

Annex 17

to Minutes No 12-20 dd

21 December 2020

of the meeting of the Board of


Directors of Sistema PJSFC

on 18 December 2020

**POLICY ON INTERNAL AUDIT
AT SISTEMA PJSFC**



Moscow
2020

	<p>Policy on internal audit</p>	<p>For internal use only</p>
--	---------------------------------	------------------------------

Contents:

1. DOCUMENT PROFILE3

1.1. Purpose of the document.....3

1.2. Access and frequency of revision.....3

1.3. Control over the versions of the document.....3

2. TERMS AND DEFINITIONS.....3


3. GENERAL3

4. POWERS OF THE UNIT IN CHARGE OF INTERNAL AUDIT4

4.1. Authority of the internal audit unit.....4

5. PRINCIPLES OF OPERATION AND REPORTING LINES4

6. POWERS OF THE UNIT IN CHARGE OF INTERNAL AUDIT5

 АКЦИОНЕРНАЯ ФИНАНСОВАЯ КОРПОРАЦИЯ СИСТЕМА	Policy on internal audit	For internal use only
--	--------------------------	-----------------------

1. DOCUMENT PROFILE

1.1. Purpose of the document

This Policy on Internal Audit (hereinafter referred to as "the Policy") of Sistema PJSC (hereinafter, "the Corporation" or "Company") lays out the goals, objectives, and work principles for the Corporation's division performing internal audit functions (hereinafter, "the internal audit unit").

1.2. Access and frequency of revision

Type of document:	Internal policy		
Summary:	Policy on internal audit at Sistema PJSC		
Maximum frequency of revision:	2 years	Minimum frequency of revision:	1 year
Access:	For internal use only		

1.3. Control over the versions of the document

Version No	Date of version	Drafted by: job title	Drafted by: name	Summary of amendments
1	22/10/2014	Director for Internal Audit Methodology	A. Menshikova	Document first created
2	20/10/2020	Director for Operational Audits	V. Smirnova	Document updated

2. TERMS AND DEFINITIONS


Internal control is a set of actions performed by the Board of Directors, executive bodies and employees of the Corporation at all management levels aimed at obtaining reasonable assurance that the Corporation ensures:

- efficiency and effectiveness of its activities, including the achievement of financial and operational indicators and safety of assets;
- reliability, completeness and timeliness of financial and other reporting;
- compliance with applicable laws and regulations, as well as internal documents of the Company.

Internal Audit is an activity aimed at providing independent and objective audits based on the risk-oriented approach and consultations to help the Corporation's governance bodies to improve the effectiveness and productivity of administration, risk management, internal control and corporate governance processes; identify irregularities in the operations of the Corporation and its subsidiaries (affiliates) (hereinafter, "S/As"); and oversee remediation thereof.

3. GENERAL

This Policy has been prepared in compliance with Russian law, the Corporation's Charter (hereinafter "the Charter"), the Terms of Reference of the Board of Directors and Board Committees, other internal regulations of the Corporation, and recommendations of international professional organisations and standards existing in internal control and audit (e.g., the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and International Internal Audit Standards).

 <p>АКЦИОНЕРНАЯ ФИНАНСОВАЯ КОРПОРАЦИЯ СИСТЕМА</p>	Policy on internal audit	For internal use only
---	--------------------------	-----------------------

This Policy is binding on all employees of the Corporation and must serve as a guideline for employees of the Corporation's S/As.

This Policy is subject to approval by the Corporation's Board of Directors and shall come into effect following a corresponding order. The Policy may be declared null and void by the Corporation's Board of Directors.

Responsibility for updating this Policy rests with the Chief Executive Auditor of the Corporation.

4. POWERS INTERNAL AUDIT

The goal of the unit in charge of internal audit shall be helping the Corporation's shareholders and management to increase the shareholder value and improve the financial and business performance.

4.1. Authority of the internal audit unit


The internal audit unit shall have the following functions:

- performance of independent audits of individual operations, processes and units;
- assessment of the reliability and effectiveness of risk management and internal control, and preparation of recommendations on their improvement; audit of the effectiveness of control procedures and their alignment with the risk level;
- audits of completeness and correctness of identification and assessment of material risks;
- assessment of effectiveness of measures taken to respond to risks and keep them within the Company's risk appetite;
- audits of the Company's compliance with and promotion of ethical principles, principles of sustainable development and corporate values;
- audits of the Company's goal-setting procedures, monitoring and control of goal achievement;
- audits of the Company's process of adopting strategic and operational decisions;
- assessing the corporate governance system, preventing violation of law and the Corporation's regulations, ensuring observance of professional and ethical standards, and preparing recommendations for improvement thereof;
- developing recommendations to remedy deficiencies identified and monitoring remediation thereof;
- ensuring uninterrupted functioning of the Single Whistleblowing Hotline;
- administering internal investigations, including internal ones;
- monitoring compliance with the Corporation's internal regulations.

5. PRINCIPLES OF OPERATION AND REPORTING LINES

Functional independence of the internal audit unit from the Corporation's management is a mandatory condition enabling the unit to properly perform its duties and make fair judgments.

The internal audit unit shall be managed directly by the Chief Executive Auditor of the Corporation. The Chief Executive Auditor of the Corporation shall report to the President (administrative reporting line) and the Corporation's Board of Directors (functional reporting line).

 <p>АКЦИОНЕРНАЯ ФИНАНСОВАЯ КОРПОРАЦИЯ СИСТЕМА</p>	Policy on internal audit	For internal use only
---	--------------------------	-----------------------

The Chief Executive Auditor of the Corporation shall be appointed and dismissed by an Order of the Corporation's President pursuant to a resolution passed by the Corporation's Board of Directors after pre-approval by the Ethics and Control Committee of the Board of Directors.

Internal audit priorities shall be determined based on annual internal audit work plans prepared in accordance with the risk-oriented approach. Annual work plans of the internal audit unit shall be considered by the Ethics and Control Committee and Audit, Finance and Risk Committee at a joint committee meeting in December of the year preceding the year for which the plan is adopted. Annual work plans of the internal audit unit shall be approved by the Board of Directors.

The Board of Directors, Audit, Finance and Risk Committee, the Ethics and Control Committee, and the President may request surprise audits to be performed at any time.

The internal audit unit shall keep the Audit, Finance and Risk Committee, the Ethics and Control Committee of the Board of Directors and the President informed about audit findings and the quality of execution of remediation plans prepared by the management based on audit findings.

The internal audit unit shall make annual and semi-annual reports on their performance results to the Ethics and Control Committee and the Audit, Finance and Risk Committee at joint committee meetings.

The internal audit unit shall keep the Board of Directors, the Ethics and Control Committee Audit, Finance and Risk Committee, and the President informed about any barriers preventing it from acting efficiently and performing its duties.

The internal audit unit is entitled to receive from the Corporation any resources reasonably required for audits and to hire independent consultants and experts.

For the purposes of individual objectivity and independence of the internal audit function:

- employees of the internal audit unit shall not participate in audits of business aspects they were responsible for at any time during the past year;
- employees of the internal audit unit shall possess skills and knowledge required for proper and competent performance of their duties.


Employees of the internal audit unit shall not participate in the following activities:

- combination of their direct duties with any operational activity within the Corporation, including preparation and execution of remediation plans, operational control procedures and transactions, risk management on behalf of the management, etc.;
- participation in the drafting of documents, approval of transactions, and other activities that become targets of audits they perform;
- instructing employees of other units of the Corporation, except when such employees participate in the audits.

6. POWERS OF THE UNIT IN CHARGE OF INTERNAL AUDIT

In furtherance of their duties, employees of the internal audit unit are entitled:

- to request and receive from the employees of the Corporation and S/As any information necessary for fulfilment of their job responsibilities, including confidential information (in line with the existing policies and procedures); to request and obtain free access to any employees, assets, documents and accounting records, information resources, materials and minutes of the meetings of collective bodies, and to make copies of documents;

	<p>Policy on internal audit</p>	<p>For internal use only</p>
---	---------------------------------	------------------------------

- to take photos and videos of the facts of the Company's operations during audits;
- to receive sufficient and complete explanations and clarifications, in verbal and/or written form, from any employees and heads of subdivisions of the Corporation and S/As on the matters related to the audit targets;
- to represent the Company in any organisations on matters falling within the remit of the internal audit unit when instructed by the senior management (subject to approval by the senior management of the Corporation);
- to engage on a contractual basis consulting and other firms and specialists to perform their functions and responsibilities (in line with policies and procedures in effect at the time);
- to interact with other units of the Corporation in line with internal regulations establishing the procedures for such interaction or as directed by head of the internal audit unit.

The internal audit unit is also entitled to:

- take part in the meetings of the board of directors / its committees and meetings of the Company's executive bodies;
- initiate the establishment of working groups and standing committees for accomplishment of tasks set for the internal audit unit;
- distribute work loads among the subordinates according to their qualifications and job responsibilities, and engage them in fulfilment of additional assignments necessary to perform the functions of the internal audit unit.
- approve appointments/dismissals of the heads of control units at S/As.