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**THE VLADIMIR POTANIN FOUNDATION
ENDOWMENT MANAGEMENT PRINCIPLES AND
GUIDELINES
(THE INVESTMENT POLICY)**

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GENERAL PROVISIONS

The Vladimir Potanin Endowment Management Principles and Guidelines (The Investment Policy) (hereinafter, **The Investment Policy, The Foundation**) is a local regulatory act of the Foundation, which shall define the investment philosophy of the Foundation, formulate the objectives, key principles and procedures for the Foundation's endowments management.

The Investment Policy has been elaborated pursuant to Federal Law No. 275-FZ dated December 30, 2006 «On the Formation and Use of the Endowment for Non-profit Organizations» (hereinafter, **Federal Law No. 275-FZ**), other regulatory acts, the Foundation's Articles of Association, Principles and Guidelines for Conducting Charitable Activities and Risk Management and the Anti-Corruption Policy of the Foundation.

1. FOUNDATION'S MISSION

We develop a philanthropy culture, uniting creative professionals who play a key role in solving current public issues and achieve sustainable social change. We provide opportunities for new ideas and create a favorable environment to make them come true.

2. TERMS AND DEFINITIONS USED IN THE INVESTMENT POLICY

- 2.1. **Charitable programs** — charitable programs approved by the Foundation Board in the area of culture, higher education, social sports and philanthropy complying with the Foundation's statutory goals.
- 2.2. **Long-term strategic investments** — investments in securities or other assets that create the basis for further financial development of the Foundation and provide a sustainable long-term income to the Foundation.
- 2.3. **Income from asset management** — the amount defined as a growth in the net asset value generated through the management of the assets that constitute the endowment in the reporting period.
- 2.4. **Endowment income** — income generated by the management of the endowment assets as well as part of the assets constituting the endowment as defined under Federal Law No. 275-FZ, which is due to the recipient of the endowment income.
- 2.5. **Investment declaration** — terms of the endowment management contract that stipulates investment objectives, lists of the investments, requirements to the setup of the endowment management and the structure of the investment portfolio, type of deals to be concluded and limitations guiding asset managers in their implementation of the contract.
- 2.6. **Cash flow gap** — a situation whereby cash balances on the Foundation's current accounts fall below the acceptable minimum calculated as the average amount required to cover the Foundation's expenditure for the two forthcoming months.
- 2.7. **Block of shares in ROSBANK, PJSC** — the donated block of shares in ROSBANK PJSC for replenishment of the Foundation's endowments in order to support the Foundation's operations and help it achieve its charitable objectives as reflected in the Foundation's Articles of Association and provided for in Article 3, para 1, of Federal Law No. 275-FZ.
- 2.8. **Portfolio of endowments (Portfolio)** — the totality of all assets in the Foundation's endowments given in trust to asset managers.
- 2.9. **Risk** — the effect of uncertainty for the Foundation's objectives.
- 2.10. **Market investments** — placement of endowment assets in marketable assets: securities, freely tradeable on the securities market, bank deposits designed to maintain a sufficient level and prompt

obtaining of liquid funds in endowments, since the liquidity of securities depends on market conditions.

- 2.11. **Council for the Endowment Use** — a collective body of the Foundation set up in line with Federal Law No. 275-FZ.
- 2.12. **The Foundation Board** — the supreme collegial body of the Foundation, the main function of which is to ensure that the Foundation meets the goals for which it was established.
- 2.13. **Asset Managers** — legal entities set up under the legislation of the Russian Federation and licensed to manage securities or be engaged in the management of investment funds, mutual funds and non-government pension funds, contracted by the Foundation to manage its endowment assets in trust.
- 2.14. **Financial plan for using endowment income** — includes income and expenses parts, while the income part consists of income from endowments or income from endowments and other sources of property formation, the expenses part includes the use of endowment income an, fees and expenses of asset managers.
- 2.15. **Endowment** — part of the Foundation's assets which is established and replenished through donations made in the way and for the purposes stipulated by Federal law No. 275-FZ and (or) with the legacies as well as from unused income from the management of the said assets, and which is given by the Foundation in trust to the asset manager for the purpose of generating income to be used to fund the statutory activities of the Foundation in line with Federal Law No. 275-FZ.

3. INVESTMENT PHILOSOPHY

The Foundation's endowment is established for:

- providing stable and adequate financial resources for a long-term implementation of the Foundation's mission and the progressive development of its charitable programs;
- receiving sufficient investment income from the endowments to ensure continuous funding of the Foundation's current activities and the implementation of its charitable programs;
- ensuring a stable portfolio growth with the goal of real capital increase and preservation of funds for future generations.

4. KEY WORK PRINCIPLES OF THE ENDOWMENT

4.1. The work with endowment assets shall be based on compulsory compliance with:

- the principle of legality — carrying out activities in strict accordance with legislation of the Russian Federation including Federal Law No. 275-FZ, Federal Law No.135-FZ Dated August 11, 1995 «On Charitable Activities and Volunteering»;
- Principles and Guidelines for Conducting Charitable Activities and Risk Management of the Vladimir Potanin Foundation (The Code of Ethics) approved by the General Director of the Foundation subject to changes and amendments made from time to time, which are available on the Foundation's website at <http://www.fondpotanin.ru/en/>;
- Anticorruption Policy of the Vladimir Potanin Foundation approved by the General Director of the Foundation, as amended from time to time, which is available on the official website of the Foundation at <https://fondpotanin.ru/en/>.

- 4.2. The work with endowment assets shall be built on the principles of reliability, safety, liquidity and profitability.
- 4.3. The Foundation shall be guided by the principles of prudence, integrity, transparency, information openness and a professional approach to asset management.
- 4.4. The endowment shall be managed by professional asset managers.

Each endowment established by the Foundation is entrusted to asset management. One asset management company may manage several endowments of the Foundation, if such a decision will contribute to greater economic and (or) operational efficiency.

To ensure quality work with endowment assets, the Foundation shall perform a thorough selection of partners. The key factors underlying this selection shall include a sufficient record of accomplishment and level of professionalism, reliability and quality of services and information openness. The criteria of and procedures for the selection of asset managers shall be governed by the internal documents of the Foundation.

- 4.5. The Foundation shall rely on high ethical standards, including avoidance of any perceived or real conflict of interests, i.e. a situation where there emerges or may emerge a conflict between a personal interest and the rights and legitimate interests of the Foundation which may harm the rights and legitimate interests, assets and/or business reputation of the Foundation.

5. RESULTS OF INVESTMENT ACTIVITIES

- 5.1. The strategy of maintaining and increasing the portfolio shall be based on the principle of risk control in income generation ensuring the funding of the Foundation's charitable activities and growth of portfolio capital.
- 5.2. The Foundation has a flexible approach to the composition and structure of assets in its portfolio. In order to increase profitability, asset managers may initiate changes in the structure and (or) composition of assets in Foundations endowment.
- 5.3. The Foundation considers the established endowments as a single portfolio and comprehensively evaluates management results, including profitability and the availability of liquid funds to support ongoing charitable activities.
- 5.4. When justifying and evaluating any investment decisions investment risks shall be thoroughly analyzed and assessed.

The rate of return on investments may be influenced by a broad spectrum of factors, including the decisions on the allocation of assets and the selection of asset managers.

- 5.5. The results of investment activities shall be subject to a regular and consistent evaluation taking into account endowments servicing expenses and fees of asset managers. The endowment investment costs should not be excessive.
- 5.6. Endowment income, the volume and schedule of withdrawals must ensure the continuity of Foundations activities.

6. STRUCTURE OF THE FOUNDATION'S ASSETS

- 6.1. The Foundation portfolio is composed of two blocks:
 - long-term strategic investments;
 - market investments.

- 6.2. The Foundation shall seek to achieve the following portfolio structure by 2028:
- 80 % — long-term strategic investments;
 - 20 % — market investments.
- 6.3. The target portfolio structure implies that market investments should provide investment income the amount of which is up to 50% of the Foundation's expenses in the current calendar year.
- 6.4. To reach the portfolio structure targets, a part of long-term strategic investments may be disposed to capitalize market investments.
- 6.5. The Foundation may set additional restrictions to the structure and composition of assets related to compliance with ethical standards of responsible investment.

7. LONG-TERM STRATEGIC INVESTMENTS

- 7.1. Long-term strategic investments include securities and other investment objects received by the Foundation under donation agreements to replenish its endowments. Block of shares in ROSBANK, PJSC received under the donation agreement to replenish Foundations endowments are considered long-term strategic investments.

In order to reduce negative financial consequences, the Foundation may decide to classify or unclassify securities and other investment objects as long-term strategic investments upon the proposal of the asset managers.

Long-term strategic investments cannot include cash.

The status of assets classified as long-term strategic investments is reflected in the relevant provisions of investment declarations and the accounting policy of the Foundation.

- 7.2. The volume of assets classified as long-term strategic investments must:
- ensure regular and stable receipt of liquid funds in the long-term perspective;
 - allow the Foundation to build a long-term forecast of the sufficiency of liquid funds to finance its activities with a high degree of confidence.
- 7.3. Long-term strategic investments in the form of shares should consistently generate passive income through dividends paid. Dividend income depends on the quantity and quality of securities in each endowment.

The market value of shares, the payment and size of dividends may change under the influence of many factors, including political, macroeconomic, banking industry development prospects, management efficiency, changes in legislation and others. The payout and size of dividends are beyond the control of the Foundation and asset managers.

- 7.4. In order to control its current financial condition, the provision of liquid funds, as well as planning expenses for future periods, the Foundation monitors the securities market and dividend yield indicators.

In the event of increased volatility of securities that are classified as long-term strategic investments, the identification of risks to the Foundations current operating activities or the preservation of endowments, the Foundation will use all opportunities to change the composition and (or) structure of the portfolio to maintain the adequacy of dividend yield.

- 7.5. Asset managers have the right to propose the Foundation to consider the alienation of assets classified as long-term strategic investments by requesting and approval for the alienation of such assets with a justification for the need for such alienation.
- 7.6. When initiating transactions with securities (other investment objects) that are classified as long-term strategic investments, the asset managers must assess possible results of the proposed transaction for:
- maintaining or increasing the market value of the property constituting the endowment in the forecast period;
 - maintaining or increasing profitability (dividends, interest, etc.) from asset management of endowment capital in the forecast period.

8. MARKET INVESTMENTS

- 8.1. The assets of endowments shall be invested in strict compliance with the Russian legislation, including Federal Law No. 275-FZ.
- 8.2. Requirements to investments shall be stipulated in investment declarations to asset management contracts with regards to reliability and soundness of securities.
- 8.3. The Foundation shall aim at achieving an average cyclical net investment income of at least 2% above the inflation rate.
- 8.4. At the end of any calendar year, assets invested in market-traded securities together with the accrued investment income for the year must bear a minimum of market risks.
- 8.5. Assets invested in market securities shall ensure:
- funding of the ongoing charitable programs of the Foundation;
 - a two-year coverage of the Foundation's expenses with liquid assets at any point in time;
 - a guarantee of a contingency source of withdrawal of liquid funds to finance the Foundation expenses, among other things, by disbursing funds from the portfolio.

9. LIQUIDITY

- 9.1. The portfolio must have sufficient cash and short-term financial investments to meet the current liquidity needs of the Foundation. The Foundation regularly assesses its need for liquid funds and forms a plan for withdrawing funds in such a way as to avoid losses from the urgent sale of quality assets.
- 9.2. The Foundation shall consider all available sources of liquidity in the investment activities of asset managers, including dividends, coupon income, and liquid bonds.
- 9.3. The Foundation accepts that a part of the portfolio may at times require liquidation (selling) in order to support the Foundation's operational needs or long-term strategic investments.

10. TARGETS

- 10.1. With the Foundation seeking to provide stable funding for its expenditures from the endowment assets, one of the important financial targets shall be the «break-even point».
- 10.2. At «the break-even point», the Foundation shall:

- cover fully all its costs from the income generated by endowments management in the past reporting periods;
- have accumulated unused income of above zero.

11. RISK MANAGEMENT

- 11.1. The Risk Management Policy of the Foundation shall regulate objections and methods of risk management and level of tolerated risks.
- 11.2. The Foundation shall monitor the compliance of assets managers with the objectives of the Investment Policy by adapting investment declarations to asset management contracts for each endowment and the investment limits sheets per issuer adopted by asset managers.
- 11.3. In order to minimize credit risks of asset managers and ensuring achievement of investment results, the Foundation adopts its own investment limits sheet.
- 11.4. The Foundation shall not invest in high-risk assets. The Foundation's asset structure shall include government securities, corporate bonds, cash placed, among other things, on deposits, in stock and other investment instruments compliant with The Risk Management Policy of the Foundation.
- 11.5. The Foundation shall perform monthly checks on the state of the portfolio monitoring the compliance of its structure with investment objectives stipulated in the Investment Policy.
- 11.6. The portfolio may have exposure to the risk of negative asset revaluation due to high volatility of securities classified as long-term strategic investments. The Foundation shall monitor fluctuations in the portfolio's rate of return. Should there be a risk that the portfolio may decrease in value by 50% during one year or by 30% during three years, the Foundation may decide on a preventive restructuring of the portfolio, among other things, by disposing of the problem assets.
- 11.7. In case of absence or insufficiency of investment income for financing the expenses of the Foundation in a current year, the Foundation shall allocate towards its income up to 10% of the book value of the assets constituting the endowment for the reporting year.
- 11.8. Failure to achieve the break-even point in the funding of the Foundation through endowments shall constitute the key and critical risk for the long-term functioning of the Foundation. Therefore, the Foundation shall undertake to minimize the impact of such risk on its charitable activities.

12. WITHDRAWAL OF FUNDS FROM ENDOWMENTS, FINANCIAL PLAN FOR USING ENDOWMENT INCOME

- 12.1. The Foundation shall divest income from endowments on a regular basis depending on its financial needs and the restrictions set in the Russian legislation.
- 12.2. The Foundation forms the financial plan for using endowment income on annual basis and schedules a three-year forecast.

The amount of income divested from endowments shall be agreed in advance by the Council for the Endowment Use and approved by the Foundation Board in the form of a financial plan for using endowment income.

Taking into account the income from the endowment, the Foundation Board at the end of the calendar year adopts a budget of income and expenses for the next year.

- 12.3. The financial plan for using endowment income shall contain the following information:

- the value of the assets constituting endowments, the amount of funds received to replenish endowments, income from endowments, the amount of withdrawal of endowment income or income from asset management with respect to each endowment;
 - areas where the income is to be used;
 - using the endowment income, fees and expenses of asset managers.
- 12.4. The financial plan of the Foundation is based on the fact that financing the expenses of the current calendar year must come from income of asset management for previous years.

The Foundation may use the following sources of funding:

- withdrawal of investment income from previous years (income from asset management);
 - withdrawal up to 10% of the book value of the assets constituting the endowment during the reporting year.
- 12.5. To counter the risk of cash flow gaps, the Foundation shall set up current reserves in the form of a minimum cash balance amounting to two months' worth of average monthly expenses.

13. EVALUATION OF INVESTMENT PERFORMANCE

- 13.1. The main evaluation of the asset manager's performance shall be based on the results for the calendar year.
- 13.2. The work of the asset managers shall be monitored based on:
- monthly progress reports;
 - quarterly asset management reports.
- 13.3. Guided by the principle of transparency, The Foundation regularly publishes on its website:
- annual reports on establishment and replenishment of the endowment, use or distribution the endowment income,
 - the report on the management results, asset structure, expenses and fees of asset managers.

14. SOCIAL RESPONSIBILITY IN THE INVESTMENT ACTIVITY OF ASSET MANAGERS

- 14.1. In its investment activities, the Foundation considers factors of responsible investment, based on promoting sustainable development. This aims to increase the return on the Foundation's investments at an acceptable level of risk. This approach includes taking into account sustainable development factors in investment activities, assessing and monitoring assets, practicing good governance, and disclosing information about its approaches and policies in the field of responsible investment.
- 14.2. The Foundation shall seek to apply principles of social responsibility while maintaining the required rate of return for its portfolio. To achieve this, the Foundation shall develop a methodology for socially responsible investment as applied to its endowment. This methodology shall be governed by the socially responsible investment guidelines, the recommendations of the Bank of Russia for implementing socially responsible investment guidelines (including green guidelines), and criteria for sustainable (including green) development projects in the Russian Federation, approved by the government of the Russian Federation, the *ABC Impact Framework* standards, and best practices in the area.

- 14.3. Additionally, the Foundation will need to develop tools to ensure compliance with socially responsible investment by asset managers.

15. COMPLIANCE WITH INVESTMENT POLICY

- 15.1. Members of the Foundation Board, the Council for the Endowment Use, the Foundation employees whose job duties include working with the endowment, are obliged to be guided by the Investment Policy.
- 15.2. The Foundation shall inform the asset managers about the Investment Policy which is to be used in work with the endowment assets.

16. REVISING AND AMENDMENTS

- 16.1. The Foundation shall evaluate the Investment Policy regularly and no less frequently than once every two years for its compliance with the Russian legislation and management objectives. The Investment Policy may be updated in line with the changes in the Russian legislation, applicable standards and best practices.
- 16.2. The Investment Policy shall be amended in the same manner as it is adopted. Individual aspects of the Investment Policy may be detailed further by elaborating other local regulatory acts of the Foundation.