

APPROVED

by decision of the Board of Directors of  
Mobile TeleSystems  
Public Joint Stock Company  
December 15, 2017 (Minutes No.265)

**STATUTE ON THE AUDIT COMMITTEE**  
**of the Board of Directors of**  
**Mobile TeleSystems**  
**Public Joint Stock Company**  
**(Version 3)**

## **1. GENERAL PROVISIONS**

- 1.1. The Statute was developed in accordance with the applicable legislation, the Charter of MTS PJSC, the Code of Business Conduct and Ethics, and other corporate rules and regulations.
- 1.2. The Statute specifies the status, purpose, and functions of the Audit Committee (hereinafter, the “Committee”) of the Board of Directors of Mobile TeleSystems Public Joint Stock Company and its subsidiaries (hereinafter, “the Group” or “MTS”), the procedures for its appointment and termination of powers, rights and obligations of its members, procedures for operation and decision-making.
- 1.3. The Committee is a collective advisory body of the Board of Directors of MTS. The Committee is not viewed as the body of the Group, and via the Committee the Group does not gain any civil rights or obligations.
- 1.4. The Audit Committee is appointed in order to assist the Board of Directors in the efficient effectuation of its duties in oversight of the financial and business activities of the Group. The decisions of the Committee are advisory in nature for the Board of Directors of MTS.
- 1.5. In their activities the Committee members is guided by the applicable legislation, the Charter and the internal regulations of MTS, the Code of Business Conduct and Ethics, decisions of the Group's governance bodies, and herein.

## **2. RESPONSIBILITIES OF THE AUDIT COMMITTEE**

### **The key responsibilities of the Audit Committee:**

#### **2.1 In accounting (financial) reporting:**

- a) overseeing completeness, accuracy, and objectivity of the Group's financial statements;
- b) analysis of significant provisions of the Group’s accounting policy and financial statements, including analysis and reporting of high-risk and non-routine transactions, related parties transactions and operations, accounting of which requires significant assumptions or subjectivity while applying respective requirements of the US Securities and Exchange Commission (hereinafter, “the SEC”) and the International Financial Reporting Standards (hereinafter, “the IFRS”), the Russian accounting standards and other current legislation;
- c) 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;
- d) analysis in cooperation with the management and the external auditor of the annual financial statements and related documents that are submitted to the SEC, Central Bank of the Russian Federation and other regulatory authorities, in order to determine the completeness and consistency of the reported information, including fair and grounded assessment of the Group’s position, performance and outlooks;
- e) consideration of the substantive issues and judgments regarding the Group's financial statements, judging on the level of comprehension by the management of the process of interim financial information preparation, as well as the character and the extent of participation of Internal Control and Audit Functions (hereinafter, “IC&A”) and the external auditor;

- f) analysis in cooperation with the management and the external auditor of the Group's interim financial information, before submission to the regulatory authorities, in order to estimate the completeness and consistency of information.

## **2.2 In risk management and internal controls:**

- a) overseeing the adequacy and effectiveness of the Group's risk management, internal control and corporate governance systems, including the assessment of risk management and internal controls effectiveness, corporate governance practices of the Group, and the formulation of proposals for improvement:
  - (i) of risk management system,
  - (ii) of internal controls system, including the systems of information technology and technological security,
  - (i) of corporate governance system;
- b) analysis and evaluation of risk management and internal controls procedures execution, review and analysis of the reports regarding the appraisal of the internal control system and business risks, significant findings and recommendations contained in such reports, as well as review of the feedbacks and actions taken to remedy the deficiencies;
- c) review with the CEO and CFO how they are meeting their obligations under the certification requirements of Sections 302 and 906 of the Sarbanes-Oxley Act;
- d) overseeing the procedures used to ensure the Group's compliance with laws (including anti-corruption, antimonopoly legislation and others), as well as with ethical standards, the Group's rules and regulation, the requirements of stock exchanges;
- e) consideration in cooperation with the management and the external auditor any cases of law violation (including anti-corruption laws), fraud and significant deficiencies in internal control and risks management procedures;
- f) analysis and evaluation of conflict of interest management procedures' execution;
- g) consideration of related parties transactions.

## **2.3 In internal and external audit:**

- a) ensuring independence and objectivity of the internal and external audit functions;
- b) review of the internal controls and audit policy;
- c) review of IC&A plan of activities and the respective budget for audits;
- d) consideration of the appointment (removal) of the Director of Internal Controls and Audit, and his/her compensation;
- e) consideration of the existing unjustified limitations of IC&A powers or the audit budget constraints, which may hinder IC&A performance;
- f) review of the results of IC&A audits, analysis of IC&A reporting, and evaluation of IC&A performance, including the approval of IC&A KPI and evaluation of KPI achievement;
- g) on a regular basis, meet with the Director of Internal Controls and Audit to discuss any matters that the Committee or the above parties believe shall be confidentially discussed;
- h) evaluation of the 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 Public Company Accounting Oversight Board (“the PCAOB”), including statements regarding non-audit services linked to the external auditors relationships with the Group;

- i) overseeing the process of external audit and evaluation of the quality of audit and audit opinion;
- j) ensuring the efficient interaction between IC&A and the Group's external auditors, assessment of coordination between activities of IC&A and of the external auditors in order to monitor the completeness of applied audit procedure, to avoid duplications, and to ensure the efficient utilization of the resources available for carrying out of audit procedures;
- k) review of the external auditors’ proposed audit scope and approach to ensure that all of the Group’s main business risks are effectively covered;
- l) development and oversight of the compliance with the Group's procedures setting the principles of provision and combination of audit and non-audit services by the auditor.
- m) preliminary approval of audit and non-audit services. With respect to the provision of non-audit services, other than services related to tax and internal controls over financial reporting, the Committee may establish pre-approval policies and procedures. Provided the policies and procedures are detailed as to the particular service and the Committee is informed of each service, and such policies and procedures do not include delegation of the Committee responsibilities under the US Securities Exchange Act of 1934 to management. The pre-approval requirement is waived if:
  - (i) the aggregate amount of all such services provided constitutes no more than five percent of the total amount of revenues 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 to be non-audit services; and
  - (iii) such services are promptly brought to the attention of the Committee and 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 has been delegated by the Committee.

In connection with the pre-approval of permissible non-audit services related to tax and internal control 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 its independence.

The authority to grant pre-approvals 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.

- n) review of the independent auditor’s reports and opinions on the Group’s financial statements. The results of the Committee’s review of the independent auditor’s reports and opinions shall be included in the materials submitted to the annual general meeting of shareholders of MTS.
- o) evaluation and oversight of the compliance by the external auditor with the provisions prohibiting certain services and activities 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, or financial statements preparation;
- (ii) financial information systems design and implementation;
- (iii) appraisal or evaluation services, fairness opinions, or contribution-in-kind reports;
- (iv) actuarial services;
- (v) internal audit services;
- (vi) perform management functions or human resource-related services;
- (vii) broker or dealer, investment adviser, or investment banking services;
- (viii) legal services and expert services unrelated to the audit;
- (ix) services related to marketing, planning, or opining in favor of the tax treatment of, a transaction classified as confidential transactions or as aggressive tax position transactions;
- (x) tax services for persons in financial reporting oversight roles;
- (xi) any other services that the PCAOB determines, by regulation, as prohibited.

#### **2.4 In prevention of fraud of the Group's employees and third parties:**

- a) overseeing 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;
- b) establishing and overseeing the procedures on accepting and processing of the complaints regarding accounting, internal controls over preparation of financial statements and audit issues including the procedures for confidential anonymous submission by the Group's employees regarding questionable accounting or auditing matters;
- c) overseeing the special investigations on suspected fraud, allegations of corruption, unfair use of insider or confidential information;
- d) overseeing the implementation of the actions taken by the Group's management in response to the facts of reporting on the suspected fraud of employees, and on other violations;
- e) analysis 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;
- f) review of the reports on work of the Unified Hotline of MTS Group companies.

#### **2.5 In compliance with ethical standards and conflict of interest management:**

- a) overseeing the compliance with ethical norms, analysis and assessment of implementation of the conflict of interest management policy;
- b) development of the recommendations on improvement of MTS Code of Business Conduct and Ethics;
- c) assessment of MTS compliance with the Code of Business Conduct and Ethics, ethical principles, and improving the level of the corporate culture;
- d) elaboration of the opinion on the issues of conflicts of interests of MTS employees, analysis of the conflict situations causes;

- e) review of the reports of MTS Disciplinary Committee on the violation of the Code of Business Conduct and Ethics, ethics conflicts, results of reviews of employees' messages on the unethical conduct by MTS employees.

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

- 3.1. The Committee shall consist of at least 2 (two) members. The Committee may include only members of the Board of Directors and not include the Group's employees. All members of the Committee must be the independent directors. Independence of the Board of Directors members shall be determine in accordance with the criteria of independence provided for in the Statute of the Board of Directors of MTS.
- 3.2. Number of the Committee members shall be approved by a resolution of the Board of Directors. The Board of Directors shall nominate the candidates to the Committee. The MTS Board of Directors shall approve the individuals composing of the Committee by a simple majority of votes.
- 3.3. Appointment, the number of members and the individuals composing of the Committee of the Board of Directors shall be decided, as a rule, during the first meeting of the Board of Directors after its re-appointment. Powers of the Committee members shall be terminated from the moment of the termination of powers of MTS Board of Directors.
- 3.4. The Board of Directors shall appoint the Chairman of the Committee to be responsible for the Committee's operating control. The Board of Directors may also decide to appoint a deputy to the Chairman of the Committee performing the duties and having the powers of the Chairman of the Committee when the latter is unable to participate in the Committee meetings.
- 3.5. In accordance with Annex A hereto, and the regulations of the SEC, the Committee shall nominate at least one member of the Committee as an expert in finance.
- 3.6. The Committee shall be able to engage in its activities the Group's employees, representatives of shareholders, representatives of the external auditor, and other individuals.
- 3.7. If needed, the Committee shall be able to conduct additional meetings and closed meetings with the external auditors, IC&A, and with MTS management to discuss any matters, what, in the opinion of the Committee or the above-mentioned parties, require to be discussed confidentially.
- 3.8. The Committee shall be able to exclude any person (persons) from participation in a meeting or from discussion of an individual item of the agenda, if from the Committee's perspective there is an existence of conflict of interest.
- 3.9. Powers of any member of the Committee may be terminated at any time by the decision of the Board of Directors, by the initiative of its members, the Chairman of the Committee, and the Committee member.
- 3.10. The Chairman of the Committee and the Committee members shall be able to terminate their powers by sending a respective notice to the Chairman of MTS Board of Directors and the Chairman of the Committee.

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

4.1. Members of the Committee shall have the rights to:

- a) request and obtain information and documents under competence of the Committee from MTS officials, members of the Board of Directors, Management Board, Revision Committee, external auditor and IC&A;
- b) request that the Committee meeting be held, propose an agenda for discussion by the Committee;
- c) request that their dissenting written opinion be recorded in the minutes of the Committee meeting;
- d) use the services of external consultants as agreed with the Chairman of the Committee.

4.2. Members of the Committee shall be obliged to:

- a) attend (participate in) the Committee meetings, and take an active part in preparation and discussion of agenda items to be reviewed at the Committee meetings;
- b) take part in the Committee's decision-making process by voting on agenda items;
- c) meet with MTS management and the external auditor in order to analyse significant matters of financial statements, key provisions of the accounting policy, and audit results;
- d) interact with IC&A, review and analyze the reports of the external auditors and IC&A on the internal controls assessment;
- e) 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;
- f) evaluate 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 result of reviews and investigations;
- g) take informed decisions by studying all necessary data (materials), conducting investigations and updating all the Committee members on the information concerning decisions taken;
- h) notify the Chairman of the Committee of inability to attend any particular meetings specifying the reason of such inability;
- i) act reasonably and in a good faith when taking decisions in order to promote the interests of MTS shareholders and stakeholders;
- j) fulfill assignments of the Chairman of the Committee;
- k) refrain from disclosing information classified as confidential or commercial secret, which becomes known to them, keep the issues in discussion as confidential, refrain from disclosing inside information to third parties or using it to their own personal benefit or to the benefit of their affiliates, in compliance with the internal regulations of MTS;
- l) obtain approval from the Chairman of the Board of Directors, from the Chairman of the Committee, regarding any of their actions made on behalf of MTS or the Committee.

4.3. Member of the Committee shall refrain from:

- a) actions which will lead or potentially may lead to a conflict between his/her personal interests and the interests of the Group, and in the case of such conflict - shall disclose information on such conflict to the Committee and the Board of Directors;

- b) voting on the matters, where the decisions are relevant to his/her personal interests. In this case, the member of the Committee shall immediately disclose to the Committee via the Chairman of the Committee or the Secretary of the Committee the fact of such interest and the reasons creating it.
- 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 discharge its duties.
- 4.5. Within the scope of powers vested in it by this Regulation and the Board of Directors, the Committee may request and the management of the Group shall provide to the Committee the required financial and other resources to pay for services of an independent 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.
- 4.6. The Committee members shall be responsible to the Board of Directors of MTS for the quality and results of the Committee's decisions or the assignments of the Chairman of the Committee.

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

- 5.1. The Chairman of the Committee shall be responsible for the performance of the Committee and for the accomplishment of its objectives.
- 5.2. The Chairman of the Committee shall:
  - a) organize the development of the Committee's work plan and submit it for the Committee's approval;
  - b) organize activities and convene the Committee meetings, and chair the meetings;
  - c) determine the format, date, time, venue, and agenda of the Committee meetings;
  - d) define the list of persons invited to the Committee meetings;
  - e) organize taking the minutes at the Committee meetings, and sign minutes of the Committee meetings;
  - f) distribute the responsibilities among members of the Committee;
  - g) give instructions to the members of the Committee with regard to in-depth research on particular matters and preparation of documents to be reviewed at the Committee meetings;
  - h) report the Committee's performance results to the Board of Director of MTS;
  - i) supervise the execution of the decisions taken;
  - j) perform other functions arising from the Committee's goals and tasks.
- 5.3. The Secretary of the Committee shall be approved by the Committee's decision and nominated by the Chairman of the Committee. In absence of the Secretary at a meeting, his/her functions shall be performed by the Secretary of the Board of Directors of MTS, or a person nominated by members of the Committee during the meeting. In accordance with his/her powers, the Secretary of the Committee shall:
  - a) draw up the work plan for the Committee on the basis of proposals of members and the Chairman of the Committee;

- b) prepare and send out notices approved by the Chairman of the Committee of forthcoming meetings and documents related to agenda items submitted by the responsible persons;
- c) collect the voting ballots in case of absentee voting of the Committee;
- d) prepare minutes of the Committee meeting, prepare extracts from minutes of the Committee meetings and get them signed;
- e) safekeep minutes and materials of the Committee meeting,
- f) fulfill any assignments given by the Chairman of the Committee.

## **6. PROCEDURES OF THE COMMITTEE**

- 6.1. The Committee shall work in accordance with this Regulation and the Committee's work Plan approved in accordance with articles 6.2 - 6.4 hereof.
- 6.2. The Committee's work Plan shall be developed on the basis of the Board of Directors' work plan, and recommendations of the Committee Chairman and members for a period of one calendar year. The Committee's work Plan shall be approved, as a rule, during the first meeting of the Committee after its re-appointment.
- 6.3. The Committee shall hold its meeting in accordance with the Committee's work Plan, and also when appropriate, but at least 6 (six) times a year, and provided that:
  - a) at least one meeting shall be held to discuss the plans of IC&A and external audit for the forthcoming year, matters that may arise during preparation of financial statements and approval of the cost of audit services;
  - b) at least one meeting shall be held to discuss the results of external audit, activities of IC&A, and approval of action plans to remediate the breaches/deficiencies identified by external/internal audits;
  - c) one meeting shall be held before the issuance of a press-release on the annual results (annual financial statements) in order to discuss the performance results of the Group and the annual audit results;
  - d) three meeting shall be held before the issuance of interim financial press-release (financial statements) based on the first, second and third quarter results, respectively, in order to discuss the results of the Group performance and the financial statements review results for the quarter.
- 6.4. The Committee's work Plan may be amended by decision of the Committee based on the proposals received from members of the Committee.
- 6.5. As necessary, the Committee may hold additional meetings, in particular to discuss the accounting issues and other matters, which the Committee consider important for the Group's activities.
- 6.6. The Chairman of the Committee may invite other persons to attend a meeting. Those members of the Board of Directors who are not members of the Committee shall be entitled to participate in the Committee meetings on invitation of the Chairman of the Committee.

## **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) working days before the meeting. Documents covering the agenda items of the Committee meetings shall be submitted not later than 3 (three) working days before the date of the meeting to the Secretary of the Committee by the person responsible for the preparation of the item, in the form of a presentation or otherwise. Documents covering the agenda items shall provide all necessary and sufficient information to enable the Committee members to take informed and unbiased decision on the item of the agenda. The Committee Secretary shall distribute the materials to members of the Committee not later than 2 (two) working days before the date of the Committee meeting.
- 7.2. In the case the timeframe set in Article 7.1 hereof for distribution of the materials to members of the Committee can not be met due to non-availability of the documents (improper quality of preparation of the documents) on items of the agenda, the Committee Secretary shall immediately inform the Chairman of the Committee of this fact and propose to exclude the respective item (items) from the Committee agenda. The Chairman of the Committee shall be entitled to take decision on the exclusion of the respective item (items) from the Committee agenda, or cancel or postpone the Committee meeting based on the review of the materials. The notice of exclusion of the respective item (items) from the Committee agenda, the cancellation or postponement of the Committee meeting on behalf of the Chairman shall be prepared by the Secretary of the Committee and sent to the Committee members not later than one day prior to the scheduled date of the Committee meeting.
- 7.3. In exceptional cases, by decision of the Chairman of the Committee, the notice of the meeting and the documents covering the agenda items may be distributed not later than one day before the date of the meeting.
- 7.4. The Committee meetings may be held in the form of joint presence of the Committee members or in exceptional cases in the form of absentee voting on the agenda items.
- 7.5. A Committee meeting shall be qualified (have a quorum) if attended (participated) by a majority of the elected members of the Committee.
- 7.6. A Committee meeting shall be opened by the Chairman of the Committee.
  - a) The Committee Secretary shall determine the presence of a quorum for holding the Committee meeting. 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. If a Committee member is absent from the meeting, but has provided his/her written opinion, it shall be acceptable for determining presence of a quorum and results of voting on items of the agenda of the Committee meeting. The written opinion shall be signed by the Committee member and contain full printed name;
  - b) The Chairman of the Committee at the meeting shall inform the attendants of presence of a quorum for holding the meeting, and announce the agenda;
  - c) In absence of the quorum the meeting shall be announced as unqualified. In this case the Chairman of the Committee shall take one of the following decisions:
    - (i) through consultation with attendees of the meeting, shall set the time to which the meeting is postponed;
    - (ii) set the date of a new meeting of the Committee with an agenda including the items, which have to be discussed;

(iii) includes the items, which had to be discussed at the failed meeting in the agenda of the next scheduled meeting of the Committee.

- 7.7. The Chairman of the Committee shall take the decision on holding an absentee voting of the Committee.
- a) In case of an absentee voting, members of the Committee shall obtain ballots for voting in addition to documents on items of the agenda;
  - b) Member of the Committee shall complete voting ballots for each item put to a vote by crossing out all but one voting options («in favour», «against», «abstained»). Committee member shall sign the completed voting ballot and write in his/her surname and initials;
  - c) 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, via facsimile, or 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;
  - d) 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;
  - e) A voting ballot made with violation of article b) hereof, shall not be included in the count of votes on the respective item of the agenda;
  - f) 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;
  - g) If a voting ballot completed by a member of the Committee regarding one or several items on the meeting's agenda has several voting options not crossed out, such ballot shall be deemed to be invalid, and shall not be included in the count of voting result in the part of voting on the respective item (items) of the agenda of the Committee meeting.
- 7.8. The Committee shall take decisions during its meetings by simple majority of votes of the elected members of the Committee. For taking decisions during the meetings, each member of the Committee shall have one vote. Passing of vote from one member of the Committee to another member of the Committee or other person shall not be permitted.
- 7.9. The Committee Secretary shall draw up minutes based on the results of the Committee meeting. The minutes of the Committee meeting shall include the following:
- a) date, time, and venue of the meeting;
  - b) list of participants of the meeting including the members of the Committee and the invited persons;
  - b) agenda of the meeting;
  - r) proposals and comments made in the course of discussion of items considered;
  - д) voting results and decisions taken on items considered.
- 7.10. The Committee Secretary shall draw up the draft minutes not later than 2 (two) working days after the date of the meeting. The Committee Secretary shall obtain approval of the draft minutes by the Chairman of the Committee, and shall send its out via email to the members of the Committee. The Committee members shall be able to send to the Committee Secretary their motivated amendments (changes) to the draft minutes of the meeting based on results of review of the draft minutes on the day of its submission. The Committee Secretary shall communicate the proposals received from members to the Chairman of the Committee. Having reviewed the proposals received within the timeframe referred to above, the Chairman

of the Committee shall be able to decide on inclusion of the additional information in the minutes or to refuse to include this information in the minutes.

- 7.11. The Committee meeting minutes approved by the Chairman of the Committee shall be signed in one original copy by the Chairman of the Committee and the Secretary of the Committee not later than 3 (three) working days after the meeting. The Committee meeting minutes shall be attached the documents approved by the Committee's decision, and in case of absentee voting – voting ballots.
- 7.12. The Committee member having a dissenting opinion on item of the agenda shall be able to provide a written opinion to the Chairman of the Committee. Such opinion shall be prepared by a member of the Committee, and submitted to the Committee Secretary not later than the next working day after the date of the Committee meeting. The written opinion shall be attached to the Committee minutes.
- 7.13. The Committee Secretary shall e-mail scanned copies of the minutes (extracts from the minutes) to all members of the Committee, to the Secretary of the Board of Directors, and to appointed executives not later than 2 (two) working days after the date of signing the minutes.
- 7.14. The original copy of the minutes with attachments and absentee voting ballots (in case of absentee voting), if approved, shall be delivered for storage to the Secretary of MTS Board of Directors not later than 5 (five) working days after its signing.
- 7.15. The Committee annually shall submit to the Board of Directors of MTS report on the results of its activities. Consideration and provision of the report on results of activities of the Committee, as a rule, shall be at the last Committee meeting before the General meeting of shareholders of MTS, the agenda of which contains the item of election of MTS PJSC Board of Directors in its new composition.

## **8. FINAL PROVISIONS**

- 8.1. This Regulation, as well as changes and amendments hereto shall be approved by decision of the Board of Directors of MTS in accordance with the Charter and the internal document regulating activities of MTS Board of Directors.
- 8.2. The Regulation on the Committee, information on the composition of the Committee may be placed on the website used by MTS for information disclosure by the decision of the Chairman of the Committee approved by the Chairman of the Board of Directors. The Committee Secretary shall be responsible for arranging the disclosure and the compliance with the information referred to herein with decisions of MTS Board of Directors.

## ANNEX A

### DEFINITIONS/RECOMMENDATIONS

Article 3.5 of the Regulation reads as follows: "In accordance with Annex A hereto, and regulations of the US Securities and Exchange Commission, 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 in to 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 knowledge of finance, or acquire knowledge of finance within a reasonable period of time after their appointment. The Board of Directors shall determine whether this requirement is met.

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 area of preparing of financial statements**

At least one member of the Committee shall have professional experience in the area of accounting or financial management. The Board of Directors shall determine whether this requirement 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 appropriate level (e.g. experience as Chief Executive Officer/Chief Financial Officer, or as manager responsible for financial controls).

#### **3. Expert in the area of finance**

Interpretation of this definition may be further provided by the US Securities and Exchange Commission; therefore, the requirement referred to below shall only be the basic requirements 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 controls procedures, understanding the Committee's objectives.