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Approved BY:
Decision of the Annual General Meeting of
Shareholders of OJSC LSR Group
of “__” _____ 2015 (minutes No. _____)

REGULATIONS ON THE BOARD OF DIRECTORS
PJSC LSR Group
(Revised version)

St. Petersburg

2015

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1. GENERAL PROVISIONS

1.1. These Regulations on the Board of Directors of Public Joint Stock Company LSR Group (hereinafter - Regulations) were developed in accordance with the requirements of the Russian Federation (the RF) legislation and the provisions of the Charter of PJSC LSR Group (hereinafter - the Company), the listing rules of Stock Exchanges where the Company's bonds are quoted, Corporate Governance Code recommended by the Bank of Russia.

1.2. The Regulations define tasks, competence, order of operations of the Board of Directors (hereinafter – the Board of Directors), its rights and duties, composition, order of formation and operation, order of interaction with the Company managerial bodies.

1.3. In its activities, the Board of Directors shall be guided by the legislation of the RF, the Charter of the Company (hereinafter – the Charter), Code of ethics of the Company, Corporate Governance Code recommended by the Bank of Russia, these Regulations and other internal documents of the Company.

2. OBJECTIVES OF THE BOARD OF DIRECTORS

2.1. The key objectives of the Board of Directors are as follows:

2.1.1. Determining the Company's development strategy aimed at increasing the equity value of the Company in the long-term subject to the macroeconomic situation;

2.1.2. Ensuring effective control over the financial and business activities of the Company;

2.1.3. Providing for the exercise and protection of shareholders' rights as well as assistance in resolving corporate conflicts.

3. COMPETENCE OF THE BOARD OF DIRECTORS

3.1. The competence of the Board of Directors is stipulated in the Federal Law on Joint Stock Companies, Company's Charter and these Regulations.

3.2. The Board of Directors performs general management of the Company's activity save for the matters referred by the Federal Law on Joint Stock Companies and the Charter to the competence of the General Meeting of Shareholders (hereinafter - General Meeting of Shareholders).

3.3. The competence of the Board of Directors of the Company shall include:

3.3.1. Determination of the priorities of the Company's activities including the approval of strategic plans, annual and quarterly budgets of the Company;

3.3.2. Convening of annual and extraordinary General Meetings of Shareholders except for cases set forth in Article 55 (8) of the Federal Law on Joint Stock Companies and making decisions for calling and conducting them;

3.3.3. Approval of the agenda of the General Meeting of Shareholders;

3.3.4. Determination of the date for preparing the list of persons entitled to attend the General Meeting of Shareholders, and other matters referred to the competence of the Board of

Directors in accordance with the provisions of Chapter VII of the Federal Law on Joint Stock Companies and relating to the preparation and holding of the General Meeting of Shareholders;

3.3.5. Preliminary approval of the annual reports of the Company;

3.3.6. Approval of financial plans and reports of the Company in the cases set forth in the internal documents of the Company;

3.3.7. Establishment of executive bodies of the Company and early termination of their powers including:

- election and early termination of powers of the Chief Executive Officer of the Company (hereinafter - CEO), the right to determine the amount of his/her remuneration and compensations, approve and modify the terms and conditions of the contract stipulating his/her rights and duties, and termination thereof;
- determination of the number of members of the Executive Committee of the Company (hereinafter – the Executive Committee) and the term of its powers, election and early termination of powers of Executive Committee members by motion of the CEO, the right to determine the amount of remunerations and compensations payable to them, approve and modify the terms and conditions of the contract stipulating their rights and duties, and termination thereof;
- submittal to the General Meeting of Shareholders for resolution the issue of transferring the powers of the Company's sole executive body to a management entity or a manager, and early termination of powers of the management entity (manager);

3.3.8. Increase in the Company's charter capital by means of placing additional shares within the quantity and categories (types) of authorized shares for the Company's assets when the placement of additional shares is carried out through distributing them among the shareholders;

3.3.9. Increase in the Company's charter capital by means of placing additional ordinary shares within the quantity of authorized shares of this category (type) by open subscription in the amount of 25 or less percent of the previously placed ordinary shares of the Company;

3.3.10. Increase in the Company's charter capital by means of placing additional preferred shares within the quantity of authorized shares of this category (type) by open subscription;

3.3.11. Placement by open subscription of bonds convertible into ordinary shares and other issued securities that may be converted into ordinary shares in the amount of 25 or less percent of the previously placed ordinary shares;

3.3.12. Placement of bonds convertible into shares and other issued securities convertible into shares by open subscription;

3.3.13. Placement of bonds non-convertible into shares and other issued securities non-convertible into shares;

3.3.14. Adoption of a decision on securities issue, prospectus and amendments thereto;

3.3.15. Determination of the price (monetary evaluation) of the assets, price of placement and redemption of issued securities in cases stipulated by the Federal Law on Joint Stock Companies;

3.3.16. Acquisition of shares placed by the Company pursuant to Article 72 (2) of the Federal Law on Joint Stock Companies;

3.3.17. Acquisition of bonds and other securities placed by the Company in cases stipulated by the Federal Law on Joint Stock Companies;

3.3.18. Approval of reports on results of shares purchase in accordance with Article 72 (1) of the Federal Law on Joint Stock Companies;

- 3.3.19. Recommendations to the General Meeting of Shareholders on the amount of remunerations and compensations payable to the members of the Audit Committee of the Company (hereinafter – the Audit Committee);
- 3.3.20. Determination of the amount payable for the services of the Company’s auditor;
- 3.3.21. Recommendations to the General Meeting of Shareholders on the amount of dividends on shares and procedure for their payment;
- 3.3.22. Recommendations to the General Meeting of Shareholders on the profit and loss distribution procedure of the Company based on the results of the financial year;
- 3.3.23. Use of the reserve fund and other funds of the Company;
- 3.3.24. Approval of Company’s internal documents except for internal documents regulating the activities of the Company’s bodies established by resolution of the General Meeting of Shareholders as well as other internal documents of the Company to be approved by executive bodies of the Company in accordance with the Charter, and approval of amendments thereto;
- 3.3.25. Approval of the Company’s internal document on the use of information regarding the Company’s activities, securities and transactions which is not publicly available and disclosure of which may have a material effect on the market value of Company’s securities;
- 3.3.26. Adoption of a decision concerning the appointment of the director of the structural unit performing the internal audit of the company, releasing him from the position he currently occupies, and approval of the Regulations on the indicated structural subdivision;
- 3.3.27. Establishment and liquidation of the Company’s branches, representative offices, adoption of regulations on branches and representative offices, making of amendments and supplements thereto;
- 3.3.28. Amendment of the Charter in respect of establishment of branches and representative offices of the Company and their liquidation;
- 3.3.29. Approval of major transactions in cases stipulated in Chapter X of the Federal Law on Joint Stock Companies;
- 3.3.30. Approval of transactions stipulated by Chapter XI of the Federal Law on Joint Stock Companies;
- 3.3.31. Approval of transactions worth 10 percent and more of the value of the Company’s assets determined on the basis of the financial statements of the Company as of the latest reporting date, performed in the ordinary course of operations of the Company;
- 3.3.32. Approval of transactions performed by subsidiary and related companies as well as companies where the Company indirectly, via its subsidiaries, holds a stake in the charter capital in excess of 50%, and involving acquisition, disposal, or a possibility of disposal by the aforesaid companies, directly or indirectly, of property the value of which constitutes 25 percent and more of the book values of the assets of the above companies determined on the basis of their financial statements as of the latest reporting date but not less than 100,000,000 (one hundred million) roubles other than:
- the transactions performed by the companies concerned in the ordinary course of their operations;
 - the transactions involving the granting by the companies concerned of a collateral to secure the obligations of the Company and/or its subsidiary and related companies to credit institutions, foreign banks or state corporations;
- 3.3.33. Adoption of the Company’s registrar and the terms and conditions of agreement therewith and termination of the agreement with the registrar;
- 3.3.34. Adoption of decision on inspection of the financial and business activities of the Company at any time;

- 3.3.35. Adoption of decision to suspend the authority of the management entity;
- 3.3.36. Determination of the list of additional documents to be kept by the Company;
- 3.3.37. Evaluation of performance of plans and budgets by executive bodies of the Company;
- 3.3.38. Establishment of committees of the Board of Directors, approval of regulations thereon and election of chairmen and members thereof;
- 3.3.39. Adoption of a decision concerning the appointment of the Corporate Secretary of the Company (hereinafter – the Corporate Secretary), releasing him from the position he currently occupies, and approval of regulations concerning the Corporate Secretary of the Company;
- 3.3.40. Review of proposals of the shareholders with respect to candidates to the Board of Directors, Audit Committee and adoption of decisions on including the candidates in the nominees' lists for voting at the General Meeting of Shareholders;
- 3.3.41. Review of the motions received from shareholders:
- regarding the items to be included in the agenda of the General Meeting of Shareholders;
 - regarding the convening of extraordinary General Meeting of Shareholders and adoption of the decision to convene or refuse to convene it within 5 (five) days;
- 3.3.42. Circulation of the decision to convene an extraordinary General Shareholders Meeting or motivated refusal to convene it to the persons concerned no later than three (3) days from adopting such decision;
- 3.3.43. Resolution of matters related to the preparation and holding of the General Meeting of Shareholders, including the determination of:
- the form, date, place and time of holding of the General Meeting of Shareholders;
 - the starting time for registration of persons attending the General Meeting of Shareholders;
 - the postal address to which completed voting ballots may be sent or in case of a General Meeting of Shareholders held in absentia, the ballot submission date and the postal address to which completed voting ballots should be sent;
 - the date of preparation of the list of persons entitled to attend the General Meeting of Shareholders;
 - procedure for giving notice of General Meeting of Shareholders to shareholders;
 - the list of information/materials to be provided to the shareholders in preparation for the General Meeting of Shareholders, and information distribution procedure;
 - the voting ballot form and text in case of voting in absentia;
 - reviewing and submission of the procedure for holding the General Meeting of Shareholders to the General Meeting of Shareholders for approval; and
 - any other matters referred to the competence of the Board of Directors in accordance with provisions of Chapter VII of the Federal Law on Joint Stock Companies and related to the preparation and holding of the General Meeting of Shareholders.
- 3.3.44. Submission of the following proposals to the General Meeting of Shareholders for approval:
- 3.3.44.1. Introduction of changes and additions to the Charter or approval of the revised version of the Charter (except cases provided in paras 2-6, Article 12 of the Federal Law on Joint Stock Companies);
- 3.3.44.2. Reorganization of the Company;
- 3.3.44.3. Liquidation of the Company, appointment the Liquidation Commission and approval of intermediate and final liquidation balances;

- 3.3.44.4. Increase in the Company's charter capital by means of increasing the nominal share value;
- 3.3.44.5. Increase in the Company's charter capital by means of placing shares by closed subscription;
- 3.3.44.6. Increase in the Company's charter capital by means of placing shares by open subscription to ordinary shares accounting for over 25 percent of the previously placed ordinary shares;
- 3.3.44.7. Increase in the Company's charter capital by means of placing shares by open subscription to ordinary shares in the amount of 25 and less percent of the previously placed ordinary shares in case the Board of Directors fails to reach unanimity on this issue;
- 3.3.44.8. Increase in the Company's charter capital by means of placing additional shares within the quantity and categories (types) of authorized shares using Company's assets when placement of additional shares is carried out by means of their purchase by shareholders in case the Board of Directors fails to reach unanimity on this issue;
- 3.3.44.9. Increase in the Company's charter capital by way of placing additional preferred shares within the quantity of authorized shares of this category (type) by means of open subscription if the Board of Directors fails to reach unanimity on this issue;
- 3.3.44.10. Decrease in the Company's charter capital by means of decrease in the nominal share value, acquisition of shares by the Company in order to reduce their total quantity, and by means of redeeming acquired and bought out shares of the Company (shares at the Company's disposal);
- 3.3.44.11. Adoption of decisions on handling the application on delisting of the Company's shares or the Company's equity securities converted to shares;
- 3.3.44.12. Splitting and consolidation of shares;
- 3.3.44.13. Adoption of decisions on approval of transactions in cases set forth in Article 83 of the Federal Law on Joint Stock Companies;
- 3.3.44.14. Adoption of decisions on approval of major transactions in cases set forth in Article 79 of the Federal Law on Joint Stock Companies;
- 3.3.44.15. Adoption of the decision on participation in holding companies, financial and industrial groups, associations and other unions of business entities;
- 3.3.44.16. Adoption of the decision on transfer of powers of the sole executive body of the Company to a business entity (management company) or sole proprietor (manager) under a contract;
- 3.3.44.17. Approval of internal documents regulating the activity of the Company's bodies;
- 3.3.44.18. Adoption of the decision on payment of remuneration to the members of the Audit Committee and/or compensation of expenses incurred in the performance of their responsibilities.
- 3.3.45. Adopting a decision concerning listing of shares of the Company and (or) securities of the Company convertible into shares of the Company;
- 3.3.46. Approval of general policy with regard to risk control and the Company internal audit;
- 3.3.47. Approval of information policy of the Company;
- 3.3.48. Approval of the Company's policy with regard to rewarding of and (or) reimbursement of expenses (compensation) of members of the Board of Directors, executive bodies and other key managerial personnel of the Company;
- 3.3.49. Approval of the Company's policy with regard to the Board of Directors members' possession of the Company's shares or shares of legal entities under the control of the Company;
- 3.3.50. Approval of dividend policy of the Company;
- 3.3.51. Definition of development strategy, examination of significant issues regarding operations of legal entities under the control of the Company and evaluation of operation results of the entities;

3.3.52. Adoption of recommendations in relation to voluntary or obligatory proposal proceeded to the Company;

3.3.53. Approval of transactions on sale of stock (shares) of legal entities under the control of the Company that are significant for the Company with consequent loss of such control after completion of the transactions.

3.3.54. Any other issues set forth in the Federal Law on Joint Stock Companies and the Company's Charter as well as referred to the competence of the Executive Committee and/or the Chief Executive Officer, accepted by the Board of Directors for consideration.

3.4. The matters within the competence of the Board of Directors may not be referred to executive bodies of the Company for resolution.

4. BOARD OF DIRECTORS AND ITS FORMATION

4.1. All members of the Board of Directors shall be elected by the General Meeting of Shareholders. The number of members of the Board of Directors shall be determined by resolution of the General Meeting of Shareholders but shall not be less than 7 (seven) members for the term until the next annual General Meeting of Shareholders. Members of the Board of Directors shall be elected by a cumulative vote.

If an annual General Meeting of Shareholders was not held within the time-limits set forth in Article 47 (1) of the Federal Law on Joint Stock Companies, the powers of the Board of Directors shall be terminated except for the authority to prepare, convene and hold the annual General Meeting of Shareholders.

In case of expiry of the term of the Board of Directors, and the failure of the annual General Meeting of Shareholders to elect members of the Board of Directors in the number constituting a quorum for holding a meeting of the Board of Directors, the powers of the Board of Directors shall be terminated except for the authority to prepare, convene and hold the General Meeting of Shareholders.

4.2. A member of the Board of Directors may not be a Company shareholder. Only a natural person may be a member of the Board of Directors.

4.3 The composition of the Board of Directors must include persons, each of whom possesses sufficient independence for forming his own position and is capable of making objective judgments, independent of the influence of the executive bodies of the Company, individual groups of shareholders, or other interested persons, and also possesses a sufficient degree of professionalism and experience (hereinafter – an independent director). The number of independent directors must amount to no less than one third of the composition of the Board of Directors and must be no less than three:

A member of the Board of Directors may not be an independent director, if he:

- is connected with the Company;
- is connected with a significant shareholder of the Company;
- is connected with a significant contractor of the Company;
- is connected with a competitor of the Company;
- is connected with the state (the RF, federal subject of the RF) or a municipal entity.

Determination of the independence of members of the Board of Directors is made in accordance with the Criteria of determining independence of members of the Board of Directors provided in Appendix to these Regulations (hereinafter – Criteria).

4.4. A member of the Board of Directors elected as an independent director in case of an event resulting to incompliance with the Independence criteria of the member and (or) connected persons, must inform the Board of Directors on the loss of independent director's status within 3 (three) working days from the moment of the loss of the status.

4.5. A member of the Board of Directors may at any time voluntarily resign upon written notification to the Board of Directors indicating the date of resignation.

4.6. The General Meeting of Shareholders may at any time pass a resolution on early termination of powers of the whole Board of Directors.

In case of early termination of powers of the Board of Directors, the powers of the new Board of Directors elected by an extraordinary General Meeting of Shareholders shall continue effective until the next annual General Meeting of Shareholders.

4.7. The persons elected to the Board of Directors may be re-elected an unlimited number of times except for the Independent Directors who may not be members of the Board of Directors for more than 7 (seven) years.

4.8. The shareholder(s) of the Company holding a total of at least 2% of the Company's voting shares may, within no more than 60 days after the end of the financial year of the Company, nominate candidates to the Board of Directors whose number may not exceed the number of members of the Board of Directors.

For making shareholders' proposals on nominating candidates to the Board of Directors of the Company including self-nomination, the application shall specify the full name, ID data (series and/or number of document, date and place of issue, issuer) of each nominee, year of birth, education (specifying the educational institution graduated), information on positions, including positions with management bodies of other legal entities for the last five (5) years, and contact details. A written consent of the candidates nominated to the Board of Directors shall be attached to the application.

Proposals on nominees shall be submitted in writing to the Chairman of the Board of Directors or Corporate secretary specifying the name of the shareholder(s) submitting them and the quantity and category (type) of the shares owned. The proposals shall be signed by the shareholder(s).

4.9. The Board of Directors of the Company is obligated to review the proposals received and adopt a decision on inclusion of the candidates in the list of nominees for election to the Board of Directors or refusal no later than 65 days from the end of the financial year.

A motivated decision of the Board of Directors to refuse to include candidates in the nominees' list for election to the Board of Directors shall be sent to the shareholder(s) submitting the proposal no later than 3 (three) days of taking the decision.

4.10. In case of absence or insufficient number of candidates nominated by shareholders to the Board of Director, the Board of Directors may include candidates in the nominees' list at its option.

5. RIGHTS AND DUTIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

5.1. For exercising their rights and performing their duties members of the Board of Directors shall act for the benefit of the Company, exercise their rights and perform their duties with respect to the Company reasonably and in good faith.

5.2. A member of the Board of Directors shall:

- take part in the meetings of the Board of Directors and Board committees, in particular, in discussions of agenda items at meetings of the Board of Directors and voting on such items;
- act within his/her powers in accordance with the goals and objectives of the Board of Directors;
- not disclose and not use for his/her personal benefit or for the benefit of third parties any confidential information and documentation of the Company constituting official or commercial secrets including insider information;
- send in due time to the Corporate Secretary voting ballots for decision-making of the Board of Directors in case of absentee vote;
- notify in due time the Corporate Secretary on his/her inability to attend a forthcoming meeting of the Board of Directors specifying the reasons;
- inform the Corporate Secretary about the address to which the Board of Directors should send documents addressed to him/her;
- inform the Company, by submitting notification to the Company within 10 (ten) days from the date of the corresponding operation, on holding of the Company's securities, on operations performed with the Company's securities and on conclusion of contracts representing derivative securities with the Company's securities as underlying asset;
- inform the Board of Directors about proposed transactions in which he/she may be deemed an interested party;
- refrain from any action which will, or may potentially, result in a conflict between their interests and those of the Company, and in case of any conflict, inform the Board of Directors in writing about such conflict;
- inform the Board of Directors about legal entities in the management bodies of which he occupies a position and/or is an employee, or legal persons to which he renders consultation services (services of an appraiser, tax consultant, auditing or accounting services);
- do not accept gifts from parties interested in decisions making, as well as not to use any direct or indirect benefit provided by the parties interested (excluding symbolic courtesies in accordance with the generally accepted rules of politeness or souvenirs at official events).

5.3. A member of the Board of Directors may:

- participate in taking decisions on issues related to the competence of the Board of Directors and introduce proposals regarding the Company's activities at the meetings of the Board of Directors within the competence determined by the existing legislation of the Russian Federation, the Charter and these Regulations. In case of their disagreement with any decision taken he/she may submit his/her dissenting opinion and demand that it should be attached to the minutes;

- receive from the Company’s officers in due order additional information required for taking decisions with respect to agenda items of the meeting of the Board of Directors. Officials of the Company shall be liable for failure to submit such information ;
- demand to convene a meeting of the Board of Directors;
- receive remuneration and compensation for performing his/her responsibilities under the decision of the General Meeting of Shareholders and according to the procedure set forth by these Regulations;
- at any time voluntarily resign upon written notification to the Chairman of the Board of Directors.

6. CHAIRMAN OF THE BOARD OF DIRECTORS

6.1. The Chairman of the Board of Directors shall organize the effective work of the Board of Directors and its cooperation with other bodies of the Company.

6.2. Chairman of the Board of Directors shall be elected by the members of the Board of Directors from its members by a majority of votes of the total number of the members of the Board of Directors, with the votes of retired members of the Board of Directors disregarded.

6.3. The person performing the functions of the sole executive body of the Company may not simultaneously be Chairman of the Board of Directors.

6.4. The Board of Directors may at any time re-elect its Chairman. The decision shall be adopted by a majority of votes of the total number of the members of the Board of Directors, with the votes of retired members of the Board of Directors disregarded.

6.5. The Chairman of the Board of Directors shall organize its work, convene meetings of the Board of Directors, chair thereat and arrange the minutes thereof.

6.6. In the absence of the Chairman of the Board of Directors, his/her functions shall be performed by a member of the Board of Directors by decision of the Board of Directors.

6.7. The Chairman of the Board of **Directors may sign:**

- employment agreement (contract) with the Chief Executive Officer;
- minutes of meetings of the Board of Directors;
- extracts from the minutes of General Meetings of Shareholders and meetings of the Board of Directors;
- any other documents referred to the competence of the Board of Directors.

7. COMMITTEES OF THE BOARD OF DIRECTORS

7.1 For preliminary review of the most important matters related to the competence of the Board of Directors, and preparation of recommendations to the Board of Directors for taking decisions on such matters, committees shall be established under the Board of Directors.

7.2. The Board of Directors may establish standing or ad hoc (for resolving particular matters) committees as it may deem necessary.

7.3. The number of members and work procedure of the committees shall be set forth in the regulations on respective committees to be approved by the Board of Directors.

8. MEETINGS OF THE BOARD OF DIRECTORS

8.1. Meetings of the Board of Directors shall be held on a regular basis in accordance with a Board Meeting Plan.

8.2. The first meeting of the Board of Directors shall be held no later than 1 (one) month from the date of the General Meeting of Shareholders that elected the Board of Directors. The indicated meeting may be convened and held by any member of the Board of Directors. The first meeting shall elect the Chairman of the Board of Directors, form its committees, and elect the chairmen and members of the committees.

Subsequently the meetings of the Board of Directors shall be held as needed but at least 1 (once) every quarter of the year.

8.3. The Board of Directors may hold its meetings in the following forms:

8.3.1. Simultaneous attendance of members of the Board of Directors in a particular place to discuss agenda items and take decisions thereon;

8.3.2. Simultaneous discussion of agenda items and taking decisions thereon using remote access facilities for unified audio-video conferencing ensuring protection against unauthorized access and reliable identification of meeting participants;

8.3.3. Reviewing of agenda items and taking decisions thereon without simultaneous discussion by means of completing ballots in writing (absentee vote).

8.4. Decisions on the matters listed below may be taken by a meeting of the Board of Directors held only in a form stipulated in subpara 8.3.1 – 8.3.2 of the present Regulations:
approval of the prioritized activities and the financial and business plan of the Company;
preliminary approval of the Company's annual report;
increase in the Company's charter capital by means of placing additional shares within the quantity and categories (types) of authorized shares.

8.5. Meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors upon his/her own initiative, upon request of a member of the Company's Board of Directors, Audit Committee or Auditor, Chief Executive Officer of the Company, shareholder(s) holding 10 or more percent of the voting shares of the Company, and a committee of the Board of Directors.

The request to convene a meeting of the Board of Directors should contain the full name of the meeting initiator, proposed agenda, reasons for discussing a particular matter and the form of meeting.

8.6. The agenda of the next meeting of the Board of Directors shall be determined by the Chairman of the Board of Directors jointly with the Chief Executive Officer or by the person(s) at whose initiative the Board of Directors is convened.

If necessary the Board of Directors may invite to its meetings specialists, Company's auditors and members of the Audit Committee.

The Chairman of the Board of Directors may include additional items in the agenda as well as postpone the review of planned items that may not be reviewed for reasons beyond the control of the Board of Directors.

8.7. On the instructions of the Chairman of the Board of Directors, the Corporate Secretary gives notice of a forthcoming meeting shall be to each member of the Board of Directors at least three (3) days prior to the meeting of the Board of Directors.

The notice shall specify the date, time and place, the form of meeting and its agenda. The required documents relating the items on the agenda of the meeting of the Board of Directors shall be attached to the notice.

8.8. The notice of the meeting of the Board of Directors and the documents relating to the items on the agenda of the meeting shall be sent to the members of the Board of Directors by facsimile or electronic communication devices.

The notice of the meeting of the Board of Directors and the documents relating to the items on the agenda of the meeting may not be passed over via other persons including other members of the Board of Directors.

8.9. In the event that a meeting of the Board of Directors is held by absentee vote, the Corporate Secretary shall circulate the following documents to each member of the Board of Directors:

agenda of the meeting of the Board of Directors;
documents relating to the items on the agenda of the meeting of the Board of Directors;
ballots for absentee vote.

8.10. The meetings of the Board of Directors shall elaborate specific decisions on items on the agenda.

8.11. The meeting of the Board of Directors shall be quorate (have a quorum) if at least 50% of the elected members of the Board of Directors take part in the meeting (absentee vote), and the attendance by at least one independent director, except for a quorum on matters to be resolved in accordance with the Federal Law on Joint Stock Companies and the Company's Charter unanimously, by a majority of three fourths of the votes or a majority of the members of the Board of Directors not related to the Company's transaction.

8.12. Decisions shall be adopted by the meeting of the Board of Directors by a majority of votes of the members of the Board of Directors taking part in the meeting (absentee vote) unless a bigger number of votes is stipulated by the Charter of the Company or the Federal Law on Joint Stock Companies for adopting relevant decisions.

8.13. Decisions on the following matters shall be adopted unanimously by all members of the Board of Directors:

- increase in the charter capital of the Company by means of placing additional shares within the quantity and categories (types) of authorized shares using the Company's assets when placement of additional shares shall be carried out through their purchase by the shareholders;
- increase in the Company's authorized capital by means of placing ordinary shares within the quantity and categories (types) by open subscription in the amount of 25 and less percent of the previously placed ordinary shares of the Company;
- increase in the Company's authorized capital by means of placing additional preferred shares within the quantity of authorized shares of this category (type) by open subscription;
- placement by the Company of bonds convertible into shares and other securities convertible into shares;
- approval of a major transaction related to property, with a value between 25 and 50 percent of the book value of the Company's assets.

If no unanimity of the Board of Directors is reached with respect to the above matters, the matters may be resolved by General Meeting of Shareholders.

Decisions on issues stated in subparas 3.3.1, 3.3.15, 3.3.21, 3.3.31-3.3.32, 3.3.44.1-3.3.44.11, 3.3.45, 3.3.50-3.3.53 of para 3.3 hereof shall be made by the majority of votes of all elected members of the Board of Directors.

The decision on approval of an interested party transaction shall be adopted by a majority of the members the Board of Directors not related to the transaction. If the number of directors not related to the transaction is less than the quorum determined by the Charter for holding a meeting of the Board of Directors, the decision on the matter shall be adopted by General Meeting of Shareholders.

If the number of shareholders – owners of voting shares in the Company exceeds 1000 (one thousand), approval of a transaction, in the implementation of which there is interest, is made by the Board of Directors by a majority of votes of independent directors, who do not have interest in its implementation. In the case where all members of the Board of Directors are considered to be interested persons and (or) are not independent directors, the transaction may be approved by the decision of the general meeting of shareholders.

8.14. For approval of the terms and conditions of contract with the Chief Executive Officer (management entity/manager) and members of the Executive Board, the votes cast by members of the Board of Directors who are Chief Executive Officer and members of the Executive Board shall not be taken into account.

8.15. Each member of the Board of Directors shall have one vote at the meeting of the Board of Directors.

Vote transfer by a member of the Board of Directors to another person including another member of the Board of Directors shall not be allowed.

In case the number of votes of the members of the Board of Directors is equal, the Chairman of the Board of Directors shall have a decisive vote.

8.16. For determining the quorum and voting results with respect to items on the agenda, a written opinion of the member of the Board of Directors absent from the Meeting of the Board of Directors shall be considered for the meetings held in the forms specified in subparas. 8.3.1 - 8.3.2 hereof.

8.17. An opinion in writing (sent and received by means of telephone or electronic communication also) should be submitted by the member of the Board of Directors before the meeting of the Board of Directors. The written opinion of a Board Member may contain his/her

voting both on all items on the agenda and particular items. The written opinion of a member of the Board of Directors shall be considered only for determining the quorum and the voting results with respect to agenda items voted by the member of the Board of Directors.

If a copy of the written opinion of a member of the Board of Directors was not included in the information (materials) distributed to the members of the Board of Directors prior to the meeting, the Chairman of the Meeting shall announce the written opinion of the member of the Board of Directors absent from the meeting of the Board of Directors before voting on the agenda items regarding which the opinion was submitted.

In case the member of the Board of Directors is attending the meeting of the Board of Directors, his/her written opinion received prior to the meeting shall not be announced and considered for determining the quorum and the voting results.

8.18. The decisions of the Board of Directors made within its competence shall be binding on the executive bodies and officials of the Company.

8.19. The minutes of the meeting of the Board of Directors shall be prepared no later than 3 (three) days after the meeting.

The minutes shall specify: venue and time of the meeting; persons attending the meeting; meeting agenda; items put to vote and voting results; decisions taken.

The minutes shall be signed by Chairman of the Board of Directors or the meeting chair elected by a simple majority of the votes of the members of the Board of Directors attending the meeting, and two members of the Board of Directors, named by the Chairman of the Board of Directors.

8.20. Minutes should be numbered consecutively from the beginning of the financial year. Completed and signed minutes shall be kept at the premises of the CEO.

8.21. The Chief Executive Officer shall provide for the necessary conditions for the performance by the Board of Directors of its functions including providing premises with modern communication devices, access to copying, reprographics and computer equipment.

9. RESPONSIBILITIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

9.1. For exercising their rights and performing their duties the members of the Board of Directors shall act for the benefit of the Company and exercise their rights and perform their duties with respect to the Company reasonably and in good faith.

9.2. The members of the Board of Directors of the Company shall be held liable:

to the Company for damages caused by the Company by their guilty actions (inactivity) unless other grounds and liability amount are established by federal laws;

to the Company or shareholders for damages caused by their guilty actions (inactivity) violating the Company's share acquisition procedure established by the Federal Law on Joint Stock Companies.

However, no liability shall be incurred by the Members of the Board of Directors who voted against a decision that resulted in damages upon the Company, or those who did not take part in the vote.

9.3. The Members of the Board of Directors shall be liable to the Company or shareholders for damages caused to the Company as a result of disclosing or using for personal interest or third parties' interest the confidential information of the Company including information constituting Company's commercial secret and insider information. The list of information deemed Company's confidential information including information constituting Company's commercial secret as well as insider information shall be determined by internal documents of the Company to be read and understood by the Members of the Board of Directors against signature. Each member of the Board of Directors is obliged to sign an agreement with the Company not to disclose confidential information (including information constituting commercial secret and insider information) that he/she becomes aware of in connection with the performance of functions of the member of the Board of Directors.

10. REMUNERATION AND COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

10.1. In accordance with the decision of the General Meeting of Shareholders, members of the Board of Directors, during the period of performing their duties, may be remunerated and/or compensated for expenses connected with performing duties of members of the Board of Directors. Amounts of these rewards and compensations shall be established by the decision of the General Meeting of Shareholders.

10.2. During the period of performing their duties the members of the Board of Directors shall be compensated for their expenses documented in accordance with the laws of the RF and related to the performance of Board members' functions. Each member of the Board of Directors is entitled to compensation of expenses incurred in performing his/her responsibilities. The expenses to be compensated include documented expenses for payment of air and railway tickets purchased for the member of the Board of Directors regardless of the travel class, and other expenses for travelling to the destination and back; representative expenses; accommodation costs; airport fees, commissions, costs of transfer to the airport or railway station at places of departure, destination or transfer.

10.3. The remuneration of a member of the Board of Directors and remuneration conditions shall be set forth in an agreement to be concluded between the Company and the member of the Board of Directors in accordance with the decision of the General Meeting of Shareholders.

10.4. In case of early termination of powers of the members of the Board of Directors the amount of remuneration due shall be determined proportionally to the actual time of performance of their duties.

10.5. The compensations shall be payable within 10 (ten) days from the submission of the application for compensation payment and all the required supporting documents.

10.6. The General Meeting of Shareholders may consider the payment of remunerations and compensations to members of the Board of Directors for performing their duties as a separate item on the agenda of the General Meeting of Shareholders or as part of the item on profit distribution based on the results of the financial year.

11. FINAL PROVISIONS

11.1. These Regulations on the Board of Directors as well as all supplements and amendments hereto shall be approved by the General Meeting of Shareholders.

11.2. Proposals on amendments and supplements hereto shall be made in the manner set forth in the Charter for including proposals in the agenda of an annual or extraordinary General Meeting of Shareholders.

APPENDIX
to the Regulations concerning the Board of Directors of PJSC LSR Group**CRITERIA FOR DETERMINING THE INDEPENDENCE OF MEMBERS OF THE
BOARD OF DIRECTORS OF PJSC LSR GROUP**

These Regulations establish the independence criteria for members of the Board of Directors of the Company, including the connectedness criteria and their essence.

1. A significant shareholder of the Company is a person who has a direct or indirect right (through persons under his control), independently or together with other persons, connected with him by an agreement for confidential management of the property, and (or) simple partnership, and (or) instruction, and (or) shareholder agreement, and (or) an agreement, the subject of which is the realization of the rights certified by shares (portions) of the Company, to direct 5 (five) and more percent of votes attributable to voting shares, constituting the charter capital of the Company.
2. A significant contractor of the Company is a person who is a party to a contract (contracts) with the Company, the scope of obligations according to which at the present time or the scope of obligations met according to which during the last year amount(s/ed) to 2 (two) and more percent of the carrying amount of the consolidated assets of the Company or of this person on the reporting date, preceding the moment of evaluation of the significance of the contractor, or 2 (two) or more percent of the consolidated revenue (proceeds) of the Company or of this person for the completed calendar year, preceding the moment of evaluation of the significance of the contractor. If the contractor does not have a consolidated financial report, the contractor's accounting report can be used for comparison.
3. Connected persons of a physical person are: spouse, parents, children, adopters, adoptees, full or half brothers and sisters, and also another person living together with the indicated physical person and keeping a common household with him.
4. A person and (or) persons connected with them must be considered as a person and (or) persons **connected with the Company** if they:
 - 1) are or in the course of the last 3 (three) years were members of executive bodies or employees of the Company, an organization under the control of the Company and (or) managing organization of the Company;
 - 2) received remuneration and (or) other material benefits from the Company and/or organizations under its control during any of the last 3 (three) years in an amount exceeding half of the amount of the base (fixed) annual remuneration of a member of the Board of Directors of the Company* ;

*The actual income received from the Company and (or) organizations under its control during any of the last 3 (three) years is compared with the level of the base (fixed) remuneration to be paid to independent directors at the time of evaluating the independence, according to the policy of remuneration of members of the Board of Directors of the Company. If there is no remuneration policy or it is inaccessible, the base (fixed) remuneration actually approved for such directors according to the results of the last annual general meeting of shareholders is used as an evaluation of the expected base (fixed) remuneration of a director. Payments and (or) compensations, which the indicated persons received as remunerations and (or) reimbursement of expenses for performance of the duties of a member of the Board of Directors of the Company and (or) an organization under his control, including those connected with the insurance of their responsibility as members of the Board of Directors, and income and other

- 3) are owners of shares or beneficiaries of shares of the Company^{**}, which amount to more than 1 (one) percent of the charter capital;
- 4) are members of executive bodies and (or) employees of a legal person, the remuneration of which is determined (considered) by a committee of the Board of Directors for remunerations of this legal person, if the member of the executive bodies and (or) employee of the Company is included in the composition of the committed for compensations of the indicated legal person;
- 5) renders consultation services to the Company, a person controlling the Company, or legal persons under the control of the Company, or are members of the executive bodies of organizations rendering such services to the Company or to the indicated legal persons, or employees of such organizations, directly participating in rendering such services;
- 6) renders, or rendered in the last 3 (three) years, the services of an appraiser, tax consultant, auditing or accounting services to the Company, a person controlling the Company, or legal persons under its control during the last 3 (three) years, or were members of executive bodies of organizations that rendered such services to the indicated legal persons, either of a rating agency of the Company, or were employees of such organizations or a rating agency, that directly participated in rendering the corresponding services to the Company during the last 3 (three) years.

A person who occupied the position of a member of the Board of Directors of the company for a total of more than 7 (seven) years also must be recognized as a person connected with the Company. In calculating the corresponding period, it is necessary to take account of the period of membership of the director in the Board of Directors of a legal person, subsequently reorganized, if this director has now been elected to the Board of Directors of the legal heir.

5. A person and (or) persons connected with them must be considered as a person and (or) persons **connected with the Company** if they:

- 1) are employees and (or) members of executive bodies of a substantial shareholder of the Company (legal persons, controlling the substantial shareholder of the Company);
- 2) received remuneration and (or) other material benefits from a substantial shareholder of the Company (legal persons, controlling the substantial shareholder of the Company or organization under his control (if information concerning the organizations under control of the substantial shareholder is accessible)) during any of the last (3) three years in an amount exceeding half of the amount of the base (fixed) annual remuneration of a member of the Board of Directors^{***}.

6. A person and (or) persons connected with them must be considered as a person and (or) persons **connected with the Company** if he:

- 1) is an employee and (or) a member of management bodies of a substantial contractor or competitor of the Company;

payments received by the indicated persons for securities of the Company and (or) an organization under its control, are not considered in the analysis of material benefits.

^{**} A beneficiary of shares of the company is a physical person who receives an economic benefit for shares of the Company on the basis of an agreement or in another ultimately directly or indirectly (through third persons).

^{***} Payments and (or) compensation that the indicated persons received as remuneration and (or) reimbursement of expenses for performance of the duties of a member of the Board of Directors of the Company (committee of the Board of Directors) of a substantial shareholder of the Company (legal persons, controlling a substantial shareholder of the Company or organizations under his control), including those connected with the insurance of their responsibility as members of the Board of Directors, and income and other payments received by the indicated persons for securities of the substantial shareholder of the Company (legal persons controlling the substantial shareholder of the Company or organizations under his control) are not considered in the analysis of material benefits.

2) is an owner of shares (portions) or a beneficiary for shares (portions) of a substantial contractor or competitor of the Company, that amount to more than 5 (five) percent of the charter capital or total amount of voting shares (portions).

7. A person and (or) persons connected with them must be considered as a person and (or) persons **connected with the Company** if he:

1) is or was for 1 (one) year preceding election to the Board of Directors of the Company, a state or municipal employee, or employee of the Bank of Russia;

2) is a representative of the RF, a federal subject of the RF, or municipal entity in the board of directors of company in relation to which a decision is made concerning the use of a special right to participate in management (“gold share”);

3) has an obligation to vote on one or more questions of the competence of the Board of Directors of the Company in accordance with a directive of the RF, a federal subject of the RF, or a municipal entity;

4) is or was for 1 (one) year preceding election to the Board of Directors of the Company, an employee, member of an executive body of an organization under the control of the RF, a federal subject of the RF, or a municipal entity, an employee of a state or municipal unitary enterprise or institution (employees of higher educational or scientific institutions, except for those approved for the position by a decision of governmental agencies, constitute an exception), if the indicated person is proposed to election to the Board of Directors of the Company, in which more than 20 percent of the charter capital or voting shares of the Company are under the control of the RF, a federal subject of the RF, or a municipal entity.