

Approved by the Bank of Russia  
(Sole Shareholder)

dd. \_\_\_\_\_, 2016 No. \_\_\_\_\_

REGULATION ON  
SUPERVISORY BOARD  
of Joint-Stock Company  
National Reinsurance Company (NPK)

Moscow  
2016

## 1. General

1.1. This Regulation (hereinafter the Regulation) on the Supervisory Board of Joint-Stock Company National Reinsurance Company (NPK) (hereinafter the Company) is developed in accordance with the laws of the Russian Federation and the Company Charter to set out the powers and the course of operation of the Company Supervisory Board, as well as the rights, responsibilities and liability of the members of the Company Supervisory Board.

1.2. The Company Supervisory Board is a collegial management body of the Company responsible for the general management of the Company operation except for issues referred to the competence of the General Shareholders Meeting by the laws of the Russian Federation and to the competence of the Company Sole Shareholder by the Company Charter.

1.3. In carrying out its activities the Supervisory Board is guided by the laws of the Russian Federation, including the Federal Law «On Joint-Stock Companies», Law of the Russian Federation «On the Organization of Insurance Business in the Russian Federation», other federal laws and statutes of the Russian Federation, the Company Charter, resolutions of the Company Sole Shareholder, this Regulation, other internal documents of the Company and the Code of Corporate Conduct<sup>1</sup>.

## 2. Supervisory Board Competence

2.1. The competence of the Company Supervisory Board is determined in accordance with the laws of the Russian Federation and the Company Charter.

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<sup>1</sup> Letter of the Bank of Russia dd. 10.04.2014 No. 06-52/2463 «On Code of Corporate Conduct».

2.2. The issues falling within the competence of the Company Supervisory Board cannot be reassigned for consideration by the Company Management Board or the Company President.

### 3. Rights and Responsibilities of Supervisory Board Members

3.1. The members of the Company Supervisory Board have the right to:

3.1.1. demand that the Company Supervisory Board convene meetings;

3.1.2. suggest issues to be included in the agenda of the Board meetings;

3.1.3. discuss issues associated with the Company activities at the Board meetings, suggest and vote on all issues included in the agenda of the Board meetings (except for those issues with regard to which a member of the Company Supervisory Board is considered a party concerned according to the laws of the Russian Federation);

3.1.4. demand that his/her special opinion regarding the agenda issues and respective resolutions is included in the meeting minutes;

3.1.5. submit a written opinion on the issues included in the agenda of a meeting at which they cannot be present;

3.1.6. familiarize themselves with the minutes of the meetings of the Company Supervisory Board, committees and other task groups of the Company Supervisory Board, and obtain copies of such minutes;

3.1.7. request and obtain the information and documents necessary for the performance of their duties associated with the Company activities, including the Company accounting records and other documents, and receive copies of relevant documents;

3.1.8. request and obtain the information and documents necessary for the performance of their duties associated with the activities of the legal entities controlled by the Company, including the accounting records and other documents

of such legal entities to the same extent to which the Company itself can access the said information and documents, and receive copies of relevant documents.

3.2. The Company President, members of the Company Management Board and directors of the Company business units shall provide the Board members with the information referred to in clause 3.1 hereof. For failure to perform the duty of timely, full and accurate disclosure, the persons referred to, can be held liable in accordance with the laws of the Russian Federation and the agreements made with each of them.

3.3. The availability of confidential information, including trade secrets, in the documents requested by a Board member shall not prevent their furnishing to such Board member. A member of the Company Supervisory Board to whom the above information is disclosed shall keep it confidential.

3.4. In confirmation of the acceptance of the confidentiality duty by a Board member, the Company President may demand a relevant receipt in which such Board member confirms that he or she is informed of the confidential nature of the information obtained, his/her obligation to keep it confidential and the liability for failure to observe this duty where a respective duty is not set out in the agreement with the Board member.

3.5. The executive bodies of the Company and the directors of the Company business units shall provide the Board members with the information necessary for passing resolutions on all agenda issues at least five (5) working days before the meeting date, unless another period is stated in the Company Charter or in this Regulation.

3.6. The Board members shall:

3.6.1. be acting in the Company interests, exercise their rights and carry out their responsibilities in a reasonable manner and in good faith;

3.6.2. take an active part in the operation of the Company Supervisory Board and its committees;

3.6.3. abide by section 9 hereof in order to identify and prevent conflicts of interests among the Board members;

3.6.4. not divulge or use for their own or third party interests any data constituting the confidential information, insider information, or personal data which become known to them in the performance of their duties as the Board members;

3.6.5. provide the Company Supervisory Board with the information:

- regarding any current or planned transactions of the Company known to a Board member in which he or she can be considered a party concerned;

- regarding compliance or incompliance of the Board member with the requirements of the Law of the Russian Federation «On the Organization of Insurance Business in the Russian Federation» applicable to members of the board of directors (supervisory board) of insurance entities;

- necessary for understanding the personal and professional properties of the Board members, background data (such as age, education, current job, qualification and experience), information on the positions in management bodies of other legal entities, information on the positions held currently or within the last five (5) years in management bodies of other legal entities, direct or indirect ownership of interests and shares in other legal entities;

- incurrance of liabilities depriving an independent Board member of its independence;

- other data contemplated by the Company Charter and this Regulation.

3.6.6. perform other duties prescribed by the laws of the Russian Federation, Company Charter, this Regulation and other internal documents of the Company.

3.7. By the decision of the Company Sole Shareholder, the members of the Company Supervisory Board during their term of office can be paid a remuneration and (or) compensation for expenses associated with the performance

of their functions as the Board members. The amount of such remuneration and compensation shall be determined by the Company Sole Shareholder.

#### 4. Board Membership

4.1. The setting-up procedure and tenure of the Company Supervisory Board are regulated in accordance with the laws of the Russian Federation and the Company Charter.

4.2. A member of the Company Supervisory Board can only be a natural person.

4.3. The number of members of the Company Supervisory Board is determined by the Company Sole Shareholder, but shall not be less than five (5).

4.4. Persons elected as members of the Company Supervisory Board can be reelected an unlimited number of times.

4.5. The Company Supervisory Board is chaired by the Board Chairman.

4.6. No less than 1/4 of the Supervisory Board shall be staffed with independent directors.

4.7. Independence of a Board member (candidate to the Board members) is determined by the Company Supervisory Board on the recommendation of the Remuneration and Nomination Committee of the Supervisory Board based on the criteria set out in the Code of Corporate Conduct. The Company Supervisory Board shall check the independent Board members for compliance with the criteria no less than once a year and provide the Company Sole Shareholder with the findings, confirmed by actual circumstances, substantiating why a particular Board member cannot be considered independent.

4.8. The Company Supervisory Board can include executive directors, where the term "executive directors" is understood as members of the Company executive bodies, and (or) persons having an employment relationship with the Company.

Members of the Company executive bodies shall make no more than 1/4 of the Supervisory Board.

4.9. The Board members shall meet the requirements established by the Law of the Russian Federation «On the Organization of Insurance Business in the Russian Federation» for members of the board of directors (supervisory board) of insurance entities.

4.10. The Board members shall have the knowledge, skills and expertise necessary for making decisions referred to the competence of the Company Supervisory Board and required to ensure the efficient performance of the Board functions.

## 5. Election of Board Members and Termination of Office

5.1. The Board members are elected by the Company Sole Shareholder in the manner described in the Federal Law «On Joint-Stock Companies» and in the Company Charter for the period until the issue of the next annual resolution by the Company Sole Shareholder.

5.2. The procedure for the election of the Board members is transparent and allows the obtaining of enough information on the candidate members in order to understand their personal and professional properties. For the purpose of electing the members of the Company Supervisory Board the Company Sole Shareholder shall be provided with the following information:

5.2.1. the person (group of persons) suggesting a candidate;

5.2.2. the age and education of a candidate;

5.2.3. the position held by a candidate at the time of his/her nomination, and the positions which a candidate had held during at least the last five (5) years;

5.2.4. the relationship between a candidate and the Company, or the affiliates or major counteragents of the Company;

5.2.5. membership of a candidate in management bodies of other legal entities and nomination of a candidate to the members of the Supervisory Board or election (nomination) to a position in other legal entities;

5.2.6. compliance of a candidate with the requirements established by the Law of the Russian Federation «On the Organization of Insurance Business in the Russian Federation» for members of the board of directors (supervisory board) of insurance entities;

5.2.7. compliance of a candidate with the requirements applicable for independent directors;

5.2.8. other information that may be relevant to the performance of a candidate's duties as a Board member, in particular, the information provided by a candidate him/herself.

5.3. If nominated to the Board members a candidate shall give the Company his/her written consent to his/her election to the Company Supervisory Board.

5.4. The Chairman of the Company Supervisory Board is elected by the members of the Company Supervisory Board among themselves by the majority of votes cast by all Board members.

5.5. The powers of one or more members of the Company Supervisory Board can be terminated by the decision of the Company Sole Shareholder.

## 6. Supervisory Board Chairman and Secretary

6.1. The Chairman of the Company Supervisory Board organizes and ensures efficient operation of the Board and its committees, and in particular:

6.1.1. organizes the development of the Activity Plan for the Company Supervisory Board;

6.1.2. convenes and chairs the Board meetings (in particular, approves of the agenda and the date of meeting);



6.1.3. arranges for taking minutes at the meetings;

6.1.4. takes all reasonable actions to timely provide the Board members with the information and materials necessary for passing resolutions on agenda issues;

6.1.5. ensures free discussion of agenda issues;

6.1.6. signs the meeting minutes;

6.1.7. signs on behalf of the Company the agreement with the Company President;

6.1.8. organizes follow-up control of fulfillment of the Board resolutions;

6.1.9. performs other functions contemplated by the laws of the Russian Federation, Company Charter, this Regulation and other internal documents of the Company.

6.2. The Chairman of the Company Supervisory Board and his/her deputy (deputies) are elected and reelected by the members of the Company Supervisory Board among themselves by the majority of votes cast by all Board members.

6.3. The Company President cannot simultaneously be the Chairman of the Company Supervisory Board.

6.4. In case of temporary absence of the Board Chairman, his/her functions will be performed by his/her deputy (one of the deputies), and in case of absence of the deputy – by one of the Board members designated by the Supervisory Board.

6.5. The Board Chairman shall ensure the efficient operation of the committees of the Company Supervisory Board, and in particular initiate the nomination of the Board members to the Board committees based on their professional and personal properties and taking into account the suggestions of the Board members regarding the membership of the Board committees.

6.6. The Board Chairman continuously maintains contacts with other bodies and officers of the Company to ensure the timely obtaining of as complete and accurate information as possible as required by the Company Supervisory Board for passing its resolutions.

6.7. Documentary and technical support for the Board activities at the Board meetings and during the period in between the Board meetings, is provided by the Secretary of the Company Supervisory Board, who is not a Board member. The Board Secretary and, in his/her absence, a person acting in his/her capacity shall be a Company employee designated as such by the decision of the Company Supervisory Board.

6.8. The Secretary of the Company Supervisory Board (person acting in his/her capacity) shall:

6.8.1. receive requests for convening the Board meetings and documents necessary for creating the agenda and preparing for the Board meetings;

6.8.2. draft agendas for the Board meetings and submit them to the Board Chairman for approval;

6.8.3. notify the Board members of the planned Board meetings (in particular meetings held by correspondence) by sending a notice convening the meetings, approved agenda, documents and materials relevant to the meetings, and ballots in case of absentee voting;

6.8.4. receive ballots filled in by the Board members and summarize the voting results on issues decided by absentee voting;

6.8.5. take minutes of the Board meetings held in person, draft minutes of the Board meetings held by correspondence and submit them to the Board Chairman or another person chairing a meeting for sign-off;

6.8.6. control the completion of documents presented for consideration and approval by the Supervisory Board in accordance with the Company internal documents;

6.8.7. provide technical and organizational support to the Board members when preparing for the Board meetings;

6.8.8. prepare and procure the signing of excerpts from the minutes of the Board meetings;

6.8.9. prepare and distribute excerpts from the minutes of the Board meetings among the Company business units involved in the process of decision-making by the Company Supervisory Board;

6.8.10. certify copies of the minutes of the Board meetings and documents approved by the Company Supervisory Board;

6.8.11. perform other functions in accordance with this Regulation, other internal documents of the Company and commissions of the Board Chairman.

## 7. Convention and Conduct of Meetings

7.1. The Board meetings are held on an as needed basis, but no less than once per three months in accordance with the Board Activity Plan approved by the Company Supervisory Board. The Board Activity Plan is to contain a list of issues to be considered at the Board meetings. Extraordinary meetings of the Company Supervisory Board are also held on the initiative of the Board Chairman, at the request of a Board member, the Company Auditing Commission (Auditor) or the Company inspector, executive body, or director of the Company business unit responsible for internal audit and other persons listed in the Company Charter.

7.2. Notices convening meetings are given to the Board members in a manner that ensures their timely delivery and appears the most suitable for the Board members (in particular, by registered letter, email (always with acknowledgement of receipt), fax or other means of communication, or by hand).

7.3. The Board members shall be notified of the date, time, form and agenda of a meeting, and be provided with materials relevant to the meeting agenda no later than five (5) working days before the meeting. In case of prompt or urgent meetings, the period of notification shall in any case allow the Board members sufficient time for preparing for the Board meeting.

7.4. The Board members shall have an opportunity to familiarize themselves with the Board Activity Plan beforehand. All opinions issued by the Board committees and (or) independent directors of the Company on the agenda issues shall be made available to the Board members for review at least three (3) calendar days before the meeting date.

7.5. A quorum at the meeting of the Company Supervisory Board shall be no less than one half of the elected Board members.

7.6. Resolutions on the agenda issues shall be adopted by the majority of the votes of the Board members present at the meeting, except as prescribed by the laws of the Russian Federation and the Company Charter. Each member of the Company Supervisory Board has one vote.

7.7. If the votes are divided equally, the Board Chairman shall have the casting vote. No Board member may transfer his/her voting right to any third party, including any other Board member.

7.8. The form of a meeting is determined according to the importance of the agenda issues. Meetings of the Company Supervisory Board held in person are to consider the following issues:

- approval of the priority business lines and budget of the Company, modification of the Company budget;
- preliminary approval of the Company annual report;
- election of the Chairman of the Supervisory Board and his/her deputies;
- escalation of issues associated with the Company reorganization or liquidation to the Company Sole Shareholder;
- setting the price (evaluation) of the property, setting the offering price, price setting procedures and buying-out price of registrable securities in the cases contemplated by the Federal Law «On Joint-Stock Companies»;
- approval of the Company transactions in the cases contemplated by the laws of the Russian Federation and the Company Charter;

- approval of the Company registrar and the terms and conditions of his/her agreement, as well as termination of the agreement with the registrar;
- reviewing the results of assessing the efficiency of the activities carried out by the Company Supervisory Board, its executive bodies and chief officers;
- determining the remuneration of the members of the Company executive bodies and other chief officers;
- review of the risk management policy.

7.9. Non-arms' length transactions which account for no less than 1% of the book value of the Company assets, but no less than 100 million Rubles shall, before being considered at a Board meeting including referral to the Company Sole Shareholder for review, be considered by the Company independent directors. Materials relevant to such Board meetings shall include documents setting out the position of the Company independent directors regarding the approval of such transactions.

7.10. If the Board meetings are held in person, a quorum shall be determined, and the voting results shall be summarized, in view of written opinions on the agenda issues submitted by Board members absent at the meetings. A written opinion of a Board member shall be submitted on or before the day following the date of the Board meeting using telephone, electronic or other communication means or in any other manner ensuring prompt sending and receipt thereof.

7.11. A Board member shall notify the Company Supervisory Board at least one (1) working day before the meeting date of his/her inability to take part in the meeting stating the reasons for the same.

7.12. A Board member absent in the place where a Board meeting is held can take part in discussing the agenda issues and voting remotely by making a conference call or video conferencing.

7.13. The Company shall arrange for keeping and maintaining records of the Board meetings or the use of other recording means allowing reflecting the

position of each Board member on the agenda issues. Oral special opinions of the Board members on the agenda issues shall be included in the minutes of a respective meeting; written special opinions of the Board members shall be attached to the meeting minutes and form part thereof. Written special opinions of the Board members on the agenda issues shall be sent at the email address of the Board Secretary no later than the day following the meeting date.

7.14. The first meeting of the Company Supervisory Board shall be held within thirty (30) working days after the Company Sole Shareholder passes a resolution on setting up the Supervisory Board to elect the Board Chairman and his/her deputies, form the Board committees and elect the Chairmen of the Board committees.

## 8. Supervisory Board Committees

8.1. In order to improve the efficiency of its activities and for preliminary review of the most important issues associated with the Company activities, the Company Supervisory Board may elect to form advisory and consultative bodies of the Board – the Audit Committee, the Risk Committee, the Remuneration and Nomination Committee as well as other committees.

8.2. The committees of the Company Supervisory Board are created of the Board members and act under the Regulation on the Supervisory Board Committees describing the course of operation and the sphere of competence of the respective committees.

8.3. The Regulation on the Supervisory Board Committees shall be approved by the Company Supervisory Board.

8.4. In accordance with Regulation on the Supervisory Board Committees, the Board committees are responsible for preliminary review of the issues referred

to the competence of the Company Supervisory Board, and shall submit their recommendations to the Company Supervisory Board.

8.5. The Audit Committee is set up to facilitate the efficient performance of the Supervisory Board functions in controlling the financial and business activities of the Company.

8.6. The Remuneration and Nomination Committee is set up for preliminary review of issues associated with development of an efficient and transparent remuneration practice, and issues associated with human resource (succession) planning, professional staffing and efficient operation of the Company Supervisory Board.

8.7. The Risk Committee is set up for preliminary review of issues associated with the identification of the Company priority business lines in the field of insurance, financial and non-financial risks, and arranging an efficient control system for such risks.

8.8. The Chairmen of the Board committees shall inform the Company Supervisory Board and its Chairman of the activities carried out by their committees on an as needed basis, but no less than once a quarter.

8.9. The committees of the Company Supervisory Board shall submit reports on their activities to the Company Supervisory Board at least once a year.

## 9. Identifying and Preventing Members' Conflicts of Interest

9.1. The Board members shall refrain from taking any actions which will or may potentially lead to a conflict of interests.

9.2. In case of occurrence of a potential conflict of interests among the Board members, in particular, in case of interest in a Company transaction, such Board member shall notify the Company Supervisory Board by giving a notice to the Board Chairman. The data regarding conflict of interests, including interest in a

transaction, shall be included in the meeting materials distributed among the members of the Company Supervisory Board.

9.3. A Board member having a conflict of interests shall immediately notify the Company Supervisory Board through the Board Chairman, indicating both the presence of such conflict of interests and the grounds for same. A respective notice shall in any case be brought to the notice of the Company Supervisory Board before the discussion of an issue with regard to which a Board member has a conflict of interests at the meeting of the Company Supervisory Board or any of its committees at which this Board member is present.

9.4. In cases where same is required by the nature of an issue put forward for discussion or the specifics of a conflict of interests, the Chairman of the Company Supervisory Board may suggest that a Board member having a conflict of interests should not be present during the discussion of such issue at the Board meeting.

9.5. The Board members shall refrain from voting on issues which involve their personal interests.

9.6. The Board members and their affiliated persons shall refrain from accepting gifts from parties interested in adopting certain resolutions, and refrain from using in any way any direct or indirect benefits provided by such parties (except for business courtesies justified by the generally accepted rules of politeness, or souvenirs distributed at formal events).

9.7. The Board members shall notify the Company Supervisory Board of their intention to accept a position in management bodies of other organizations and, immediately after their election (nomination), inform the management bodies of other organizations of such election (nomination). The notice shall be sent to the Board Chairman within a reasonable period in advance of the date when a respective Board member is going to proceed with the performance of his/her duties as a member of a management body of another organization.



## 10. Assessment of Board Efficiency

10.1. The Company Supervisory Board shall arrange for assessing the performance of the Supervisory Board, its committees and Board members. The goal of assessment of the Board performance is to determine the degree of efficiency of the activities of the Company Supervisory Board, its committees and Board members and compliance of their operation with the Company needs, facilitate the Board activities and identify the potential areas for improvement.

10.2. The performance of the Company Supervisory Board, its committees and Board members shall be assessed on a regular basis, but no less than once a year. The assessment of the performance of the Company Supervisory Board, its committees and Board members shall be carried out in accordance with the self-assessment methodology developed by the Remuneration and Nomination Committee and approved by the Company Supervisory Board.

10.3. The performance of the Board Chairman is assessed by the independent directors subject to all opinions of the Company Supervisory Board.

10.4. The Board Chairman, on the recommendation of the Remuneration and Nomination Committee, shall prepare suggestions for improving the performance of the Company Supervisory Board and its committees in view of the assessment results. Based on the assessment results, the Board Chairman issues recommendations for improving the qualification of the Board members (where necessary). Upon reviewing the recommendations, the Company develops and implements custom-made programs and trainings controlled by the Chairman of the Company Supervisory Board.

10.5. The Company shall disclose the results of assessing the performance of the Company Supervisory Board in the Company annual report.

## 11. Approval and Amendment

11.1. This Regulation shall become effective as approved by the Sole Shareholder of the Company and can be amended at any time following the same procedure.