

WHERE DOES REMUNERATION COME FROM?

TOTAL AMOUNT

CHAIRMAN/ OTHER DIRECTOR

No more than \$600 000
No more than \$500 000

01 \

BASIC REMUNERATION

+

CHAIRMAN/DIRECTOR

\$400 000 / \$300 000

- Paid for fulfilment of the duties of a member of the Board of Directors of the Company during the corporate year.

02 \

REMUNERATION FOR SITTING ON COMMITTEES

+

CHAIRMAN/DIRECTOR

\$50 000 / \$30 000

for sitting on a mandatory committee

\$30 000 / \$25 000

for sitting on another committee

\$50 000 / \$30 000

for sitting on a special committee

- Paid for the performance of additional duties related to work in committees under the Board of Directors

03 \

GRANTING OF SHARES

- Additional remuneration in the form of remuneration with shares is paid following work results for the corporate year. There are restrictions in respect to shares¹



The remuneration system for members of the Board of Directors ensures a convergence of the financial interests of directors with long-term financial interests of shareholders.



Detailed information is disclosed in Clause 4.2.1. Report on the fulfilment of the principles and recommendations of the Corporate Governance Code.

¹ A director does not have the right to dispose of, or use in any way, shares received as remuneration for three years from the moment they first receive shares as remuneration.

REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS IN 2019

Indicator	Total, RUB
Remuneration for participation in operations of the management body	123,751,595.50
Cost compensations	1,247,015
TOTAL	124,998,610.60

ASSESSMENT OF BOARD OF DIRECTORS' PERFORMANCE

The effectiveness of the Board of Directors affects the quality of the management and performance of the organization and, as a consequence, its market capitalization. In order to improve the practices of the Board of Directors, a systematic assessment is necessary, after which the members of the Board of Directors will better understand their strengths and development areas and can identify opportunities for constructive and sustainable changes in the long term.

The assessment of the Board of Directors performance acts as an efficient tool of corporate governance development and is designed to increase the efficiency of Board of Directors' performance.

After the adoption of the Code of corporate governance and completion of the corporate governance audit of MTS in 2015 the Corporate Governance Committee under the Board of Directors made a decision on the need for drafting a new methodology. In 2016, with the joint participation of the Remuneration and Nomination Committee, Corporate Governance Committee and the Board of Directors, an independent consultant was selected to update the existing methodology for assessment of the performance of the Board of Directors. The new methodology was approved by the decision of the Board of Directors.

The Methodology defines the approach to the assessment, the purpose of which is to improve the performance of the Board of Directors, its committees, Board of Directors members, and to improve the quality of corporate governance at MTS as a whole.

The Methodology contains a description of the following:

- > objects and subjects (participants) of assessment;
- > methods and tools of assessment;
- > principles, procedures and main areas of assessment;
- > assessment procedure;

- > approach to analysis and use of assessment results; and
- > approach to risk management in process of assessment.

The assessment principles are the following:

- > regular performance;
- > relevance;
- > practical focus;
- > objectivity of results;
- > comparability of results; and
- > confidentiality.

The objects of the assessment include:

- > activities of the Board of Directors;
- > activities of committees of the Board of Directors;
- > individual performance of each member of the Board of Directors and committees, including their chairmen; and
- > activities of the Corporate Secretary.

The assessment is carried out on a regular basis (annually) and can be conducted both independently (by questionnaire method) and with the involvement of an independent consultant.

The purpose of the Board of Directors performance assessment is to maximize the Board of Directors' contribution to the successful development and growth of the company's value by solving such tasks as:

- > ensuring a balanced composition of the Board of Directors from the point of view of professional experience, knowledge, skills and personal qualities of its members;
- > analysis of effective approaches and procedures used by the Board of Directors and Committees in their work;
- > tracking the presence and level of motivation of the Board of Directors' members;
- > confirmation of sufficient control from the Board of Directors over operations of the organization and determination of the quality of interrelations between the Board of Directors and management; and
- > determination of the Board of Directors' contribution to development of the MTS corporate governance system and ensuring efficient cooperation of its subjects.

The main objective of the Board of Directors performance assessment is definition of their efficiency in preliminary elaboration of issues and assistance to the Board of Directors in the decision-making process. This objective can be achieved by solving such tasks as:

- > confirmation of the role, function and objectives of the Committee;
- > inspection of the balanced composition of the Committee from the point of view of number of its members, their knowledge, professional experience and competences; and
- > analysis of the quality and efficiency of the Committee's interaction with the Board of Directors and management.

The individual assessment of members of the Board of Directors is designed to maximize their contribution to operations of the Board of Directors and Committees, and also to detect directors' need for upgrade or development of certain skills enabling more effective operation of the Board of Directors and Committees.

At the end of 2019, the MTS Board of Directors decided to conduct an independent assessment of the quality of the Board of Directors' work. Based on the results of a tender, an external consultant was selected and the assessment process started. At the time of preparing this report, the assessment has not yet been completed.

INFORMING NEWLY ELECTED MEMBERS OF THE BOARD OF DIRECTORS ABOUT THE COMPANY'S OPERATION

In accordance with best corporate governance practices for newly elected members of the Board of Directors an orientation (information) course is held in the form of an interactive presentation in Russian and English. This course quickly familiarizes new members of the Board of Directors with the Company's development history, the operation of the Board of Directors, the main documents governing Company's operations, annual financial reporting, the development strategy, the Company's management structure, etc.

The President, the Company's management and Board of Directors Secretary take part in the presentation. Individual meetings with senior functional management of the Company are also offered to members of the Board of Directors, at which members of the Board of Directors can obtain any information required for their work.

THE ROLE OF THE BOARD OF DIRECTORS IN THE ORGANIZATION OF AN EFFICIENT RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM¹

Within its competences, the Board of Directors is responsible for monitoring the effectiveness of the construction and functioning of the systems for risk management, compliance and internal control of the Company; twice a year it reviews and approves the reports of the Audit Committee on the work of internal control and audit, compliance and risk management units and the internal control system, as well as reports on risk management in the MTS Group and reports on the development of the Unified Compliance System.

Today, an efficiently-operating risk management, compliance and internal control system are in place designed to ensure a reasonable level of confidence in the company achieving its aims.

OFFICIALS AND MTS GROUP COMPANIES LIABILITY INSURANCE



The insurance amount under the liability insurance contract is USD 10 million.

The insurance contract enables us to ensure the protection of members of the Board of Directors, Management Board and management of MTS PJSC (hereinafter – "Officials") and provide coverage for:

- > indemnification of Officials, in connection with actions or claims submitted against them or their persecution by authorized state authorities for their actions/omissions while they exercise office duties in the office held, namely:
 - compensation of expenses of Officials for lawyers and legal protection in connection with the above actions or claims;
 - indemnification of damages caused to plaintiffs by actions/omission of Officials (in the event that the lawsuit is satisfied by the court);
- > indemnification of damages of MTS PJSC and subsidiaries of MTS PJSC for claims related to securities (except for lawsuits related to IPO of American depository receipts).

¹ More complete information is provided in the "Risk Management" section.