

Approved
Resolution of the Board of Directors of MegaFon PJSC
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Risk Management and Internal Control System Policy

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1. GENERAL AND SCOPE

This Policy sets forth the approaches to risk management and internal control, it is a company-wide document, and shall cover MegaFon PJSC as well as its 100% subsidiaries (hereinafter the "Company"). MegaFon encourages its affiliates and subsidiaries with less than 100% interest to follow these approaches by including them in their Policies.

The Policy is prepared in accordance with the current laws of the Russian Federation, the international risk management standard ISO 31000:2018, the recommendations of the international professional risk management and internal control organizations, including the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The detailed description of the risk management process (approach to identification, assessment, classification of risks, interaction of stakeholders, risk appetite) and of the internal control development process, the basic terms and definitions are described in the risk management methodology and in the internal control methodology.

2. RISK MANAGEMENT AND INTERNAL CONTROL OBJECTIVES

The company is exposed to external and internal factors which affect pursuing its objectives. It is necessary to properly manage risks, i.e. identify, assess, and treat them, to ensure achievement of the objectives. When making decisions, managers consider the associated risks one way or another but, if this is not done in a consistent manner, the likelihood increases to overlook a risk, assess it incorrectly or make the wrong decision. Risk management is an integral part of the Company management process and should not be isolated from managerial decision-making.

Internal control (hereinafter also referred to as the "IC") aimed at mitigating risks by introducing and performing control procedures is used at the Company as one of the main components of risk management.

Control procedures include, inter alia, approvals, authorizations, verifications, performance reports, safeguarding of assets, segregation of duties.

The risk management and internal control system (hereinafter also the "RMICS") is aimed at ensuring reasonable assurance of achieving the following objectives of the Company:

1. Strategic and operational objectives;
2. Compliance of the operations with the laws and internal regulations;
3. Reliability of financial, tax and other reporting;

The RMICS should be an integral part of operation of each business unit of the Company and should be integrated into its culture and business processes. An effective RMICS is one of the components of the Company's success enabling to create the proper basis for more effective decision-making, increases the likelihood of achieving business objectives and compliance with the internal and external requirements, reduces the risks of claims and fines by the regulators as well as of errors in the external and internal reporting. Ultimately, it influences the financial results of the Company, increases its value, credibility in the eyes of the shareholders, investors, and creditors.

Despite the ambition to ensure reasonable assurance in achieving the Company's objectives, uncontrollable factors always exist, therefore it is impossible to provide the 100% guarantee of their achievement.

3. RISK MANAGEMENT AND INTERNAL CONTROL PRINCIPLES

The RMICS at the Company is based on several principles:

- embedding in corporate governance and decision-making;
- part of the management commitments and organizational processes, including strategic planning and project management;
- continuous structured operation;
- protection of the Company's value;
- contribution to achievement of the Company's objectives as well as to continuous improvement of its business processes;
- consideration of the uncertainty factor in decision-making and risk assessment;
- use of accurate, complete, and reliable information from the best sources available, including historical reports, experts judgements, forecasts, statistics, based on the constant exchange of information among the RMICS stakeholders;

- consideration of the human and cultural factors, analysis of the intentions of persons able to contribute to or hinder achievement of the Company's goals;
- transparency, involvement, and consideration of the opinions of all stakeholders of the risk management and internal control process;
- a dynamic and responsive to change process;
- the process is optimal for costs and benefits, formalized to the necessary degree and is taken into account when preparing the Company's internal regulations.

4. RISK MANAGEMENT AND INTERNAL CONTROL STAKEHOLDERS

Risk management and internal control shall be carried out at all business units and at all levels of the Company as well as in all projects and business processes.

The stakeholders' roles:

- 1) The Board of Directors (Audit Committee of the Board of Directors):
 - determining the principles and approaches to the RMICS and approval hereof;
 - assessing the RMICS effectiveness, including compliance with the financial and management reports requirements and practices, provision of recommendations for their improvements.

The competence of the Audit Committee of the Board of Directors is set forth in the regulation on the Audit Committee.

- 2) CEO/Management Board:
 - ensuring development and maintenance of an effective RMICS, monitoring implementation of the resolutions of the Board of Directors concerning RMICS;
 - assigning powers, obligations, and liability to the heads of business units in relation to certain risk management and internal control procedures, including via the Risk Committee;
 - approving the requirements concerning the risk management and internal control structure, reporting forms by approving risk management and internal control regulations;

- considering and making decisions on risk management and internal control issues, including preliminary consideration and preparation of draft resolutions on the issues within the competence of the Board of Directors;
- developing the risk management and internal control culture, the tone at the top about their importance.

3) Heads of business units:

- ensuring operation of the RMICS components in business processes and projects within the powers available and duties assigned, including:
 - identification, assessment, approval, and monitoring of risks;
 - preparation, approval, enforcement, and monitoring of risk management actions, including control procedures;
- regular self-assessment of the RMICS effectiveness;
- submission of regular risks and controls reports;
- allocation of resources, if necessary, to take prompt risk management measures or to mitigate the negative consequences of the risks materialized;
- optimization of business processes to decrease the level of risks;
- use of information about risks in determining the objectives and the budget of the business unit;
- ensuring updates of the RMICS documentation (description of risks, actions, controls, and other information);
- remedying the RMICS deficiencies following the internal and external assessment;
- informing the business unit RM/IC Coordinator about the changing in the business processes/projects/risks/controls;
- ensuring a risk-based approach to the operation of the business unit.

4) The personnel, including the employees responsible for controls:

- identifying and monitoring the level of risks within the duties assigned, including in business processes/projects for which they are responsible;

- taking the risk management measures approved, including timely and high-quality performance of the control procedures;
- remedying the deficiencies following the internal and external assessment of the RMICS effectiveness (including testing and monitoring of the controls);
- complying with the requirements of the applicable laws and internal regulations within their functional responsibilities provided for by their official duties.

5) The RM/IC Coordinators of the business units:

- coordinating the risk management and internal control process at the business unit/in a business process/project;
- monitoring completion of the risk management measures, the quality of performance and documentation of the control procedures;
- coordinating and providing methodological support to develop the criteria of the risk appetite of the business unit (jointly with the risk management department);
- preparing information materials concerning risks for consideration by the relevant risk management body: the Risk Owner/ Functional Committee/ Project Steering Committee/ Risk Committee;
- preparing proposals to improve the risk management of the relevant business unit/ business process, project;
- updating design of the control procedures and timely informing the risk management and internal control departments about the necessity to amend the documentation.

6) The Risk Management Department:

- implementing this Policy in respect to risk management;
- organizing the process of updating the Company's risks, controlling implementation of the risk treatment measures, methodological support and development of the risk management process;
- coordinating the business units risk management processes, including risk identification, assessment, and preparation of treatment plans;

- initiating the risk management process in projects, strategic planning;
- consolidating the data about all of the Company's risks,
- administrating RiskCom - the automated risk management tool;
- preparing information on risk management for the Management Board, Risk Committee, Audit Committee, Board of Directors;
- preparing and implementing the risk management culture development plan, including training and methodological support of the personnel;
- preparing and updating the risk management regulations;
- implementing this Policy in terms of the Company's internal control (except for internal control over the reliability of financial reporting).

7) The Internal Control Department (in terms of the risks related to the reliability of financial reporting):

- implementing this Policy in respect to internal control;
- preparing and updating the internal control regulations;
- preparing and implementing the internal control development plan, including training and methodological support of the personnel;
- coordinating the activities to maintain an effective internal control;
- monitoring the quality of implementation and documentation of the control procedures;
- coordinating the self-assessment of the internal control effectiveness;
- preparing the information on internal control for the Management Board, Audit Committee, Board of Directors;
- administrating the automated SAP GRC Process Control system.

8) Risk Committee. The Risk Committee shall be the main collegiate risk management body which ensures:

- participation of the Company's management in the risk management process;
- review of the status and dynamics of the Company's key risks, making decisions concerning them, approval of the risk treatment measures taking into account the risk appetite;

- review and approval of the results of the Company's risk updating, risk profile;
- review, approval, and control of the RMICS improvement measures;
- development of the single approach to the compliance.

Separate committees may be established to manage certain types of risks.

9) The internal audit shall provide independent assessment of the RMICS reliability and effectiveness, including certain components, processes, projects, in accordance with the Regulations on the Internal Audit approved by the Company's Board of Directors.

5. RISK MANAGEMENT AND INTERNAL CONTROL COMPONENTS

The RMICS shall include the following components providing the basis for its effective operation:

Corporate culture and control environment means the set of standards, processes, and structures, including the Company's ethical values. The Board of Directors and the top management shall determine the tone at the top regarding the RMICS importance, including the standards of conduct and operation, as well as shall supervise their implementation. The task of each of the Company's employees shall be to follow these standards.

Risk assessment means the overall process of risk identification, risk analysis and risk evaluation, including in setting the strategy and objectives. The result shall be the understanding of the risk level and its acceptability, taking into account the risk appetite. If necessary, the objectives shall be adjusted and the risk shall be managed. The risk assessment process is described in the risk management methodology.

Risk treatment, including control procedures means selecting different options for modifying risk taking into account the costs, benefits, and an acceptable level of risk: risk avoidance, its acceptance or even increase in its level to pursue business opportunities, removing the risk source, reduction of the likelihood and consequences (including by control procedures), sharing the risk with another party.

Monitoring and review means regular assessment which includes, inter alia:

- assessment of achieving the Company's business objectives and their revision, if necessary, taking into account risk assessment;
- analysis of changes in the external and internal factors which can impact the Company's business objectives and RMICS;
- analysis of the RMICS effectiveness, making changes, if necessary.

Information, communication and reporting: effective exchange of information is an important component of the RMICS. This is a continuous process of providing and receiving the necessary information both at the Company and in cooperation with external parties. Communication enables horizontal and vertical dissemination of information about:

- the RMICS importance;
- the standards of conduct, values, procedures being part of the Company's corporate culture and control environment;
- the strategies and business objectives;
- the acceptable risk level;
- the RMICS effectiveness, violations etc.

Reporting about the risks, controls, performance is part of the Company's communication. The reporting forms and periodicity shall be set forth by the internal regulations.

6. RISK APPETITE AND ACCEPTABLE LEVEL OF RISK

The risk appetite means the amount of risk which the Company is willing to take depending on its financial and operational capabilities, strategy, and stakeholder expectations. The risk appetite means the benchmark for the management in goal-setting, decision-making and development of the single approach to risk management at the Company. Within the risk appetite approved, the acceptable level of the Company's risks shall be set forth.

Statements regarding the risk appetite can be provided in various internal regulations of the Company.

If, as a result of risk assessment and/or new projects and/or changes in the Company's objectives, the risks exceed the risk appetite established, the Risk Committee shall resolve on mitigating the risks to the acceptable level through measures or on increasing the risk appetite level.

7. RMICS STRATEGY AND RISK CULTURE DEVELOPMENT

The Company strives to constantly improve its RMICS to contribute to successful implementation of the Company's strategy, on the one hand, by enabling the managers to consciously accept risks and thereby improving the business results, and to provide the basis for stable and continuous operation of the business, on the other hand. Development of the general risk management culture at the Company which is based on the risk-oriented thinking of employees in decision-making and taking into account risks in business processes and projects is aimed at this, among others. At the same time, the tone at the top from the management concerning the importance of risk management and employee training are of importance.

The RMICS strategy shall also include:

- continuous and timely RM and IC adaptation to the business changes;
- development of risk assessment procedures and models to improve the quality, accuracy, and completeness of the data as the basis for decision-making;
- the formalization and the update of the risk appetite parameters, linking the risk appetite to the Company's development strategy;
- constant search for business opportunities and options to transform threats into opportunities as well as search for the optimal methods to respond to risks;
- improvement of the risk classification;
- improvement of the RM and IC communications at the Company.

The RMICS strategy may be reviewed when changes occur in the internal or external environment and if it is necessary to adapt to the Company's strategy.