

## **Explanatory Note to Items 11-15 on the Agenda of the Annual General Meeting of Shareholders of PJSC ALROSA**

In accordance with the Articles of Association of PJSC ALROSA (hereinafter referred to as the Company), approval of internal documents regulating the activities of the Company's bodies falls within the competence of the General Meeting of Shareholders.

Amendment of the Articles of Association, Regulations on the General Meetings of Shareholders, Regulations on the Supervisory Board and Regulations on the Executive Committee, as well as approval of the above documents as amended is necessary to bring the internal documents into compliance with the revised law On Joint Stock Companies.

Federal Law No. 209-FZ dated July 19, 2018 introduces the following amendments to the law On Joint Stock Companies:

1) The requirements have been lowered in terms of the quorum and a majority of votes necessary for the General Meeting of Shareholders to adopt a decision to consent to (approve subsequently) an related party transaction.

There has been a change in a majority of votes of shareholders not interested in a transaction which is necessary to approve it, i.e. a majority of votes of all uninterested shareholders holding voting shares that take part in the meeting (formerly — "that take part in the voting").

It has been established that when adopting such a decision, the meeting of shareholders is deemed to be duly constituted regardless of a number of uninterested shareholders holding voting shares that attend the meeting.

It is necessary to bring Sub-Paragraph 17 of Paragraph 11.1.2 of the Articles of Association into compliance with the revised law.

2) The Supervisory Board has been authorized to include any additional persons at its discretion with a list of nominees to be elected to the Supervisory Board and Audit Committee.

The version of the law On Joint Stock Companies, which was in force until July 19, 2018, provided for such a right of the Supervisory Board for the cases when the number of persons nominated by the shareholders was insufficient to fill all the vacancies with the Supervisory Board. Now, such a right of the Supervisory Board is unconditional.

It is necessary to bring Paragraph 11.3.1.7 of the Articles of Association and Paragraph 3.14 of the Regulations on the General Meeting into compliance with the revised law.

3) A list of materials has been changed which are to be provided to the shareholders during the preparation for the General Meeting of Shareholders.

It is necessary to bring Paragraph 11.4.4.5 of the Articles of Association and Paragraph 5.4.5 of the Regulations on the General Meetings into compliance with the revised law.

4) In accordance with the law On Joint Stock Companies, the matters of determining the principles and approaches to organization of internal control and risk management in the Company and forming the Supervisory Board committees have been referred directly to the competence of the Supervisory Board.

The relevant powers of the Supervisory Board are provided by the Articles of Association in force. At the same time, in order to avoid any discrepancies between the revisions, it is expedient to bring Sub-Paragraphs 28 and 28.1 of Paragraph 12.1.1, Sub-Paragraph 2 of Paragraph 12.1.2 and Paragraph 12.5.1 of the Articles of Association into compliance with the revised law.

5) A right to call for the Supervisory Board and a right to review the minutes of the Executive Committee have been vested in the head of internal audit.

Paragraph 12.3.4 of the Articles of Association, Paragraphs 7.1 and 7.4 of the Regulations on the Supervisory Board and Paragraph 6.5 of the Regulations on the Executive Committee should be brought into compliance with the revised law.

In addition, it is proposed to amend the **Articles of Association** and the **Regulations on the General Meetings of Shareholders** to change the procedure for notifying the shareholders about the General Meeting of Shareholders (GMS) and exclude printed media from the list of the GMS notification methods. This change is due to the following reasons: lack of necessity to notify the shareholders about the meeting through printed media, posting the notice on the Company's website and the Company's page on the information disclosure server (Interfax); sending a notice of the meeting to the shareholders together with the meeting voting bulletins; and exemption of the obligation to publish the notice in a newspaper on the legislative level. Paragraph 11.4.4.1 and 11.4.4.2 of the Articles of Association and Paragraph 5.4.1 of the Regulations on the General Meeting of Shareholders should be amended in connection with adjustment of the GMS notification procedure and exemption of printed media for publication of GMS notices.

It is proposed to amend the **Regulations on the General Meetings of Shareholders** to adjust the role of the Supervisory Board and the Chief Executive Officer – Chairman of the Executive Committee for the purposes of organizing the General Meeting. Revision of Paragraph 5.2 of the Regulations.

It is proposed to outline the role, rights and obligations of the Senior Independent Director in the **Regulations on the Supervisory Board**. The Regulations are supplemented with Paragraphs 4.4 and 4.5.

**Amendments to the Regulations on Remuneration to Members of the Supervisory Board:**

A new revision of the Regulations on Remuneration to Members of the Supervisory Board of PJSC ALROSA (hereinafter referred to as the Regulations) has been prepared providing for an additional remuneration for exercising the functions of the Senior Independent Director. Other revisions have also been made.

A full list of amendments to the internal documents proposed is provided in the relevant comparative tables of amendments to the documents.

On April 15, 2019, the Strategic Planning Committee under the Supervisory Board considered this matter preliminarily and recommended the Supervisory Board to approve it. On April 23, 2019, the Supervisory Board suggested that the General Meeting of Shareholders approve the amendments to the Company's internal documents.