

## COMMITTEES OF THE BOARD OF DIRECTORS

Committees of the Board of Directors serve as a tool for the preliminary in-depth study of issues before they are submitted to the meeting of the Board of Directors. Members of the committee study in detail the considered issue and propose to the members of the Board of Directors the elaborated alternative decisions making it possible for them to join the discussion of an issue more quickly.

The following committees operated under the Board of Directors in order to increase the efficiency of decisions taken by the Board of Directors, to exercise a detailed preliminary review of the most topical matters and to prepare the corresponding recommendations by the end of 2019: Budget Committee, Audit Committee, Remuneration and Nomination Committee, Corporate Governance

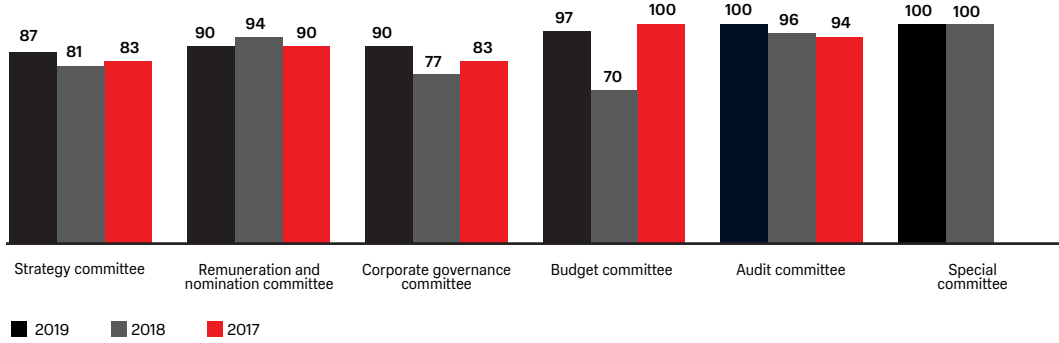
Committee, Strategy Committee, and Special Compliance Committee Under the Board of Directors.

The powers and composition requirements of the committees are determined by regulations on committees approved by the Board of Directors. Committees may involve external experts and advisors in order to resolve their tasks. The results of reviews of agenda issues by the Committees are communicated to Board of Directors members before each Board of Directors meeting.

Each Board of Directors member is also a member of one to four committees. Representation of the Company's managers in the committees allows for a meaningful dialog during committee meetings.

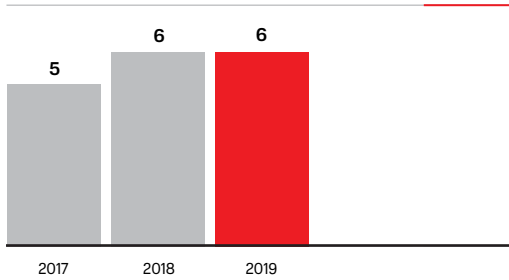
Committee	Committee Overview
<b>Budget Committee</b>	Preparation of recommendations to the Board of Directors on issues of preparation, approval, correction and supervision over performance of budgets, long-term business plans and investment plans of the Company
<b>Audit Committee</b>	Preparation of recommendations to the Board of Directors on supervision over financial and operational activities of the Company
<b>Remuneration and Nomination Committee</b>	Preparation of recommendations to the Board of Directors on issues of HR policy, determination of the motivation and remuneration system and generation of the Company's corporate culture development strategy
<b>Corporate Governance Committee</b>	Preparation of recommendations to the Board of Directors on issues of preliminary review of internal regulatory documents, annual report, sustainability report of the Company and the development of corporate governance practices
<b>Strategy Committee</b>	Preparation of recommendations to the Board of Directors upon review of a strategic development of key functions, projects and Company in general, and implementation of investment projects and long-term investment programs
<b>Special Compliance Committee</b>	Overall supervision in the sphere of compliance, review of issues and preparation of recommendations for the Board of Directors on compliance issues

**\\ Average Level of Attendance of the Meetings of the Committees in 2017–2019**

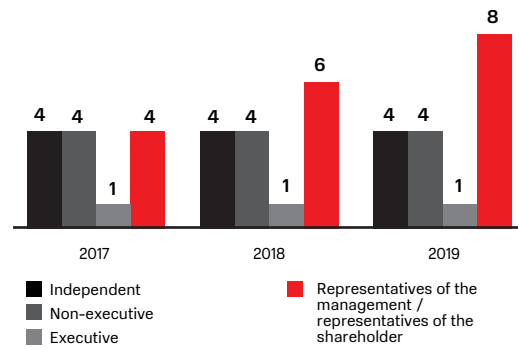


**\\ Number of committees of the Board of Directors in 2017–2019**

**stably**



**\\ Structure of composition of the committees of the Board of Directors in 2017–2019**



## Attendance of Committee Meetings in 2019<sup>1</sup>

Committee Member	Remuneration and Nomination Committee (12 meetings including 9 in-person meetings and 3 meetings in the form of absentee voting)	Audit Committee (15 meetings including 13 in-person meetings and 2 meetings in the form of absentee voting)	Budget Committee (7 in-person meetings)
<b>Antonios Theodosiou Antoniou<sup>2</sup></b>	7/7	8/8	
<b>Artyom Ivanovich Zasursky<sup>3</sup></b>			3/3
<b>Aleksey Borisovich Katkov<sup>4</sup></b>			4/4
<b>Aleksey Valerievich Kornya</b>			
<b>Vsevolod Valerievich Rozanov<sup>5</sup></b>			7/7
<b>Regina Dagmar Benedicta von Fleming<sup>6</sup></b> Independent Director, not a member of executive management MTS PJSC	12/12	15/15	7/7
<b>Thomas Holtrop<sup>7</sup></b> Independent Director, not a member of executive management MTS PJSC	12/12	15/15	6/7
<b>Valentin Borisovich Yumashev<sup>8</sup></b> Independent Director, not a member of executive management MTS PJSC	5/7		
<b>Ron Sommer<sup>9</sup></b>			3/3
<b>Stanley Miller<sup>10</sup></b> Independent Director, not a member of executive management MTS PJSC	4/5	8/8	
<b>Wolfgang Schüssel<sup>11</sup></b> Independent Director, not a member of executive management MTS PJSC	4/5	8/8	
<b>Ruslan Sultanovich Ibragimov</b>			
<b>Vyacheslav Konstantinovich Nikolaev</b>			
<b>Andrey Mikhailovich Kamensky</b>			7/7
<b>Aleksander Evgenievich Gorbunov<sup>12</sup></b>			
<b>Vladimir Sergeevich Travkov</b>			6/7
<b>Andrey Alekseevich Shmakov</b>			
<b>Victor Mechislavovich Klimovich<sup>13</sup></b>			4/4

<sup>1</sup> As of 12.31.2019.

<sup>2</sup> He was elected a member of the Audit Committee, the Remuneration and Nomination Committee, the Corporate Governance Committee, the Strategy Committee, and the Special Compliance Committee on June 27, 2019.

<sup>3</sup> Powers of a member of the Budget Committee terminated on June 27, 2019, elected as a member of the Special Compliance Committee on April 10, 2019.

<sup>4</sup> Elected as a member of the Strategy Budget Committee on June 27, 2019.

<sup>5</sup> He was elected as a member of the Special Compliance Committee on April 10, 2019.

<sup>6</sup> The powers of a member of the Corporate Governance Committee, elected as a member of the Special Compliance Committee on April 10, 2019, were terminated on June 27, 2019.

	Strategy Committee (9 meetings including 8 in-person meetings and 1 meetings in the form of absentee voting)	Corporate Governance Committee (3 meetings including 2 in-person meetings and 1 meeting in the form of absentee voting)	Joint meeting of the Corporate Governance Committee and Remuneration and Nomination Committee (3 in-person meetings)	Special Committee on Compliance (4 in-person meetings)
	5/7	1/1	2/2	3/3
	9/9	1/3	1/3	2/4
	9/9			
	6/7	2/3	3/3	
	7/9	4/4		4/4
	6/7	2/2	1/1	4/4
		1/1	2/2	4/4
	3/7			
	2/2	2/2	1/1	
	1/2	1/3	0/3	
	2/2			1/1
		3/3	3/3	
	9/9			
	9/9			
		2/3	2/3	

<sup>7</sup> He was elected a member of the Corporate Governance Committee on June 27, 2019, and of the Special Compliance Committee on April 10, 2019.

<sup>8</sup> He was elected a member of the Remuneration and Nomination Committee and the Strategy Committee on June 27, 2019.

<sup>9</sup> The powers of this member of the Corporate Governance Committee, the Budget Committee and the Strategy Committee were terminated on June 27, 2019.

<sup>10</sup> The powers of this member of the Audit Committee, the Remuneration and Nomination Committee, the Corporate Governance Committee, and the Strategy Committee were terminated on June 27, 2019.

<sup>11</sup> The powers of this member of the Audit Committee, the Remuneration and Nomination Committee, the Strategy Committee, and the Special Compliance Committee were terminated on June 27, 2019.

<sup>12</sup> The powers of this Budget Committee member were terminated on June 28, 2018

<sup>13</sup> Elected as a Budget Committee member on June 27, 2019.

## ACTIVITIES OF COMMITTEES IN THE REPORTING YEAR

### Budget Committee

The Budget Committee is an auxiliary body of MTS PJSC Board of Directors for the preparation of recommendations to the Board of Directors when reviewing matters of preparation, approval, amendment and supervision over the execution of budgets, long-term business plans and investment plans of MTS PJSC.

The committee follows in its activities the recommendations and requirements of the relevant legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the Company, and Regulation on the Committee.

### Tasks

Development and provision of recommendations to the Board of Directors on the following matters:

- > approval and amendment of budgets, long-term business plans and investment plans;
- > supervision over the progress of budget utilization;
- > methods for the determination of key indicators of budgets, long-term business plans and investment plans; and
- > budget utilization and the necessity of amendments.

### Number and identities of members

The composition of the Committee was changed during the reporting year.

The composition of the Committee was approved at the meeting of the Board of Directors dated June 27, 2019.

### Meetings

The reporting year saw 7 in-person meetings of the Committee.

Committee Member	From June 28, 2018	From October 25, 2018	From June 27, 2019
A. B. Katkov, Chairman, Non-Executive Director <sup>1</sup>	○	○	●
V. V. Rozanov, Non-Executive Director	●	●	●
Regina von Flemming, Independent Director	●	●	●
T. Holtrop, Independent Director	●	●	●
A. M. Kamensky, Management Board member – Vice President for Finance of MTS PJSC	○	●	●
V. S. Travkov, Vice President for Finance and Investments of Sistema PJSC	○	○	●
V. M. Klimovich, representative of Sistema PJSC <sup>1</sup>	○	●	●
Ron Sommer, Independent Director <sup>1</sup>	●	●	○
A. I. Zasursky, Non-Executive Director <sup>1</sup>	○	●	○

## \\ Participation of Committee members in the meetings.

Committee Member	February 20	March 3	June 25	September 18	October 22	November 20	December 17
A. B. Katkov	-	-	-	●	●	●	●
V. V. Rozanov	●	●	●	●	●	●	●
Regina Von Flemming	●	●	●	●	●	●	●
T. Holtrop	●	●	●	●	○	●	●
A. M. Kamensky	●	●	●	●	●	●	●
V. S. Travkov	●	●	●	●	●	○	●
V. M. Klimovich	-	-	-	●	●	●	●
R. Sommer	●	●	●	-	-	-	-
A. I. Zasursky	●	●	●	-	-	-	-

● person was/is a Committee member

○ person was/is not a Committee member

- person was not a Committee member at the time of the meeting

<sup>1</sup> Elected as a Committee member on June 27, 2019.



In the reporting year, the Audit Committee remained focused on the effectiveness of the systems for internal control, risk management, corporate governance and a unified compliance system. The Committee monitors the development of strategic initiatives and transformation of the Company into a service company that provides customers with the opportunity to use the digital ecosystem. This requires the Committee's special attention on risk assessment, compliance with corporate governance rules and compliance requirements in new digital business areas.

The Audit Committee plays a key role in ensuring the effective functioning of the internal audit service and the external auditor, monitoring their independence and objectivity, and overseeing the quality of their activities.

The Committee continued its work together with the management to ensure the completeness and reliability of the financial statements of MTS Group, including monitoring the disclosure of relevant information.

**Thomas Holtrop,**

Chairman of the Audit Committee

**Issues and recommendations reviewed**

- > Report on the current forecast for MTS Group budget utilization in 2019.
- > Interim results of MTS debt and liquidity management for 2019.
- > On approval of the MTS Group budget for 2020.
- > On reorganization of MTS PJSC through the acquisition of subsidiaries.
- > Others.

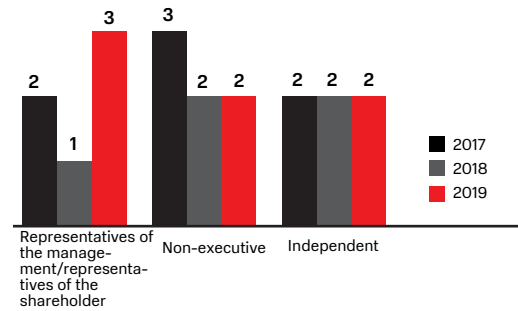
**The Committee has provided the following recommendations to the Board of Directors:**

- > take into account the forecast for the utilization of the MTS Group budget for 2019;
- > submit draft budget 2019 for consideration of the Board of Directors of MTS PJSC.

**Work results in 2019**

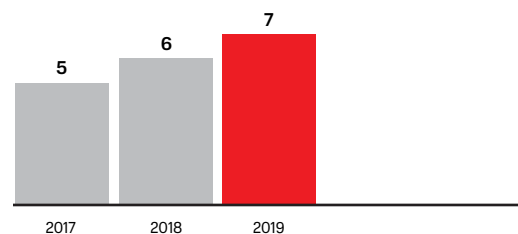
The Committee considered during the reporting year all the necessary issues related to the approval and amendment of budgets, long-term business plans and investment plans

**Composition of the Budget Committee in 2017–2019**



**In-person form**

**+16.7%**



### Audit Committee

The Audit Committee is a collective deliberative body under the Board of Directors. The committee was established for the purposes of assisting in efficient implementation of functions of the Board of Directors in terms of control over financial and economic activities of the Company.

The committee follows in its activities the recommendations and requirements of the relevant legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the Company, and Regulation on the Audit Committee.<sup>1</sup>

#### Tasks:

- > control over the completeness, accuracy and credibility of financial statements of MTS Group of Companies; analysis of annual financial statements, intermediate financial information and corresponding documents submitted to US Securities and Exchange Commission and other regulating bodies for assessment of their completeness and information consistency, conducted jointly with executives and an external auditor;
- > control over the reliability and efficiency of the system for risk management, compliance and internal control, and corporate governance system; analysis and assessment of completion of the procedures for risk management, compliance and internal control; control of procedures for compliance of the Group with legislation (anti-corruption, anti-monopoly, etc.) requirements, ethical standards, regulations and procedures of the Group, requirements of stock exchanges;
- > ensuring the independence and impartiality of the implementation of the internal audit function; consideration of policy in the field of internal control and auditing, the work plan, the corresponding budget and the results of activities of the Internal Control and Audit Unit, as well as assessment of the effectiveness of activities of the Internal Control and Audit Unit, including the approval and assessment of KPI implementation;
- > assessment of the independence, impartiality and lack of conflict of interests among the Group's external auditors, including the assessment of candidates for the Group's auditors, development of proposals for the appointment, re-election and removal of the Group's external auditors, payment for their services and conditions for their involvement; supervision of the external audit and assessment of the audit quality, as well as assessment of the audit report confirming the reliability of the financial statements;
- > control over the efficiency of the system for notification on potential cases of unethical practices of the Group's employees and third parties or other violations in the Group; review of reports on operation of the Single Hotline of MTS Group of Companies; control of ethical standards, analysis and assessment of implementation of policies for the management of conflicts of interests; and
- > other tasks.

#### Number and identities of members

The composition of the Committee was changed during the reporting year.

The new composition of the Committee was approved at the meeting of the Board of Directors dated June 27, 2019.

Committee Member	From June 28, 2018	From June 27, 2019
T. Holtrop, Chairman, Independent Director	●	●
A. Antoniou, Independent Director <sup>2</sup>	○	●
Regina von Flemming, Independent Director	●	●
S. Miller, Independent Director <sup>3</sup>	●	○
W. Schüssel, Independent Director <sup>3</sup>	●	○

● – person was/is a Committee member

○ – person was/is not a Committee member

<sup>1</sup> <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozhenie-o-komitete-po-audit/>  
<sup>2</sup> Elected as a Committee member on June 27, 2019  
<sup>3</sup> Excluded from the composition of the Committee on June 27, 2019.

### Meetings

Committee activities were based on the approved action plan according to the main functions assigned to the Committee. In the reporting year, 15 committee meetings were held: 13 in-person meeting and 2 meetings in the form of absentee voting.

Besides these meetings, the Committee members held meetings with financial executives of the Company and managers responsible for the system of management of risks and internal control, as well as with external advisors of the Company on a number of issues.

Committee Member	January 24 (in absentia)	February 12	February 20	March 18	April 9	April 10	May 22	June 25	July 26 In-absentia	August 19	September 18	October 23	October 25	November 18	December 18
T. Holtrop	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
A. Antoniou	●	●	●	●	●	●	●	●	-	-	-	-	-	-	-
Regina Von Flemming	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
S. Miller	-	-	-	-	-	-	-	-	●	●	●	●	●	●	●
W. Schüssel	●	●	●	●	●	●	●	●	-	-	-	-	-	-	-

- – Committee member participated in the meeting
- – Committee member did not participate in the meeting
- person was not a Committee member at the time of the meeting

### Key areas of the Audit Committee's activities in 2019

#### In the sphere of risk management and internal control system

During 2019 the Committee controlled the procedures providing for Group's compliance with the requirements of Sarbanes-Oxley Act. The plan for 2019 and the operation results of the Department for Internal Control Systems for the first half of 2019 and for 2019 in general were reviewed. The Committee gave a positive assessment of the activities of the unit. The Committee took note of the results of evaluating the effectiveness of the MTS Group's internal control system by the Internal Control and Audit Unit.

The Committee reviewed and preliminarily approved the reports on risk management in MTS PJSC for the first half year and 2019, work in the field of MTS Group risk MTS was positively estimated in 2019. The Annual Report of MTS PJSC for 2019 by the form 20-F was discussed and approved.

Together with the management and the external auditor, an analysis was carried out of the interim financial information of MTS Group for the I, II and III quarters of 2019, the consolidated financial statements of the Group for 2019 prepared in accordance with international financial reporting standards, as well as the accounting statements

of MTS PJSC for 2019 in accordance with Russian accounting and reporting standards.

The reports on the financial and operational performance of MTS Group for the first, second, third and fourth quarters and for 2019 in general were reviewed and approved.

During 2019, the committee reviewed transactions of interest. The review was performed for intragroup transactions of MTS Group companies, the value of which exceeds the established materiality threshold of 500 million rubles, and transactions with companies of the Sistema Group PJSC, regardless of the amount of the transaction. The results of the analysis of economic feasibility and compliance with the requirements of regulatory documents when making such transactions carried out by the Internal Control and Audit Unit of the MTS Group CC were taken into account.

#### In the field of compliance system management

The Committee reviewed and approved the strategic areas of the compliance function for 2019 in MTS Group. The Chairman of the Audit Committee held regular meetings with the Director for Business Ethics and Compliance.

The Committee reviewed and approved a report on the status of implementation of the compliance system in MTS PJSC and subsidiaries in the first



half of 2019 and a report on the implementation of the MTS Group's strategy in the field of compliance according to the year's results. The Committee gave a positive assessment of the compliance function performance. The Committee reviewed and took into account the report on the development of the unified compliance system of MTS PJSC for 2019.

#### **In the field of internal control and audit management**

During 2019, the Committee reviewed information about current operation of the Internal Control and Audit Unit. The Chairman of the Audit Committee held regular meetings with the Director for Internal Control and Audit.

The committee reviewed and approved results of the Internal Control and Audit Unit's operation for the first six months and in general for 2019, and performed assessment of KPI implementation for 2019. The Audit Committee positively evaluated the Internal Control and Audit Unit's performance, finds the function effective and the performance of Unit tasks to be in full compliance with the expected results.

In 2019, the committee paid attention to the use of data analysis tools in internal auditing, the development of new audit technologies and new skills and competencies of employees of the Internal Control and Audit Unit.

The Audit Committee reviewed and took into account the results of self-assessment of the activities of the Internal Control and Audit Unit for 2019, confirming compliance with the International Professional Standards of Internal Audit and the Code of Ethics of the Institute of Internal Auditors.

In December 2019, the committee reviewed and approved the work plan of the Internal Control and Audit Unit for 2020, which continues to implement the approved strategy of the Unit for 2019–2021, KPIs and the budget for 2020, as well as took into account the audit plans for 2020 of the internal control and audit functions of the most significant subsidiaries.

#### **In the field of external audit management**

The audit committee recommended Deloitte JSC and Touche CIS as the auditor of financial statements of MTS PJSC for 2019, which was confirmed by the recommendation of the Board of Directors and by shareholders of the Company at the Annual General Meeting of Shareholders on June 27, 2019. The Committee previously approved and recommended that the Board of Directors approve the remuneration of the auditor.

Assessment of the efficiency and quality of the external audit process is prepared by the Committee according to the results of analysis of the auditor's reports. The Audit Committee discussed and approved the results and conclusions of the external auditor based on the review of quarterly overviews of MTS Group financial information for the I, II and III quarters of 2019 and the annual audit, including conclusions on the effectiveness of the internal control system over the preparation of financial statements in MTS Group. Based on 2019 results the Committee gave a positive assessment of the audit quality and audit procedure efficiency in general.

The Audit Committee gave a positive assessment of auditor's opinions based on results of the audit of MTS PJSC financial statements for 2019 prepared in accordance with Russian accounting standards, and consolidated financial statements of MTS PJSC and its subsidiaries for 2019 prepared in accordance with international financial reporting standards.

The Committee exercised supervision over compliance of the auditors with independence principles. During 2019 the Committee considered information on permissible auditing and non-auditing services, which was provided by the external auditor, and discussed with the auditor a possible impact of the service on independence of the auditor. Permissible auditing and non-auditing services were preliminarily approved by the Committee in accordance with the procedure described in the Regulation on Audit Committee.

**In the field of counteraction to unethical practices of MTS Group employees and third parties and compliance with ethical standards and conflict of interest management**

In 2019 the Committee reviewed the performance of the Unified Hotline of MTS Group of Companies, and on a monthly basis reviewed reports on operation of the Internal Control and Audit Unit.

**The Committee made recommendations to the Board of Directors regarding the consideration and approval of the following items:**

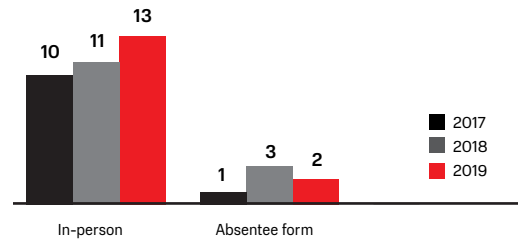
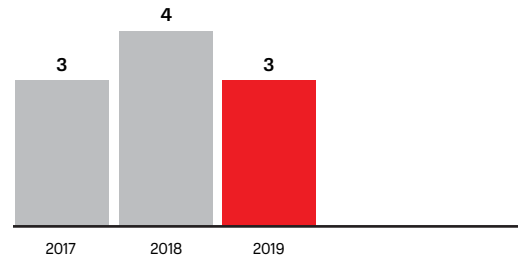
- > risk management reports for MTS PJSC for the first half of the year and for 2019 and assessment of the risk management function performance;
- > remuneration for Deloitte JSC and Touche CIS for auditing services in 2019; and
- > significant transactions with interest falling within the competences of review by the Board of Directors.

**Work results in 2019**

In the reporting year, the Committee reviewed issues related to the assurance of control over reliability and efficiency of the system for risk management and internal control, corporate governance, unified compliance system, veracity of financial statements of MTS Group of Companies, independence and fairness of internal and external audit implementation, efficiency of the system for notifying on potential cases of unethical practices of the Group's employees and third parties or other violations in the Group. The Committee's operation plan for the next year on main functional areas was drafted and approved.

**Composition of the Audit Committee in 2017-2019**

**-25%**





In the reporting year, the Appointments and Remuneration Committee continued working over aspects of personnel management that are important for the company. Efficiently using the international corporate governance experience and best professional practices, the committee consults the Board of Directors on these issues.

Our task is to ensure that MTS' policy in the field of personnel management in general and compensation and remuneration in particular is recognized as the best practice in the labor market; that the best managers work in the Company; and that the work of employees is evaluated using clear and understandable indicators established by the Company's management body. The Committee generalizes the results of achievement of the annual key performance indicators and provides recommendations to the Board of Directors on short-term and long-term stimuli based on analysis of local and international market conditions.

The Committee tracks the implementation of Company's strategic development initiatives. An important goal, on the one hand, is to ensure fair remuneration of outstanding results, and on the other hand, not to ignore absence of efforts. Together with the Audit Committee, special attention is paid to compliance with the corporate governance rules, regulatory requirements and prevention of financial crimes.

In accordance with the new strategy for building up and implementing the MTS ecosystem, one of the key tasks is to reflect this in the recently developed HR strategy and, accordingly, in the new structure of key performance indicators and a long-term program for employee bonuses and life cycle. Determining and providing the best experience for employees, as well as attracting the best talents in the market, is a strategically important aspect of the work of the remuneration and nomination committee. Corporate culture and its implementation in the context of change management were one of the main tasks of the committee in 2019/20 and will be the future.

The Committee is responsible for review of external and internal candidates for key management jobs of the Company, and for the assessment of independent candidates for the Board of Directors.

All members of the Committee are confident that through engagement of the best personnel, investment into training, retention and fair remuneration at the market level, creation of opportunities for their development in a competitive but fair environment, the Company will ensure for its success for many years ahead.

**Regina Dagmar Benedicta von Flemming,**

Chairman of the Remuneration and Nomination Committee

### Remuneration and Nomination Committee

The Remuneration and Nomination Committee is an auxiliary collective deliberative body under the Board of Directors. The main purposes of the Committee are: formulation of HR policy of the Company, determination of the system for remuneration of chief officers of the company, shaping the strategy for development of corporate culture in MTS Group.

Committee members follow leading international practices and trends in preparation of effective solutions within the terms of their reference.

In its activities, the Committee is guided by the recommendations and requirements of the effective legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the Company, and Regulation on the Committee.<sup>1</sup>

<sup>1</sup> <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozenie-o-komitet-po-voznagrazhdeniyam-i-naznacheniyam>

**Tasks:**

- > Development and updating of MTS PJSC HR policy, preparation of a succession pool for the positions of chief officers;
- > Drawing up proposals on candidates and on the determination of significant conditions for remuneration of the chief executives, and proposals on an early termination of office;
- > Assessment of performance results of the Company's President and Management Board members, direct subordinates of the Company's President for the reporting period and preparation of proposals on their reappointment and appointment of Corporate Secretary;
- > Development and submission for review by the Board of Directors of internal documents related to the implementation of the Options Plan of the Company;
- > Control over meeting the requirements of the effective legislation, MTS PJSC Charter and internal regulatory acts of MTS PJSC as to compliance with HR policy of the Company, standards and procedures in the sphere of remuneration and appointments;
- > Determining methods and assessment of performance of the Board of Directors of the Company; and
- > The Committee preliminarily addresses the issues reviewed at meetings of the Company's Board of Directors in the sphere of appointment and remuneration of top managers of the Company.

**Number and identities of members**

The composition of the Committee was changed during the reporting year.

### \\ The composition of the Committee was approved at the meeting of the Board of Directors dated June 27, 2019.

Committee Member	From June 28, 2018.	From June 27, 2019.
Regina von Flemming, Chairman, Independent Director	●	●
A. Antoniou, Independent Director <sup>2</sup>	○	●
T. Holtrop, Independent Director	●	●
V. B. Yumashev, Independent Director <sup>2</sup>	○	●
S. Miller, Independent Director <sup>3</sup>	●	○
W. Schüssel, Independent Director <sup>3</sup>	●	○

- – person was/is a Committee member
- – person was/is not a Committee member

**Meetings**

In the reporting year, 12 meetings of the committee took place: 9 in-person meetings and 3 meetings in the form of absentee voting.

### \\ Participation of Committee members in the meetings is reflected in the table.

Committee Member	February 1 In-absentia	February 20	April 9	May 24 In-absentia	June 26	June 27	July 29	September 19	October 23	November 20	December 31 In-absentia
Regina Von Flemming	●	●	●	●	●	●	●	●	●	●	●
S. Miller	●	●	●	●	○	-	-	-	-	-	-
T. Holtrop	●	●	●	●	●	●	●	●	●	●	●
A. Antoniou	-	-	-	-	●	●	●	●	○	●	○
V. B. Yumashev	-	-	-	-	-	-	-	-	-	-	-
W. Schüssel	-	-	-	-	-	●	●	●	●	●	●

- – Committee member participated in the meeting
- – Committee member didn't participate in the meeting
- – person was not a Committee member at the time of the meeting

<sup>2</sup> Elected as a Committee member on June 27, 2019.

<sup>3</sup> Excluded from the composition of the Committee on June 27, 2019.

**Main areas of activities of the Remuneration and Nomination Committee in 2019**

1. Matters of appointments and succession assurance
  - > Candidates, including external ones, for positions of immediate subordination to the Company's President were considered. Experience sufficiency was evaluated; the results achieved in the Company were analyzed for internal candidates.
  - > Independence of the candidates for inclusion in the Audit Committee under the MTS PJSC Board of Directors was assessed.
2. Issues with systems for the remuneration of managers
  - > Key indicators of the performance of company's top managers were determined, the results of previous period activities were reviewed.
  - > Procedures required for the support of long-term motivation program were implemented, including determination of the current-year program participants and program's KPI targets.
  - > Technical standards for top managers were updated according to the current needs.
3. Matters related to the efficiency of the development of the personnel management function at MTS
  - > HR strategy implementation results and objectives for future periods were reviewed. Recommendations on the main areas of activities were given to the Company's managers.
  - > Key transformations of the Company's organizational structure, their correspondence to the upper-level business objectives and the Company's strategy

**Issues and recommendations reviewed**

- > Assessment of the results of activities performed by the President and top managers of the company in 2018.
- > Setting goals for 2019, including the list, target values and influence (weight) of each of the parameters upon the resulting remuneration award.
- > Review of KPI results of the long-term awarding programs for 2018 and setting goals for 2019.
- > Drawing up lists of participants of the long-term awarding programs according to the program's regulations.
- > Appointments and employment termination of the Management Board members and top managers; it was recommended to rotate Management Board of the Company.
- > Changes in the Company's organizational structure in general and with respect to direct subordinates of the President of the Company.
- > Composition and readiness of successors to top managers of the Company.
- > Assessment of top managers' remuneration level against the market level and their contribution to Company's results.

- > Standards of material and technical support of the Company's top managers have been updated.
- > Assessment of compliance of candidate members of MTS PJSC Board of Directors with the independence criteria.
- > Development of the company's organizational structure.

**The Committee has provided the following recommendations to the Board of Directors**

- > On all the issues discussed, the Committee provided recommendations for good decisions in accordance with the best world practices, the current business environment and the company's development strategy.

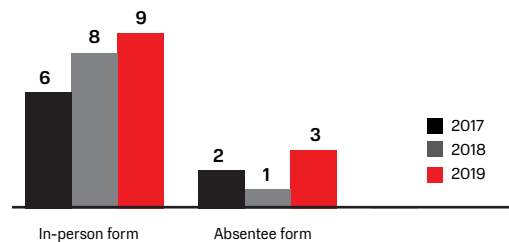
**Work Results in 2019**

In the reporting year, the Committee reviewed all the necessary issues related to the competences of the Committee required to effectively support the Company's activities and its development.

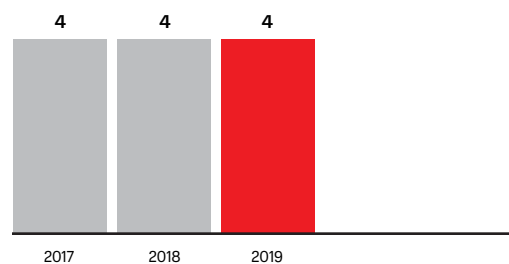
Particular attention was paid to the formation of an external and internal employee reserve and the development of internal successors to leadership positions and the Company's digital transformation.

Furthermore, the Committee's operation plan for the next year on main functional areas was drafted and approved.

**Composition of the Remuneration and Nomination Committee for 2017–2019**



**stably**



◀◀ In the reporting year, we continued to improve the corporate governance system of the company.

At the beginning of the year, we conducted a large-scale audit of one of the most important elements of the corporate governance system – the practice of interaction between the company’s key functions. To do this, we held more than thirty interviews with management representatives and carefully examined the internal documents governing activities of individual company divisions. The audit allowed us to reveal the most important areas for improving corporate governance practices.

One of the most important events for the entire company was when a new strategy providing for the creation of an ecosystem was adopted in the second half of the year. This was also reflected in the corporate governance system. In connection with the new strategy, we revised the approaches to the work of the Board of Directors, its committees and the Management Board. Our task was to strengthen the strategic role of the Board of Directors and to change the role of the Corporate Secretary.

Also, at the end of the year, the company decided to conduct an external assessment of the effectiveness of the Board of Directors. We have already chosen an independent consultant and started this process. In the next reporting year, we expect to receive research results that will help us become even better.

**V. V. Rozanov**  
Chairman of the Corporate  
Governance Committee

### Corporate Governance Committee

The committee was created in order to develop and improve the system and practices of corporate governance in the Company. Within its competences the Committee preliminarily reviews the most important issues regarding corporate governance and prepares recommendations for the Board of Directors to take relevant decisions.

In its activities, the committee follows the recommendations and requirements of the relevant legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the Company, and Regulation on the Committee.<sup>1</sup>

### Tasks

The Committee faces challenges regarding the development of priority directions for the Company’s activities, with regards to the implementation of the corporate governance standards and control over practices in this sphere and settlement of corporate conflicts.

In connection with its assigned tasks, the Committee performs the following functions:

- > In connection with its assigned tasks, the Committee performs the following functions:
- > control over the reliability and efficiency of the system and practices of corporate governance, and preparation of suggestions on their improvement, as well as a comparative analysis of corporate governance policies and programs at other companies;
- > determination of policies in the area of voluntary disclosure of information by the Company and control over the compliance with information policies;
- > assistance in the prevention and settlement of corporate conflicts between the shareholders and between the shareholders and executive bodies of the Company, as well as review of complaints and comments of the shareholders; and
- > preliminary review of internal regulatory documents of the Company submitted for approval (preliminary review) of the Board of Directors, and of the Company’s annual report.

<sup>1</sup> <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozenie-o-komitete-po-korporativnomu-upravleniyu>

### Number and identities of members

The composition of the Committee was changed during the reporting year.

### \\ The composition of the Committee was approved at the meeting of the Board of Directors dated June 27, 2019.

Committee Member	From June 28, 2018	From October 25, 2018	From June 27, 2019
V. V. Rozanov, Chairman, Non-Executive Director	●	●	●
A. V. Kornya, President, Chairman of the MTS PJSC Management Board, Executive Director	●	●	●
A. Antoniou, Independent Director <sup>1</sup>	○	○	●
R. Sommer, Non-Executive Director <sup>2</sup>	●	●	○
R. S. Ibragimov, Management Board Member, Vice President for Government Relations and Public Relations	●	●	●
Stanley Miller, Independent Director <sup>2</sup>	●	●	○
Regina von Flemming, Independent Director <sup>2</sup>	●	●	○
A. I. Zasursky, Non-Executive Director	○	●	●
A. A. Shmakov, Managing Director, Corporate Relations, Sistema PJSC	●	●	●
T. Holtrop, Independent Director <sup>1</sup>	○	○	●

● – person was/is a Committee member

○ – person was/is not a Committee member

### Meetings

In the reporting year, 4 meetings were held: 3 in-person meetings and 1 meeting in the form of absentee voting.

### \\ Participation of Committee members in the meetings is reflected in the table.

Committee Member	April 09	April 09 <sup>3</sup>	May 24	October 24	October 24 <sup>3</sup>	December 18 <sup>3</sup>
V. V. Rozanov	●	●	●	●	●	●
A. V. Kornya	●	●	○	●	●	●
A. Antoniou	–	–	–	●	●	●
R. Sommer	●	●	●	–	–	–
R. S. Ibragimov	●	●	●	●	●	●
S. Miller	○	○	●	–	–	–
Regina Von Flemming	●	●	●	–	–	–
A. I. Zasursky	●	○	○	○	○	●
A. A. Shmakov	○	○	●	●	●	●
T. Holtrop	–	–	–	●	●	●

● – Committee member participated in the meeting

○ – Committee member did not participate in the meeting

– – person was not a Committee member at the time of the meeting

### Issues reviewed in 2019

- > results of the assessment of MTS Board of Directors,
- > report on the work of MTS Corporate Secretary,
- > preliminary review of draft local regulatory acts of MTS,
- > preliminary review of the draft annual report of MTS for 2018,
- > keeping a register of MTS shareholders,
- > officials and MTS Group Companies Liability Insurance,
- > new practices in the work of MTS Board of Directors,
- > comparison of the Corporate Governance Level at MTS with the Leading Companies in the Field of Corporate Governance,
- > launching an external assessment procedure for the MTS Board of Directors,
- > etc.

<sup>1</sup> Excluded from the composition of the Committee on June 27, 2019.

<sup>2</sup> Elected as a committee member on June 27, 2019.

<sup>3</sup> Joint meeting of the Corporate Governance Committee and Remuneration and Nomination Committee.

**The Committee, inter alia, made the following recommendations:**

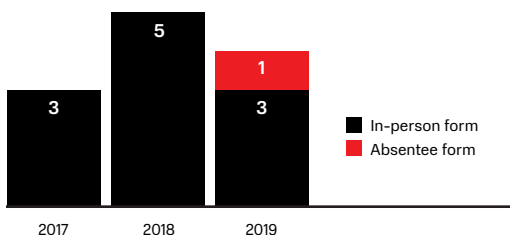
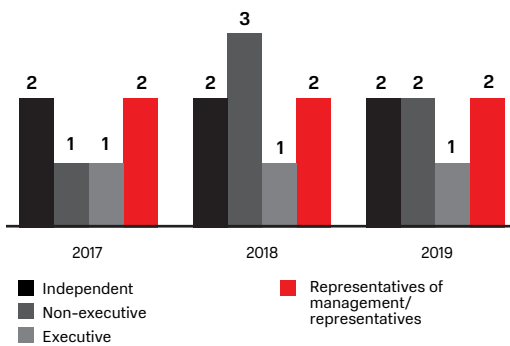
- > recommend that MTS Board of Directors approve the report on the work of MTS Corporate Secretary,
- > recommend that MTS Board of Directors approve the report on evaluating the performance of MTS Board of Directors,
- > recommend that MTS Board of Directors preliminarily approve the MTS Annual Report and the report on compliance with the Corporate Governance Code for 2018,
- > recommend that MTS Board of Directors preliminarily approve local regulatory acts of MTS in new revisions,
- > recommend that MTS Board of Directors take a decision on conducting an external assessment of the performance of MTS Board of Directors,
- > etc.

**Work results in 2019**

In the reporting year, the Committee considered all the matters related to the development of corporate governance at the Company; no issues on the settlement of corporate conflicts arose; no complaints or comments from shareholders on the competences of the Committee were received.

The Committee was mainly focused on assessing the Company’s Board of Directors and developing the corporate governance of MTS.

**Composition of the Corporate Governance Committee for 2017–2019**



At the meetings of the Strategy Committee under the MTS Board of Directors in 2019, we reviewed both general issues relating to the strategic planning process and strategies of individual functional and business areas in the company. Most of the time was devoted to discussing the vertical and horizontal strategies of the ecosystem as part of the new strategy of the MTS Group. A plan for improving the work of the Strategy Committee formed based on feedback received from members of the Board of Directors following the results of work in 2018 was also reviewed and approved. As part of this plan, in particular, it was decided to strengthen the practice of committee's preliminary discussions of strategic issues addressed at Board of Directors meetings, and, in particular, to submit materials on M&A transactions for preliminary discussion in the Strategy Committee.

**Artyom Zasursky**

Chairman of the Strategy Committee



### Strategy Committee

The Committee is an auxiliary body of MTS PJSC Board of Directors for the preparation of recommendations to the Board of Directors upon review of a strategic development of key functions, projects and Company in general, and the implementation of investment projects and long-term investment programs.

### Tasks:

- > preliminary review and provision of recommendations to the Board of Directors on issues within the terms of reference of the Strategy Committee and
- > discussion and drawing up of recommendations on strategic activity areas and projects of the Company.
- > Number and identities of members
- > The composition of the Committee was changed during the reporting year.
- > The composition of the Committee was approved at the meeting of the Board of Directors dated June 27, 2019.

Committee Member	From June 28, 2018	From June 27, 2019
A. I. Zasursky, Chairman, Non-Executive Director	●	●
R. Sommer, Non-Executive Director <sup>1</sup>	●	○
A. E. Gorbunov, Management Board Member, Vice President for Strategy and Development of MTS PJSC	●	●
S. Miller, Independent Director <sup>1</sup>	●	○
V. V. Rozanov, Non-Executive Director	●	●
A. B. Katkov, Non-Executive Director	●	●
W. Schüssel, Independent Director <sup>1</sup>	●	○
V. K. Nikolaev, First Vice President for Client Experience, Marketing and Ecosystem Development, Member of the Management Board of MTS PJSC	●	●
A. Antoniou, Independent Director <sup>2</sup>	○	●
Regina von Flemming, Independent Director	○	●
V. B. Yumashev, Independent Director <sup>2</sup>	○	●

● – person was/is a Committee member

○ – person was/is not a Committee member .

### Meetings

In the reporting year, 9 meetings were held: 8 in-person meetings and 1 meeting in the form of absentee voting.

\\ Participation of Committee members in the meetings is reflected in the table.

Committee Member	April 9	June 26	September 18	October 24	November 1	November 26	December 10	December 12	December 19
R. Sommer	●	●	-	-	-	-	-	-	-
V. V. Rozanov	●	○	●	●	○	●	●	●	●
A. I. Zasursky	●	●	●	●	●	●	●	●	●
A. B. Katkov	●	●	●	●	●	●	●	●	●
S. Miller	○	●	-	-	-	-	-	-	-
W. Schüssel	●	●	-	-	-	-	-	-	-
A. E. Gorbunov	●	●	●	●	●	●	●	●	●
V. K. Nikolaev	●	●	●	●	●	●	●	●	●
A. Antoniou	-	-	●	●	●	●	●	○	●
Regina Von Flemming	-	-	●	●	●	●	○	●	●
V. B. Yumashev	-	-	●	●	●	○	○	○	●
A. V. Kornya	-	-	●	●	●	●	●	○	●

● – Committee member participated in the meeting

○ – Committee member did not participate in the meeting

- – person was not a Committee member at the time of the meeting

<sup>1</sup> Excluded from the composition of the Committee on June 27, 2019.

<sup>2</sup> Elected as a Committee member on June 27, 2019.

**Issues reviewed by the Committee in 2019**

- > Main strategic subjects/areas for the following cycle of strategic planning for 2019-2021 in MTS Group.
- > IT policy and strategy (including in the cybersecurity field).
- > MTS technology strategy.
- > MTS Innovation Center: current status and plans.
- > Report on digital directions.
- > IoT development in MTS: current status, near-future plans, pending issues.
- > Satellite TV: current status and strategy.
- > Status and strategy of ticketing services development.
- > Digital services in MTS ecosystem and strategy to improve penetration of digital applications.
- > Updated Regulations on the Strategy Committee of the Board of Directors of MTS PJSC.

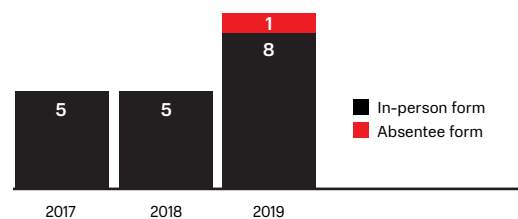
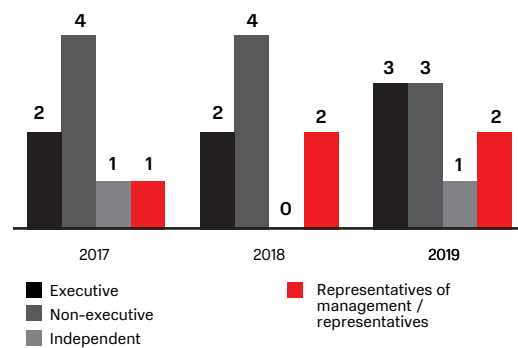
**The Committee has provided the following recommendations to the Company's Board of Directors and Management of MTS Group.**

- > In the process of strategic planning for 2019–2021, to follow the format and procedure defined by the Strategy Committee under the Board of Directors.
- > When developing/adjusting functional strategies, to follow recommendations defined by the Strategy Committee under the Board of Directors.
- > To ensure a detailed and in-depth review of digital directions development results at the Board of Directors and the Strategy Committee under the Board of Directors. In process of analysis and planning of operations, to take into account metrics defined by the Committee for each specific area.
- > To recommend that the Board of Directors of MTS PJSC approve the updated Regulations on the Strategy Committee of the Board of Directors of MTS PJSC.

**Work results in 2019**

In the reporting year, the Committee considered issues related to the process of strategic planning of the Company's operations, strategies on the main functional areas and separately for all business areas in the digital category. Several recommendations were provided to the Company's management following the review of issues. Furthermore, the updated regulations on the Committee were adopted, and the Committee's work plan was decided for the next year.

**Composition of the Strategy Committee for 2017–2019**



### Special Compliance Committee under the Board of Directors

The main objective of the Special Committee is overall supervision in the sphere of compliance, review of issues and preparation of recommendations for the Board of Directors on compliance issues.

### Number and identities of members

The personal composition of the Committee was approved at the meeting of the Board of Directors dated April 10, 2019.

Committee Member	From April 10, 2019	From June 27, 2019
T. Holtrop, Chairman, Independent Director	●	●
Regina von Flemming, Independent Director	●	●
V. V. Rozanov, Non-Executive Director	●	●
A. I. Zasursky, Non-Executive Director	●	●
W. Schussel, Independent Director	●	○
Yu. S. Romashkina, Director of Business Ethics and Compliance of MTS PJSC	○	●
A. Antoniou, Independent Director		●

● – person was/is a Committee member  
○ – person was/is not a Committee member

### Meetings

In the reporting year, 4 in-person committee meetings were held.

Participation of Committee members in the meetings.

Committee Member	April 10	September 18	October 23	December 18
T. Holtrop	●	●	●	●
Regina Von Flemming	●	●	●	●
V. V. Rozanov	●	●	●	●
A. I. Zasursky		●	●	○
W. Schüssel	●	-	-	-
Yu. S. Romashkina	●	●	●	●
A. Antoniou	●	●	●	●

● – Committee member participated in the meeting  
○ – Committee member did not participate in the meeting  
– – person was not a Committee member at the time of the meeting

### Issues and recommendations reviewed:

- > expert statements and reports regarding supervision of compliance in the company's procedures were reviewed.

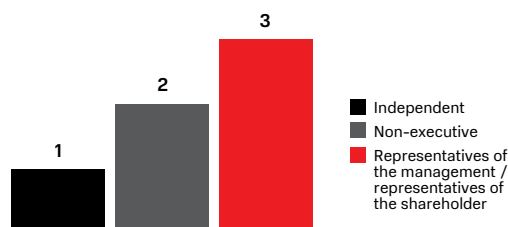
### The Committee provided the following recommendations to the Company's Board of Directors:

None

### Work results in 2019

In the reporting year, the Committee reviewed issues related to compliance supervision measures implemented by the Company.

### Composition of the Special Committee in 2019



**Events after the reporting date**

On April 9, 2020, the Board of Directors of MTS PJSC adopted the following decisions:

1. Abolish the Budget Committee of the Board of Directors of MTS PJSC.
2. Form the personal composition of the following Committees of the Board of Directors of MTS PJSC:

**Strategy Committee****A. B. Katkov — Chairman, Committee members:**

- > A. Antoniou,
- > A. I. Zasursky,
- > A. V. Kornya,
- > R. Flemming,
- > V. V. Rozanov,
- > A. E. Gorbunov,
- > V. S. Travkov.

**Corporate Governance Committee****V. V. Rozanov — Chairman, Committee members**

- > A. Antoniou,
- > A. I. Zasursky,
- > T. Holtrop,
- > A. V. Kornya, R. S.
- > Ibragimov,
- > A. A. Shmakov,
- > A. V. Barsegian.

**Special Compliance Committee under the Board  
of Directors of MTS PJSC****T. Holtrop — Chairman, Committee members:**

- > A. Antoniou,
- > R. Flemming,
- > V. V. Rozanov,
- > A. I. Zasursky,
- > L. E. Lukyanova,
- > A. V. Barsegian.

## REMUNERATION FOR BOARD OF DIRECTORS MEMBERS

The procedure and terms of remuneration payment to members of the Board of Directors of MTS PJSC are defined in accordance with the Regulation on remunerations and compensations paid to members of the Board of Directors of MTS PJSC.<sup>1</sup>

MTS pays remuneration to independent directors, as well as directors, who are not employees or members of the management bodies of companies in MTS Group. Overheads are compensated to all directors in accordance with actually made and documented target expenses.



**Remuneration is paid to directors who are not employees or members of executive bodies of MTS or MTS Group or of a controlling stakeholder of MTS or individuals subordinated to them. Compensation for overhead costs is made to all directors for real target costs proven with documentation.**

<sup>1</sup> <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenti-pao-mts/polozhenie-ovoznagrazhdenii-chlenov-soveta-direktorov-paomts>