

Approved
by the Board of Directors
of Sistema PJSFC
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PUBLIC JOINT-STOCK COMPANY
SISTEMA
JOINT-STOCK FINANCIAL CORPORATION

CORPORATE GOVERNANCE CODE



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I. GENERAL PRINCIPLES OF CORPORATE GOVERNANCE

1.1. Mission and goals of Sistema PJSFC

Sistema PJSFC (hereinafter referred to as "the Corporation") is one of Russia's largest investment companies. The Corporation is active in global financial markets and participates in strategic alliances with global economic leaders.

The Corporation's mission reflects the shareholders' aspiration to develop a large competitive diversified business and deliver value to shareholders through creating sustainable leading businesses across a variety industries.

1.2. Corporate governance

The purpose of this Corporate Governance Code is:

- 1) to ensure that the rights and lawful interests of the Corporation's shareholders and other stakeholders are observed;
- 2) to ensure transparency and availability of information about the Corporation, its activities, its performance, its governance bodies, and its procedures and principles for decision-making with regard to the Corporation's development, and the essence of relevant decisions;
- 3) to create an atmosphere of openness, trust, and cooperation in relations between the Corporation, its shareholders, managers, investors, employees, partners, and other stakeholders.

This Code sets out the voluntary obligations of the Corporation in the field of the corporate relations that go above and beyond those prescribed by law. The Corporation confirms:

- 1) its intention to strictly abide by the standards and requirements of the laws and regulations, including those relevant to public joint stock companies and securities markets;
- 2) its intention to observe all the core principles of the Russian corporate governance code as well as internationally recognised standards and guidelines; and
- 3) its intention to ensure that its portfolio companies comply with all relevant legal requirements and best practice corporate governance standards.

1.3. Principles for building relations within the Group

The Corporation's main objective with regard to its portfolio companies is to increase value by contributing to their sustainable development in line with corporate responsibility principles.

When making management decisions, the Corporation takes due account of the interests of all its shareholders and investors, major consumers of the products produced by portfolio companies, and other stakeholders, including government bodies and employees of portfolio companies.

Where the Corporation does not possess a controlling stake in a given portfolio company, it seeks cooperation and partnership with other shareholders and uses its best endeavours to influence its partners to achieve the goals described herein.

To accomplish the above objectives, the Corporation shall:

- 1) formulate its general development strategy as that of a responsible investment company and contribute to the strategy formulation of its individual portfolio companies;

- 2) invest in the development of portfolio companies;
- 3) ensure coordination of activities and interaction between companies belonging to Sistema Group;
- 4) seek to create unified principles for the operation of governance functions across Sistema Group companies;
- 5) support companies of Sistema Group in the recruitment of highly skilled staff, preparation of succession pools, and organisation of trainings for executives and specialists;
- 6) provide expertise for the development of core businesses of its portfolio companies; and
- 7) promote the implementation of sustainability and corporate responsibility principles in portfolio companies.

The Corporation manages its portfolio companies via its representatives in their governance bodies.

1.4. Sustainability and corporate responsibility

Sistema PJSFC aims to build a competitive and sustainable business that meets the principles of social and environmental responsibility, and creates value for shareholders and a wide range of stakeholders in the long term.

The Corporation incorporates the following corporate responsibility principles into all strategic, investment, and operational decision-making:

- 1) Consideration of environmental, social and governance risks and opportunities when developing and implementing strategy, assessing investment opportunities and developing portfolio companies.
- 2) Integrity and transparency. The Corporation refines its management structures, policies and procedures to ensure compliance with applicable laws and good business practices. The Corporation also discloses material information about itself and its activities, including public non-financial reporting, thus enabling stakeholders to properly oversee its activities.
- 3) Respect for human rights. The Corporation promotes inclusivity and diversity, ensures equal opportunities, prevention of child and forced labor, protection of personal data, respect for labor and other fundamental human rights.
- 4) Ethics, loyalty and honesty in relations with partners, counterparties, and personnel. The Corporation develops and strictly observes its own Code of Ethics and provides comprehensive support to the development of business ethics in the companies of Sistema Group.
- 5) Employee care. The Corporation seeks to provide its employees with decent and safe working conditions and fair compensation. It shall develop and implement programmes designed to create conditions for enhancing qualifications and education, expand the scope of health insurance, develop sports, culture, volunteering, and charity opportunities, and promote other social activities for the benefit of its employees.
- 6) Focused allocation of financial and intellectual resources on promoting innovation and developing businesses in industries that can bring substantial social, economic and technological benefits to the regions and local communities in which the Corporation operates.
- 7) Respect for the environment. The Corporation seeks to ensure responsible resource management and environmental safety of production processes, products and services.
- 8) Investment in socially impactful projects and programmes through the Sistema Charitable Foundation and the charitable activities of Sistema Group companies.

The Corporation is a participant of the United Nations Global Compact aimed at promoting general values and principles for corporate responsibility, and the Social Charter of Russian Business – a set of fundamental principles of responsible business practice adopted by the Russian Union of Industrialists and Entrepreneurs.

II. CORPORATE GOVERNANCE AND CORPORATE PROCEDURES

2.1. General shareholder meetings and preparation for general shareholder meetings

Sistema PJSFC is committed to providing the best possible conditions for shareholders to participate in general meetings. To this end, the Corporation assumes additional responsibilities with respect to annual and extraordinary general meetings of shareholders and the preparation for such meetings. These responsibilities are set out in the Terms of Reference of the General Meeting of Shareholders. In accordance with AGM procedures prescribed by law and the Corporation's internal regulations, the Corporation seeks to:

- 1) formulate agendas and resolutions in a way that allows for no misinterpretation;
- 2) announce voting results before the end of the meeting, and disclose reports on voting results and information on resolutions passed by the General Meeting of Shareholders on the Corporation's website;
- 3) clearly communicate the procedure for determining powers and registering shareholders and/or their representatives;
- 4) ensure that physical General Meetings of Shareholders are attended by the Board of Directors, Board of Directors' nominees, representatives of the auditing commission, and an independent auditor, as well as the Corporation's other senior executives;
- 5) prepare the order for consideration of agendas, and provide shareholders with ample opportunity to ask questions to the Corporation's Board of Directors and senior executives as well as other persons participating in the discussion of various agenda items;
- 6) secure the shareholders' rights to seek clarifications from the Corporation's officials on any items of agendas;
- 7) secure the shareholders' rights to request copies of their voting ballots upon conclusion of the meeting and announcement of voting results; and
- 8) provide shareholders with copies of minutes of meetings by e-mail or other means, upon written request.

2.2. Formation and organisation of the Board of Directors

The Board of Directors (hereinafter "the BOD") of Sistema PJSFC plays a key role in:

- 1) determining the development strategy for the Corporation and its investment portfolios;
- 2) forming the executive management team and controlling its performance;
- 3) securing rights and interests of the Corporation's shareholders and investors with regard to the Corporation's long-term development prospects;
- 4) deciding upon the most important aspects of the Corporation's business activities; and
- 5) defining the Corporation's strategic sustainability priorities, and having oversight of sustainability performance.

The role of the Board of Directors is governed by:

- 1) A broad Terms of Reference of the Board of Directors, as described in the Corporation's Charter;
- 2) strict requirements applied to BOD members, their experience, and qualifications;
- 3) the use of advanced corporate governance practices; and
- 4) an efficient incentive system for BOD members.

The scope of the BOD's duties is governed by the Corporation's Charter. The procedure for decision-making, rights, obligations, and responsibilities of BOD members are governed by the Terms of Reference of the Board of Directors.

Formation of the Board of Directors

The Corporation aims to ensure that the BOD consists of highly qualified specialists possessing the diverse knowledge, skills, and expertise the Corporation needs. For these purposes, the BOD's committee in charge of issuing recommendations with regard to candidates to be elected to the Corporation's BOD (hereinafter "the Committee") formulates recommended priority areas for development of the Corporation's competences and qualification criteria to apply to BOD members. The Corporation strives to ensure diversity when forming the BOD.

For the purposes of objectivity and soundness of decisions made, the Corporation aims to make sure that the BOD includes independent directors duly nominated and appointed by the Corporation's shareholders.

Before nominating BOD members, shareholders consult the Committee, ensure that the proposed candidate is interviewed, and decide on nomination of candidates to the Corporation's BOD, taking due account of the Committee's recommendation.

Organisation of the activities of the Board of Directors

The Board of Directors shall conduct meetings in accordance with its schedule. The most important matters shall be discussed solely at physical meetings. For the purposes of preparation and preliminary review of documents on the most important matters requiring Board approval, the BOD shall have specialised committees in place.

Shareholders possessing two or more percent of the Corporation's shares are entitled to initiate extraordinary Board meetings and request that particular matters be put on BOD agendas.

The procedure for preparation of and participation in Board meetings, as well as for documentation of BOD resolutions, shall aim to make as efficient use of the time and competences of Board members as possible.

The procedure for Board meetings and preparation thereof shall be governed by the Board-approved Terms of Reference. The Terms of Reference shall provide for:

- 1) preliminary notification of Board members regarding meetings scheduled and provision of materials in accordance with the agenda in the form most convenient to such members, including formats generated using information systems;
- 2) participation of representatives of the Corporation's management authorised to provide information and clarifications, as may be necessary for the BOD to make informed decisions on matters discussed in Board meetings;
- 3) preliminary consideration of matters to be submitted to the BOD for review by relevant Board committees;
- 4) ongoing notification of BOD members about the most important events happening in the Corporation;
- 5) access for BOD members to additional information and resources required for them to perform their duties;
- 6) maintenance of an efficient system for control of execution of the BOD's decisions.

2.3. Executive management of the Corporation

Day-to-day work of the Corporation shall be managed by the President, who shall also be the Chairman of Sistema PJSFC's Management Board.

The President shall possess comprehensive professional qualifications, experience in managing large companies, and an impeccable personal reputation.

The President shall refrain from any actions that can lead to a conflict of interest between the President and the Corporation. Should such a conflict occur, the President shall notify the Corporation's Board of Directors accordingly.

The President shall provide the Corporation's BOD with quarterly and annual reports on operational performance and the Corporation's financial status.

Collective decision-making on matters of management of the Corporation's day-to-day activities requiring comprehensive discussion shall be performed by the Management Board. The scope of duties of the Management Board is reflected in the Corporation's Charter and the Terms of Reference of the Management Board of Sistema PJSFC.

The President and the Management Board may establish special Committees and task groups for preliminary discussion and analysis of specific matters pertaining to the management of the Corporation's day-to-day activities and consideration of investment projects.

The Corporation's organisational structure is subject to approval by the Corporation's Board of Directors.

The President shall develop and approve the descriptions of the Corporation's basic business processes for organisation of interaction of corporate subdivisions.

The incentive system applying to the Corporation's employees shall reflect best practices used in relevant markets and provide for motivation of employees to ensure the accomplishment of the Corporation's strategic goals.

2.4. Corporate Secretary

The Corporate Secretary is an official in charge of implementation of corporate governance rules and procedures adopted by the Corporation.

The Terms of Reference of the Corporation's Corporate Secretary are subject to approval by the Corporation's Board of Directors.

The Corporate Secretary shall be appointed and dismissed by order of the Corporation's President pursuant to a decision passed by the Board of Directors and shall report directly to the Chairman of the Board of Directors of the Corporation.

If necessary, the Corporation shall provide the Corporate Secretary with a dedicated office team.

III. PROTECTION OF INTERESTS OF INVESTORS AND SHAREHOLDERS

3.1. Material corporate actions

Material corporate actions are defined as actions which can lead to changes in the legal status of Sistema PJSFC and its property or substantially affect interests of the Corporation, its investors and shareholders.

The Corporation specifies the requirements for taking actions which can lead to fundamental corporate changes, including changes in the rights of the investors and the shareholders.

The requirements are set in order to provide investors and shareholders an opportunity to influence decision making regarding material actions. The requirements shall ensure transparency of the procedure for deciding on and implementing these actions and the proper disclosure of information regarding the consequences of the actions for the Corporation.

The following actions are considered as material corporate actions:

- 1) Reorganisation of the Corporation.
- 2) Purchase of over 30 percent of voting shares of the Corporation.
- 3) Settlement of transactions which are subject to the approval procedure for large-scale transactions, related party transactions, transactions involving persons related to the Corporation, and privileged transactions.
- 4) Making amendments and additions to the Corporation's Charter which limit the rights of investors and shareholders.
- 5) Other actions and events which lead to fundamental corporate changes.

Information on material corporate actions shall be disclosed in accordance with the requirements of the legislation in force and the Regulation on the Information Policy of the Corporation.

When making decisions on matters qualifying as material corporate actions or potentially resulting in corporate conflicts, the Corporation's Board of Directors shall perform comprehensive analysis of decisions proposed and formulate the final decision, taking into account legal interests of all parties concerned to the fullest possible extent.

When analysing the conditions of large-scale transactions and related party transactions, as well as other material corporate actions, the Board of Directors shall rely on the opinions of independent directors. Special committees and task groups may be established for organising this process. Such committees and task groups shall be provided ample opportunity to access resources required for the above analysis.

Should the Corporation participate in any reorganisation requiring a conversion of shares, the market value of shares involved in the conversion shall always be determined by a highly reputable independent appraiser.

3.2. Corporate conflicts

Sistema PJSFC acknowledges the relationship between effective performance and due prevention of corporate conflicts (disagreements and disputes between the governing body and the investors, the shareholders of the Corporation and other related persons or between the shareholders) and aspires to avoid corporate conflicts.

The Corporation adheres to the principle of preventing and settling emerging conflicts in a timely manner. In order to improve the efficiency of activities aimed at prevention and settlement of corporate conflicts, the Corporation shall create mechanisms for their timely and full identification, as well as strict coordination of the activities of all bodies of the Corporation involved in the settlement of the conflicts.

The Corporation intends to make a clear distinction between the competences of all its governing bodies in terms of settlement of corporate conflicts in accordance with their competences to make decisions on specific matters.

In order to provide objective assessment of a corporate conflict and create conditions for its effective settlement, persons whose interests are or may be involved in the conflict shall not take part in related or relevant decision-making processes.

Should it be impossible to settle a conflict through mutual agreement, the conflict shall be settled in court.

3.3. Register and dividends

Sistema PJSFC aims to create the most favourable terms for the shareholders to use their rights to administer their shareholdings. To this end, the Corporation shall charge a leading licenced registrar with keeping the register of the Corporation's shareholders.

The Corporation shall also hire a first-class depositary bank to keep records of the Corporation's global depositary receipts.

The Corporation views capital growth as an important method of honouring the interests of shareholders with regard to income to be derived from equity holding in the Corporation.

When there is profit, the Corporation shall give to its shareholders an equal and fair opportunity to participate in the profit by receiving dividends. In order to calculate the dividends, the Board of Directors shall approve the Corporation's dividend policy.

The dividend policy defines the principles and recommendations regarding the conditions on which dividends shall be announced, the order of the calculation of the size of dividends, and the order of payments of dividends.

The executive bodies of the Corporation provide full and timely payment of announced dividends.

Dividends shall be paid in cash in due time as defined by the Corporation's Charter and by the decision of the General Meeting of Shareholders., or within a shorter time period.

3.4. Procedures for control, audit, and risk management

Sistema PJSFC aspires to constantly improve the quality of corporate governance through an effectively operating system of internal control and risk management, as well as internal audit.

Organisation of internal control and audit, preparation of recommendations for choosing independent auditors, and coordination of activities with regard to internal control and audit fall within the scope of responsibilities of the Corporation's Board of Directors and BOD Audit and Finance Committee.

Internal control and audit shall be performed by specialised units whose heads shall be appointed and dismissed by order of the Corporation's President pursuant to a decision of the Board of Directors.

The Corporation's Board of Directors shall approve an internal regulation governing the internal control and audit procedures.

The Corporation shall take measures to create and support an efficient internal control and audit system applying to Sistema Group companies.

The Corporation shall regularly issue audited reports in compliance with Russian and international standards. To ensure the highest quality of audit of the reports, the Corporation shall use competitive bidding for choosing independent auditors. The core terms and conditions of contracts to be signed with independent auditors are subject to approval by the Corporation's Board of Directors.

The Corporation gives highest priority to managing risks the Corporation faces, including sustainability risks, and thus creates a mechanism for timely risk identification and mitigation. The Board of Directors shall regularly review the reports of the Corporation's executive functions containing the analysis and assessment of relevant risks.

IV. INFORMATION DISCLOSURE

Sistema PJSFC views the availability of information on the Corporation's activities, financial and non-financial performance as an important mechanism for ensuring control of the Corporation's activities on the part of its shareholders, the state, and society as a whole.

The scope, methods, and time for public disclosure of information as well as provision of information to shareholders and other parties shall be governed by the Regulation on the Information Policy as approved by the Corporation's Board of Directors.

The Corporation shall regularly prepare and disclose consolidated financial reports in compliance with international standards along with non-financial information about its performance.

The Corporation has a specialised investor relations department in charge of communications with the investor community. The principal duty of the department is ensuring efficient two-way communication between the Corporation and the investment community aiming to achieve fair market valuation of the Corporation's securities.

The Corporation has approved a list of documents constituting trade secret, as well as an internal regulation describing procedures for trade secret protection.

The Corporation has approved an inside information list and keeps a list of persons allowed access to inside information. Any and all agreements signed between the Corporation and such persons include clauses on the protection of inside information accessible to such persons.

CLOSING PROVISIONS

The BOD Committee in charge of supporting Sistema's corporate governance system shall ensure the observance of provisions hereof when drafting the Corporation's internal regulations and enforcing such regulations.

This Code is subject to revision and update as the Corporation's corporate governance systems develop and new corporate governance standards and requirements appear.