



SISTEMA
PUBLIC JOINT STOCK FINANCIAL CORPORATION

Annual General Meeting of Shareholders of Sistema PJSFC on 29 June 2019

Explanatory note
related to materials of the Annual General Meeting of Shareholders of Sistema PJSFC
on agenda items 6.1, 6.2, 6.3., and 6.4.
Approval of the new versions of the Charter of Sistema PJSFC and internal documents of
Sistema PJSFC regulating the work of the Company's governing bodies

Approval of the Charter and internal documents of Sistema PJSFC regulating the work of the Company's governance bodies falls within the remit of the Company's General Meeting of Shareholders (cl.1 of art.48 of Federal Law *On Joint-Stock Companies*, cl.27.1 of the Charter of Sistema PJSFC).

The need for approval of Sistema's revised Charter, Terms of Reference of the General Meeting of Shareholders, Terms of Reference of the Board of Directors, and Terms of Reference of the Management Board is triggered by recent material amendments in the Federal Law *On Joint-Stock Companies* (in particular, with respect to the work of governance and control bodies of public companies) and by the coming into force of new Bank of Russia regulations pertaining to the procedures for convocation of, preparation for, and conduct of general meetings of shareholders (Policy on General Meetings of Shareholders No.660-II dd 16 November 2018).

Draft new versions of the Charter of Sistema PJSFC, the Terms of Reference of the General Meeting of Shareholders of Sistema PJSFC, the Terms of Reference of the Board of Directors of Sistema PJSFC and the Terms of Reference of the Management Board of Sistema PJSFC were previewed by the Board of Directors on 29 March 2019 (Minutes No.03-19 dd 31 March 2019) and were recommended for approval by the the Annual General Meeting of shareholders of the Company.

As compared to the current version, the following amendments and additions are proposed to the Charter, the Terms of Reference of the General Meeting of Shareholders, the Terms of Reference of the Board of Directors and the Terms of Reference of the Management Board of the Company:

1. The scope of authority of the Company's governance bodies shall be modified in accordance with current law. In particular, the Board of Directors shall become responsible for internal control and audit and specifically for establishing the principles of and approaches to risk management, internal control, and internal audit. Considering that the Board of Directors has a broad scope of authority in internal control and internal audit and that the functions of the Audit Review Commission duplicate those of the Board's Audit, Finance and Risk Committee, provisions about the Audit Review Commission shall be removed from the Company's Charter and internal regulations in accordance with Federal Law *On Joint-Stock Companies*.
2. Several procedures for the preparation for, convocation of, and conduct of the General Meeting of the Company's Shareholders shall be brought up to date with current law and regulations.
3. Provisions governing the rights and obligations of shareholders shall be brought up to date with current law.