is Controlled by, or is under common Control with, the entity (this includes parents subsidiaries and fellow subsidiaries);
  - (ii) has Significant Influence over the entity; or
  - (iii) has joint Control over the entity;
- (b) is party to a joint venture with the entity;
- (c) is a member of the Key Management Personnel of the entity or its parent;
- (d) is a Close Member of the Family of any individual referred to in (a) or (c);
- (e) is Controlled, jointly Controlled or Significantly Influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d); or
- (f) is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

**“Related Party Transaction”** means any transfer of resources, services or obligations, including the granting of loans, financing or guarantees, between any member of the Group and any Related Party, regardless of whether a price is charged.

**“Related Shareholder”** means any shareholder of the Company that is (a) a counterparty in relation to the relevant transaction being considered; or (b) a Related Party of a counterparty in relation to the relevant transaction being considered.

**“Relevant Person”** means:

- (a) an Affiliate;
- (b) a Close Family Member (or any Affiliate thereof);
- (c) a legal entity in which such person or any person(s) in paragraphs (a) or (b) above owns (individually or any of them collectively) 20% or more of shares or holds a position in the management body thereof; and
- (d) a Related Party, to the extent not included in the paragraphs (a)-(c) above.

**“Responsible Person”** means the Vice-President for Legal Issues.

**“Significant Influence”** means the power to participate in the financial and operating policy decisions of an entity, but not Control over those policies. Significant Influence may be gained by share ownership, statute or agreement. If a party owns, directly or indirectly, 20%

or more of the voting power in an entity, it is presumed that the person has Significant Influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the person owns, directly or indirectly, less than 20% of the voting power in an entity, it is presumed that the person does not have Significant Influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another party does not necessarily preclude a party from having Significant Influence. The existence of Significant Influence is usually evidenced in one or more of the following ways:

- (a) representation on an entity's board of directors, or equivalent governing body;
- (b) participation in the policy-making processes, including participation in decisions about dividends or other distributions;
- (c) material transactions between that party and the relevant entity; or
- (d) the interchange of management personnel.

“**Subsidiary**” means an entity, including an unincorporated entity such as a partnership, that is Controlled by another entity.

### **3. OBJECTIVE**

The objective of these Procedures is to establish a system of monitoring and reporting within PIK in order to ensure that PIK is able to:

- (a) comply with the requirements regarding the approval of interested party transactions (“**IPT**”) in accordance with the Federal law of the Russian Federation on Joint Stock Companies N 208-FZ dated 26 December 1995 (as amended and restated) (“**Joint Stock Companies Law**”); and
- (b) comply with the disclosure requirements of Related Party Transactions in its financial statements in accordance with International Financial Reporting Standards (“**IFRS**”).

The requirements relating to any IPT under the Joint Stock Companies Law are in addition to and supplemental to any requirements in these Procedures applicable to any Related Party Transaction, provided that any action required in relation to both need not be duplicated.

### **4. RESPONSIBLE PERSON**

The Responsible Person shall be responsible for the implementation of these Procedures in PIK. The responsibilities and authorities of the Responsible Person shall include, *inter alia*:

- (a) organizing and monitoring the Company's compliance with the Procedures;
- (b) conducting an analysis of information disclosed by the respective Key Management Personnel of PIK in accordance with these Procedures and cooperating with the Corporate Secretary in order to identify any potential Related Party Transactions or IPT;
- (c) controlling the disclosure and certification process by the respective officers of PIK as provided for by these Procedures;

- (d) monitoring all transactions concluded or proposed by PIK in terms of compliance with the Procedures;
- (e) reporting to the Chairman of the Management Board on:
  - (i) the Company's general compliance with the Procedures to date;
  - (ii) any proposed transactions which fall or may fall within the categories of IPT or Related Party Transactions; and
  - (iii) any unclear or doubtful situations or situations in which a conflict has arisen in relation to implementation of these Procedures;
- (f) maintaining and promptly updating as applicable PIK's list of Affiliates and Related Parties;
- (g) monitoring publicly available information in order to identify all Relevant Parties of the Company, its shareholders owning 20% or more of shares and/or any Key Management Personnel; and
- (h) the exchanging of information and regular interaction with the Corporate Secretary in relation to these Procedures.

The Chairman of the Management Board shall:

- (a) coordinate with the Responsible Person so as to ensure the Company's compliance with the Procedures;
- (b) review and analyze any information received from the Responsible Person relating to these Procedures in order to:
  - (i) initiate necessary corporate actions required for IPT approval; or
  - (ii) monitor the disclosure of any Related Party Transactions in the financial statements of PIK.

## **5. KEY MANAGEMENT PERSONNEL OBLIGATIONS**

Each member of the Key Management Personnel of PIK shall:

- (a) receive a copy of these Procedures;
- (b) review these Procedures and certify in writing to the Company that such review has taken place;
- (c) attend an introductory/training session regarding the scope and implementation of these Procedures, organized by the Responsible Person;
- (d) disclose to the Responsible Persons a list of all of his/her Relevant Persons, and update the Responsible Person promptly upon any change in such information; and

- (e) notify the Responsible Person of any potential or concluded transaction which is or may qualify as an IPT or Related Party Transaction as soon as such person becomes aware of it.

## **6. PROCEDURES FOR RELATED PARTY TRANSACTIONS**

- (a) Subject at all times to the requirements relating to IPT under the Joint Stock Companies Law, the following shall not be considered to be Related Party Transactions for the purposes of these Procedures:
  - (i) any matter previously and specifically approved by shareholder resolution;
  - (ii) any Limited Value Transaction concluded in the ordinary course of business of the Group;
  - (iii) transactions regarding the remuneration of Key Management Personnel, provided that any such remuneration is in accordance with all applicable recommendations and proposals of the Remuneration Committee of the board of directors of the Company and, if required, has been approved by said committee; or
  - (iv) transactions entered into between Group members provided that other Related Parties of the Company do not have an interest in the relevant counterparty other than by virtue of their interest in the Company.

### *Limited Value Transactions*

- (b) In the event that the Company proposes to enter into a Limited Value Transaction with a Related Party, no additional approval shall be required, provided that the Board of Directors should take particular care to satisfy themselves that the transaction is in the best interests of the shareholders of the Company as a whole.

### *Minor Value Transactions*

- (c) In the event that the Company proposes to enter into a Minor Value Transaction with a Related Party, the Company shall:
  - (i) publicly announce such proposal through an RIS announcement; and
  - (ii) require that the Board of Directors consider whether, in the circumstances, there is a need to obtain written confirmation from an independent expert advisor confirming that the proposed transaction is, in its opinion, fair and reasonable from the perspective of the shareholders of the Company as a whole.

### *Major Value Transactions*

- (d) In the event that the Company proposes to enter into a Major Value Transaction with a Related Party, the Company shall:
  - (i) publicly announce such proposal through an RIS announcement;

- (ii) require that the Board of Directors consider whether, in the circumstances, there is a need to obtain written confirmation from an independent expert advisor confirming that the proposed transaction is, in its opinion, fair and reasonable from the perspective of the shareholders of the Company as a whole; and
- (iii) seek the approval of at least: (a) 65% of the independent non-executive Directors in case of three or less independent non-executive Directors on the Board of Directors; or (b) 75% of the independent non-executive Directors in case of four or more independent non-executive Directors on the Board of Directors.

#### *Recusals*

- (e) In the event that any Limited Value Transaction, Minor Value Transaction or Major Value Transaction is to be considered and proposed for approval by the Board of Directors, the Management Board or the shareholders of the Company, each Related Director and/or Related Shareholder (as applicable) shall abstain from voting on such approval.

#### *Disclosure*

- (f) In the event that the any member of the Group enters into a Related Party Transaction, the Company shall disclose such transaction in its financial statements in accordance with the requirements of IFRS.

## **7. IPT RULES AND PROCEDURES**

### *Definition of an IPT*

The Joint Stock Companies Law contains specific requirements regarding the approval of an IPT.

IPTs include transactions involving a member of the Board of Directors or member of any executive body of the Company (including members of the Management Board), any person that owns, together with any affiliates (see Appendix 1 for the appropriate definition) of the Company, at least 20% of a Company's issued voting stock or any person who is able to direct the actions of the Company, if that person and/or that person's spouse, parents, children, adoptive parents or children, brothers or sisters or their affiliates, is/are:

- (a) a party to, or beneficiary of, a transaction with the Company, whether directly or as a representative or intermediary;
- (b) the owner(s) (individually or any of them collectively) of at least 20% of the issued shares of a legal entity that is a party to, or beneficiary of, a transaction with the Company, whether directly or as a representative or intermediary;
- (c) a member of any management body of a company that is a party to, or beneficiary of, a transaction with the Company, whether directly or as a representative or intermediary, or a member of any management body of a management organisation of such a company; or



- (d) in other cases, provided by a charter of the company.

*Approval requirements for an IPT – approval by directors*

The Joint Stock Companies Law requires that an IPT by a company with more than 1,000 shareholders be approved by a majority vote of the independent members of the company's board of directors who are not interested in the transaction.

For the purposes of this rule, an "independent director" is a person who is not, and within the year preceding the decision to approve the transaction was not, the chairman of the board of directors of the company, a member of any executive or management body of the company or an affiliate (see Appendix 1 for the appropriate definition) of the company (other than being an ordinary director), or a person whose relatives held such positions with the company.

For companies with 1,000 or fewer shareholders, an IPT must be approved by a majority vote of the directors who are not interested in the transaction if the number of these directors is sufficient to constitute a quorum.

*Approval requirements for an IPT – approval by shareholders*

Approval by a majority of shareholders who are not interested in the transaction is required if:

- (a) the value of such transaction or a number of interrelated transactions is 2% or more of the balance sheet value of the company's assets determined under Russian accounting standards;
- (b) the transaction or a number of interrelated transactions involves the placement by subscription or secondary market sale of shares in the amount exceeding 2% of the company's issued ordinary shares and ordinary shares, in which issued convertible securities may be converted;
- (c) the transaction or a number of interrelated transactions involves the placement by subscription of issued securities convertible into shares that may be converted into ordinary shares constituting more than 2% of the company's issued ordinary shares and ordinary shares, in which issued convertible securities may be converted;
- (d) the number of directors who are not interested in the transaction is not sufficient to constitute a quorum; or
- (e) all the members of the board of directors of the company are interested parties, or none of them is an independent director.

Approval of an IPT by a majority of disinterested shareholders may not be required if such transaction is substantially similar to transactions entered into by the company and the interested party in the ordinary course of business before such party became an interested party with respect to the transaction. This exemption is effective only within the period from the date when such party became an interested party with respect to the transaction until the next annual general shareholders' meeting.

*Exemptions from requiring approval for an IPT*

The approval of an IPT is not required if:

- (a) the company has only one shareholder that simultaneously performs the functions of the company's sole executive body;
- (b) all shareholders of the company are deemed interested in the transaction;
- (c) the shareholders are executing their pre-emptive rights to purchase newly issued shares or securities converted into shares;
- (d) the company is repurchasing its issued shares;
- (e) the company is merging with or into another company; or
- (f) the company is required by law to enter into the transaction, and settlements under such transactions are made pursuant to prices set by the Russian government on or pursuant to tariffs and prices established by appropriate state authorities authorised by the Russian government.

## Appendix 1

### Definition of “affiliates” for the purposes of the Joint Stock Companies Law

An affiliated person includes any natural persons and legal entities capable of exerting influence on the activities of legal entities and/or natural persons pursuing entrepreneurial activities.

The following are deemed to be the affiliated persons of a legal entity:

- (i) a member of its board of directors (supervisory board) or another collective managerial body thereof, a member of its collective executive body as well as a person discharging the powers of the sole executive body thereof;
- (ii) persons belonging to the same “group of persons” to which the given legal entity belongs;
- (iii) persons having the right to control over 20% of the total number of votes attributable to voting shares or stakes making up the charter capital of a given legal entity;
- (iv) a legal entity in which the given legal entity has the right to control over 20% of the total number of votes attributable to the voting shares or stakes making up the charter capital of that legal entity; or
- (v) if the legal entity is a participant in a financial-industrial group, its affiliated persons shall also include the members of the boards of directors (supervisory boards) or other collective managerial bodies, collective executive bodies of the participants in the financial-industrial group, as well as the persons discharging the powers of sole executive bodies of the participants in the financial-industrial group;

The following are deemed to be the affiliated persons of a natural person pursuing entrepreneurial activities:

- (i) persons belonging to the same group of persons to which the given natural person belongs; or
- (ii) a legal entity in which the given natural person has the right to control over 20% of the total number of votes attributable to the voting shares or stakes making up the charter capital of that legal entity.

A group of persons is defined as any of the following:

- (i) a company and an individual or legal entity, if such individual or such legal entity has, by virtue of its participation in that company or by virtue of powers received from other persons, over 50% of the total number of votes of such company;
- (ii) all companies over which the same individual or the same legal entity has, by virtue of its participation in such companies or by virtue of powers received from other persons, over 50% of the total number of votes of such companies;
- (iii) a company and an individual or legal entity, where such individual or legal entity discharges the powers of the sole executive body of the company;

- (iv) all companies over which the same individual or legal entity discharges the powers of the sole executive body;
- (v) a company and individual or legal entity, where such individual or such legal entity on the basis of the constitutive documents of the company or an agreement executed with the company has the right to give such company mandatory instructions;
- (vi) all companies in which the same individual or legal entity on the basis of the constitutive documents of such companies or agreements executed with such companies has the right to give such companies mandatory instructions;
- (vii) a company and individual or legal entity, if upon the nomination of such individual or such legal entity, the sole executive body of such company was appointed or elected;
- (viii) all companies in which the sole executive body was appointed or elected upon the proposal of the same individual or legal entity;
- (ix) a company and individual or legal entity, if upon the nomination of such individual or such legal entity, over 50% of the composition of the collective executive body or of the board of directors of such company has been elected;
- (x) all companies in which over 50% of the composition of the collective executive body and/or of the board of directors has been elected upon the proposal of the same individual or legal entity;
- (xi) all companies in which over 50% of the composition of the collective executive body and/or of the board of directors comprise one and the same individuals;
- (xii) all persons who are part of the same “financial and industrial group” [being a set of companies registered as such under Russian law];
- (xiii) an individual, his/her spouse, parents (including adoptive parents), children (including adoptive children), full-blood and half-blood siblings;
- (xiv) several persons each of which, pursuant to any of the categories specified in items (i)-(xiii) above, forms a group with one and the same person, as well as other persons, who form a group with any of such persons pursuant to any of the categories specified in items (i)-(xiii) above; and
- (xv) a company, individuals and/or legal entities that form one group pursuant to any of the categories specified in items (i)-(xiv) above, if such persons have, by virtue of their joint participation in such company or by virtue of powers received from other persons, over 50% of the total number of votes of such company.