

*Non-binding translation from Russian into English*

**APPROVED**  
**on March 09, 2017**

By the Board of Directors  
of the PJSC «M.video»  
(Board Minutes №118/2017 dated 09.03.2017)

Chairman of the Board of Directors

/John Coleman/

**REGULATION**  
**ON THE AD-HOC (TERMPORARY) SPECIAL COMMITTEE**  
**OF THE BOARD OF DIRECTORS**

**Public joint-stock company**  
**“M. video”**

**Moscow, 2017**

## **1. General provisions**

- 1.1. This Regulation on the ad-hoc (temporary) Special Committee (hereinafter - “the Regulation” and “the Committee”) of the Board of directors of the Public Joint Stock Company “M.video” (hereinafter - “the Board” and “the Company”) has been drafted according to the laws of Russia (hereinafter - “the Laws”), the Charter of the Company, Regulation on the Board of directors of the Company and recommendations of the Company’s Code of Corporate Governance and Code of Corporate Governance adopted by the Central Bank of Russia (hereinafter – “the Code”).
- 1.2. This Regulation defines functions and authority of the Committee, elections, termination of the authorities, rights and responsibilities of the members, procedures for running of the Committee’s activity and making decisions by the latter.
- 1.3. The Committee is a collegial body under the Board facilitating latter by preliminary consideration and preparation of recommendations and/or proposals regarding the most important issues of the Company’s business.
- 1.4. The Committee is set up to facilitate the effective performance by the Board of its strategic management function and is meant to consider, on a preliminary basis, the most important issues including material corporate actions<sup>1</sup>, particularly the Public Offer of Safmar Group (hereinafter – the “Buyer”) on acquisition of the Company’s shares owned by the minorities after closing by the Company’s controlling shareholders of the agreement on sale to the Buyer of their beneficial ownership of the Company’s shares (hereinafter – “the Public Offer/PO”) and preparation of the proposals to the Board for decision making and issue of the recommendation related to the Public Offer as provided by the Laws.
- 1.5. All recommendations of the Committee serve as guidelines and a thus are non-binding to the Board.

## **2. Election procedures, composition and dismissal of the Committee**

- 2.1. The Committee shall consist of at least 3 (three) members. Composition of the Committee in terms of its quantity and members is defined by a simple majority vote of all members of the Board participated in the voting.
- 2.2. The Chairman of the Committee is elected by the Board from the Committee’s members by a simple majority vote of all members of the Board, participated in the voting. The Chairman of the Committee is responsible for managing the Committee’s activity.
- 2.3. The term of office of the Committee’s members shall terminate when one of the following events occurs depending on which comes first (i) upon the issue by the Board of its recommendation in respect of the PO or (ii) termination of the authority of the Board.
- 2.4. Independent directors of the Board, meeting the independency criteria provided by the Regulation of the Board as well as by the listing rules of the stock exchange on which Company’s securities are admitted for trading shall be elected to the Committee comprising the majority of the Committee, while minority can be presented by the non-independent members of the Board. Committee Chairman must be independent. The person performing functions of the sole executive body of the Company may not be a Committee member.
- 2.5. The Board may, at any time, with or without cause, dismiss any member of the Committee or re-elect the entire Committee.
- 2.6. The Committee Members must possess the necessary knowledge in finance, investments, capital markets, experience and skills in interacting with the professional consultants including but not limited to the investment banks, financial analysts, experts, legal advisers, professional appraisers and other consultants (hereinafter – “the Consultants”).

## **3. Committee Meetings’ arrangement and procedures**

- 3.1. The Chairman of the Committee organizes the work of the Committee, in particular:
  - calls the meetings, determines its form (joint presence, absentee voting, joint presence and in absentia voting by means of video and/or telephone conference) and chairs at them;
  - defines the list of persons to be invited for participation in the Committee’s meetings;

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<sup>1</sup> Any actions which will or may materially affect the Company’s share capital structure and its financial position and, accordingly (material corporate actions) (Art. 7.1. of the Code).

- organizes discussions on the agenda items of the Committee's meeting and distributes the responsibilities among the members of the Committee;
  - organizes keeping of the Minutes of the Committee's meeting (hereinafter – "the Minutes");
  - signs documents developed and approved by the Committee within the scope of its authority, including the Minutes;
  - submits to the Board recommendations and/or written reports on the results of the Committee's work and provides necessary explanations to its content;
  - fulfills other functions within its authority and as provided by the Laws, the Company's Charter and this Regulation;
  - follows in its activity the best international practices of the corporate governance reasonably and depending on the circumstances.
- 3.2. Committee's meetings shall serve as the main form for carrying out of its work and activity. Meetings may be conducted whenever and as often as necessary to properly carry out the Committee's functions and duties in a timely manner.
- 3.3. Meetings may be called by the Committee Chairman, any Committee member, Chairman of the Board as well as upon request of the person performing functions of the sole executive body of the Company.
- 3.4. Members of the Committee within the scope of the Committee's authority may at any time propose to the Chairman items for the inclusion to the agenda of the next meeting of the Committee subject to a written notification (sending a copy) of the Secretary of the Committee, be stating the following:
- item put for consideration;
  - date of the proposed meeting of the Committee for consideration of such an item;
  - person(s) responsible for the provision and preparation of the materials;
  - list of persons to be invited at the Committee's meeting for consideration of such agenda item.
- 3.5. A quorum shall be deemed present at any Committee's meeting if at least half of the elected Committee members are present (they voted or their ballots were received). Decisions and/or recommendations and/or proposals of the Committee shall be taken by the majority votes of members participated in the voting.
- 3.6. Functions of the Committee's Secretary shall be performed by the Corporate secretary of the Company or by any other person appointed by the Committee separately. The Secretary of the Committee shall notify the Committee members of the meeting, its date, agenda, and ensure the availability of all necessary information and materials on the agenda items not less than 2 (two) days prior to a meeting (unless a shorter period agreed by all members of the Committee). Notification shall be given by electronic mail. Information and materials for Committee meeting shall be uploaded by the Secretary to the BoardPads by applying the special software (BLUEPRINT BOARDPAD), hand-delivered or send by email.
- 3.7. Each Committee member has 1 (one) vote. The Committee shall make decisions and/or recommendations and/or proposals by a simple majority vote of the members participating in the voting. Any Committee member is entitled to have a special opinion which shall be attached to the Minutes.
- 3.8. Results of the discussion and decisions made by the Committee shall be documented in the form of the Minutes prepared not later than 2 (two) days from the date of the meeting (the last date for the ballots' receipt in case of absentee voting or joint presence - in absentee voting). Minutes shall be signed by the Secretary of the Committee and by its Chair and shall be passes to the Corporate secretary for keeping.
- 3.9. Materials to the Committee meeting and recommendations and/or proposals developed by the Committee as a result of its meeting as well as ballot papers (if the Committee meeting was held in absentee or joint presence - in absentee voting) shall be attached to the Minutes.
- 3.10. Minutes of the Committee's meetings shall include the following information:
- date, place, form and time of the meeting (last date for the ballots' receipt in case of absentee voting);
  - members of the Committee present and voting at the meeting;
  - agenda of the meeting, items put for voting, voting results (reflecting voting results of each Committee member);
  - decisions made/executive summary (main conclusions) of the discussion;
  - other details if required by the Laws and internal documents of the Company.

#### **4. Authority of the Committee**

- 4.1. The the authority of the Committee shall include matters related to the development and preparation of the recommendation by the Board in respect of the PO, among them:
- cooperate with the Consultants on the matters within the Committee's authority, participate in the meetings, make requests, accept and assess the results of services rendered by the Consultants;

- review and analyse the PO in terms of its compliance with the applicable Laws and other regulatory requirements, as well as best international practices of corporate governance;
- monitor and control the acquisition by the Buyer of the Company's shares without submitting a PO, liaise with the Company's controlling shareholders so that the latter take the measures to ensure that the Buyer will properly perform its duty to submit the PO as provided by the agreement;
- check the obtaining by the Buyer of all necessary permits for the acquisition of a respective stake of shares in the Company well in advance to the intent that the acceptance of the PO by the shareholders would not violate the requirements of the Laws;
- monitor and control if possible any attempts to manipulate the price of shares in the Company with a view to influence the price proposed within PO of the Company's shares to be purchased;
- review and analyse in assistance with the Consultants all the elements of the PO, including inter alia:
  - a) compliance of the PO content with the requirements of the Laws,*
  - b) evaluation of the proposed price for the acquisition of the Company's shares,*
  - c) potential change of the market price of the Company's shares after acquisition,*
  - d) consideration of plans of the Buyer making the VTO/MTO regarding the Company and its employees*
- review and analyse material corporate actions made before filing by the Buyer of the PO to the Company. Material corporate actions shall be deemed to include reorganization of the Company, acquisition of 30% or more percent of its voting shares (takeover), execution by the Company of the material transactions, listing or delisting of the Company's securities, increase or decrease of the charter capital of the Company, as well as other actions which might result in material changes in rights of the Company's shareholders or violation of their interests;
- set up the procedure of informing the Company's shareholders on any material corporate actions made before filing by the Buyer of the PO to the Company (information on the material corporate actions made is recommended to be disclosed with explanations concerning the reasons for, conditions and consequences of such actions made);
- control timely and full information disclosure in the course of PO distribution.

## **5. *Rights and Responsibilities***

- 5.1. When exercising their rights and performing their duties Committee's members shall act reasonably and in good faith<sup>2</sup> in the best interests of the Company and its shareholders, being sufficiently informed, with due care and diligence and shall refrain from any disclosing of the commercial and any other confidential information about the Company's activity that became known to them.
- 5.2. The Committee members shall have the following rights:
- request from the controlling shareholders, Chief legal officer of the Company and other key employees of the Company and/or its subsidiaries complete and reliable information, documents, explanations and other relevant to the PO information needed for the performance of their functions of the Committee's members;
  - if needed to involve to its activity the controlling shareholders of the Company, Consultants (subject to a written consent of the Committee Chair and notification of the Committee Secretary) and other key employees of the Company and/or its subsidiaries having necessary information on matters reserved with the Committee's authority;
- 5.3. The Committee members shall have the following duties:
- participate in the meetings of the Committee and decision making by voting on the items of the agenda of the Committee's meetings;
  - inform the Board (by e-mail or hand-delivery of the notice to Corporate secretary) of any changes in their status of independency or any conflict of interest arising from (i) any item of the agenda of the Committee meeting before the discussion of such agenda item or (ii) any decision of the Board made by the latter basing on Committee's recommendations;
  - immediately inform the Board (by e-mail or hand-delivery of the notice to Corporate secretary) of any conflicts of interest;

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<sup>2</sup> *Reasonable and in good faith actions of the Committees' members shall be defined according to applicable Laws and court practice, including but not limited to provisions of the decree of the plenary assembly of the Supreme arbitrary court of Russia dated 30.07.2016 №62 "On the matters related to the compensation of losses by the persons comprising governing bodies of the legal entity"*

- abstain from voting on the agenda items of the Committee's meeting in respect of which a Committee member has or may have a conflict of interest;
- refrain from use of his/her position to the detriment of the Company's interests;
- act within one's authority and according to the corporate governance principles;
- make reasonable decisions based on the examined necessary information (materials) and inform all members of the Committee and Committee Secretary about all available information pertaining to the items on which the decisions shall be made;
- evaluate and take into account any potential risks or negative consequences for the shareholders of the Company when making the recommendations and /or proposals to the Board.

**6. *Final Provisions***

- 6.1. All amendments to this Regulation shall be adopted by a simple majority vote of the Board members participating in the voting.
- 6.2. If, following any changes of the applicable Laws, any provisions of the present Regulation come into conflict therewith, provisions of the Laws in effect shall prevail. Conflicting provisions of this Regulation shall not legally affect other provisions of this Regulation. The Company shall take all measures to replace conflicting provisions of this Regulation by those not conflicting with the Laws of Russia. In case of any discrepancy between this Regulations and the Company's Charter the Company's Charter shall prevail.