

The background is a solid black field decorated with various geometric shapes. There are several red triangles of different sizes and orientations, some with white outlines. A prominent white triangle points to the right in the upper left. Another white triangle points to the right in the lower left. A large white triangle points to the right at the bottom right corner. Small red plus signs are scattered throughout the background. A red line starts from the top left and extends diagonally across the page. In the top right, there are several parallel red lines. In the bottom right, there is a red circular pattern resembling a target or a spiral.

EXPLANATORY NOTE

on proposed amendments to the Regulations
+ on the Management Board of MTS PJSC

The proposed draft Regulations on the Management Board, as amended, contain a number of single-point changes intended to bring the Regulations in compliance with best corporate governance practices, as well as the procedure for the Management Board meetings, which is actually in place in the Company.

1. It is suggested that the Regulations should reflect the role of the Board of Directors and the Remuneration and Nomination Committee of the Board of Directors in the planning of personal appointments of the Management Board members and ensuring the continuity in the Management Board activities. It corresponds to the procedures actually in place in the Company for preliminary consideration of respective issues by the Remuneration and Nomination Committee. The importance of planning the succession of the Management Board members and the role of the Remuneration and Nomination Committee is emphasized in the Code of Corporate Governance recommended by the Bank of Russia (Letter of the Bank of Russia No. 06-52/2463 as of April 10, 2014), in accordance with which the objectives of the Nomination Committee should include an analysis of the Company's current and expected requirements for professional skills of members of executive bodies and other key officials of the Company, dictated by the interests of the Company's competitiveness and development, and the planning of succession with respect to the said persons (clause 186 of the Code).

Following this line of reasoning, it is proposed to entrench corresponding provision at the level of internal document of the Company, i.e. the Regulations on the Management Board (clause 2.4 of the Regulations in the proposed wording).

Similarly, it is suggested that an update should be given on clause 2.6 of the Regulations that the terms of the contract with a Management Board member should be pre-reviewed by the Remuneration and Nomination Committee of the Board of Directors and, based on its proposals, approved by the Board of Directors. This is consistent with the Charter of the Company and the Regulations on the Remuneration and Nomination Committee, as well as the procedure actually in place in the Company.

2. For the purposes of improving the wording and insuring the underlying logic of the document, it is proposed to exclude clause 3.2, which, in the latest version, states which reports are to be prepared and submitted by the Management Board to the Board of Directors for consideration. Taking into consideration that the competence of the Management Board is established by the Charter of the Company, and the Regulations on the Management Board contain, in terms of the competence, a general reference to the Charter (clause 3.1 of the Regulations), it is proposed, following this logic, to exclude clause 3.2 containing the description of only one of many competencies of the Management Board from the Regulations.

3. It is proposed to make editorial and updating changes to clause 3.5 of the Regulations relating to the conflict of interest of a Management Board member. Particularly, it is proposed to state that the Management Board member should abstain from voting on any issue considered by the Management Board, where a conflict of interest is present, rather than only on issues relating to approval of transactions with conflict of interest. Furthermore, it is proposed to provide for that the Management Board member should notify of the present conflict of interest not only the Board of Directors but also the Chairman of the Management Board, which appears to be more logical, taking into account that the Management Board member should abstain from voting and thus the Chairman of this body must know the reason for the abstention. Item 3.6 is excluded. The Conflict of interest scenarios, including competitors' share ownership cases, are regulated in high detail by the Code of Corporate Conduct and Business Ethics of MTS PJSC, as well as by the Policy

“Management of conflicts of interest at MTS PJSC”, so the Regulation on MTS PJSC Board of Management should be aligned with these documents.

4. It is proposed to supplement the Regulations with the new clause 3.9 stating that the Management Board member shall be permitted to hold concurrently positions in management bodies of other organizations, as well as engage in employment with other employers (except for the scientific, teaching and creative activities) only with the consent from the Board of Directors. This is consistent with the provisions of the Charter (clause 34.9). With a view to insuring proper compliance with this procedure, it is proposed to supplement the Regulations with the obligation of the Management Board member to inform the Chairman of the Board of Directors of his/her plans to take a position in management bodies of other organizations or engage in employment with other organizations.

5. It is proposed to make a clarification to clause 3.10, governing the responsibility of Management Board members for decisions taken by the Management Board, in terms of release from responsibility of the Management Board member who did not participate in the voting: such release is possible only if he/she acted in good faith. This is consistent with the provisions of Article 53.1 of the Civil Code of the Russian Federation.

6. It is proposed to extend clause 3.13 of the Regulations, generally containing the obligation of the Company to insure professional liability of Management Board members, through more detailed description of what liability it refers to. Proposed amendments correspond to equivalent provisions of the Regulations on the Board of Directors in respect of insurance of liability of Board of Directors members.

7. It is proposed to bring the contents of Chapter 5 of the Regulations on the planning of the Management Board activities and convocation of its meetings in compliance with established practices of the Management Board:

- clause 5.1 is proposed to be supplemented with the clarification that meetings shall be conducted, on the average, twice a month (instead of the current wording “not less than twice a month”);
- plan of activities of the Management Board shall be drawn up on a yearly basis but not on a monthly basis and be approved by the Management Board not later than ten (10) business days before the beginning of the planning period (clauses 5.2, 5.3 of the Regulations).

8. It is proposed to adjust a number of procedural and technical matters relating to conduct of meetings, consideration of issues and sending voting ballots in absentee voting to bring them in compliance with the established practices in the Company:

- it is proposed to stipulate in the Regulations that meetings can be conducted using electronic communication means (clause 7.1 of the Regulations);
- it is proposed to expressly establish that invited persons may attend meetings of the Management Board only on the condition that they comply with local policies and regulations of the Company in the area of protection of insider and confidential information (clause 7.2 of the Regulations) since, in practice, in such cases, special procedures are carried out which are provided for by local policies and regulations of the Company (entering of invited persons to the list of insiders, etc.);
- it is proposed to provide for the possibility of signing meeting minutes by the Management Board Chairman and Secretary using electronic signature (clause 10.2 of the Regulations);

- it is proposed to provide for the possibility of video recording of meetings (clause 8.7 of the Regulations) instead of the obligatory meeting recording by the Secretary, stipulated in the current version, since, in practice, records are kept only if necessary for the purpose of drawing up minutes in a correct manner and are not maintained thereafter, just like materials for meetings are not maintained in hard copies (clause. 10.7);
- it is proposed to make more specific the procedure for providing completed absentee voting ballots by the Management Board members, and the form thereof (clause 9.7 of the Regulations).