

APPROVED

by the Board of Directors
of Mobile TeleSystems
Public Joint Stock Company
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INTERNAL AUDIT POLICY
OF MOBILE TELESYSTEMS
PUBLIC JOINT STOCK COMPANY

2023

1. GENERAL PROVISIONS

- 1.1. This Internal Audit Policy of MTS PJSC (hereinafter the “Policy”) is developed in accordance with the applicable legislation of the Russian Federation, the Corporate Governance Code¹, the International Professional Practices Framework adopted by the International Institute of Internal Auditors (the “IIA”) and the Charter of MTS PJSC (hereinafter the “Company”) and other internal regulations of the Company.
- 1.2. The Policy sets goals, objectives, responsibilities, operating principles and authority of internal audit units of the Company and subsidiaries (hereinafter the “Subsidiaries”), as well as the principles of interaction between the internal audit units of the Company and Subsidiaries with the Board of Directors, the Audit Committee and the management of the Company and the Subsidiaries.
- 1.3. The internal audit function in the Company is carried out by the Internal Audit of the Corporate Center, MTS PJSC (hereinafter the “IA”), in the Subsidiaries with a decentralized internal audit function – by internal audit units of the Subsidiaries², in the Subsidiaries with a centralized internal audit function – by the Internal Audit.
- 1.4. The IA and internal audit units of the Subsidiaries govern their activities by adherence to the mandatory guidance of the Institute of Internal Auditors, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

2. INTERNAL AUDIT GOALS AND FUNCTIONS

- 2.1. The internal audit goal is to assist the Company’s shareholders and management in increasing the shareholder value of the Company and improving its operations by performing objective audits and providing consultations seeking to enhance efficiency of the internal control system, risk management, and corporate governance of the Company.
- 2.2. The internal audit functions are as follows:
 - 2.2.1. To assess corporate governance efficiency and provide recommendations for its improvement:
 - ❑ Assessment of the observance of shareholders' rights, including of those of controlled companies, and effectiveness of interaction with stakeholders.
 - ❑ Review of the process for setting goals of the Company, monitoring of and control over their achievement.
 - ❑ Evaluation of the decision-making process both at the strategic and operating level in the Company.
 - ❑ Examination of compliance with ethical principles and corporate values of the Company specified in the Code of Business Conduct and Ethics.
 - ❑ Assessment of the regulatory support and communication procedures (including with respect to internal controls and risk management) at all governance levels of the Company, inclusive of interaction with all stakeholders.
 - ❑ Examination of compliance with the procedures for information disclosure regarding the Company's and controlled companies' performance.

¹ Approved on 21 March 2014 by the Board of Directors of the Bank of Russia and recommended for application by the joint stock companies having their securities accepted for organized trades (Letter of the Bank of Russia No. 06-52/2463 dated 10 April 2014).

² The Subsidiaries with a decentralized internal audit function are MGTS PJSC, MTS Bank PJSC, RTC JSC and MTS Armenia CJSC.

- 2.2.2. To assess reliability and efficiency of risk management and provide recommendations for its improvement:
- ❑ Examination of sufficiency and maturity of the risk management elements for effective risk management (objectives and targets, infrastructure, organization of processes, regulatory and methodological support, interaction of structural units within the risk management system and reporting).
 - ❑ Verification of risk identification and assessment by the Company's management at all levels for completeness and correctness.
 - ❑ Review of effectiveness of risk management activities, as well as control procedures, including the effectiveness of use of resources allocated for these purposes.
 - ❑ Analysis of the information about the materialized risks (on the basis of internal audit findings, failures to achieve the set targets, court proceedings).
- 2.2.3. To assess reliability and efficiency of the internal control system and provide recommendations for its improvement:
- ❑ Analysis of compliance of the objectives of business processes, projects and products with those of the Company. Determination of sufficiency of the criteria established by the executive bodies to analyze achievement of the targets set.
 - ❑ Identification of deficiencies in risk management, internal controls and corporate governance that prevented (prevent) the Company from meeting the targets.
 - ❑ Examination of credibility and integrity of business processes and information systems, including reliability of procedures for combating unlawful acts, abuse and corruption.
 - ❑ Assessment the extent to which the Company's business processes, projects and products performance achieve the targets set.
 - ❑ Assessment of the actions taken (implemented) by the Company at all management levels to eliminate violations and defects, and improve internal controls.
 - ❑ Inspection of effectiveness and feasibility of resource usage.
 - ❑ Audit of the assets protection the safeguarding of assets.
 - ❑ Verification of compliance with the legislation, the Charter and in-house documents of the Company.
 - ❑ Assessment of validity of accounting (financial), statistical, management and other statements provided, determining the extent to which the performance of business processes and structural units of the Company conforms to the targets set.

3. INTERNAL AUDIT OBJECTIVES

- 3.1. The internal audit main objectives are as follows:
- 3.1.1. To carry out scheduled and unscheduled internal audits based on a risk-focused approach to provide an independent assessment of internal controls, risk management and corporate governance efficiency in the Company and Subsidiaries in accordance with the internal audit objectives.
- 3.1.2. To prepare recommendations to improve internal controls, risk management and corporate governance in the Company and Subsidiaries, and provide support to the Company's management in developing remedial actions following the conducted audits and exercising control over their implementation.

3.1.3. To develop and implement IT analytics and digital tools for data analysis for ongoing monitoring of risk indicators based on the performance of business processes, projects and products, and enhancing audit procedures.

3.1.4. To provide consulting services (advices, recommendations, etc.) to the management, the Board of Directors, the Audit Committee under the Board of Directors (hereinafter the “Audit Committee”) and shareholders of the Company to support and improve internal controls, risk management and corporate governance in the Company.

Consulting services are provided with maintaining the independence and objectivity of the IA and avoiding the adoption of managerial decisions by the IA.

3.1.5. To carry out an independent analysis of the economic feasibility and compliance with the rules and regulations when approving related-party transactions by using risk assessment ranking criteria (high, medium, low). The results of the analysis are submitted to the Audit Committee.

3.1.6. To report to the Board of Directors/the Audit Committee on the performance of the IA and internal audit units in the Subsidiaries, including the reports on material risks, deficiencies, results and effectiveness of remedial actions, execution of the internal audit plan, assessment of the actual status, reliability and efficiency of risk management, internal controls and corporate governance.

3.1.7. To register and coordinate investigations related to the reports sent to the Unified Hotline, as well as to review these reports in the area of the IA's responsibility. Within the coordination, a preliminary assessment of the received reports is conducted and a unit responsible for the review arrangement is determined as per the criteria specified in RP-319 “Processing of the Unified Hotline Reports of MTS Group”.

To prepare and provide consolidated information to the Board of Directors/the Audit Committee and the management of the Company, as well as to inform MTS Group employees on the performance of the Unified Hotline of MTS Group.

3.1.8. To coordinate activities, planning and preparation of reports, as well as to provide methodological support for internal audit units in the Subsidiaries with a decentralized internal audit function.

3.1.9. To coordinate activities and exchange information with other assurance functions of the Company, the external auditor of the Company and the parties providing advisory services concerning risk management, internal controls and corporate governance.

4. INTERNAL AUDIT OPERATING PRINCIPLES AND AUTHORITY

4.1. The internal audit constitutes a function independent of the Company's management that provides the Board of Directors/the Audit Committee with independent and objective assurance and advice seeking to increase the value of the Company and improve its operations.

4.2. The IA independence is ensured by dividing the functional and administrative accountability. The IA is functionally accountable to the Board of Directors/the Audit Committee and administratively – to the CEO of the Company.

4.2.1. The functional accountability includes consideration and approval of the following by the Board of Directors/the Audit Committee:

The Internal Audit Policy determining goals, objectives, functions, operating principles and authority of the internal audit units;

The internal audit strategy, annual audit plan and key amendments thereto during a calendar year, resource plan, internal audit budget and KPI;

- ❑ Internal audit reports, including the internal audit performance, KPI accomplishment, assessment of the internal audit compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors, and other internal audit issues;
- ❑ Decisions on the appointment, dismissal from the position, terms of the employment contract with the Internal Audit Director (hereinafter the “IA Director”), including the remuneration amount;
- ❑ Significant restrictions on the IA authority or other limitations that may have a negative influence on the performance of the internal audit function.

4.2.2. The administrative accountability encompasses:

- ❑ Obtaining the required resources within the IA approved budget;
- ❑ Providing reports on the IA performance;
- ❑ Ensuring compliance with the procedure for enacting policies and regulations in relation to the IA activities;
- ❑ Distribution of the order enacting the audit plan for a relevant year after its approval by the Board of Directors/the Audit Committee.

4.3. The IA and internal audit units of the Subsidiaries should not participate in any activities that may impair or be perceived as having a negative impact on the organizational independence of the function or individual objectivity of an employee.

The IA Director and employees who previously held positions in other structural units of the Company must not participate in the audit of the functions that they performed during the audited period and within 12 months after the completion of such activities.

The IA Director should not manage the functional areas of the Company that require the adoption of managerial decisions in relation to the audited entity.

The IA Director confirms the IA organizational independence for the Board of Directors/the Audit Committee on an annual basis.

4.4. The employees of the IA and internal audit units of the Subsidiaries should have sufficient knowledge of the activities of the Company and Subsidiaries, methods of internal audit and data collection, their analysis and assessment in connection with the performance of job duties.

The employees of the IA and internal audit units of the Subsidiaries improve their knowledge, skills and other competences through continuous professional development.

4.5. The IA employees should comply with confidentiality with respect to any facts become known to them during the performance of their job duties.

4.6. In the course of their activities, the IA and internal audit units of the Subsidiaries are authorized:

- ❑ request any information, including confidential one (in accordance with the effective regulations and procedures) requisite to perform their job duties and assignments of the management;
- ❑ obtain unrestricted access to any assets, documents and book entries in a written format, inclusive by email, as well as;
- ❑ conduct interviews, ask any employees questions necessary for achieving the audit goals.

The IA and internal audit units of the Subsidiaries are eligible receive the resources of the Company and Subsidiaries necessary for them to conduct audits, as well as involve external consultants and experts.

- 4.7. The IA Director may participate in the meetings of the Board of Directors, its Committees and executive bodies of the Company.

The IA Director may directly contact the Chairpersons of the Board of Directors and the Audit Committee and conduct regular meetings for discussing any issues that, as he/she thinks, need to be negotiated confidentially.

- 4.8. When outsourcing certain audits or internal audit tasks, for instance, advisory assignments, the responsibility for their performance and results is vested in the IA Director.

5. ANNUAL PLANNING OF THE INTERNAL AUDIT FUNCTION ACTIVITIES. AUDITING

- 5.1. The IA Director draws up a risk-based audit plan for a relevant year specifying internal audit priorities subject to the Company's goals. The plan is approved by the Board of Directors/the Audit Committee.

- 5.1.1. When developing the IA annual audit plan, the main information sources are results of the performance assessment of all Company's business lines ranked by risk level and proposals from the management and the CEO of the Company for including certain business processes, projects and products of the Company and Subsidiaries in the plan.

When preparing the annual audit plan, the results of risk assessment conducted by the management within the integrated risk management in MTS Group and by other assurance functions of the Company are taken into account.

- 5.1.2. The annual audit plan is revised and amended, if necessary, in case of changes in business processes, risks and control procedures. The amended plan is approved by the Board of Directors/the Audit Committee.

- 5.1.3. A detailed description of the annual planning of the IA activities is given in RP-013 "Auditing by the Internal Audit Function, Corporate Center, MTS Group".

- 5.2. Any audit is focused on obtaining reasonable assurance about the effectiveness of the internal controls, risk management and corporate governance, as well as on providing practical recommendations for remediation of identified deficiencies.

A set of rules for carrying out the IA audits is determined by RP-013 "Auditing by the Internal Audit Function, Corporate Center, MTS Group".

- 5.2.1. The audit planning includes a determination of the audit objectives and scope, development of the audit approach and allocation of resources.

- 5.2.2. The audit program specifies the procedures for collecting, analyzing, assessing and documenting information during the audit that is necessary for the risk assessment of the audited business process, project or product and for testing the current controls. The IA Director or a person authorized thereby approves the audit program.

- 5.2.3. In order to provide qualitative recommendations, auditors conduct a root-cause analysis that constitutes a streamlined approach to determining a root cause for the identified deficiency and developing remedial actions.

- 5.2.4. Following the audit, a report is generated that reflects as follows:

- a description of the scope of work, indicating the time period covered by the audit;
- audit findings;
- a summary proving the findings;
- a description of risk or control assessment criteria, or another criteria underlying the findings;

- ❑ actions designed to remediate deficiencies identified during the audit and improve risk management, internal controls and corporate governance;
- ❑ information on the limitation of the scope of work and data on all related projects, if applicable.

5.2.5. The audit report approved by the IA Director is sent to the owner of the audited business process, project or product, or the head of the Subsidiary.

The IA reports are confidential and their contents shall not be disclosed to any external users or other recipients without permission from the IA Director.

5.2.6. The implementation of the remedial actions is monitored by the audit leaders or other IA employees depending on / taking into consideration their experience and expertise.

6. CONSULTING SERVICES

6.1. The internal audit consulting services in the Company include consultations and recommendations provided by the IA, the character and content of which is coordinated with a party receiving the advice (hereinafter the “Customer”), focused on assisting the Customer and improving corporate governance, risk management and internal controls. The scope of the consulting engagement, the responsibility issues and other expectations of the Customer, including limitations on distribution of results and access to documents are subject to agreement with the Customer.

6.2. When performing consulting services, in order to maintain objectivity, the IA does not assume responsibility for managerial decisions. If the IA employees have potential impairments to independence or objectivity relating to proposed consulting services, disclosure should be made to the Client prior to accepting the engagement.

6.3. Work programs for consulting engagements may differ by form and scope, depending upon the nature of the engagement, and include procedures required and sufficient for achievement of the approved engagement goals. The IA Director or a person authorized thereby approves the consulting engagement program.

6.4. The results of the consulting engagement in the form of a report are provided to the Customer. The subsequent monitoring of the actions following the engagement is performed within the scope coordinated with the Customer.

7. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

7.1. The IA supports the internal audit quality assurance and improvement program intended to assess compliance of the IA activities with the International Standards for the Professional Practice of Internal Auditing and adherence to the Code of Ethics of the Institute of Internal Auditors by the IA employees.

The program includes ongoing monitoring and regular self-assessments, as well as an external assessment of the IA performance.

7.2. The ongoing monitoring is performed during the year through exercising control over the quality of each audit.

7.3. A regular self-assessment is conducted by the IA at least once a year to prove efficiency of the ongoing monitoring, compliance of the IA activities with the International Standards for the Professional Practice of Internal Auditing and adherence to the Code of Ethics of the Institute of Internal Auditors by the IA employees.

Within the regular self-assessment, the quality of audits conducted by the IA and internal audit units of the Subsidiaries is checked, as well as the quality and timeliness of monitoring of the remedial actions implementation following the audit results.

If necessary, after the regular self-assessment, actions are worked out to improve the quality and develop the activities of the IA and internal audit units of the Subsidiaries.

- 7.4. The external assessment is conducted by an independent and qualified assessor at least once in five years to ensure that the IA activities comply with the International Standards for the Professional Practice of Internal Auditing and the IA employees adhere to the Code of Ethics of the Institute of Internal Auditors.
- 7.5. The IA Director informs the Board of Directors/the Audit Committee on the internal audit quality assurance and improvement program results on an annual basis.

8. THE INTERNAL AUDIT FUNCTION IN SUBSIDIARIES

- 8.1. The Subsidiaries with a decentralized internal audit function have own internal audit units.
The IA and internal audit units of the Subsidiaries may conduct joint audits.
The IA coordinates the activities, planning and preparation of reports, as well as provides methodological support for the internal audit units of the Subsidiaries.
- 8.2. With respect to the Subsidiaries with a centralized internal audit function, the IA ongoing monitors risk indicators based on the performance of business processes of the Subsidiaries via use of IT analytics. Following the monitoring, a decision on the audit of the relevant Subsidiary is taken.
- 8.3. This Policy does not require or have any direct and unconditional performance or effect with regard to the Subsidiaries and their employees; it serves as a guideline for them.
Any rights, duties or requirements for the Subsidiaries and their employees mentioned herein are provided to describe the interaction procedures when performing internal audit functions in the Subsidiaries.
The respective rights and duties of the Subsidiaries and their employees concerning the interaction with the Company and its employees in the internal audit area are set by internal regulations of the Subsidiaries.

9. FINAL PROVISIONS

- 9.1. The need for and frequency of revising this Policy is determined by the IA Director.
- 9.2. This Policy, amendments and additions hereto are approved by the Board of Directors of the Company in the manner stipulated by the Charter and in-house document of the Company governing the performance of the Company's Board of Directors.