

# Major transactions of PJSC MegaFon in 2018

## Governing body that approved the transaction

Board of Directors  
(Minutes No. 289(353)  
dated 15 August 2018)

Board of Directors (Minutes  
No. 288(352) dated 15 July 2018)

General Meeting of Shareholders  
(Minutes w/n dated 20 August 2018)

## Subject matter and material terms of the transaction

Master Revolving Framework Credit Facility Agreement with a tiered interest rate between PJSC MegaFon and PJSC Sberbank.

Under the Master Agreement, PJSC Sberbank issues a RUB 80,000,000,000 loan to PJSC MegaFon, and PJSC MegaFon agrees to repay the loan amount, the interest accrued on it, and make other payments in the manner and within the timelines set forth in the Master Agreement.

The value of the transaction is more than 25%, but less than 50% of the book value of PJSC MegaFon's assets.

Major related interested party transactions:

1. Revolving Loan Agreement between PJSC MegaFon (Lender) and MegaFon Investments (Cyprus) Limited (Borrower) (Revolving Loan Agreement)
2. Second Indemnity Deed between PJSC MegaFon, Credit Suisse Securities (Europe) Limited, and UBS Limited (Banks and Second Indemnity Deed) replacing the First Indemnity Deed between PJSC MegaFon and the Banks dated 16 July 2018 (First Indemnity Deed)

Under the Revolving Loan Agreement, PJSC MegaFon (Lender) issues an up-to-two-year (inclusive) loan at an interest rate of 8% per annum to MegaFon Investments (Cyprus) Limited (Borrower). The total loan amount including the interest accrued at the maturity date will not exceed RUB 117,000,000,000.

Under the Second Indemnity Deed, PJSC MegaFon undertakes to indemnify the Banks as well as other parties specified in the Second Indemnity Deed (Indemnified Parties) for possible expenses, losses, and damage (indemnity), which the Indemnified Parties (including the Banks) may incur in the cases stipulated by the Second Indemnity Deed, including in relation to the Banks acting as dealer managers in connection with the tender offer for ordinary shares in the Company and global depositary receipts representing the ordinary shares in the Company (Programme), as well as undertakes other obligations stipulated by the Second Indemnity Deed.

The value of the transaction (related transactions) and prior related transactions (including the Indemnity Letter between PJSC MegaFon and The Bank of New York Mellon) does not exceed 50% of the book value of PJSC MegaFon's assets.

**Governing body that approved the transaction**

Board of Directors (Minutes No. 289(353) dated 15 August 2018)

General Meeting of Shareholders (Minutes w/n dated 20 September 2018)

**Subject matter and material terms of the transaction**

Loan Agreement between PJSC MegaFon (Lender) and LLC MegaFon Finance (Borrower) related to:

- Revolving Loan Agreement between PJSC MegaFon (Lender) and MegaFon Investments (Cyprus) Limited (Borrower) No. 20 dated 20 August 2018
- Second Indemnity Deed between PJSC MegaFon, Credit Suisse Securities (Europe) Limited, and UBS Limited

Under the Loan Agreement, PJSC MegaFon (Lender) issues an up-to-two-year (inclusive) loan at an interest rate of 0% per annum with a maximum limit of RUB 100,000,000,000 to LLC MegaFon Finance (Borrower).

The total loan amount including the interest accrued at the maturity date (if any) will not exceed RUB 117,000,000,000 less amounts issued by PJSC MegaFon and remaining payable by MegaFon Investments (Cyprus) Limited (due from MegaFon Investments (Cyprus) Limited) under Revolving Loan Agreement No. 20 dated 20 August 2018.

---

# Interested party transactions of PJSC MegaFon in 2018

**Governing body that approved the transaction**

**Subject matter and material terms of the transaction**

**Interested parties involved in the transaction**

## Transactions (groups of related transactions) worth less than two percent of the book value of MegaFon's assets

Board of Directors (Minutes No. 271(335) dated 22 December 2017)

B3Related Surety Agreements to secure the obligations of PJSC MegaFon's subsidiaries (Debtors) to banks, customers, and partner companies.

USM Holdings Limited, USM Telecom Holdings Limited, Garsdale Services Investments Limited, AF Telecom Holding Limited, LLC AF Telecom Holding

The subject matter of the Related Surety Agreements is PJSC MegaFon's liability to secure the obligations of PJSC MegaFon's subsidiaries:

1. to banks under bank guarantee agreements (including guarantees issued to secure subsidiaries' obligations under public contracts)
2. to customers under public contracts and agreements executed as part of commercial tenders
3. to partner companies under distribution agreements and supply agreements
4. under bank financing and factoring agreements.

The total price of the property (services) under the Related Surety Agreements providing for PJSC MegaFon's liability to secure the obligations of PJSC MegaFon's subsidiaries to banks, customers, and partner companies will not exceed RUB 6,000,000,000.

Governing body that approved the transaction	Subject matter and material terms of the transaction	Interested parties involved in the transaction
Board of Directors (Minutes No. 276(340) dated 14 March 2018)	<p>Master Agreement between PJSC MegaFon and JSC MegaFon Retail.</p> <p>Under the Master Agreement, PJSC MegaFon provides services, performs work, and transfers property/rights/obligations to JSC MegaFon Retail as follows:</p> <ul style="list-style-type: none"> <li>• Accounting, tax, financial control, treasury, HR accounting and HR management services</li> <li>• Full range of agency services</li> <li>• Information, advisory, and legal services</li> </ul> <p>As well as provides other services, performs work and transfers property/rights/obligations.</p> <p>JSC MegaFon Retail provides services, performs work, and transfers property/rights/obligations to PJSC MegaFon as follows:</p> <ul style="list-style-type: none"> <li>• Full range of agency services</li> <li>• Information and advisory services</li> </ul> <p>As well as provides other services, performs work, and transfers property/rights/obligations.</p> <p>The total price of the property (services) disposed of (acquired) by PJSC MegaFon under the Master Agreement between PJSC MegaFon and JSC MegaFon Retail will not exceed RUB 939,403,000.</p>	USM Holdings Limited, USM Telecom Holdings Limited, Garsdale Services Investments Limited, AF Telecom Holding Limited, LLC AF Telecom Holding
Board of Directors (Minutes No. 259(323) dated 26 April 2017; No. 281(345) dated 16 May 2018)	<p>Revolving Loan Agreement between PJSC MegaFon and JSC FTC.</p> <p>Loan amount: up to RUB 4,000,000,000 (inclusive).</p> <p>Loan maturity date: five years from the date of the Agreement.</p> <p>Interest rate: zero (0) percent per annum.</p>	USM Holdings Limited, USM Telecom Holdings Limited, Garsdale Services Investments Limited, AF Telecom Holding Limited, LLC AF Telecom Holding
Board of Directors (Minutes No. 283(347) dated 25 May 2018)	<p>Revolving Loan Agreement between PJSC MegaFon and LLC Digital Business Solutions.</p> <p>Loan amount: up to RUB 820,000,000 (inclusive).</p> <p>Loan maturity date: up to three years from the date of the Agreement.</p> <p>Interest rate: zero (0) percent per annum.</p> <p>The loan may be converted into the charter capital of LLC Digital Business Solutions.</p>	USM Holdings Limited, USM Telecom Holdings Limited, Garsdale Services Investments Limited, AF Telecom Holding Limited, LLC AF Telecom Holding

Governing body that approved the transaction	Subject matter and material terms of the transaction	Interested parties involved in the transaction
Board of Directors (Minutes No. 289(353) dated 15 August 2018)	<p>Sponsorship Agreement between PJSC MegaFon and LLC Esforce Rus.</p> <p>Under the Sponsorship Agreement, PJSC MegaFon makes sponsor contributions to LLC Esforce Rus and LLC Esforce Rus:</p> <ul style="list-style-type: none"> <li>entitles PJSC MegaFon to use the name (title): PJSC MegaFon, the general sponsor of Virtus.pro eSports team, the general sponsor of RuHub eSports Studio, the general sponsor of the Russian eSports Cup, the general sponsor of the Russian Interactive Football Cup</li> <li>ensures the exclusive nature of PJSC MegaFon's rights for offering mobile and data products and advertising telecommunication services</li> <li>places PJSC MegaFon's advertisements during LLC Esforce Rus events.</li> </ul> <p>The total price of the property (services) disposed of (acquired) by PJSC MegaFon under the interested party transaction will not exceed RUB 618,000,000.</p>	LLC USM Holding Company, LLC AF Telecom Holding
Board of Directors (Minutes No. 126(190) dated 15 March 2010; No. 150(214) dated 13 July 2011; No. 160(224) dated 10 January 2012; No. 233(297) dated 25 December 2015; No. 297(361) dated 5 December 2018)	<p>Revolving Loan Agreement between PJSC MegaFon (Lender) and CJSC OSTELECOM (Borrower).</p> <p>Loan amount: up to RUB 662,000,000 (inclusive). Loan maturity date: 23 March 2024 (inclusive). Interest rate: up to ten (10) percent per annum.</p>	LLC USM Holding Company, LLC USM Telecom, LLC AF Telecom Holding, members of the Company's Management Board: G.A. Vermishyan (sole executive body) and A.A. Barunin
Board of Directors (Minutes No. 297(361) dated 05 December 2018)	<p>Limited Overdraft Facility Agreement between PJSC MegaFon (Borrower) and PJSC Sberbank (Lender).</p> <p>Total overdraft limit: up to RUB 7,000,000,000 (inclusive).</p> <p>Overdraft maturity date: up to 36 months (inclusive) from the date of the Agreement.</p> <p>Facility purpose: payments under the settlement documents of the Pool Participants in MegaFon Group and included in the Pool of Accounts "Limited Overdraft" if there is no or insufficient cash on accounts of these entities, using the total overdraft limit that is set for the account of PJSC MegaFon opened with PJSC Sberbank.</p> <p>The total price of the property (services) disposed of (acquired) by PJSC MegaFon under the Limited Overdraft Facility Agreement between PJSC MegaFon and PJSC Sberbank will not exceed RUB 9,520,000,000.</p>	LLC USM Holding Company, LLC USM Telecom, LLC AF Telecom Holding

<b>Governing body that approved the transaction</b>	<b>Subject matter and material terms of the transaction</b>	<b>Interested parties involved in the transaction</b>
<p>Board of Directors (Minutes No. 297(361) dated 5 December 2018)</p>	<p>Master Agreement between PJSC MegaFon and LLC NetByNet Holding</p> <p>Under the Master Agreement, PJSC MegaFon provides services, performs work, and transfers property/rights/obligations to LLC Scartel as follows:</p> <ul style="list-style-type: none"> <li>• Full range of agency services related to acquiring new and servicing existing subscribers for LLC NetByNet Holding</li> <li>• Roaming support</li> <li>• Purchase, sale, and delivery of property, other than communication equipment and fibre</li> <li>• Arrangements for access from a subscriber device to a connection point</li> <li>• Making available for use and leasing property, other than leasing communication channels, virtual communication channels, as well as leasing real property, equipment, and fibre</li> <li>• Software lease and support</li> <li>• Enabling the shared use of means of communication and other equipment, as well as their maintenance, operation, and repair</li> <li>• Provision of radio access network infrastructure to enable communications services based on the MVNO business model</li> <li>• Arrangements for targeted marketing initiatives</li> <li>• Technical support of equipment</li> <li>• Mailing documents</li> <li>• Information, advisory, and legal services</li> <li>• Accounting, tax, financial control, treasury, and HR management services</li> <li>• Automated billing service</li> <li>• Transfer of rights and obligations under the agreements concluded by LLC NetByNet Holding with third parties</li> <li>• Call centre service</li> </ul> <p>As well as provides other services, performs work and transfers property/rights/obligations.</p> <p>LLC NetByNet Holding provides services, performs work and transfers property/rights/obligations to PJSC MegaFon as follows:</p> <ul style="list-style-type: none"> <li>• Automated billing service</li> <li>• Purchase, sale, and delivery of property, other than communication equipment and fibre</li> <li>• Making available for use and leasing property, other than leasing communication channels, virtual communication channels, as well as leasing real property, equipment, and fibre</li> <li>• Arrangements for Wi-Fi network maintenance</li> </ul>	<p>LLC USM Holding Company, LLC USM Telecom, LLC AF Telecom Holding</p>

Governing body that approved the transaction	Subject matter and material terms of the transaction	Interested parties involved in the transaction
	<ul style="list-style-type: none"> <li>• Carrying out ICT and integration projects including the setup of an integrated video surveillance system and situation centre</li> <li>• Enabling the shared use of means of communication, other equipment, communication lines and networks, as well as their maintenance, operation, and repair</li> <li>• Transfer of rights and obligations under the agreements concluded by PJSC MegaFon with third parties</li> <li>• Call centre service</li> </ul> <p>As well as provides other services, performs work and transfers property/rights/obligations.</p> <p>The total price of the property (services) disposed of (acquired) by PJSC MegaFon under the Master Agreement between PJSC MegaFon and LLC NetByNet Holding will not exceed RUB 1,099,000,000.</p>	

#### Transactions (groups of related transactions) worth two or more percent of the book value of PJSC MegaFon's assets

<p>Board of Directors (Minutes No. 288(352) dated 15 July 2018)</p>	<p>First Indemnity Deed between PJSC MegaFon, Credit Suisse Securities (Europe) Limited, and UBS Limited (Banks and First Indemnity Deed) and Indemnity Letter (Indemnity Letter with BNYM) between PJSC MegaFon and The Bank of New York Mellon.</p> <p>Under the First Indemnity Deed, PJSC MegaFon undertakes to indemnify the Banks as well as other parties specified in the First Indemnity Deed (Indemnified Parties) for possible expenses, losses, and damage (indemnity), which the Indemnified Parties (including the Banks) may incur in the cases stipulated by the First Indemnity Deed, including in relation to the Banks acting as dealer managers in connection with the tender offer for ordinary shares in PJSC MegaFon and global depositary receipts representing the ordinary shares in PJSC MegaFon (Programme), as well as undertakes other obligations stipulated by the First Indemnity Deed.</p> <p>Under the Indemnity Letter with BNYM, PJSC MegaFon undertakes to indemnify BNYM for possible expenses, losses, and damage (indemnity), which BNYM may incur in the cases stipulated by the Indemnity Letter with BNYM in relation to BNYM acting as tender agent with respect to global depositary receipts representing the ordinary shares in the Company under the Programme.</p> <p>The value of the transaction (related transactions) does not exceed 10% of the book value of PJSC MegaFon's assets.</p>	<p><b>Interested parties:</b> USM Holdings Limited, USM Telecom Holdings Limited, Garsdale Services Investments Limited, AF Telecom Holding Limited, LLC AF Telecom Holding.</p> <p><b>Grounds for recognising them as interested parties:</b> the beneficiary to the transactions, MegaFon Investments (Cyprus) Limited, is controlled by parties also controlling the issuer.</p> <p><b>Share ownership of interested parties in PJSC MegaFon:</b></p> <ul style="list-style-type: none"> <li>• USM Holdings Limited: nil</li> <li>• USM Telecom Holdings Limited: nil</li> <li>• Garsdale Services Investments Limited: nil</li> <li>• AF Telecom Holding Limited: nil</li> <li>• LLC AF Telecom Holding: 56.3178%</li> </ul> <p><b>Share ownership of interested parties in counterparties:</b> nil.</p>
---	---	--

Governing body that approved the transaction	Subject matter and material terms of the transaction	Interested parties involved in the transaction
<p>Board of Directors (Minutes No. 288(352) dated 15 July 2018)</p> <p>General Meeting of Shareholders (minutes w/n dated 20 August 2018)</p>	<p>Major related interested party transactions:</p> <ol style="list-style-type: none"> <li>1. Revolving Loan Agreement between PJSC MegaFon (Lender) and MegaFon Investments (Cyprus) Limited (Borrower) (Revolving Loan Agreement)</li> <li>2. Second Indemnity Deed between PJSC MegaFon, Credit Suisse Securities (Europe) Limited, and UBS Limited (Banks and Second Indemnity Deed) replacing the First Indemnity Deed between PJSC MegaFon and the Banks dated 16 July 2018 (First Indemnity Deed)</li> </ol> <p>Under the Revolving Loan Agreement, PJSC MegaFon (Lender) issues an up-to-two-year loan (inclusive) loan at an interest rate of 8% per annum to MegaFon Investments (Cyprus) Limited (Borrower) The total loan amount including the interest accrued at the maturity date will not exceed RUB 117,000,000,000.</p> <p>Under the Second Indemnity Deed, PJSC MegaFon undertakes to indemnify the Banks as well as other parties specified in the Second Indemnity Deed (Indemnified Parties) for possible expenses, losses, and damage (indemnity), which the Indemnified Parties (including the Banks) may incur in the cases stipulated by the Second Indemnity Deed, including in relation to the Banks acting as dealer managers in connection with the tender offer for ordinary shares in the Company and global depository receipts representing the ordinary shares in the Company (Programme), as well as undertakes other obligations stipulated by the Second Indemnity Deed.</p> <p>The value of the transaction (related transactions) and prior related transactions (including the Indemnity Letter between PJSC MegaFon and The Bank of New York Mellon) does not exceed 50% of the book value of PJSC MegaFon's assets.</p>	<p>Interested parties: LLC USM Holding Company, AF Telecom Holding Limited.</p> <p>Grounds for recognising them as interested parties: the beneficiary and counterparty to the transactions, MegaFon Investments (Cyprus) Limited, is controlled by parties also controlling the issuer.</p> <p>Share ownership of interested parties in PJSC MegaFon:</p> <ul style="list-style-type: none"> <li>• LLC USM Holding Company: nil</li> <li>• LLC AF Telecom Holding: 56.3178%</li> </ul> <p>Share ownership of interested parties in counterparties: nil.</p>

Governing body that approved the transaction	Subject matter and material terms of the transaction	Interested parties involved in the transaction
<p>Board of Directors (Minutes No. 289(353) dated 15 August 2018)</p> <p>General Meeting of Shareholders (minutes w/n dated 20 September 2018)</p>	<p>Loan Agreement between PJSC MegaFon (Lender) and LLC MegaFon Finance (Borrower) related to:</p> <ul style="list-style-type: none"> <li>Revolving Loan Agreement between PJSC MegaFon (Lender) and MegaFon Investments (Cyprus) Limited (Borrower) No. 20 dated 20 August 2018</li> <li>Second Indemnity Deed between PJSC MegaFon, Credit Suisse Securities (Europe) Limited, and UBS Limited</li> </ul> <p>Under the Loan Agreement, PJSC MegaFon (Lender) issues an up-to-two-year (inclusive) loan at an interest rate of 0% per annum with a maximum limit of RUB 100,000,000,000 to LLC MegaFon Finance (Borrower).</p> <p>The total loan amount including the interest accrued at the maturity date (if any) will not exceed RUB 117,000,000,000 less amounts issued by PJSC MegaFon and remaining payable by MegaFon Investments (Cyprus) Limited (due from MegaFon Investments (Cyprus) Limited) under Revolving Loan Agreement No. 20 dated 20 August 2018.</p>	<p><b>Interested parties:</b> LLC USM Holding Company, AF Telecom Holding Limited; A.A. Barunin, Member of the Company's Management Board.</p> <p><b>Grounds for recognising them as interested parties:</b></p> <ul style="list-style-type: none"> <li>The counterparty to the transaction, LLC MegaFon Finance, is controlled by parties also controlling the Company</li> <li>A.A. Barunin, Member of the Company's Management Board, is the CEO of the counterparty to the transaction, LLC MegaFon Finance</li> </ul> <p><b>Share ownership of interested parties in PJSC MegaFon:</b></p> <ul style="list-style-type: none"> <li>LLC USM Holding Company: nil</li> <li>LLC AF Telecom Holding: 56.3178%</li> <li>A.A. Barunin: nil</li> </ul> <p><b>Share ownership of interested parties in counterparties:</b> nil.</p>
<p>Board of Directors (Minutes No. 294(358) dated 2 November 2018)</p> <p>General Meeting of Shareholders (minutes w/n dated 7 December 2018)</p>	<p>Surety Agreement between PJSC MegaFon and Bank GPB (JSC) (Bank), under which PJSC MegaFon provides a surety to the Bank to secure the obligations of LLC MegaFon Finance under a bank guarantee agreement.</p> <p>Under the agreement, PJSC MegaFon provides an up-to-two-year (inclusive) surety to the Bank to secure the obligations of LLC MegaFon Finance under a bank guarantee agreement. The bank guarantee is provided to holders of ordinary registered shares in PJSC MegaFon in case LLC MegaFon Finance fails to perform or improperly performs its obligations under Article 84.2 of the Federal Law On Joint-Stock Companies or the terms of the mandatory offer.</p> <p>The total amount of obligations of LLC MegaFon Finance secured under the Surety Agreement will not exceed RUB 90,000,000,000.</p>	<p><b>Interested parties:</b> LLC USM Holding Company, LLC USM Telecom, AF Telecom Holding Limited; A.A. Barunin, Member of the Company's Management Board.</p> <p><b>Grounds for recognising them as interested parties:</b></p> <ul style="list-style-type: none"> <li>The beneficiary to the transaction, LLC MegaFon Finance, is controlled by parties also controlling the Company</li> <li>A.A. Barunin, Member of the Company's Management Board, is the CEO of the beneficiary to the transaction, LLC MegaFon Finance</li> </ul> <p><b>Share ownership of interested parties in PJSC MegaFon:</b></p> <ul style="list-style-type: none"> <li>LLC USM Holding Company: nil</li> <li>LLC USM Telecom: nil</li> <li>LLC AF Telecom Holding: 56.3178%</li> <li>A.A. Barunin: nil</li> </ul> <p><b>Share ownership of interested parties in counterparties:</b> nil.</p>

Governing body that approved the transaction	Subject matter and material terms of the transaction	Interested parties involved in the transaction
<p>Board of Directors (Minutes No. 126(190) dated 15 March 2010; No. 140(204) dated 31 January 2011; No. 189(253) dated 5 March 2013; No. 233(297) dated 25 December 2015; No. 297(361) dated 5 December 2018)</p>	<p>Revolving Loan Agreement between PJSC MegaFon (Lender) and CJSC TT mobile (Borrower).</p> <p>Loan amount: up to US\$ 161,900,000 (inclusive). Loan maturity date: 19 March 2022 (inclusive). Interest rate: up to twenty (20) percent per annum.</p>	<p><b>Interested parties:</b> LLC USM Holding Company, LLC USM Telecom, AF Telecom Holding Limited, members of the Company's Management Board: G.A. Vermishyan (sole executive body) and A.A. Barunin.</p> <p><b>Grounds for recognising them as interested parties:</b></p> <ul style="list-style-type: none"> <li>• The counterparty to the transaction, CJSC TT mobile, is controlled by parties also controlling the Company</li> <li>• G.A. Vermishyan and A.A. Barunin are Members of the Board of Directors of the counterparty to the transaction, CJSC TT mobile</li> </ul> <p><b>Share ownership of interested parties in PJSC MegaFon:</b></p> <ul style="list-style-type: none"> <li>– LLC USM Holding Company: nil</li> <li>– LLC USM Telecom: nil</li> <li>– LLC AF Telecom Holding: 56.3178%</li> <li>– G.A. Vermishyan: nil</li> <li>– A.A. Barunin: nil</li> </ul> <p><b>Share ownership of interested parties in counterparties: nil.</b></p>
<p>Board of Directors (Minutes No. 264(328) dated 26 July 2017; No. 271(335) dated 22 December 2017; No. 297(361) dated 5 December 2018)</p>	<p>Revolving Loan Agreement between PJSC MegaFon (Lender) and LLC Scartel (Borrower).</p> <p>Loan amount: up to RUB 22,000,000,000 (inclusive). Loan maturity date: three years from the date of the Loan Agreement (inclusive). Interest rate: up to eight (8) percent per annum.</p>	<p><b>Interested parties:</b> LLC USM Holding Company, LLC USM Telecom, AF Telecom Holding Limited.</p> <p><b>Grounds for recognising them as interested parties:</b> the counterparty to the transaction, LLC Scartel, is controlled by parties also controlling the Company.</p> <p><b>Share ownership of interested parties in PJSC MegaFon:</b></p> <ul style="list-style-type: none"> <li>• LLC USM Holding Company: nil</li> <li>• LLC USM Telecom: nil</li> <li>• LLC AF Telecom Holding: 56.3178%</li> </ul> <p><b>Share ownership of interested parties in counterparties: nil.</b></p>

Governing body that approved the transaction	Subject matter and material terms of the transaction	Interested parties involved in the transaction
<p>Board of Directors (Minutes No. 253(317) dated 23 December 2016; No. 271(335) dated 22 December 2017; No. 297(361) dated 5 December 2018)</p>	<p>Master Agreement between PJSC MegaFon and JSC MegaLabs.</p> <p>Under the Master Agreement, JSC MegaLabs provides services, performs work, and transfers property/rights/obligations to PJSC MegaFon as follows:</p> <ul style="list-style-type: none"> <li>• Equipment lease (including telecommunications and technical equipment (platforms) for the purpose of provision of services by PJSC MegaFon)</li> <li>• Purchase and sale of equipment (including telecommunications and technical equipment (platforms) for the purpose of provision of services by PJSC MegaFon)</li> <li>• Enabling the use (including through alienation of exclusive right) of software, including, without limitation, software installed on equipment transferred to PJSC MegaFon, including through tripartite agreements with software owners</li> <li>• Enabling the use (including through alienation of exclusive right) of other intellectual property for the purpose of provision of services by PJSC MegaFon</li> <li>• Services and work related to equipment and software maintenance and support, software development</li> <li>• Agency services for PJSC MegaFon, including for the purpose of provision of services by PJSC MegaFon and promotion (advertisement) of PJSC MegaFon's services</li> <li>• Transfer of rights and obligations under the agreements concluded by JSC MegaLabs with third parties</li> </ul> <p>As well as provides other services, performs work and transfers property/rights/obligations.</p> <p>PJSC MegaFon provides services, performs work, and transfers property/rights/obligations to JSC MegaLabs as follows:</p> <ul style="list-style-type: none"> <li>• Implementation and maintenance of the SAP system</li> <li>• Siting and technical support of JSC MegaLabs equipment</li> <li>• Equipment lease (including telecommunications and technical equipment (platforms))</li> <li>• Purchase and sale of equipment (including telecommunications and technical equipment (platforms))</li> <li>• Transfer of rights and obligations under the agreements concluded by PJSC MegaFon with third parties</li> <li>• Enabling the use of, and alienation of exclusive right to, any intellectual property</li> </ul> <p>As well as provides other services, performs work, and transfers property/rights/obligations.</p> <p>The total price of the property (services) disposed of (acquired) by PJSC MegaFon under the Master Agreement between PJSC MegaFon and JSC MegaLabs will not exceed RUB 20,383,561,120.</p>	<p><b>Interested parties involved in the transaction</b></p> <p>Interested parties: USM Holdings Limited, USM Telecom Holdings Limited, LLC AF Telecom Holding.</p> <p>Grounds for recognising them as interested parties: the counterparty to the transaction, JSC MegaLabs, is controlled by parties also controlling the Company.</p> <p>Share ownership of interested parties in PJSC MegaFon:</p> <ul style="list-style-type: none"> <li>• LLC USM Holding Company: nil</li> <li>• LLC USM Telecom: nil</li> <li>• LLC AF Telecom Holding: 56.3178%</li> </ul> <p>Share ownership of interested parties in counterparty: nil.</p>

Governing body that approved the transaction	Subject matter and material terms of the transaction	Interested parties involved in the transaction
<p>Board of Directors (Minutes No. 253(317) dated 23 December 2016; No. 271(335) dated 22 December 2017; No. 297(361) dated 5 December 2018)</p>	<p>Master Agreement between PJSC MegaFon and LLC Scartel.</p> <p>Under the Master Agreement, PJSC MegaFon provides services, performs work, and transfers property/rights/obligations to LLC Scartel as follows:</p> <ul style="list-style-type: none"> <li>• Provision of radio access network infrastructure to enable communications services based on the MVNO business model</li> <li>• Enabling the shared use of means of communication and/or communications lines, including, without limitation, communications nodes (equipment comprising communications nodes), maintenance, operation, and repair of equipment comprising communications nodes, as well as other equipment), equipment of base stations and repeaters of LTE mobile networks, and communications channels</li> <li>• Enabling a technical capability for LLC Scartel employees and other persons engaged by LLC Scartel to sign documents with an electronic signature</li> <li>• Technical support for international roaming, and billing support</li> <li>• Services related to processing personal data of LLC Scartel employees and subscribers (collection, collation, accumulation, storage, clarification (update, modification), use, anonymisation, blocking, and destruction) and other personal data transferred by LLC Scartel</li> <li>• A range of accounting, tax, financial control, treasury, HR accounting and HR management services</li> <li>• Enabling the use (including shared use) of PJSC MegaFon's software (SAP, Microsoft, MS SQL, software for help desk set-up and support, and other software), including, without limitation, execution of licence (sub-licence), agency, technical support, and other services agreements (including those related to software), tripartite agreements with software owners, as well as services related to equipment and software maintenance and support</li> <li>• Purchase and sale of equipment (customised CPE, including customer premises equipment by Apple or Samsung)</li> <li>• Lease of telecommunications and technical equipment (SORM, switches, servers, and other technical equipment)</li> <li>• Spectrum sharing</li> <li>• Arrangements for access from a connection point to PJSC MegaFon's information centre and traffic generation</li> <li>• Agency services to arrange for interconnection between LLC Scartel communications networks and communications networks of other operators, and other agency services</li> <li>• Agency services to receive, on behalf of PJSC MegaFon and for the benefit of LLC Scartel, independent guarantees (bank guarantees) to secure LLC Scartel's obligations to third parties</li> </ul> <p>As well as provides other services, performs work and transfers property/rights/obligations.</p>	<p>Interested parties: USM Holdings Limited, USM Telecom Holdings Limited, LLC AF Telecom Holding.</p> <p>Grounds for recognising them as interested parties: the counterparty to the transaction, LLC Scartel, is controlled by parties also controlling PJSC MegaFon.</p> <p>Share ownership of interested parties in PJSC MegaFon:</p> <ul style="list-style-type: none"> <li>• LLC USM Holding Company: nil</li> <li>• LLC USM Telecom: nil</li> <li>• LLC AF Telecom Holding: 56.3178%</li> </ul> <p>Share ownership of interested parties in counterparty: nil.</p>

Governing body that approved the transaction	Subject matter and material terms of the transaction	Interested parties involved in the transaction
	<p>LLC Scartel provides services, performs work, and transfers property/rights/obligations to PJSC MegaFon as follows:</p> <ul style="list-style-type: none"> <li>• Spectrum sharing</li> <li>• Information and analytical services related to the collection and processing of aggregated data used for PJSC MegaFon's internal and external analytical services</li> </ul> <p>As well as provides other services, performs work, and transfers property/rights/obligations.</p> <p>The total price of the property (services) disposed of (acquired) by PJSC MegaFon under the Master Agreement between PJSC MegaFon and LLC Scartel will not exceed RUB 26,649,930,000.</p>	
<p>Board of Directors (Minutes No. 282(346) dated 7 May 2018)</p>	<p>PJSC MegaFon's contribution to the property or charter capital of Lefbord Investments Limited.</p> <p>PJSC MegaFon transferred 11,500,100 Class A shares in Mail.ru Group Limited to its wholly-owned subsidiary Lefbord Investments Limited by making a contribution to the charter capital of Lefbord Investments Limited.</p> <p>The total price of the property (services) disposed of (acquired) by PJSC MegaFon in the transaction equalled about EUR 310,000,000.</p>	<p><b>Interested parties:</b> USM Holdings Limited, USM Telecom Holdings Limited, Garsdale Services Investments Limited, AF Telecom Holding Limited, LLC AF Telecom Holding.</p> <p><b>Grounds for recognising them as interested parties:</b> the counterparty to the transaction, Lefbord Investments Limited, is controlled by parties also controlling PJSC MegaFon.</p> <p><b>Share ownership of interested parties in PJSC MegaFon:</b></p> <ul style="list-style-type: none"> <li>• USM Holdings Limited: nil</li> <li>• USM Telecom Holdings Limited: nil</li> <li>• Garsdale Services Investments Limited: nil</li> <li>• AF Telecom Holding Limited: nil</li> <li>• LLC AF Telecom Holding: 56.3178%</li> </ul> <p><b>Share ownership of interested parties in counterparties:</b> nil.</p>

Governing body that approved the transaction	Subject matter and material terms of the transaction	Interested parties involved in the transaction
Board of Directors (Minutes No. 282(346) dated 7 May 2018)	<p>Related Surety Agreements between PJSC MegaFon (Surety), Bank GPB (JSC) and LLC Financial Investments (Lenders) to secure the obligations of Lefbord Investments Limited (Debtor).</p> <p>Under the Related Surety Agreements, PJSC MegaFon guarantees the performance of obligations undertaken by Lefbord Investments Limited (PJSC MegaFon's wholly-owned subsidiary) to Bank GPB (JSC) and LLC Financial Investments under purchase and sale agreements to purchase a 44% interest in JSC MF Technologies (a wholly-owned subsidiary of Lefbord Investments Limited prior to the execution of the above-mentioned agreements) in which Lefbord Investments Limited acts as the Seller while Bank GPB (JSC) and LLC Financial Investments act as the Buyers.</p> <p>The total price of the property (services) under the Related Surety Agreements between PJSC MegaFon (Surety), Bank GPB (JSC) and LLC Financial Investments (Lenders) to secure the obligations of Lefbord Investments Limited (Debtor) was about RUB 12,400,000,000.</p>	<p><b>Interested parties:</b> USM Holdings Limited, USM Telecom Holdings Limited, Garsdale Services Investments Limited, AF Telecom Holding Limited, LLC AF Telecom Holding.</p> <p><b>Grounds for recognising them as interested parties:</b> the beneficiary and the counterparty to the transaction, Lefbord Investments Limited and LLC Financial Investments, respectively, are both controlled by parties also controlling PJSC MegaFon.</p> <p><b>Share ownership of interested parties in PJSC MegaFon:</b></p> <ul style="list-style-type: none"> <li>• USM Holdings Limited: nil</li> <li>• USM Telecom Holdings Limited: nil</li> <li>• Garsdale Services Investments Limited: nil</li> <li>• AF Telecom Holding Limited: nil</li> <li>• LLC AF Telecom Holding: 56.3178%</li> </ul> <p><b>Share ownership of interested parties in counterparties:</b> nil.</p>
Board of Directors (Minutes No. 282(346) dated 7 May 2018)	<p>Grant Financing Agreement between PJSC MegaFon and Lefbord Investments Limited.</p> <p>Under the Agreement, Lefbord Investments Limited (PJSC MegaFon's wholly-owned subsidiary) granted to PJSC MegaFon cash assets equivalent to US\$ 247,500,000.</p> <p>The total price of the property (services) acquired by PJSC MegaFon under the transaction was about US\$ 247,500,000.</p>	<p><b>Interested parties:</b> USM Holdings Limited, USM Telecom Holdings Limited, Garsdale Services Investments Limited, AF Telecom Holding Limited, LLC AF Telecom Holding.</p> <p><b>Grounds for recognising them as interested parties:</b> the counterparty to the transaction, Lefbord Investments Limited, is controlled by parties also controlling PJSC MegaFon.</p> <p><b>Share ownership of interested parties in PJSC MegaFon:</b></p> <ul style="list-style-type: none"> <li>• USM Holdings Limited: nil</li> <li>• USM Telecom Holdings Limited: nil</li> <li>• Garsdale Services Investments Limited: nil</li> <li>• AF Telecom Holding Limited: nil</li> <li>• LLC AF Telecom Holding: 56.3178%</li> </ul> <p><b>Share ownership of interested parties in counterparties:</b> nil.</p>

Governing body that approved the transaction	Subject matter and material terms of the transaction	Interested parties involved in the transaction
<p>Board of Directors (Minutes No. 262(326) dated 5 July 2017; No. 279(343) dated 25 April 2018)</p>	<p>Related transactions on the division of Euroset Group and its merger with Svyaznoy Group.</p> <p>As part of the division of Euroset Group, Lefbord Investments Limited (PJSC MegaFon's wholly-owned subsidiary) purchased 2,438,078 ordinary shares in Euroset Holding N.V. (Euroset Group's holding company) with a par value of EUR 0.01, which amounts to 50% of Euroset Holding N.V. issued shares, from Ararima Enterprises Limited (PJSC VimpelCom's wholly-owned subsidiary), resulting in Lefbord Investments Limited owning 100% in Euroset Holding N.V. In turn, PJSC VimpelCom acquired half of Euroset's retail stores amounting to approximately 1,800 stores and made an additional payment of RUB 1,200,000,000.</p> <p>As part of the merger of Euroset Group and Svyaznoy Group, Lefbord Investments Limited (PJSC MegaFon's wholly-owned subsidiary) transfers its 100% shares in Euroset Holding N.V. (Euroset Group's holding company) to DTSRetail LTD (Svyaznoy Group's holding company), while DTSRetail LTD and Lonestar Enterprises Ltd transfer 25,001 ordinary shares in DTSRetail LTD to Lefbord Investments Limited.</p>	<p><b>Interested parties involved in the transaction</b></p> <p><b>Interested parties:</b> USM Holdings Limited, USM Telecom Holdings Limited, Garsdale Services Investments Limited, AF Telecom Holding Limited, LLC AF Telecom Holding; members of the Company's Management Board: A.A Serebryanikova and V.S Wolfson.</p> <p><b>Grounds for recognising them as interested parties:</b></p> <ul style="list-style-type: none"> <li>• The counterparty to the transaction, Lefbord Investments Limited, is controlled by parties also controlling PJSC MegaFon</li> <li>• Members of the Company's Management Board are also members of the Supervisory Board of the counterparty to the transaction – Euroset Holding N.V.</li> </ul> <p><b>Share ownership of interested parties in PJSC MegaFon:</b></p> <ul style="list-style-type: none"> <li>• USM Holdings Limited: nil</li> <li>• USM Telecom Holdings Limited: nil</li> <li>• Garsdale Services Investments Limited: nil</li> <li>• AF Telecom Holding Limited: nil</li> <li>• LLC AF Telecom Holding: 56.3178%</li> <li>• A.A. Serebryanikova: nil</li> <li>• V.S. Wolfson: nil</li> </ul> <p><b>Share ownership of interested parties in counterparties: nil.</b></p>

# Corporate Governance Code Compliance Report

This Corporate Governance Code (the Code) Compliance Report was discussed by the Board of Directors of Public Joint Stock Company MegaFon (the Company) at its meeting held on 24 May 2019 (Minutes No. 307(371) dated 24 May 2019).

The Board of Directors certifies that all data in this Report contain full and reliable information on compliance by the Company with the principles and recommendations of the Code for 2018.

The compliance with the Code was assessed by the Company in accordance with the Recommendations on Preparation of the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code (Letter of the Bank of Russia No. IN-06-52/8 dated 17 February 2016).

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>1.1 The company shall ensure fair and equitable treatment of all shareholders in exercising their corporate governance rights.</b>				
1.1.1	The company ensures the most favourable conditions for its shareholders to participate in the general meeting, develop an informed position on agenda items of the general meeting, coordinate their actions, and voice their opinions on items considered.	<p>1. The company's internal document approved by the general meeting of shareholders governing the procedures to hold general meetings of shareholders is publicly available.</p> <p>2. The company provides accessible means of communication with the company, such as a hotline, e mail, or online forum, to enable shareholders to express their opinion and send questions on the agenda in preparation for the general meeting. The company performed the above actions in advance of each general meeting held in the reporting period.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting enables shareholders to properly prepare for attending the general meeting.	<p>1. The notice of an upcoming general meeting of shareholders is posted (published) online at least 30 days prior to the date of the general meeting.</p> <p>2. The notice of an upcoming meeting indicates the location of the meeting and the documents required for admission.</p> <p>3. Shareholders were given access to the information on who proposed the agenda items and who proposed nominees to the company's board of directors and the revision committee.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.1.3	In preparing for, and holding of, the general meeting, shareholders were able to receive clear and timely information on the meeting and related materials, put questions to the company's executive bodies and the board of directors, and to communicate with each other.	<p>1. In the reporting period, shareholders were given an opportunity to put questions to members of executive bodies and members of the board of directors in advance of, and during, the annual general meeting.</p> <p>2. The position of the board of directors (including dissenting opinions entered in the minutes) on each item on the agenda of general meetings held in the reporting period was included in the materials for the general meeting of shareholders.</p> <p>3. The company gave duly authorised shareholders access to the list of persons entitled to participate in the general meeting, as from the date when such list was received by the company, for all general meetings held in the reporting period.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.1.4	There were no unjustified difficulties preventing shareholders from exercising their right to request that a general meeting be convened, to propose nominees to the company's governing bodies, and to make proposals for the agenda of the general meeting.	<p>1. In the reporting period, shareholders had an opportunity to make proposals for the agenda of the annual general meeting for at least 60 days after the end of the respective calendar year.</p> <p>2. In the reporting period, the company did not reject any proposals for the agenda or nominees to the company's governing bodies due to misprints or other insignificant flaws in the shareholder's proposal.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.1.5	Each shareholder was able to freely exercise their voting right in the simplest and most convenient way.	1. An internal document (internal policy) of the company contains provisions stipulating that every participant in the general meeting may, before the end of the respective meeting, request a copy of the ballot filled in by them and certified by the counting commission.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.6	The procedure for holding a general meeting set by the company provides equal opportunities for all persons attending the meeting to voice their opinions and ask questions.	<p>1. During general meetings of shareholders held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on, and discussion of, the agenda items.</p> <p>2. Candidates to the company's governing and control bodies were available to answer questions of shareholders at the meeting at which their nominations were put to vote.</p> <p>3. When passing resolutions on preparing and holding general meetings of shareholders, the board of directors considered using telecommunication means for remote access of shareholders to general meetings in the reporting period.</p>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>1. Full.</p> <p>2. Candidates to the Company's governing and control bodies are neither present nor available to answer shareholders' questions during general meetings of shareholders at which they are put to vote.</p> <p>Since their tight schedules and residential locations prevent them from attending GMSs in person, the Company does not undertake to ensure their attendance. However, in preparation for GMSs, shareholders may exercise their right to put any questions in writing to candidates to the Company's governing and control bodies by forwarding such questions to the Company, including to the Corporate Secretary.</p> <p>The Company believes this way of communication to be most effective as, according to the voting statistics, shareholders prefer sending ballots to the Company to attending in person.</p> <p>3. The use of filming equipment, video and/or audio recording devices during the GMS, as well as video and/or audio broadcast of the GMS is prohibited by the Company's Regulations on the GMS to prevent unauthorised disclosure of the Company's insider and confidential information.</p> <p>However, the applicable laws allow shareholders to vote by sending completed ballots to the Company or electronically through the communications channels of nominee holders.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>1.2 Shareholders are given equal and fair opportunities to share profits of the company in the form of dividends.</b>				
1.2.1	The company has developed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure.	1. The company has drafted and disclosed a dividend policy approved by the board of directors. 2. If the company's dividend policy uses reporting figures to determine the dividend amount, then relevant provisions of the dividend policy take into account the consolidated financial statements.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.2.2	The company does not resolve to pay out dividends if such payout, while formally compliant with law, is economically unjustified and may lead to a false representation of the company's performance.	1. The company's dividend policy clearly identifies financial/ economic circumstances under which the company shall not pay out dividends.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.2.3	The company does not allow for dividend rights of its existing shareholders to be impaired.	1. In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.2.4	The company makes every effort to prevent its shareholders profiting from the company through any means other than dividends and liquidation value.	1. To prevent its shareholders profiting from the company through any means other than dividends and liquidation value, the company's internal documents provide for controls to timely identify and approve deals with affiliates (associates) of the company's substantial shareholders (persons entitled to use votes attached to voting shares) where the law does not formally recognise such deals as interested party transactions.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>1.3 The corporate governance system and practices ensure equal conditions for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company.</b>				
1.3.1	The company has created conditions for fair treatment of each shareholder by the company's governing and control bodies, including conditions that rule out abuse by major shareholders against minority shareholders.	1. In the reporting period, procedures for managing potential conflicts of interest among substantial shareholders were efficient, while the board of directors paid due attention to conflicts, if any, between shareholders.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.3.2	The company does not take any actions that lead or may lead to artificial redistribution of corporate control.	1. No quasi-treasury shares were issued or used to vote in the reporting period.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>1.4 Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.</b>				
1.4	Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.	1. The company's registrar maintains the share register in an efficient and reliable way that meets the needs of the company and its shareholders.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>2.1 The board of directors provides strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control system, oversees the activities of the company's executive bodies, and performs other key functions.</b>				
2.1.1	The board of directors is responsible for appointing and dismissing executive bodies, including due to improper performance of their duties. The board of directors also ensures that the company's executive bodies act in accordance with the company's approved development strategy and core lines of business.	<p>1. The board of directors has the authority stipulated in the articles of association to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts.</p> <p>2. The board of directors reviewed the report(s) by the sole executive body or members of the collective executive body on the implementation of the company's strategy.</p>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>1. In accordance with the Company's Charter, appointment and removal of members of executive bodies falls within the authority of the GMS.</p> <p>In the Company's opinion, this matter is reserved solely to the Company's supreme governing body as highly important in terms of shareholders controlling the Company's executive bodies.</p> <p>The Board of Directors reviews candidates to executive bodies and presents its recommendations to shareholders. The Board is also authorised to convene a GMS to elect or dismiss executive bodies – an effective approach formalised in the Charter for over 15 years and supported by MegaFon's shareholders.</p> <p>2. Full compliance.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.1.2	The board of directors sets key long-term targets for the company, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	1. At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval of the company's financial and business plan (budget), as well as criteria and performance (including interim) of the company's strategy and business plans.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.1.3	The board of directors defines the company's principles of, and approaches to, setting up a risk management and internal control system.	1. The board of directors defined the company's principles of, and approaches to, setting up a risk management and internal control system.  2. The board of directors assessed the company's risk management and internal control system in the reporting period.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.1.4	The board of directors defines the company's policy on remuneration payable to, and/or reimbursement (compensation) of costs incurred by, members of the board of directors, executive bodies, and other key executives of the company.	1. The company has developed and put in place a remuneration and reimbursement (compensation) policy (policies), approved by the board of directors, for its directors, members of executive bodies and other key executives.  2. At its meetings in the reporting period, the board of directors discussed matters related to such policy (policies).	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.1.5	The board of directors plays a key role in preventing, identifying, and resolving internal conflicts between the company's bodies, shareholders, and employees.	1. The board of directors plays a key role in preventing, identifying, and resolving internal conflicts.  2. The company has set up mechanisms to identify transactions leading to a conflict of interest and to resolve such conflicts.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.1.6	The board of directors plays a key role in ensuring that the company is transparent, timely and fully discloses its information, and provides its shareholders with unhindered access to the company's documents.	1. The board of directors approved the company's regulations on the information policy.  2. The company identified persons responsible for implementing the information policy.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.1.7	The board of directors controls the company's corporate governance practices and plays a key role in material corporate events of the company.	1. In the reporting period, the board of directors reviewed the company's corporate governance practices.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>2.2 The board of directors is accountable to the company's shareholders.</b>				
2.2.1	Performance of the board of directors is disclosed and made available to the shareholders.	1. The company's annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings.  2. The annual report discloses key performance assessment results of the board of directors in the reporting period.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.2.2	The chairman of the board of directors is available to communicate with the company's shareholders.	1. The company has in place a transparent procedure enabling its shareholders to forward questions and express their position on such questions to the chairman of the board of directors.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>2.3 The board of directors manages the company in an efficient and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders.</b>				
2.3.1	Only persons of impeccable business and personal reputation who have the knowledge, expertise, and experience required to make decisions within the authority of the board of directors and essential to perform its functions in an efficient way are elected to the board of directors.	1. The procedure for assessing the board of directors' performance established in the company includes, inter alia, assessment of directors' professional qualifications.  2. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors for required experience, expertise, business reputation, absence of conflicts of interest, etc.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.3.2	The company's directors are elected via a transparent procedure that enables shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.	1. Whenever the agenda of the general meeting of shareholders included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code, as well as the nominees' written consent to be elected to the board of directors.	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>The Company has provided the information on nominees to the Board of Directors to shareholders for each General Meeting of Shareholders, as required by the applicable laws.</p> <p>In preparation for the annual GMS, the Company also provided the information on whether the nominee meets the independence criteria based on the results of the assessment carried out by the Board of Directors.</p> <p>When preparing to re-elect the Board of Directors at the initiative of a shareholder holding over 10% of the Company's voting shares, such information was not provided as the same independent nominees to the Board of Directors were proposed (as at the time of nomination, they were also independent members of the Board of Directors).</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.3.3	The board of directors has a balanced membership, including in terms of directors' qualifications, experience, expertise, and business skills, and it has the trust of shareholders.	1. As part of assessment of the board of directors' performance run in the reporting period, the board of directors reviewed its requirements to professional qualifications, experience, and business skills.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	<p>In the reporting period, the performance of the Company's Board of Directors was not assessed due to multiple changes in its membership. Due to little time in office of the new Directors, the Board of Directors intends to assess its performance in the next reporting period.</p> <p>However, the Company adheres to the principle of having a well-balanced membership of its Board of Directors. Despite the changes in the Board of Directors membership in the reporting year, qualifications, expertise, and experience of all directors were in full compliance with the Company's needs and strategic goals.</p>
2.3.4	The company has a sufficient number of directors to organise the board of directors' activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company's substantial minority shareholders to elect a nominee to the board of directors for whom they vote.	1. As part of assessment of the board of directors' performance run in the reporting period, the board of directors considered whether the number of directors met the company's needs and shareholders' interests.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	<p>The Company fully adheres to the principle of having a well-balanced number of Directors. From 1 to 19 January 2018, the Board of Directors had four independent directors. From 19 January 2018, the Board of Directors has two independent directors.</p> <p>The Company's Board of Directors did not assess its performance in 2018 for the reasons detailed above. Due to little time in office of the new Directors, the Board of Directors intends to assess its performance at the end of the next reporting period.</p> <p>However, the Board of Directors continued to follow the recommendations resulting from the 2015 assessment.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>2.4 The board of directors includes a sufficient number of independent directors.</b>				
2.4.1	An independent director is a person who is sufficiently professional, experienced, and independent to develop their own position, and capable of making unbiased judgements in good faith, free of influence by the company's executive bodies, individual groups of shareholders, or other stakeholders. It should be noted that a nominee (elected director) who is related to the company, its substantial shareholder, substantial counterparty, or competitor of the company, or is related to the government, may not be considered as independent under normal circumstances.	1. In the reporting period, all independent directors met all independence criteria set out in Recommendations 102–107 of the Code, or were deemed independent by resolution of the board of directors.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.4.2	The company assesses compliance of nominees to the board of directors and reviews compliance of independent directors with independence criteria on a regular basis. In such assessment, substance should prevail over form.	<p>1. In the reporting period, the board of directors (or its nomination committee) made a judgement on the independence of each nominee to the board of directors and provided its opinion to shareholders.</p> <p>2. In the reporting period, the board of directors (or its nomination committee) reviewed, at least once, the independence of each incumbent director listed by the company as independent directors in its annual report.</p> <p>3. The company has in place procedures defining the actions to be taken by directors if they cease to be independent, including the obligation to timely notify the board of directors thereof.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.4.3	Independent directors make up at least one third of elected directors.	1. Independent directors make up at least one third of directors.	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>From 19 January 2018, the Board of Directors has two independent directors.</p> <p>This Board of Directors was elected by resolution of a meeting of the Company's shareholders based on the nominations presented by shareholders holding at least 2% of voting shares.</p> <p>The above independent directors chair the Audit Committee and the Remuneration and Nominations Committee, respectively.</p> <p>Prior to the amendments made to Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995, the Board of Directors was not entitled to propose additional independent nominees to the Company's Board of Directors if shareholders proposed a sufficient total number of nominees.</p>
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and in ensuring that the company performs material corporate actions.	1. Independent directors (with no conflicts of interest) run a preliminary assessment of material corporate actions implying a potential conflict of interest and submit the results to the board of directors.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>2.5 The chairman of the board of directors ensures that the board of directors discharges its duties in the most efficient way.</b>				
2.5.1	The board of directors is chaired by an independent director, or a senior independent director supervising the activities of other independent directors and interacting with the chairman of the board of directors is chosen from among the elected independent directors.	<p>1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors.</p> <p>2. The role, rights, and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents.</p>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>1. The Company and the Board of Directors believe that, considering the deep involvement of the Chairman of the Board of Directors in the Company's activities, the election of the Chairman requires thorough consideration of both personal and professional skills of nominees.</p> <p>As at the beginning of the reporting period, Vladimir Ya. Streshinsky was the Chairman on the Board of Directors elected unanimously by all directors. Although Mr Streshinsky was not an independent director, the Company believed that his vast experience in the telecoms industry, including a unique experience of managing media assets, guaranteed high performance of the Board of Directors, a balanced approach to protecting shareholder rights and interests, and focus on the Company's business needs.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.5.2	The chairman of the board of directors maintains a constructive environment at meetings, enables free discussion of agenda items, and supervises the execution of resolutions passed by the board of directors.	1. Performance of the chairman of the board of directors was assessed as part of assessment of the board of directors' performance in the reporting period.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	<p>Upon election of the new Board of Directors, Evgeny A. Bystrykh was also unanimously elected Chairman by all directors.</p> <p>Mr Bystrykh is not an independent director; however, he has strong experience and deep expertise in finance and banking, as well as corporate control and a proactive desire to be involved in determining the Company's strategic development direction. Mr Bystrykh challenges commercial prospects and risks and proposes initiatives that benefit the Company and all of its shareholders.</p> <p>Independent directors also chaired key Committees of the Board of Directors and were actively involved in discussing and reviewing all the matters of the Board in 2018.</p> <p>2. Full compliance.</p> <p>The Company is fully committed to the principle of the Board Chairman creating a constructive and discussion-friendly environment at the Board of Directors' meetings.</p> <p>However, the performance of the Chairman of the Board of Directors was not assessed as part of assessment of the Board of Directors' performance in the reporting period, as the Company had not run any comprehensive assessment since 2015.</p> <p>The reasons for not running such assessment in 2018 are cited above. Due to insufficient time in office of the new Directors, the Board of Directors intends to assess its Chairman's performance at the end of the next reporting period.</p> <p>As Chairman of the Board of Directors, Mr Streshinsky and later Mr Bystrykh were able to use their extensive industry knowledge and experience, the in-depth understanding of the Company's business strategy and corporate governance, and professional managerial skills.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.5.3	The chairman of the board of directors takes all steps necessary or the timely provision to directors of information required to pass resolutions on agenda items.	1. The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to directors of materials for the agenda of a board meeting.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>2.6 Directors act reasonably and in good faith in the best interests of the company and its shareholders, on a fully informed basis and with due care and diligence.</b>				
2.6.1	Directors pass resolutions on a fully informed basis, with no conflict of interest, subject to equal treatment of the company's shareholders, and assuming normal business risks.	<p>1. The company's internal documents stipulate that a director should notify the board of directors of any existing conflict of interest as to any agenda item of a meeting of the board of directors or its committee, prior to discussing the relevant agenda item.</p> <p>2. The company's internal documents stipulate that a director should abstain from voting on any item in connection with which they have a conflict of interest.</p> <p>3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.6.2	The rights and duties of directors are clearly stated and incorporated in the company's internal documents.	1. The company has adopted and published an internal document that clearly defines the rights and duties of directors.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.6.3	Directors have sufficient time to perform their duties.	<p>1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period.</p> <p>2. Under the company's internal documents, directors notify the board of directors of their intentions to be elected to governing bodies of other entities (apart from the entities controlled by, or affiliated to, the company), and of their election to such bodies.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	<p>1. The Company is fully committed to this principle and prepares for in-person meetings of the Board of Directors and its Committees well in advance (before the beginning of the relevant year) and with due account of personal schedules and work commitments of each Director.</p> <p>However, the Company did not run any comprehensive assessment in the reporting period for the reasons detailed above. Due to little time in office of the new Directors, the Board of Directors intends to assess its performance at the end of the next reporting period.</p> <p>2. Full compliance.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.6.4	All directors have equal access to the company's documents and information. Newly elected directors are furnished with sufficient information about the company and performance of the board of directors as soon as possible.	<p>1. Under the company's internal documents, directors are entitled to access documents and make requests on the company and its controlled entities, while executive bodies of the company should furnish all relevant information and documents.</p> <p>2. The company has in place a formalised induction programme for newly elected members of the board of directors.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>2.7 Meetings of the board of directors, preparation for such meetings, and participation of directors ensure efficient performance by the board of directors.</b>				
2.7.1	Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at a particular time.	1. The board of directors held at least six meetings in the reporting year.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.7.2	The company's internal regulations formalise a procedure for arranging and holding meetings of the board of directors, enabling members of the board of directors to properly prepare for such meetings.	1. The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and stipulates, in particular, that the notice of the meeting is to be given, as a rule, at least five days prior to such meeting.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.7.3	The format of the meeting of the board of directors is determined taking into account the importance of its agenda items. The most important matters are dealt with at meetings of the board of directors held in person.	1. The company's charter or internal document provides for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at meetings of the board of directors held in person.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.7.4	Resolutions on most important matters relating to the company's operations are passed at a meeting of the board of directors by a qualified majority or by a majority of all elected directors.	1. The company's charter provides for resolutions on the most important matters set out in Recommendation 170 of the Code to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected directors.	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>The Company's Charter does not provide for a qualified majority to pass resolutions on all matters set out in Recommendation 170 of the Code. The simple majority of Directors' votes on such matters is deemed sufficient to comply with shareholder interests, as the Company's Charter was approved by the GMS. The Company has no plans to make any amendments to the Company's Charter in this regard.</p> <p>However, in the reporting year, all resolutions on such matters were in fact passed unanimously by all directors entitled to vote on such matters or by a qualified majority.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>2.8 The board of directors sets up committees for preliminary consideration of the most important matters related to the company's activities.</b>				
2.8.1	An audit committee comprised of independent directors is set up to preview matters related to controlling the company's financial and business activities.	<p>1. The board of directors set up an audit committee comprised solely of independent directors.</p> <p>2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code.</p> <p>3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analysing, assessing, and auditing accounting (financial) statements.</p> <p>4. In the reporting period, meetings of the audit committee were held at least once a quarter.</p>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>1. The Company has in place its Audit Committee.</p> <p>As at the beginning of the reporting period, the Audit Committee was chaired by an independent director, Mr Jan Erik Rudberg, who has an extensive experience in business administration and international telecommunications, as well as deep knowledge of preparing, analysing, assessing, and auditing accounting (financial) statements. The Audit Committee also included Nikolay B. Krylov who had been an independent director prior to 1 October 2017.</p> <p>Upon the re-election of the Board of Directors (at the extraordinary General Meeting of Shareholders on 19 January 2018), one independent director, Jarkko Veijalainen, joined the Audit Committee and became its Chairman. In addition, directors who are not independent but whose professional experience and knowledge are essential for effective performance of the Committee, Aleksandr Yu. Esikov and Maksim N. Anipkin, became its members by a unanimous resolution of the Board of Directors. As from 21 December 2018, Anna A. Serebryanikova replaced Mr Anipkin as a Committee member.</p> <p>The Committee had such composition to ensure its operation in line with its Regulations. The analysis took into account the requirements of the Committee to skill sets identified by the Board of Directors assessment, as well as skills, professional expertise, and experience of each member of the Company's Board of Directors, as well as their personal schedules and preferences.</p> <p>2. Full compliance.</p> <p>3. Full compliance.</p> <p>4. Full compliance.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee was set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.	<p>1. The board of directors set up a remuneration committee comprised solely of independent directors.</p> <p>2. The remuneration committee is headed by an independent director who is not the chairman of the board of directors.</p> <p>3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code.</p>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>1. The Company has in place its Remuneration and Nominations Committee.</p> <p>As at the beginning of the reporting period, the Remuneration and Nominations Committee was chaired by an independent director, Lord Paul Myners, who had an extensive experience in the telecommunications industry and expertise in finance, politics, and corporate governance. The Committee also included an independent director, Jan Erik Rudberg.</p> <p>Upon the re-election of the Board of Directors (at the extraordinary General Meeting of Shareholders on 19 January 2018), one independent director, Harri Koponen, joined the Remuneration and Nominations Committee and became its Chairman. In addition, directors who are not independent but whose professional experience and knowledge are essential for effective performance of the Committee, Evgeny A. Bystrykh and Pavel S. Kaplun, became its members by a unanimous resolution of the Board of Directors (as from 21 December 2018, Maksim N. Anipkin replaced Mr Kaplun as a Committee member).</p> <p>The Committee had such composition to ensure its operation in line with its Regulations. The analysis took into account the requirements of the Committee to skill sets identified by the Board of Directors assessment, as well as skills, professional expertise, and experience of each member of the Company's Board of Directors, as well as their personal schedules and preferences.</p> <p>2. Full compliance.</p> <p>3. Full compliance.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.3	To preview matters related to talent management (succession planning), professional composition, and efficiency of the board of directors, a nomination (appointments and HR) committee was set up, predominantly comprised of independent directors.	<p>1. The board of directors has set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee) predominantly comprised of independent directors.</p> <p>2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code.</p>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>The functions of the nomination committee are performed in the Company by the Remuneration and Nominations Committee.</p> <p>As at the beginning of the reporting period, the composition of the Committee fully met this requirement.</p> <p>Since 22 January 2018, the Committee has one independent director (its Chairman).</p> <p>In addition, directors who are not independent but whose professional experience and knowledge are essential for effective performance of the Committee, Evgeny A. Bystrykh and Pavel S. Kaplun, became its members by a unanimous resolution of the Board of Directors.</p> <p>The Committee had such composition to fulfil its core functions and tasks, taking into account the requirements to skill sets identified by the Board of Directors assessment, considering the professional expertise and experience of each member of the Board of Directors, as well as their personal schedules and preferences.</p>
2.8.4	Taking into account the company's scope of business and level of risks, the company's board of directors made sure that the composition of its committees is in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	1. In the reporting period, the company's board of directors considered whether the composition of its committees was in line with the board's tasks and the company's business goals. Additional committees were either set up or not deemed necessary.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.8.5	Committees are composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	<p>1. Committees of the board of directors are headed by independent directors.</p> <p>2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee, and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.6	Committee chairmen inform the board of directors and its chairman on the performance of their committees on a regular basis.	1. In the reporting period, committee chairmen reported to the board of directors on the performance of committees on a regular basis.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

### 2.9 The board of directors ensures performance assessment of the board of directors, its committees, and members of the board of directors.

2.9.1	The board of directors' performance assessment is aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's growth requirements, as well as at bolstering the work of the board of directors and identifying areas for improvement.	<p>1. Self-assessment or external assessment of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual directors, and the board of directors in general.</p> <p>2. Results of self-assessment or external assessment of the board of directors' performance carried out in the reporting period were reviewed at the meeting of the board of directors held in person.</p>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>Self-assessment or external assessment of the Board of Directors' performance were not carried out in the reporting period due to the re-election of the entire Board of Directors.</p> <p>However, the company is committed to the principle of mandatory assessment of its Board of Directors' performance and intends to assess its performance at the end of the next reporting period.</p>
2.9.2	Performance of the board of directors, its committees and members is assessed regularly at least once a year. An external advisor is engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	1. The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods.	<input type="checkbox"/> full <input type="checkbox"/> partial <input checked="" type="checkbox"/> none	<p>Self-assessment or external assessment of the Board of Directors' performance were not carried out in the reporting period due to the re-election of the entire Board of Directors. External assessment of the Board of Directors was carried out in 2015.</p> <p>However, the company is committed to the principle of mandatory assessment of its Board of Directors' performance and intends to assess its performance at the end of the next reporting period.</p>

### 3.1 The company's corporate secretary ensures efficient ongoing interaction with shareholders, coordinate the company's efforts to protect shareholder rights and interests and support efficient performance of the board of directors.

3.1.1	The corporate secretary has the expertise, experience, and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	<p>1. The company has adopted and published an internal document – regulations on the corporate secretary.</p> <p>2. The biographical data of the corporate secretary are published on the corporate website and in the company's annual report with the same level of detail as for members of the board of directors and the company's executives.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the powers and resources required to perform his/her tasks.	1. The board of directors approves the appointment, dismissal, and additional remuneration of the corporate secretary.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>4.1 Remuneration payable by the company is sufficient to attract, motivate, and retain people with competencies and qualifications required by the company. Remuneration payable to directors, executive bodies, and other key executives of the company is in compliance with the approved remuneration policy of the company.</b>				
4.1.1	The amount of remuneration paid by the company to directors, executive bodies, and other key executives creates sufficient incentives for them to work efficiently while enabling the company to engage and retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company's employees.	1. The company has in place an internal document (internal documents) – the policy (policies) on remuneration of members of the board of directors, executive bodies, and other key executives, which clearly defines the approaches to remuneration of the above persons.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
4.1.2	The company's remuneration policy is devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	1. In the reporting period, the remuneration committee considered the remuneration policy (policies) and its (their) introduction practices to provide relevant recommendations to the board of directors as required.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
4.1.3	The company's remuneration policy includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates all types of expenses, benefits, and privileges provided to such persons.	1. The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates (regulate) all types of expenses, benefits, and privileges provided to such persons.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
4.1.4	The company defines a policy on reimbursement (compensation) of expenses detailing a list of reimbursable expenses and specifying service levels that directors, executive bodies, and other key executives of the company may claim. Such policy can make part of the company's remuneration policy.	1. The remuneration policy (policies) defines (define) the rules for reimbursement of expenses incurred by directors, executive bodies, and other key executives of the company.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>4.2 Remuneration system for directors ensures alignment of financial interests of directors with long-term financial interests of shareholders.</b>				
4.2.1	<p>The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees.</p> <p>The company does not apply any form of short-term motivation or additional financial incentive for its directors.</p>	<p>1. Fixed annual remuneration was the only form of monetary remuneration payable to directors for their service on the board of directors during the reporting period.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
4.2.2	<p>Long-term ownership of the company's shares helps align the financial interests of directors with long-term interests of shareholders to the utmost. At the same time, the company does not link the right to dispose of shares to performance targets, and directors do not participate in stock option plans.</p>	<p>1. If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company's shares to members of the board of directors, clear rules for share ownership by board members shall be defined and disclosed, aimed at stimulating long-term ownership of such shares.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
4.2.3	<p>The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.</p>	<p>1. The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.</p>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>On 12 March 2018, the extraordinary General Meeting of Shareholders approved an extra bonus for independent directors Jan Erik Rudberg and Lord Paul Myners for their long tenures on the Company's Board of Directors and contributions to its activities.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>4.3 The company considers its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of a fee payable to members of executive bodies and other key executives of the company.</b>				
4.3.1	Remuneration due to members of executive bodies and other key executives of the company is determined in a manner providing for reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.	<p>1. In the reporting period, annual performance results approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the company.</p> <p>2. During the latest assessment of the remuneration system for members of executive bodies and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration.</p> <p>3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies and other key executives of the company.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
4.3.2	The company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company's shares (options and other derivative instruments where the company's shares are the underlying asset).	<p>1. The company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company's shares (financial instruments based on the company's shares).</p> <p>2. The long-term incentive program for members of executive bodies and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this program takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
4.3.3	The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, shall not exceed the double amount of the fixed part of their annual remuneration.	1. In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>5.1 The company has in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company's goals.</b>				
5.1.1	The company's board of directors determined the principles of, and approaches to, setting up a risk management and internal control system at the company.	1. Functions of different management bodies and business units of the company in the risk management and internal control system are clearly defined in the company's internal documents / relevant policy approved by the board of directors.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
5.1.2	The company's executive bodies ensure establishment and continuous operation of an efficient risk management and internal control system at the company.	1. The company's executive bodies ensured the distribution of functions and powers related to risk management and internal control between the heads (managers) of business units and departments accountable to them.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
5.1.3	The company's risk management and internal control system ensures an objective, fair, and clear view of the current state and future prospects of the company, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	1. The company has in place an approved anti-corruption policy.  2. The company established an accessible method of notifying the board of directors or the board's audit committee of breaches or any violations of the law, the company's internal procedures and code of ethics.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
5.1.4	The company's board of directors takes necessary measures to make sure that the company's risk management and internal control system is consistent with the principles of, and approaches to, its setup and efficient functioning determined by the board of directors.	1. In the reporting period, the board of directors or the board's audit committee assessed the performance of the company's risk management and internal control system. Key results of this assessment are included in the company's annual report.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>5.2 The company performs internal audits for regular independent assessment of the reliability and efficiency of its risk management and internal control system, as well as corporate governance practice.</b>				
5.2.1	The company has set up a separate business unit or engaged an independent external organisation to carry out internal audits. Functional and administrative reporting lines of the internal audit unit are delineated. The internal audit unit functionally reports to the board of directors.	1. To perform internal audits, the company has set up a separate business unit – internal audit division, functionally reporting to the board of directors or to the audit committee, or engaged an independent external organisation with the same line of reporting.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
5.2.2	The internal audit division assesses the performance of the internal control, risk management system, and corporate governance systems. The company applies generally accepted standards of internal audit.	<p>1. In the reporting period, the performance of the internal control and risk management system was assessed as part of the internal audit procedure.</p> <p>2. The company applies generally accepted approaches to internal control and risk management.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>6.1 The company and its operations are transparent for its shareholders, investors, and other stakeholders.</b>				
6.1.1	The company has developed and implemented an information policy ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders.	<p>1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations.</p> <p>2. The board of directors (or one of its committees) considered the matters related to the company's compliance with its information policy at least once in the reporting period.</p>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	1–2. The Company has no formal information policy document approved by the Board of Directors. Nevertheless, the methods of communicating with investors and other stakeholders set out in the Corporate Governance Code have long been established and are actively used by the Company. The Company believes it does not need to formalise the existing pattern of its investor and stakeholder relations any further.
6.1.2	The company discloses information on its corporate governance system and practice, including detailed information on compliance with the principles and recommendations of the Code.	<p>1. The company discloses information on its corporate governance system and general principles of corporate governance, including disclosure on its website.</p> <p>2. The company discloses information on the membership of its executive bodies and board of directors, independence of directors and their membership in the board of directors' committees (as defined by the Code).</p> <p>3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out this person's plans for the company's corporate governance.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>6.2 The company makes timely disclosures of complete, updated, and reliable information to allow shareholders and investors to make informed decisions.</b>				
6.2.1	The company discloses information based on the principles of regularity, consistency, and promptness, as well as availability, reliability, completeness, and comparability of disclosed data.	<p>1. The company's information policy sets out approaches to, and criteria for, identifying information that can have a material impact on the company's evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information.</p> <p>2. If the company's securities are traded on foreign organised markets, the company ensured concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting year.</p> <p>3. If foreign shareholders hold a material portion of the company's shares, the relevant information was disclosed in the reporting period both in the Russian language and one of the most widely used foreign languages.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
6.2.2	The company avoids a formalistic approach to information disclosure and discloses material information on its operations, even if disclosure of such information is not required by law.	<p>1. In the reporting period, the company disclosed annual and 6M financial statements prepared under the IFRS. The company's annual report for the reporting period included annual financial statements prepared under the IFRS, along with the auditor's report.</p> <p>2. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the corporate website.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
6.2.3	The company's annual report, as one of the most important tools of its information exchange with shareholders and other stakeholders, contains information enabling assessment of the company's annual performance results.	<p>1. The company's annual report contains information on the key aspects of its operational and financial performance.</p> <p>2. The company's annual report contains information on the environmental and social aspects of the company's operations.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>6.3 The company provides information and documents requested by its shareholders in accordance with the principles of fairness and ease of access.</b>				
6.3.1	The company provides information and documents requested by its shareholders in accordance with the principles of fairness and ease of access.	1. The company's information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
6.3.2	When providing information to shareholders, the company ensures reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitive edge.	<p>1. In the reporting period, the company did not refuse shareholders' requests for information, or such refusals were justified.</p> <p>2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>7.1 Actions that materially affect or may affect the company's share capital structure and its financial position, and accordingly the position of its shareholders ('material corporate actions') are taken on fair terms ensuring that the rights and interests of shareholders and other stakeholders are observed.</b>				
7.1.1	Material corporate actions include restructuring of the company, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of major transactions, increase or decrease of the company's charter capital, listing or de-listing of the company's shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The company's charter provides for a list (criteria) of transactions or other actions classified as material corporate actions within the authority of the company's board of directors.	<p>1. The company's charter include a list of transactions or other actions classified as material corporate actions, and their identification criteria. Resolutions on material corporate actions are referred to the jurisdiction of the board of directors. When execution of such corporate actions is expressly referred by law to the jurisdiction of the general meeting of shareholders, the board of directors presents relevant recommendations to shareholders.</p> <p>2. According to the company's charter, material corporate actions include at least: company reorganization, acquisition of 30% or more of the company's voting shares (in case of takeover), entering in major transactions, increase or decrease of the company's charter capital, listing or de-listing of the company's shares.</p>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p>1–2. 'Material corporate actions' and 'major transactions' are not defined in the Company's Charter. Nevertheless, transactions and/or actions listed in the Corporate Governance Code are effectively treated by the Company as major transactions and material actions and are decided upon by supreme governing bodies: the Board of Directors (major transactions, interested party transactions, according to the Federal Law On Joint-Stock Companies, transactions worth over US\$ 50,000,000) and the General Meeting of Shareholders (Company restructuring, listing and de-listing of the Company's shares, increase or decrease of the Company's charter capital, major transactions, interested party transactions, according to the Federal Law On Joint-Stock Companies).</p> <p>Whenever any such matter is included as an agenda item of the General Meeting of Shareholders, the Board of Directors presents its recommendations thereon to shareholders.</p> <p>As the requirements of the Code are effectively complied with, the Company believes there is no need to formalise this process any further.</p> <p>The Company has no plans to make any relevant amendments to the Company's Charter.</p>

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
71.2	The board of directors plays a key role in passing resolutions or making recommendations on material corporate actions, relying on the opinions of the company's independent directors.	1. The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
71.3	When taking material corporate actions affecting the rights and legitimate interests of shareholders, equal terms and conditions are guaranteed for all shareholders; if the statutory procedure designed to protect shareholders' rights proves insufficient, additional measures are taken to protect their rights and legitimate interests. In doing so, the company is guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements.	1. Due to the specifics of the company's operations, the company's charter contains less stringent criteria for material corporate actions than required by law.  2. All material corporate actions in the reporting period were duly approved before they were taken.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>7.2 The company takes material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when taking such actions.</b>				
72.1	Information about material corporate actions is disclosed with explanations of the grounds, circumstances, and consequences.	1. In the reporting period, the company disclosed information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
72.2	Rules and procedures related to material corporate actions taken by the company are set out in the company's internal documents.	1. The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or an interested party transaction.  2. The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of shares acquired and bought back by the company.  3. The company's internal documents provide for an expanded list of grounds on which the company's directors and other persons as per the applicable law are deemed to be interested parties to the company's transactions.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	