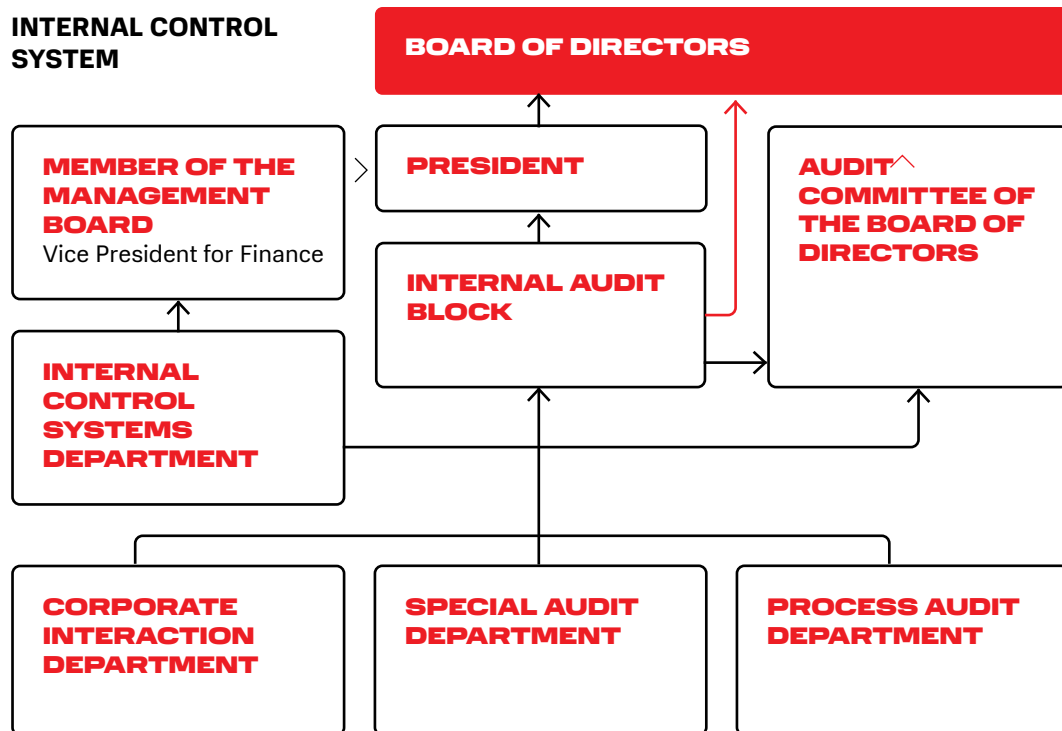


Management Board member	Size of the share of the corresponding person in the charter capital of MTS PJSC before the transaction	Amount of the share of the corresponding person in the authorized capital after the transaction	Date, from which the share of the corresponding person in the authorized capital of MTS PJSC
<b>Inessa Galaktionova</b> First Vice President for Telecommunication Business, Management Board Member	did not own shares	0.0008%	12.03.2021
<b>Alexandr Evgenievich Gorbunov</b> Management Board Member, Vice President for Strategy & Development	0.001%	0.0016%	09.04.2021
<b>Ruslan Sultanovich Ibragimov</b> Management Board member, Vice President for GR Activity and Public Relations	0.0190%	0.0197%	09.04.2021
<b>Andrey Mikhailovich Kamensky</b> Member of the Management Board, Vice President for Finance	0.0030%	0.0036%	09.04.2021
<b>Alexey Valerievich Kornya</b> Board of Directors member	0.0469%	0.0571%	09.04.2021
<b>Vyacheslav Konstantinovich Nikolaev</b> President, Management Board Chairman	0.0051%	0.0058%	09.04.2021
<b>Dmitry Alexandrovich Khomchenko</b> Management Board Member, Vice President for Information Technology;	0.0087%	0.0091%	09.04.2021

## MONITORING AND AUDIT

### INTERNAL CONTROL SYSTEM



- Functional subordination
- Administrative (direct) reporting relationship
- ..... Accountability

The internal control system of MTS PJSC represents a combination of internal-control processes implemented by ICS entities based on the existing organizational structure, internal policies and regulations, internal-control and risk-management procedures and methods applied within the Company at all management levels and as part of all functional areas.

The establishment and efficient operation of the internal control system are designed to ensure reasonable confidence in the achievement of objectives set by the Company and to ensure proper control over the financial and economic activities of the Company, as well as its efficiency.

The internal control system of MTS PJSC represents a combination of interrelated components, the structure of which meets the general accepted methodology COSO Internal Control — Integrated Framework 2013. In accordance with COSO model, a control environment is established, the risk assessment system is applied, control procedures are implemented and their performance is monitored, and changes in organizational structure and business processes are monitored.

Under the internal control system, a range of anti-corruption measures mitigating reputational risks and risks of sanctions for bribery of officials against MTS PJSC. For the purposes of counteraction to abuses, authorization of transactions and operations, distinction of powers and rotation of duties, control over the actual availability and condition of facilities is implemented.

MTS PJSC approved the Policy for complying with anti-corruption legislation defining measures aimed at establishing elements of the corporate culture, organizational structure, rules and procedures assuring non-admission of corruption.

For a comprehensive, independent evaluation of the reliability and efficiency of the risk-management and internal-control system and of the corporate-governance practice of MTS PJSC, the Internal Audit Block of MTS PJSC uses the results of the completed audits to generate a report on the level of maturity within the Company as a whole. The Internal Audit Block is an individual structural division of MTS PJSC functionally reporting to the Board of Directors and administratively — directly to the President of MTS PJSC.

The Audit Committee at the Board of Directors of MTS PJSC biannually reviews reports on the operation of the Internal Audit Block, Internal Control Systems Department, Ethics & Compliance Department and Risk Management Unit and generates conclusions on the efficiency of the internal control and audit function, risk management, compliance and internal control of MTS PJSC.

The Audit Committee positively evaluates the work of the Internal Audit Block in terms of evaluation of internal control, risk management, compliance and corporate governance system efficiency, and believes that the objectives of the Unit were met in full compliance with the expected results and recognizes the function as efficient.

The Audit Committee positively evaluates the work of the Internal Control Systems Department with regard to the creation, implementation and development of an effective system of internal control over the reliability of generation of financial statements for the MTS Group, including in new businesses, for 2020.



**For some areas, the Internal Control and Audit Block of MTS not only holds the leading positions in Russia, but also meets the strictest global standards of quality in terms of setting objectives and performance of tasks, communications building, and also organization of the work and status of the Internal Audit Service. An employee of the Internal Audit Block, continuing the traditions of 2019, became the 2020 Laureate in the nomination “Internal Auditor of the Year” as a part of the VII National Prize organized by the Institute of Internal Auditors Association with the support of the Russian Union of Industrialists and Entrepreneurs and the Moscow Exchange. The national award is an integral part of the promotion of the internal auditor profession in our country, and an important component in assessing the personal contribution of internal auditors and internal audit services to the development of the profession.**

The Audit Committee positively assesses performance of the Risk Management Function as effective and fit for its purposes at the moment.

The Audit Committee positively assesses the work of the Ethics and Compliance Department and believes that the tasks of the division have been completed in full compliance with the expected results.

On a quarterly basis, the Audit Committee reviews the reports of external auditor Deloitte and Touche CIS JSC approving their performance.

The Board of Directors of MTS PJSC defines the policy in respect to internal control and audit and twice per year considers the report of the Audit Committee following the results of performance of the internal audit, risk management, compliance and internal control functions of MTS PJSC with analysis of the existing control system and identified violations.

**\\ The Report of the Audit Commission is annually attached to the materials of the annual General Shareholders’ Meeting of MTS PJSC.**

<p><b>Audit Committee of the Board of Directors</b></p>	<p>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. For detailed information about the Audit Committee’s work results in the reporting year see the section “Committees of the Board of Directors”.</p> <p><b>Results of evaluation by the Audit Committee of the external and internal audit process efficiency: are specified in the section “Report on the work of the Audit Committee”.</b></p>
<p><b>Auditing Commission</b></p>	<p>On June 24, 2020, the followings persons were elected as members of the Auditing Commission at the annual General Shareholder Meeting of MTS PJSC:</p> <ul style="list-style-type: none"> <li>› Irina Radomirovna Borisenkova, born in 1963, holds the position of the Chief Accountant, managing director of the Finance and Investment Complex of Sistema PJSC;</li> <li>› Natalya Andreevna Mikheeva, born in 1983, holds the position of Director for Internal Audit of MTS PJSC;</li> <li>› Andrei Anatolyevich Porokh, born in 1979, holds the position of Vice President for Internal Control and Audit of Sistema PJSC.</li> </ul> <p>Report on the operation of the Auditing Commission</p> <p>In April 2020, based on the results of the performed audit, the Auditing Commission did not record any material facts of violation of accounting activities or in the submission of financial statements while carrying out the financial and economic activities of the Company.</p> <p>The Auditing Commission confirmed that the financial statements of the Company for 2019 and the Annual report on the Company’s activities for 2019, in terms of the Company’s financial statements, are authentic.</p> <p>In April 2021, the Auditing Commission carried out an audit of the financial and economic activities of the Company for 2020. The opinion report of the Auditing Commission will be submitted for the approval of the Annual General Shareholder Meeting of MTS in June 2021.</p>

<p><b>Internal Audit Block<sup>1</sup></b></p>	<p>The Internal Audit Block (IAB) is a standalone structural division of MTS PJSC and consists of the Corporate Interaction Department, the Special Audit Department, the Process Audit Department. The Block is headed by the Director for Internal Audit who is functionally subordinated to the Chairman of the Audit Committee under the Board of Directors of MTS PJSC, and is administratively subordinated directly to the President of MTS PJSC.</p> <p>The Internal Audit Block performs the following functions:</p> <ul style="list-style-type: none"> <li>› assessment of the efficiency of the internal control system, risk management and corporate governance processes by analyzing the Company's operating activities and its information systems, achieving the Company's strategic goals, the effectiveness and progress of projects and products, the reliability and integrity of information on the Company's operation, the safety of assets, compliance with internal regulations, and external requirements;</li> <li>› development of recommendations for improvement of internal control, risk management and corporate governance procedures, and assistance to the management in development of corrective measures based on the results of performed audits;</li> <li>› monitoring of execution of recommendations for rectification of violations and deficiencies discovered based on audit results;</li> <li>› development and implementation of IT analytics for the purpose of continuous monitoring of risk indicators based on data from business processes and increasing the efficiency of audit procedures;</li> <li>› improvement of the internal audit methodology and the audit quality control system;</li> <li>› analysis and improvement of efficiency of the Internal Audit Block, coordination of joint work of the Block units and internal audit functions in subsidiaries;</li> <li>› registration and coordination of investigation of messages received via the Unified Hotline;</li> <li>› providing consulting services.</li> </ul> <p>The IAB maintains a program to ensure and improve the quality of internal control and audit designed to assess the conformity of IAB with international professional standards of internal audit and the use by the IAB staff of the Institute of Internal Auditors Code of Ethics (The IIA)</p> <p><b>Report on operation of the Internal Audit Block</b></p> <p>During 2020, the Internal Audit Block operated in accordance with the set objectives, tasks and performed functions.</p> <p>In December 2020, a restated version of the Regulations of the Process RP-319-12 "Processing of Complaints Received to the Unified Hotline of MTS Group" was developed and approved; it takes into account the recommendations of an independent compliance consultant, leading practices in the field of handling complaints from applicants and the experience of MTS.</p> <p>The results of the Internal Audit Block's operation for the first six months and in general for 2020 were inspected and approved by the Audit Committee. The Audit Committee positively assessed operations of the Internal Audit Block, and believes it is efficient.</p> <p>In December 2020, the Audit Committee approved the work plan, the strategy and budget of the Internal Audit Block for 2021..</p>
<p><b>Internal Control Systems Department</b></p>	<p>The Internal Control Systems Department is a structural division to be a part of the Finance Block and consists of the ICS development department for the key business, the ICS development department for integrator business, the ICS development department for financial technologies and commerce, the Functional Group for Certification and General ICS Methodology. The Department of Internal Control Systems is headed by the director of the department, who is directly subordinated to the Member of the Management Board and Vice President for Finance of MTS PJSC and reports to the Audit Committee under the Board of Directors of MTS PJSC.</p> <p>The Department of Internal Control Systems performs the following main functions:</p> <ul style="list-style-type: none"> <li>› elaboration, implementation and development of an internal control system based on a risk-based approach for the purpose of proving the accuracy of preparation of the financial statements of the MTS Group;</li> <li>› testing, evaluation and certification of the system of internal control over generation of financial statement of MTS Group;</li> <li>› management of the separation of authorities in SOX-essential information systems (SoD-analysis);</li> <li>› completion of expert assessment of SOX-essential business processes with the purpose of identifying potential risk areas and subsequent communication to owners of business processes.</li> <li>› coordination of interaction of external auditors and functional subdivisions of the Company during the annual external audit of the internal control system for the purpose of proving the accuracy of preparation of the financial statements of the MTS Group;</li> <li>› support of project activities in terms of ICS, including subsidiaries.</li> </ul>

<sup>1</sup> Changes in the organization structure of MTS PJSC: change in the name of the Block (Internal Control Block before March 5, 2021) - Internal Control and Audit Block

**Report on operation of the Department of Internal Control Systems (ICSD)**

In 2020, within the framework of development of the internal control system for proving the accuracy of preparation of financial statements of MTS Group of Companies, including creation and implementation of internal control in new business types, as well as taking into account the results of management testing and external audit for 2019, changes in the organizational structure and business processes, works were performed to update and formalize control procedures aimed at coverage of essential risks, documented for SOX purposes.

Since 2018, ICSD has changed the strategy for implementing and developing ICS in new subsidiaries — management of the ICS function in subsidiaries is carried out from the CC level. This approach was retained in 2020 as applicable to all subsidiaries included in the SOX scope of work. The strategy has proven to be effective in terms of efficient and flexible allocation of resources and optimizing the time to support the ICS in subsidiaries.

In 2020, 159 business processes, 272 ELC/GCC processes across the MTS Group were updated. Testing of 1200 control procedures for the MTS Group was carried out taking into account the reduction in the term for disclosure of financial statements by eight day.

Based on the results of assessing the effectiveness of ICS, no significant or material shortcomings were identified in relation to accuracy of preparation of financial statements in 2020. The total number of shortcomings that do not have a significant or material impact on the MTS Group also decreased compared to 2019 indicators.

In accordance with the approved methodology for managing the separation of powers in SOX-essential information systems, efforts are underway to identify and reduce conflicts of roles and powers (SOD):

- › in the key ERP system Oracle EBS, the number of SOD risks at the level of business processes was reduced in 2020 due to the analysis of the created functions/powers of the current year;
- › the project of robotization of SOD-analysis of the Foris billing system is being implemented. The stage of manual analysis of conflicts detected by the robot has been completed. Preparatory work was carried out to automate the processing of the SOD risk matrix and the powers assigned to users in the Foris system, providing for embedding the process of managing access rights to the system into the approval chain;
- › for three SOX-essential systems, an analysis of the existing role model (roles, functions, powers) was completed ahead of schedule, an initial assessment of the roles and powers of users, elaboration of a plan for the development of a matrix and automation of SOD analysis;
- › procedures for mitigating SOD risks in the accounting system of MTS Bank PJSC were completed: the full list of SOX-essential accounts was analyzed, no conflicts were identified.

The MTS Group internal control system is tested and certified in accordance with the article 404 of the Sarbanes and Oxley Act.

Based on the results of the internal evaluation and external audit opinion, the internal control system for proving the accuracy of preparation of financial statements of the MTS Group as of December 31, 2020 was found to be efficient and to have no material and significant deficiencies.

## EXTERNAL AUDIT

### Audit

On June 24, 2020, at the annual General Meeting of Shareholders of MTS PJSC, Deloitte and Touche CIS Joint Stock Company was approved as the Company's auditor (location: 125047, Russian Federation, Moscow, Lesnaya St., 5), OGRN 1027700425444, certificate of membership in the Self-Regulatory Organization of Auditors of the Association "Sodruzhestvo" (Association) dated January 31, 2020, ORNZ 12006020384.

Deloitte & Touche CIS AO is one of the leading audit and consulting firms providing audit, management and financial consulting, risk management, tax and related services. It is a member of the international association of firms "Deloitte Touche Tohmatsu Limited", which is one of the world leaders in the provision of professional services and has more than 330 thousand employees in more than 150 countries.

In the reporting year, the auditor carried out:

- › audit of the annual financial statements of MTS PJSC for 2020, prepared in accordance with Russian accounting standards, conducted in accordance with International Auditing Standards (ISA);
- › audit of the consolidated financial statements of MTS PJSC and its subsidiaries prepared in accordance with International Financial Reporting Standards (IFRS) for 2020, conducted in accordance with ISA;
- › an integrated audit of the consolidated financial statements of MTS PJSC and its subsidiaries, prepared in accordance with IFRS for 2020, and the effectiveness of the internal control system over its preparation as of December 31, 2020, carried out in accordance with the standards of the Public Accounting Oversight Board US companies.

In March and April 2021, the Audit Committee approved the results of the external auditor based on the results of audits conducted for 2020, including conclusions on the effectiveness of the internal control system over the formation of financial statements in the MTS Group.

Based on the results of the audits, the auditor of MTS PJSC expressed opinions on the reliability of the financial statements of MTS PJSC for 2020, prepared in accordance with Russian accounting standards, and the consolidated financial statements of MTS PJSC and its subsidiaries for 2020, prepared in compliance with IFRS.

#### **The procedure for selecting the auditor of the issuer**

The tender for the selection of the external auditor of MTS PJSC is held at least once every five years.

To conduct a tender, MTS PJSC forms a tender commission. Based on the results of the tender, the tender commission forms recommendations on the selection of an external auditor, which are sent for approval to the members of the Audit Committee of the Board of Directors of MTS PJSC.

If the candidacy of the auditor is approved by the Audit Committee, the Board of Directors and the General Meeting of Shareholders of the Company, an agreement is signed with the audit company for the provision of services for the audit of financial statements.

The amount of the auditor's remuneration for the audit of the statements of MTS PJSC and its subsidiaries for 2020 is approved by the Board of Directors of MTS PJSC and at the end of 2020 amounted to 162,675 thousand rubles, excluding VAT and overhead costs, including the audit of the statements of MTS PJSC. In the amount of 14,000 thousand rubles.

## SETTLEMENT OF POSSIBLE CONFLICTS OF INTEREST OF MANAGEMENT BODIES AT MTS PJSC

For the purposes of non-admission of conflicts of interests, the Company holds an annual knowledge testing and certification of compliance with norms of the Code of Business Conduct and Ethics for executives and top management, the result of which are reviewed at the Auditing Committee at the Board of Directors of MTS PJSC.

Members of the Management Board and employees are not entitled to participate in the approval, agreement, or other decision-making in respect of transactions concluded by the Company if they are or may be under the influence of the conflict of interests.

During managing a conflict of interests the Company is guided by the principles of lawfulness, confidentiality, impartiality, objectiveness and reasonable sufficiency, obligatory immediate disclosure of information by Company's employees about an actual or potential conflict of interests or likelihood of such a conflict.

Procedures preventing a possible conflict of interests of directors are also established at our Company. Members of the Board of Directors must refrain from actions which may result in appearance of a conflict of interests and, if such a situation exists or arises, disclose information about it to the Board of Directors and not participate in voting on conflict agenda items.

Members of the Board of Directors, who have interest in agenda items of the Board of Directors, do not take part in discussion and voting on the specified agenda items.

During 2020, no conflict of interests of members of the Management Board of MTS PJSC was found.

## RISK MANAGEMENT

### RISK MANAGEMENT SYSTEM

Risk management is carried out at the MTS Group within the accepted conceptual risk management frameworks<sup>1</sup>. The integrated risk management process is functioning efficiently in accordance with the needs of the Group and international standards. Risk management policy aims to minimize unexpected losses from risks and to maximize capitalization, taking into account the relation between risk and return on investments acceptable to the shareholders and the management of the MTS Group.

The Integrated Risk Management Policy is approved at the MTS Group<sup>2</sup>. Integrated risk management is aimed at ensuring reasonable guarantee of achievement of strategic objectives of the Company and maintenance of risk level of the MTS Group within limits acceptable for the Company management.

### ∞ The main principles of the risk management process are as follows:

<b>integration principle</b>	envisions a systemic approach to management of all types of risks inherent in MTS business, in all organizational structure and geography of MTS Group presence. Cross-functional collaboration and coordination of business units is maintained to manage risks outside the framework of their specialization, as well as accounting of mutual effect of risks from various units. A single company management notification channel is provided for the whole risk spectrum to guarantee the completeness, quality and comparability of the information provided for each level of decision-making;
<b>continuity principle</b>	consists of the implementation of a set of ordered risk management procedures on a regular basis;
<b>justification principle</b>	envisions an analysis of the ratio between costs for risk assessment reduction and potential damage from their occurrence.

<sup>1</sup> Organization risk management. Integrated Model "Committee of Sponsoring Organizations of the Treadway Commission, COSO.  
<sup>2</sup> Approved by the resolution of the Board of Directors of MTS PJSC on December 15, 2017, Minutes No. 265; <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenti-pao-mts/politika-integrirovannoe-upravlenie-riskami>.