

Explanatory Note
to Revised Draft Regulation on the Board of Directors of PJSC LSR Group Proposed for the
Meeting of Shareholders of PJSC LSR Group of 6/9/2017.

Amendments to the effective Regulation on the Company Board of Directors approved by the Meeting of Shareholders of 4/7/2015 (the “Regulation”) are mainly based on the need to bring the Regulation in accordance with the amended legislation of the Russian Federation, recommendations of the Bank of Russia and planned amendments to the Listing Rules of PJSC Moscow Exchange (the “Listing Rules”).

The following major amendments and supplements to the Regulation are introduced:

I. According to the recommendations of the Bank of Russia:

1. Procedure for assessing compliance of candidates for members of the Board of Directors with independence criteria is specified.
2. Right of the Board of Directors to declare a member (a candidate for members of the Board of Directors) of the Board of Directors to be independent, despite any formal criteria of affiliation with the Company, Company major shareholders, Company counterparties, Company competitors, state or municipal authorities if such affiliation does not affect the ability of the respective entity to make independent, objective and honest judgments is recognized.
3. Responsibility of the Board of Directors to ensure prompt disclosure of information on identified circumstances due to which a member of the Board of Directors is no longer independent is recognized.
4. Additional responsibilities of a member of the Board of Directors are included:
 - not to disclose or use in personal interests or in the interests of third parties any confidential information and documents of legal entities controlled by the Company constituting business or commercial secrets, including insider information;
 - not to carry out activities that are deliberately aimed at causing harm to the Company.
5. Additional responsibilities of the Chairman of the Board of Directors are included:
 - to ensure effective work of the committees of the Company Board of Directors, including taking the initiative to nominate members of the Board of Directors to committees of the Board of Directors based on their professional and personal qualities and taking into account proposals of the members of the Board of Directors on formation of the committees;
 - to maintain continual contacts with other Company bodies and officials in order to obtain the most complete and reliable information required by the Board of Directors to make decisions in due time and take all required steps to provide information to the members of the Board of Directors required for making decisions on the items of the agenda in due time.

II. According to the legislation:

6. Competence of the Company Board of Directors is extended with the following authority: to approve the agreement on shareholder’s contribution to Company property.
7. Procedure for making decisions by the Board of Directors on major transactions and related party transactions is changed.

III. In accordance with the planned amendments to the Listing Rules, the Regulation includes Criteria for assessing independence of the members of the Board of Directors applicable since 10/1/2017.