

THE BOARD

of Directors' Report on the Results of Work for 2018

The Board of Directors of Evropeyskaya Elektrotehnika carries out general management of the Company's activities. The main functions of the Board of Directors are to determine the priority areas of activity; manage and control financial and economic operations of the Company; ensure the exercise of the rights of its shareholders; and monitor and control the operations of the administration.

The decisions of the Board of Directors of the Company are aimed at:

- ▶ determining priority directions of the Company's operations;
- ▶ increasing the efficiency of work in the regions of operations on the territory of the Russian Federation and abroad;
- ▶ arranging the work with partners;
- ▶ developing new and improving existing corporate documents of the Company;
- ▶ ensuring the information transparency of the Company.

The competent policy of the management allowed the Company to continue implementing its strategic priorities.

In 2018 the Company achieved great success in corporate government development. We understand importance of the Company's corporate government level for our shareholders and future investors. Therefore, in the beginning of the year the Board of Directors developed a corporate government improvement roadmap. The roadmap sets out ambitious tasks for all participants of the process. The Board of Directors triggered development of a number of internal documents regulating the Company's bodies activities and defining the policy for different spheres of corporate government.

To provide equal and fair treatment of all shareholders in their right to participate in the Company's management, the Regulations on the General Meeting of Shareholders were approved specifying the procedures of General Meeting arrangement, and an easy way for shareholders communication with the Chairman of the Board of Directors, the Senior Independent Director, and the Corporate Secretary was arranged. The Company has made provisions to inform the shareholders about the next meeting and the agenda not later than in 30 days before the date, so the shareholders can prepare to the meeting in a proper way and to send their opinions on the agenda, ask questions to the members of the Board of Directors and the CEO.

The Board of Directors defined main principles and approaches to arrangement of the Company's Risk Management and Internal Control System, developed and approved the Risk Management and Internal Control Policy specifying mandatory principles and determining the approach to the Risk Management and Internal Control System. A new department was established - the Internal Control and Risk Management Service - with its functions and tasks determined.

The Company's Internal Audit Department, which was also created in 2018, evaluated the Risk Management and Internal Control System and made conclusions on the results of audit and recommendations on improvement.

One of the most significant changes in the documents was approval of a new revision of PJSC Evropeyskaya Elektrotehnika Charter.

The new revision of the Charter incorporated not only new statutes of the Russian Federation legislation, but also a number of notional regulations of the Corporate Government Code, which is recommended to be used by the Central Bank of the Russian Federation.

The main document of the Company expanded a list of issues of the Board of Directors competence and highlighted the most critical ones, the decisions on which could be taken by a majority of all elected members of the Board of Directors, that is a significant factor for management decisions.

The regulations on the Corporate Secretary were incorporated into the Charter for the first time specifying the Corporate Secretary's legal status, role and functions. The main goal of all the regulations of the Charter mentioned above is to show the shareholders and the future investors that observance of the shareholders' rights is one of the critical priorities of the Company.

The new revision of the Regulations on the Board of Directors of PJSC Evropeyskaya Elektrotehnika contains new significant provisions on the role of the Senior Independent Director in taking the decisions of the Board of Directors, since the independent directors being the representatives of the minority shareholders independent from the management and the majority shareholders are supposed to enhance effective and stable work of the Board of Directors, facilitate a constructive dialogue between the Company's shareholders and management, and increase a level the shareholders can control over the Company's and the Board's activities.

The Company has Audit, Remuneration, and Nomination (HR) Committees of the Board of Directors in place, which are headed by the independent directors and act according to approved internal documents.

The Board of Directors has determined the Company's information policy and a person responsible for the policy implementation, developed and approved the Regulations on the Information Policy.

In the reporting year, the governing bodies of the Company according to their competences approved the following internal documents:

- ▶ the Charter (Revision No. 2);
- ▶ the Regulations on the General Meeting of Shareholders;
- ▶ the Regulations on the Board of Directors (Revision No. 1);
- ▶ the Regulations on the Audit Committee;
- ▶ the Regulations on the Remuneration Committee;
- ▶ the Regulations on the Nomination (HR) Committee;
- ▶ the Regulations on the CEO;
- ▶ the Regulations on the Corporate Secretary;
- ▶ the Regulations on remunerations for the members of the Board of Directors;
- ▶ the Policy on the remuneration and reimbursement of expenditures (compensations) for the members of the Board of Directors, executive bodies, and other key executives of the company;
- ▶ the Policy on Internal Audit;
- ▶ the Anticorruption Policy;
- ▶ the Policy on Conflicts of Interest Management;
- ▶ the Regulations on the Information Policy;
- ▶ the Risk Management and Internal Control Policy;
- ▶ the Code of Ethics.

In December 2018, a plan of activities to improve PJSC Evropeyskaya Elektrotehnica corporate government was developed for year 2019. The plan is aimed at meeting the requirements of the Report on Observing the Corporate Governance Code being a part of the issuer's Annual Report and improving the corporate procedures and documents being effective in the Company.

The Board of Directors declares that PJSC Evropeyskaya Elektrotehnica observes the principles of corporate government specified in the Code of Corporate Government recommended for use by the Central Bank of the Russian Federation. When these principles are not observed or are observed partially, an explanation on failure to observe shall be provided in the Report on Observing the Code of Corporate Government (being an Appendix to the present Annual Report) principles and recommendations by PJSC Evropeyskaya Elektrotehnica.

Self-assessment of the Board of Directors and its Committees performances was made in the reporting year. The results of assessment demonstrated that the new corporate government procedures introduced in the Board activities have greatly influenced the increase in the Company's corporate government level in 2018. 100% attendance of the Board of Directors and Committees meetings, active participation of all the Board members, informativity of speeches and open dialogue, contribution of the Chairman and the Senior Independent Director to the Board work in 2018 were also mentioned.

The Board of Directors analysed own needs as related to professional competence, experience, and business skills of the Board of Directors members, correspondence of the quantitative composition of the Board of Directors to the Company's needs and correspondence of the Committees membership to the Board's tasks and the Company's goals. Basing on the results of the analysis, it was decided that the quantitative composition, professional competence, experience, and business skills of the Board of Directors members corresponded to the Company's needs, the Committees membership corresponded to the Company's goals and tasks, and there was no need to create additional committees within the Board.