

APPROVED

by decision of the Board of Directors  
of Mobile TeleSystems  
Public Joint Stock Company  
December 17, 2020 (Minutes No.306)

**REGULATIONS  
ON THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF MOBILE TELESYSTEMS PUBLIC JOINT STOCK  
COMPANY  
(Version 4)**

## 1. GENERAL PROVISIONS

- 1.1. The Regulations was developed in accordance with the applicable legislation, the Charter, the Code of Business Conduct and Ethics, and other bylaws of Mobile TeleSystems Public Joint Stock Company (hereinafter referred to as “MTS PJSC” or “the Company”).
- 1.2. The Regulations specifies the status, purpose, tasks and functions of the Audit Committee (hereinafter, the “Committee”) of the Board of Directors of MTS PJSC, the procedures for its formation and termination of powers, rights and obligations of its members, procedures for operation and decision-making.
  - 1.3. The Committee is an auxiliary collective advisory body of the Board of Directors of MTS PJSC. The Committee is not a governing body of the Company, through the Committee the Company does not assume civil rights and obligations.
- 1.4. The Audit Committee is formed in order to assist the Board of Directors in the efficient execution of its duties in oversight of the financial and business activities of the Company. Within the framework of its tasks and functions, the Committee carries out a preliminary study of the issues considered at the meetings of the Board of Directors of the Company, and, if necessary, of the issues considered by other bodies of the Company and the Committees of the Board of Directors. The decisions of the Committee are advisory in nature for the Board of Directors of MTS PJSC.
- 1.5. In their activities the Committee members are guided by the applicable legislation, the Charter and the internal documents of the Company, the Corporate Governance Code<sup>1</sup>, the Code of Business Conduct and Ethics of MTS PJSC, decisions of the Company’s management bodies, and this Regulations.

## 2. TASKS AND FUNCTIONS OF THE COMMITTEE

- 2.1. The main task of the Committee is to assist the Board of Directors of the Company in performing its oversight functions in relation to financial reporting, risk management, internal control system, compliance, compliance with the Code of Business Conduct and Ethics of MTS PJSC, conducting internal and external audits, counteracting unfair actions of the members of management bodies and employees of MTS PJSC and its subsidiaries (hereinafter referred to as the “Group” or “MTS Group”) and third parties.
- 2.2. Key functions of the Audit Committee:
  - 2.2.1. In financial reporting:**
    - 2.2.1.1. supervision of ensuring control over completeness, accuracy, and objectivity of the Group’s financial statements;
    - 2.2.1.2. review of significant provisions of the MTS Group’s accounting policy and financial statements, including analysis of reflection in reporting of complex and non-routine transactions, related parties transactions and operations, the accounting of which requires elaborating evaluation and/or significant share of subjectivity while applying respective requirements of the US Securities and Exchange Commission (hereinafter, “the SEC”) and

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<sup>1</sup> The Corporate Governance Code recommended for use by the Bank of Russia (Letter No. 06-52/2463 dated 10.04.2014).

the International Financial Reporting Standards (hereinafter, "the IFRS"), the Russian accounting standards and other current legislation;

- 2.2.1.3. analysis in cooperation with the management and the external auditor of audit results, including review of the issues arising in conducting the audit, the validity of material adjustments which are based on the external audit results, the validity of the application of the Group's going concern assumption and the compliance with the requirements of the SEC, the IFRS, the current legislation and the audit standards;
- 2.2.1.4. review and analysis in cooperation with the management and the external auditor of the annual financial statements and interim financial information of the Group, as well as related documents, that are submitted to the SEC, the Central Bank of the Russian Federation and other regulatory authorities, in order to determine the completeness and consistency of information, including fair and grounded assessment of the MTS Group's position, performance indicators and outlooks;
- 2.2.1.5. review of reports on financial and operational results of MTS Group prior to issuing press releases, assessment of the completeness and accuracy of information and preparation of the relevant recommendations for the Board of Directors of the Company, if needed.

## **2.2.2. In risk management, internal control system and corporate governance system:**

- 2.2.2.1. supervision of ensuring the effectiveness of the MTS Group's risk management, internal control and corporate governance systems, as well as submission to the Board of Directors of the Company, executive bodies and (or) other Committees of the Board of Directors of the Company of proposals (recommendations) for improvement:
  - (i) of risk management system,
  - (ii) of internal controls system, including the systems of information and technological security,
  - (iii) of corporate governance system;
- 2.2.2.2. assessment of execution of procedures used by MTS Group to identify the principal risks and appropriate control procedures (including the procedures for loss control and risk insurance) in order to determine their adequacy and efficiency;
- 2.2.2.3. periodic review, but at least twice during a calendar year, of reports on risk management at MTS PJSC and assessment of MTS Group work in the field of risk management, preparation of the relevant recommendations for the Board of Directors of the Company;
- 2.2.2.4. review and analysis of reports on assessing the effectiveness of the internal controls system, risk management and corporate governance of MTS Group, significant findings and recommendations contained in such reports, as well as review of the feedbacks and actions taken to remedy the deficiencies, preparation of the relevant recommendations for the Board of Directors of the Company;
- 2.2.2.5. oversight of execution of procedures to ensure that MTS Group complies with the requirements of the Sarbanes-Oxley Act and the meeting by the MTS PJSC President and CFO of their certification obligations under the requirements of Sections 302, 404 and 906 of the Sarbanes-Oxley Act;
- 2.2.2.6. periodic review, but at least twice during a calendar year, of reports of the Head of the Department of Internal Control Systems of MTS PJSC, including review of development plans, the results of assessing the system for internal control over the reliability of financial

statements and the results of testing and certification of the system for internal control over the reliability of financial statements of MTS Group;

2.2.2.7. review, in cooperation with the management, internal and external audit, of any cases of law violation (including anti-corruption laws), possible cases of fraud and significant deficiencies in the internal controls and risks management procedures, preparation, if needed, of recommendations for improving the internal controls and risk management procedures;

2.2.2.8. preliminary review of the following transactions:

- (i) between the Company and the MTS Group companies<sup>2</sup>, the amount or price of which exceeds RUB 500 million;
- (ii) between the Company and the entities belonging to Sistema PJSFC Group<sup>3</sup>, regardless of the transaction amount (price);
- (iii) mergers and acquisitions with related parties regardless of the transaction amount (price).

For the purposes of this sub-clause 2.2.2.8, mergers and acquisitions transactions with related parties are understood as transactions, the subject matter of which is the acquisition, alienation or encumbrance of stakes (shares) in the authorized capital of other organizations:

(1) between MTS PJSC or any MTS Group company, on the one hand, and Sistema PJSFC or any Sistema PJSFC Group company, or any related parties<sup>4</sup> of Sistema PJSFC or any Sistema PJSFC Group company, on the other hand, and/or

(2) between MTS PJSC or any MTS Group company, on the one hand, and Sistema PJSFC or any Sistema PJSFC Group company, on the other hand, which meets the “interested party transaction” criteria established by the Federal Law “On Joint Stock Companies”.

Once the transactions specified in this sub-clause 2.2.2.8 are reviewed, the Committee is entitled, inter alia, to recommend the Board of Directors to consider the transaction taking into account the transaction risks assessed by the Committee, to recommend the persons responsible for the transaction to finalize it and to submit the transaction for reconsideration or to recommend to the Board of Directors to initiate the establishment of a special committee<sup>5</sup> and (or) submit any transactions from those specified in this sub-clause 2.2.2.8 for consideration by the special committee.

Any agreements on non-disclosure of confidential information, as well as any transactions that obviously do not pose a risk of conflict of interest, are an exception to this sub-clause 2.2.2.8 (transactions on the VAT rate changes, transactions concluded at regulated rates and/or being a public offer, transactions on changing the details of the parties, as well as other types of transactions as the Committee resolves).

2.2.2.9. subsequent review of the following transactions:

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<sup>2</sup> For the purposes of this sub-clause 2.2.2.8, MTS Group means MTS PJSC and the companies where MTS PJSC owns, directly or indirectly, more than 20% of shares (stakes) in the authorized capital.

<sup>3</sup> For the purposes of this sub-clause 2.2.2.8, Sistema PJSFC Group means Sistema PJSFC and the companies where Sistema PJSFC owns, directly or indirectly, more than 20% of shares (stakes) in the authorized capital (except for the MTS Group companies, in the authorized capital of which Sistema PJSFC owns the specified number of shares (stakes) through MTS PJSC exclusively).

<sup>4</sup> Related party means an individual and/or legal entity of Sistema PJSFC Group that meet the “related party” criteria established by the IFRS 24 standard.

<sup>5</sup> Pursuant to cl. 3.4.2 of the Regulations on the Board of Directors of MTS PJSC, the Special Committee is a collegial body under the Board of Directors of the Company that assists the Board of Directors through preliminary consideration and preparation of recommendations on individual Company projects to the Board of Directors. The Special Committee operation is aimed at ensuring that the project terms correspond to the interests of the Company and all its shareholders. The Special Committee may not include persons, who have a conflict of interest on the issues considered by the Committee.

- (i) between MGTS PJSC, MTS Armenia CJSC and MTS Bank PJSC, on the one hand, and the Company or MTS Group companies, on the other hand, if the amount (price) of such transactions exceeds 0.1% of the book value of the assets of MGTS PJSC, MTS Armenia CJSC, MTS Bank PJSC, respectively.
- (ii) between MGTS PJSC, MTS Armenia CJSC, RTC JSC and MTS Bank PJSC, on the one hand, and the companies of Sistema PJSFC Group, on the other hand, regardless of the transaction amount (price).

Any transactions that were previously reviewed by the Committee in accordance with sub-clause 2.2.2.8 above, as well as the transactions specified in the last paragraph of sub-clause 2.2.2.8, are an exception to this sub-clause 2.2.2.9.

### **2.2.3. In compliance and observing of the standards of business conduct and ethics:**

- 2.2.3.1. oversight of updating and bringing the Code of Business Conduct and Ethics of MTS PJSC (hereinafter referred to as the Code) to the knowledge of those covered by the Code (including the Company employees, officials, as well as members of the Company management bodies), control over the Code availability and compliance with it;
- 2.2.3.2. review of the measures taken by the management of MTS PJSC to increase the level of corporate, compliance and risk culture, awareness of those covered by the Code about the Code requirements and the consequences of its violation;
- 2.2.3.3. oversight of identification, assessment and disclosure of risks (including in anti-corruption compliance) of MTS PJSC when considering transactions in accordance with the established procedures; review of the results of inspections carried out by the regulators and the cases of potential or actual Code violation, as well as the policies and procedures owned by the Business Ethics and Compliance Department, monitoring of the implementation of measures adopted by the management of MTS PJSC based on the results of such inspections and incidents, unless it is attributed to the competence of another committee under the Board of Directors of MTS PJSC;
- 2.2.3.4. review of the proposed measures to resolve the conflict of interests of the members of the management bodies of MTS PJSC (executive management and members of the Board of Directors of MTS PJSC), if such measures involve the issuance of an appropriate executive directive of the President of MTS PJSC or a decision of the Board of Directors of MTS PJSC, preparation, if needed, of the relevant recommendations to the President or the Board of Directors of the Company, as well as review of information on the status of managing the conflict of interests of the members of the management bodies of MTS PJSC – in all other cases;
- 2.2.3.5. periodic review, but at least twice during a calendar year, of the reports of the Head of Business Ethics and Compliance Department at MTS PJSC and the compliance functions of the Group companies, including on the issues of strategy, resources, status, development and execution of plans, as well as other corporate compliance program issues.

### **2.2.4. In internal audit:**

- 2.2.4.1. ensuring independence and objectivity of the internal audit function, receiving confirmation of organizational independence of internal audit from the Internal Control and Audit Director at least once during a calendar year;
- 2.2.4.2. review and approval of the internal audit policy;

- 2.2.4.3. preliminary review of the issues on the appointment (dismissal) of the Internal Control and Audit Director and the amount of remuneration, preparation of relevant recommendations to the Board of Directors of the Company;
- 2.2.4.4. review and approval of the internal audit strategy;
- 2.2.4.5. review and approval of the annual audit plan and the major changes made to the plan during the calendar year;
- 2.2.4.6. review in cooperation with the Internal Control and Audit Director and approval of the internal audit resource plan, budget and KPIs;
- 2.2.4.7. periodic review, but at least twice during the calendar year, and approval of the reports of the Internal Control and Audit Director and the internal audit functions of the MTS Group companies, including the annual audit plan and the information on its execution progress, the results of internal audit activities and other internal audit issues;
- 2.2.4.8. assessment of the effectiveness of internal audit activities and meeting the KPIs, including periodic reviews, but at least once during a calendar year, of the results of assessing the compliance of internal audit activities with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors;
- 2.2.4.9. review of any possible unreasonable restrictions on the internal audit powers and (or) the budget for conducting audits that can adversely affect the efficiency of internal audit operations, preparation, if necessary, of recommendations to the Board of Directors or other management bodies of the Company;
- 2.2.4.10. holding of regular meetings with the Internal Control and Audit Director to discuss any matters that the Committee or the internal audit believe shall be confidentially discussed.

**2.2.5. In external audit:**

- 2.2.5.1. evaluation of the MTS Group's external auditors independence, objectivity, and no conflict of interest, including the assessment of candidates for auditors of the Group, submission of recommendations on the appointment, re-appointment and discharge of the external auditors of the Group, the remuneration for their services, and the contractual terms. Confirmation of independence of the external auditors shall be ascertained by obtaining statements from the external auditors in accordance with the requirements of the SEC and US Public Company Accounting Oversight Board ("the PCAOB"), including statements regarding non-audit services linked to the relationships between the auditors and the Group;
- 2.2.5.2. oversight of conducting the external audit, assessment of the scope of audit procedures and inspection methods proposed by the external auditors to ensure efficient coverage of the material risks of misstating the financial statements of the Group;
- 2.2.5.3. assessment of the audit quality and review of audit opinions confirming the reliability of the MTS Group consolidated financial statements and the effectiveness of internal control over the preparation of the financial statements of the Group. The results of reviewing the auditor's opinions drawn up by the Committee are provided as materials for the annual General Meeting of MTS PJSC Shareholders;
- 2.2.5.4. ensuring the efficient interaction between internal audit and external auditor, as well as between the Department of Internal Control Systems of MTS PJSC and the external auditor, assessment of the coordination of their activities in order to monitor the completeness of applied audit procedures, to avoid duplications thereof and to ensure the efficient utilization of the resources available for carrying out of audit procedures;

2.2.5.5. oversight of compliance with the Group's procedures setting the principles of provision and combination of audit and non-audit services by the auditor;

2.2.5.6. preliminary approval of audit and non-audit services. With respect to the provision of non-audit services, other than the services related to tax and internal controls over financial reporting, the Committee may establish pre-approval policy and procedures. The established policies and procedures describe in detail the particular service and the Committee is informed of each service, and such policy and procedures do not include delegation of the Committee responsibilities to management under the US Securities Exchange Act of 1934. The pre-approval requirement is not applied if:

- (i) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of remuneration paid by the Group to its external auditor during the fiscal year in which the services are provided;
- (ii) such services were not recognized by the Group at the time of the engagement of the auditor to be non-audit services; and
- (iii) information on such services was promptly brought to the attention of the Committee and they were approved prior to the completion of the audit by the Committee or by one or more members of the Committee to whom authority to grant such approvals was delegated by the Committee.

In connection with the pre-approval of permissible non-audit services related to tax and internal controls over financial reporting, the Committee shall receive from the external auditor a description, in writing, of the scope of the service and other information required by SEC Rules 3524 and 3525; and discuss with the external auditor the potential effects of the services on the independence of the external auditor.

The authority to grant pre-approvals of the services may be delegated to one or more designated members of the Committee, whose decisions are presented to the full Committee at its next regularly scheduled meeting.

2.2.5.7. evaluation and oversight of the compliance with the requirements prohibiting certain services provided by the external auditor in accordance with the requirements of the SEC and PCAOB. In accordance with these requirements, the Group cannot engage its external auditor to provide any of the following non-audit services:

- (i) bookkeeping or other services related to the maintenance of accounting records of the Group or financial statements preparation;
- (ii) financial information systems design and implementation;
- (iii) evaluation services, fair value opinions, or confirmations of in-kind contributions to the authorized capital;
- (iv) actuarial services;
- (v) internal audit services;
- (vi) management or human resource-related services;
- (vii) broker or dealer, investment adviser, or investment banking services;
- (viii) expert legal services and advisory services unrelated to the audit;
- (ix) services related to marketing, planning, or opining on the tax treatment of confidential transactions or aggressive tax position transactions;
- (x) tax services for persons executing oversight in financial reporting ;

(xi) any other services that the PCAOB determines as unacceptable.

2.2.5.8. holding of regular meetings with the external auditors to discuss any matters that the Committee or the external auditors believe shall be confidentially discussed.

**2.2.6. In prevention of fraud of the Group's employees and third parties:**

2.2.6.1. supervision of ensuring the effectiveness of the reporting system on the potential cases of fraud of the Group's employees (including violation of anti-corruption policy, unfair use of insider and confidential information) and of third parties, and on other violations in the Group;

2.2.6.2. policy determination and oversight of the procedures on accepting and processing of the messages regarding the violations of the requirements for accounting, auditing and internal control over the preparation of financial statements submitted by the employees or other persons;

2.2.6.3. oversight of the special investigations on suspected fraud, allegations of corruption, unfair use of insider or confidential information;

2.2.6.4. oversight of the implementation of the actions taken by the Group's management in response to the facts of reporting on the suspected fraud of the Group employees, third parties, as well as on other violations;

2.2.6.5. assessment of the effectiveness of the legal and statutory compliance system, internal investigation results and follow-up measures taken by the Group management (including disciplinary actions) in response to the identified facts of fraud or non-compliance with laws and regulations;

2.2.6.6. review of reports on the work of the MTS Group Unified Hotline, as well as the results of internal audits and investigations held.

**3. MEMBERS OF THE COMMITTEE AND PROCEDURES FOR ITS COMPOSITION**

3.1. The Committee may include only members of the Board of Directors and may not include the Group's employees. Herewith, all members of the Committee must be the independent directors. Independence of the Board of Directors members shall be determined in accordance with the criteria of independence provided for in the Regulations of the Board of Directors of MTS PJSC.

3.2. The personal and quantitative composition of the Committee shall be approved by a decision of the Board of Directors, taking into account the applicable requirements and recommendations of legislation, regulators and exchanges.

3.3. The matters of approving the personal and quantitative composition of the Committee of the Board of Directors shall be resolved, as a rule, during the first meeting of the newly elected Board of Directors of MTS PJSC.

3.4. The powers of the Committee members shall terminate immediately upon termination of powers of the members of the Board of Directors of MTS PJSC. The powers of all the Committee members, as well as those of any Committee member may be terminated at any time also by the decision of the Board of Directors.

- 3.5. The Board of Directors may at any time resolve to increase (decrease) the quantitative composition of the Committee, to elect new members to the Committee.
- 3.6. The Board of Directors shall appoint the Committee Chairman to be responsible for the Committee's operating control. The Board of Directors may also decide to appoint a deputy to the Committee Chairman performing the duties and having the powers of the Committee Chairman when the latter is unable to participate in the Committee meetings.
- 3.7. In accordance with Annex 1 hereto and the regulations of the SEC, the Committee shall nominate at least one member of the Committee as an expert in finance.
- 3.8. Members of the Group, representatives of shareholders, representatives of external auditors, as well as other persons may be engaged in the Committee's work.
- 3.9. Where applicable, the Committee may hold additional meetings and closed sessions with external auditors, internal auditors, as well as with the Company management to discuss any issues which, in the opinion of the Committee or of the specified parties, need to be discussed in confidence.
- 3.10. The Committee Chairman and the Committee members may resign by submitting the respective application to the Chairman of the Company's Board of Directors and to the Committee Chairman.

#### **4. RIGHTS AND OBLIGATIONS OF THE COMMITTEE MEMBERS**

- 4.1. The Committee members shall be entitled to:
  - 4.1.1. request and receive the information and documents within the Committee's competence from the Company's officials, the Board of Directors, the Management Board, the President of the Company, the Auditing Commission, external and internal auditors;
  - 4.1.2. call for a Committee meeting, propose an agenda for discussion by the Committee;
  - 4.1.3. require that their special written opinion be added to the minutes of the Committee meeting;
  - 4.1.4. use the services of external consultants as agreed upon with the Committee Chairman.
- 4.2. The Committee members shall be obliged to:
  - 4.2.1. attend (participate in) the Committee meetings and take an active part in preparing and discussing the issues considered at the Committee meetings;
  - 4.2.2. participate in decision making by the Committee by voting on the agenda items of the Committee meetings;
  - 4.2.3. meet with MTS PJSC management and the external auditor in order to analyze significant matters of financial statements, key provisions of the accounting policy and audit results;
  - 4.2.4. evaluate performance of the external auditors and submit recommendations to the Board of Directors on the appointment, re-appointment or termination of contract with the external auditors;
  - 4.2.5. interact with internal and external audit, review and analyze the reports of external and internal auditors to assess the internal control system effectiveness and risk management reports;

- 4.2.6. evaluate the efficiency of measures taken by the management in response to the facts of non-compliance with legislative requirements, the Code of Business Conduct and Ethics, etc., observed as a result of reviews and investigations;
- 4.2.7. take reasoned decisions, for which purpose examine any relevant information (materials) and bring any information related to the decisions taken to the knowledge of all Committee members;
- 4.2.8. notify the Committee Chairman of inability to attend any particular meetings specifying the reason of such inability;
- 4.2.9. act diligently and in good faith to the benefit of the Company's shareholders and all parties concerned when taking decisions;
- 4.2.10. fulfill the assignments of the Committee Chairman;
- 4.2.11. refrain from disclosing, as required by the Company's in-house documents, any data treated as confidential information and trade secret which became known to them, to keep confidential any issues under discussion, neither to disclose the insider information to third parties nor to use such information for personal purposes and for the purposes of their affiliated persons;
- 4.2.12. avoid actions able to compromise the Committee or question the professionalism of its members;
- 4.2.13. agree upon with the Chairman of the Board of Directors, the Committee Chairman any of their actions taken on behalf of the Company or of the Committee.
- 4.3. A member of the Committee shall refrain from:
  - 4.3.1. actions that will result or potentially may result in a conflict between his or her personal interests and interests of the Company, and in case such conflict arises – disclose information about it to the Secretary of the Board of Directors of MTS PJSC and subsequently take actions to settle the conflict of interest in accordance with the procedure provided for by the corresponding bylaws and local regulations of MTS PJSC<sup>6</sup>;
  - 4.3.2. voting on the issues, where in decision making he/she has a conflict of interest. In this case a member of the Committee must immediately inform the Committee through the Committee Chairman or Secretary on the fact and the grounds of such conflict of interest.
- 4.4. The Committee may engage and, at its discretion, use the services of independent legal advisers, consultants and experts in respective areas (accounting and reporting, finance etc.) necessary for the Committee to perform its duties.
- 4.5. Within the scope of the powers vested in it hereby and by the Board of Directors, the Committee may request and the management of the Company shall provide to the Committee the required financial and other resources to pay for the services of an external auditor engaged to carry out audits, reviews or to perform other services related to attestation and also to pay for services of consultants, experts and advisers engaged by the Committee and to cover reasonable and necessary expenses incurred in the course of fulfillment of the Committee's functions and duties.

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<sup>6</sup> Management of the situation of the conflict of interest between the members of the Committee shall be carried out in accordance with Policy "Conflict of Interest Management at MTS PJSC" and other Company bylaws

- 4.6. The Committee members shall be liable to the Company's Board of Directors for quality and results of implementing the decisions taken by the Committee or of fulfilling the assignments of the Committee Chairman.

## **5. CHAIRMAN AND SECRETARY OF THE COMMITTEE**

- 5.1. The Committee Chairman shall be responsible for the performance of the Committee and for the accomplishment of its objectives.
- 5.2. The Committee Chairman shall:
- 5.2.1. provide for the Committee's Action Plan being developed and submitted for approval by the Committee;
  - 5.2.2. arrange for the work and convene the Committee meetings, and preside over them;
  - 5.2.3. determine the holding form, date, time, venue and agenda of the Committee meetings;
  - 5.2.4. determine the list of persons to be invited to participate in the Committee meeting;
  - 5.2.5. arrange for taking minutes of the Committee meetings and sign the minutes of the Committee meetings;
  - 5.2.6. allocate duties among the Committee members;
  - 5.2.7. give assignments to the Committee members related to the need for a more detailed consideration of the issues and to preparation of materials to be considered at the Committee meeting;
  - 5.2.8. report to the Company's Board of Directors on the performance of the Committee;
  - 5.2.9. supervise the execution of the decisions taken;
  - 5.2.10. exercise other functions arising out of the goals and essence of the Committee's performance.
- 5.3. The Secretary of the Committee shall be approved by the decision of the Committee upon recommendation of the Committee Chairman. In absence of the Secretary at a meeting, his/her functions shall be performed by the Secretary of the Board of Directors of the Company or a person appointed by the members of the Committee at the meeting. In accordance with his/her powers, the Secretary of the Committee shall:
- 5.3.1. prepare the Action Plan of the Committee based on the proposals made by the members and the Committee Chairman;
  - 5.3.2. as agreed upon with the Committee Chairman prepare and submit to the members of the Committee the notices on forthcoming meetings and materials on the agenda items presented by responsible persons;
  - 5.3.3. collect voting bulletins in case of the Committee holding meeting in absentia;
  - 5.3.4. prepare draft minutes of the Committee meeting, prepare, sign and hand out the extracts from the minutes of the Committee meetings;
  - 5.3.5. safekeep minutes and materials of the Committee meetings;
  - 5.3.6. provide technical and procedural issues of interaction between the Committee and the Company bodies and officials;

5.3.7. fulfill the assignments of the Committee Chairman.

## **6. MANAGEMENT OF THE COMMITTEE ACTIVITIES**

- 6.1. The Committee shall carry out its activities based on this Regulations and the Action Plan of the Committee approved in accordance with clauses 0–6.4 hereof.
- 6.2. The Action Plan of the Committee shall be drawn up for a period of one calendar year with due account of the action plan of the Board of Directors and the proposals made by the Chairman and members of the Committee. The Action Plan of the Committee is generally subject to approval at the first meeting of the newly elected Committee.
- 6.3. The Committee shall hold its meeting in accordance with the Committee’s Action Plan, as and when needed, as well as on the initiative of the Committee Chairman, the proposal of any of the members of the Committee, the Board of Directors or the President of the Company, but at least 7 (seven) times a year, while:
  - 6.3.1. at least one meeting shall be held to discuss the plans of the internal audit, the external auditor, plans for developing the corporate compliance program for the forthcoming year, matters that may arise during preparation of financial statements and approval of the cost of the audit services;
  - 6.3.2. at least two meetings shall be held during a calendar year to discuss the results of internal audit activities and measures to eliminate the deficiencies detected in the course of internal audits; review the risk management reports; the MTS Group internal control system development plans and test results; reports on the corporate compliance program development;
  - 6.3.3. one meeting shall be held before the issuance of a press-release on the annual financial and operation results of MTS Group, as well as the annual financial statements, in order to discuss the performance results of the Group and the annual audit results;
  - 6.3.4. three meetings shall be held before the issuance of press-releases on the financial and operation results of MTS Group and the interim financial information of the Group based on the first, second and third quarter results, respectively, in order to discuss the results of the Group performance for the quarter and the interim financial information review results.
- 6.4. The Action Plan of the Committee may be amended by decision of the Committee based on the proposals submitted by the Committee members.
- 6.5. Where appropriate, the Committee may hold any additional meetings to discuss any matters as the Committee may deem material for the Company operation.
- 6.6. By decision of the Committee Chairman, other persons may be invited to take part in the meeting. Members of the Board of Directors who are not members of the Committee may participate in the meetings of the Committee subject to an invitation by the Committee Chairman.
- 6.7. The agenda of the Committee meeting is determined by the Committee Chairman. The agenda may include a review of the results of the previous meeting, if needed. Any member of the Committee may initiate the inclusion of items into the agenda of the Committee meeting. Members of the Board of Directors not being the Committee members, the President of the Company, members of the Auditing Commission of the Company, as well

as the experts involved in the work of the Committee may address the Committee Chairman with a suggestion to consider any issue within the competence of the Committee. Such an issue shall be reviewed either at the next scheduled working meeting of the Committee, or at a specially convened meeting of the Committee, if the issue is of particular importance and its consideration is urgent.

- 6.8. In order to ensure efficient organization of the Committee work and the highest quality of preparation for the Committee meetings, the Secretary of the Committee shall strive to ensure that the agenda of the planned Committee meeting, draft materials on the agenda items and (or) draft decisions have been discussed by the Secretary with the Committee Chairman in advance (preferably 14 calendar days in advance) at working meetings with the involvement of the persons responsible for the preparation of materials on the agenda items, if necessary.

## **7. PROCEDURES FOR HOLDING THE COMMITTEE MEETINGS**

- 7.1. Notice of the forthcoming Committee meeting shall be e-mailed to the Committee members by the Secretary of the Committee not later than 5 (five) calendar days before the meeting.
- 7.2. All materials on the agenda items of a Committee meeting shall be provided by the person responsible for the item, to the Secretary of the Committee not less than 3 (three) calendar days before the meeting in the form of presentation or in other form. All materials on the agenda items shall contain the required and sufficient information that would allow the Committee members to make a reasoned and objective decision on the agenda item. Materials shall be provided by the Committee Secretary to the Committee members not later than 2 (two) calendar days before the date of the Committee meeting. Materials on the agenda items of the Committee meeting shall be uploaded to the Electronic Document Management System to support activities of collective management bodies of the Company, and (or) sent to the Committee members by email.
- 7.3. If the time limit for materials posting (circulation) to the Committee members as set forth in clause 7.2 hereof cannot be met due to the absence of materials (inadequate quality of material preparation) on the agenda items, the Committee Secretary shall immediately inform the Committee Chairman thereof and make a proposal to delete the item (items) concerned from the agenda of the Committee meeting. Based on the results of consideration of the materials the Committee Chairman shall have the right to make a decision to exclude this item (items) from the agenda, to cancel or postpone the Committee meeting. The notification of exclusion of the agenda item (items), cancellation or postponement of the meeting shall be prepared by the Secretary on the instruction of the Committee Chairman and sent to the Committee members.
- 7.4. In exceptional cases the notification of the Committee meeting and materials on the agenda items can be sent within the shorter period of time as decided upon by the Committee Chairman.
- 7.5. The Committee meetings may be held in the form of joint presence of the Committee members, including by audio or video conference, phone (meeting in praesentia) or in exceptional cases in the form of absentee voting on the agenda items (meeting in absentia).
- 7.6. A Committee meeting shall be qualified (have a quorum) if attended (participated) by a majority of the elected members of the Committee.

- 7.7. A meeting in praesentia shall be opened by the Committee Chairman.
- 7.7.1. The Committee Secretary shall determine the presence of a quorum for holding the Committee meeting in praesentia. Participation of the Committee member in a meeting via an audio or video conference call, via a telephone call shall be acceptable for determining presence of a quorum. When the quorum and the voting results on the agenda items of the Committee meeting in praesentia are determined, the written opinion of the Committee member who is absent at the meeting shall be taken into account. The written opinion shall be drawn up in the form set out in Annex 2 hereto, signed by the Committee member and contain full printed name;
- 7.7.2. The Committee Chairman at the meeting in praesentia shall inform the attendants of presence of a quorum for holding the meeting, and announce the agenda;
- 7.7.3. If there is no quorum, the meeting shall be announced to be unqualified. In this case the Committee Chairman shall make one of the following decisions:
- (i) determine the time to which the meeting has to be postponed, through consultation with attendees;
  - (ii) set the date of a new Committee meeting with an agenda including the items to be discussed;
  - (iii) include the items, which had to be discussed at the failed meeting in the agenda of the next scheduled Committee meeting.
- 7.8. The decision to hold a Committee meeting in the form of absentee voting shall be taken by the Committee Chairman.
- 7.8.1. When holding a Committee meeting in absentia, voting ballots drawn up in accordance with Annex 3 hereto shall be sent to Committee members, together with materials on the agenda items.
- 7.8.2. A Committee member shall submit the completed and signed voting ballot to the Committee Secretary not later than the date and moment of completion of ballot collection, in the original copy, as a scan via email, and shall further send out the original ballot to the address indicated in the notice of holding the Committee meeting.
- 7.8.3. The Committee members shall be considered to have participated in the absentee voting, if their completed voting ballots were received by the Committee Secretary not later than the date and moment of the completion of ballot collection.
- 7.8.4. A voting ballot which has not been signed or has been received later than the deadline indicated in the notice, shall not be accepted for determining quorum, count of votes, or summing up the results of absentee voting.
- 7.9. The Committee shall make decisions during its meetings by simple majority of votes of the elected members of the Committee. When making decisions at a Committee meeting each Committee member shall have one vote. If the votes are equal, the Chairman's vote shall be decisive. The transfer of a vote by a Committee member to another Committee member or any other person is not allowed.
- 7.10. The Committee Secretary shall draw up the minutes based on the results of the Committee meeting. The minutes of the Committee meeting shall include the following:
- (i) date, time and venue of the meeting;
  - (ii) composition of meeting participants, including Committee members and invited persons;

- (iii) agenda of the meeting;
  - (iv) suggestions and comments raised in the course of discussing issues under consideration;
  - (v) voting results on the items considered and decisions made.
- 7.11. The Committee Secretary shall draw up the draft minutes not later than 3 (three) business days after the date of the meeting. Minutes of the meeting approved by the Committee Chairman shall be taken and signed by the Chairman and the Secretary of the Committee in a single copy not later than within 5 (five) business days after the date of the meeting. The protocol may be signed with both handwritten and electronic signatures of the persons indicated in this clause. The documents adopted (approved) by the Committee decision, and, in case of absentee voting, the voting ballots shall be appended to the minutes of the Committee meeting.
- 7.12. A Committee member who has a special opinion on an item on the agenda may send his/her written opinion to the Committee Chairman. Such opinion shall be prepared by the Committee member not later than the business day following the date of the Committee meeting. The written opinion shall be appended to the minutes of the Committee meeting.
- 7.13. Not later than 6 (six) business days from the Committee meeting, a scanned copy of the minutes shall be placed by the Secretary of the Committee in the electronic document control system for work of the collective management bodies of the Company.
- 7.14. The original minutes are transferred by the Secretary of the Committee for storage to the Secretary of the Board of Directors of the Company not later than 6 (six) business days upon its drawing-up and signing.
- 7.15. If the decisions made at the Committee meeting affect the issues attributed to the competence of other management bodies of the Company, besides the Board of Directors, and (or) other committees of the Board of Directors, the Secretary of the Committee shall send the minutes (extract from the minutes) to such bodies (committees) for making the necessary decisions, within the term specified in clause 7.14 hereof.
- 7.16. The Committee shall approve and provide a report on its activities to the Board of Directors of the Company on an annual basis. Usually, the report on the Committee's activities shall be provided and reviewed at the last Committee meeting before the General Shareholders' Meeting of the Company, which agenda includes the item on election of new members of the Board of Directors.

## **8. FINAL PROVISIONS**

- 8.1. This Regulations, as well as any amendments and additions hereto shall be approved by the decision of the Board of Directors under the procedure prescribed by the Articles of Association and internal regulations of the Company governing activities of the Board of Directors of the Company.
- 8.2. The Regulations on the Committee, information on the composition of the Committee may be posted on the website used by MTS PJSC for information disclosure by the decision of the Committee Chairman, as approved by the Chairman of the Board of Directors. The Committee Secretary shall be responsible for arranging the posting and the compliance with the information referred to herein with the decisions of the Board of Directors of MTS PJSC.

- 8.3. If the standards hereof conflict with the requirements of the legislation of the Russian Federation and (or) the Company Charter as a result of changes in the legislation of the Russian Federation and (or) the Company Charter, the standards of the legislation of the Russian Federation and (or) the Company Charter shall be applied.

**to the Regulations on the Audit Committee  
of the Board of Directors of MTS PJSC**

**DEFINITIONS/RECOMMENDATIONS**

Clause 3.7 of the Regulations contains the following phrase: “In accordance with Annex 1 hereto, and the SEC regulations, the Committee shall nominate at least one member of the Committee as expert in finance”.

There is a whole range of interpretations of this definition. Taking into consideration the intention of the Group to meet the requirements of the US Securities and Exchange Commission, the most relevant recommendations on this matter have been provided by US Special Committee on Audit Committees, rules and principles of New York Stock Exchange (NYSE), National Association Of Securities Dealers (NASD), American Stock Exchange (AMEX) and provisions of the Sarbanes-Oxley Act of 2002.

**1. Knowledge in the area of finance**

All members of the Committee shall possess the knowledge of finance, or acquire the knowledge of finance within a reasonable period of time after their appointment. The Board of Directors shall determine whether this criterion is met.

The knowledge of finance includes the ability to understand the main types of financial reports, including statements of financial position, statements of profits and loss and other comprehensive income, statements of cash flows.

**2. Professional experience in the field of preparing financial statements**

At least one member of the Committee shall have professional experience in the field of accounting or financial management. The Board of Directors shall determine whether this criterion is met.

The following shall be taken into account:

- (i) Previous professional experience in finance or accounting.
- (ii) A certificate of education in accounting.
- (iii) Experience in financial management at the appropriate level (e.g. experience as Chief Executive Officer/Chief Financial Officer, or as a manager responsible for financial controls).

**3. Expert in Finance**

Interpretation of this definition may be further provided by the US Securities and Exchange Commission; therefore, the criteria referred to below shall only be the basis for qualifying a person as an Expert in Finance.

When determining qualification of a candidate as “Expert in Finance”, MTS Board of Directors shall evaluate the level of knowledge and skills of the person obtained as result of his/her education and professional experience as an accountant, auditor, financial director, head of internal audit function, chief accountant or other officer with similar responsibilities, including the following:

- (i) understanding of the generally accepted accounting and financial reporting standards;

- (ii) experience of (a) compilation or audit of financial statements in comparable organizations, and (b) application of the accounting principles in recognition of estimates, accruals, and provisions;
- (iii) experience in internal control procedures, understanding the Committee's tasks.

*Annex 2*  
**to the Regulations on the Audit Committee  
of the Board of Directors of MTS PJSC**

**WRITTEN OPINION**

**of the member of the Audit Committee of the Board of Directors of MTS PJSC not attending  
the meeting**

To the meeting on \_\_\_\_\_.

Agenda item No. __: _____			
Decision: _____			
<b>Voting options:</b>	<b><i>FOR</i></b>	<b><i>AGAINST</i></b>	<b><i>ABSTAINED</i></b>

*Please check (circle) the voting option you choose, leave the other options unchanged.*

**Comments** *(filled out at the discretion of the Committee member):*

\_\_\_\_\_

Please enter the comment above into the minutes as my special opinion	
---	--

*(make a mark or leave the field blank)*

**The written opinion that was delivered after the expiration of the deadline for holding a meeting shall be declared invalid and shall not be taken into account in determining voting results. Comments are entered into the minutes of the meeting as a special opinion upon request of a member of the Committee, if they were received no later than the next business day following the date of the Committee meeting.**

**Member of the Audit Committee  
of the Board of Directors of MTS PJSC**

\_\_\_\_\_

signature Full name

**to the Regulations on the Audit Committee  
of the Board of Directors of MTS PJSC**

**BALLOT**

**for voting on the agenda items of the absentee meeting  
of the Audit Committee of the Board of Directors of MTS PJSC**

Deadline for accepting voting ballots: \_\_\_\_\_

Address to send voting ballots: by e-mail: \_\_\_\_\_ with subsequent provision of an original document  
to the Company at: \_\_\_\_\_.

<b>Agenda item No. ___:</b> _____			
<b>Decision:</b> _____			
<b>Voting options:</b>	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAINED</b>

*Please check (circle) the voting option you choose, leave the other options unchanged.*

**The voting ballot that was delivered after the expiration of the deadline for accepting voting ballots shall be declared invalid and shall not be taken into account in determining voting results.**

**Member of the Audit Committee  
of the Board of Directors of MTS PJSC**

\_\_\_\_\_  
signature

\_\_\_\_\_  
Full name